



ANACOM



AUTORIDADE  
NACIONAL  
DE COMUNICAÇÕES

# ANNUAL REPORT AND ACCOUNTS

# 2021

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STATEMENT OF  
THE BOARD OF  
DIRECTORS

## Statement of the Board of Directors

The Autoridade Nacional de Comunicações (Portuguese National Communications Authority – ANACOM) presents its 2021 Annual Report and Accounts. This document includes the main activities developed during the year, the balance sheet and income statement, and the Statutory Auditor's report. The Annual Report and Accounts is subsequently sent to the members of the Government responsible for the areas of finance and infrastructure and communications, for approval, and to the Portuguese Parliament, and is also made available on ANACOM's website.

ANACOM remains true to its mission of defending the public interest and protecting consumers and end users, and to its vision of continuing to create value for society through independent, transparent, sustainable, inclusive, and digital regulation of the communications sector, promoting market efficiency and thus reinforcing the trust of the entire communications sector ecosystem.

In the year under review, ANACOM continued the planned activities in its various areas of intervention, namely, defence of consumer rights and interests; market analysis and access to networks, infrastructure, and services; spectrum management; market supervision and oversight; sanctioning activity; and international representation. ANACOM's performance in 2021 was also marked by its response to requests from the Government, in the scope of its supporting roles in the communications area, as well as the adoption of measures compatible with the situations of state of emergency and calamity brought about by the pandemic caused by COVID-19, which required the addition of interventions to its multiannual plan of activities for 2021–2023, without prejudice to their fulfilment under the terms explained in this report.

ANACOM strengthened the articulation between the various instruments of regulation, supervision, and information management in the context of consumer protection and protection of other users of electronic communications and postal services and collaborated, in accordance with its powers, in actions related to broadband internet access in the scope of the universal service of electronic communications, thus contributing to better knowledge of the rights of communications consumers and to digital literacy.

Among the activities carried out by ANACOM in 2021, the measures adopted in the context of the so-called 5G auction, approved by Regulation 987-A/2020, stand out. In this context,

ANACOM has amended the Auction Regulation to allow the number of daily rounds to be increased to 12 and, subsequently, to inhibit the use of smaller increments in bidding. These measures sought to accelerate the pace of the auction and to prevent excessively extending it. The main bidding phase for 5G and other relevant bands ended in October 2021 after 1727 rounds, with 58 lots allocated to six operators. Total auction proceeds amounted to 566.8 million euros. This State revenue will be crucial for a set of important investments and public spending that will benefit all Portuguese people. Following the completion of the bidding phase of the auction, the rights to use the auctioned frequencies, including the 5G bands, were issued from November 2021.

During the year, ANACOM issued new authorisations for the temporary use of the radioelectric spectrum for technical tests and scientific studies, using various technologies and frequency bands, namely those relevant for the start-up of 5G in Portugal, in accordance with article 5(3) of Decree-Law 151-A/2000 of 20 July, as amended. The process was agile and innovative.

ANACOM chose to consult the market to assess the interest in making spectrum available in the 26 GHz band, which is one of the pioneer/priority bands for the development of 5G. This band allows coverage with a smaller dimension compared to the other frequency bands (700 MHz and 3.6 GHz), but with ultra-high capacity, enabling new business models and sectors of the economy to benefit from 5G.

Bearing in mind the importance of the development of 5G networks, ANACOM launched the “Towards 5G” Digital Guide, which addresses issues transversal to the deployment of electronic communications networks, regardless of the technology on which they are based.

Also in the area of spectrum regulation, ANACOM approved the renewal, until 21 April 2033, of the rights to use frequencies in the 900 MHz and 1800 MHz bands awarded to Vodafone Portugal – Comunicações Pessoais (VODAFONE) and MEO – Serviços de Comunicações e Multimédia (MEO). This renewal of frequency usage rights was accompanied by the enforcement of additional obligations to cover 100 parishes with low population density, in which these providers will have to provide a mobile broadband service with a minimum speed of 100 Mbps, covering at least 90% of the population.



With the migration process of the digital terrestrial television (DTT) network completed for the release of the 700 MHz band, with a view to its allocation in the scope of the 5G auction and other relevant bands, ANACOM, in the sphere of its competencies relating to spectrum management, initiated a number of prudential monitoring actions of technical verification of the band in question throughout the national territory. To that effect, ANACOM monitored the 700 MHz band to check that it was free of interference and unauthorised transmissions in different regions of mainland Portugal and in the Autonomous Regions of Madeira and the Azores. ANACOM also made available a report on the quality of the DTT network signal in mainland Portugal during 2020, which provides information on the quality of the DTT service, broadcast by operator MEO – Serviços de Comunicações e Multimédia (MEO), from the user's perspective.

ANACOM promoted cooperation activities with local authorities which contributed to the development of the communications sector throughout the country, especially in the area of infrastructure installation and management. The quality of service (QoS) of the mobile and internet networks was measured, with a view to providing information to consumers and other users, and studies were carried out on the performance of mobile voice and data services and the GSM (Global System for Mobile Communications – second generation Mobile Communications System – 2G), UMTS (Universal Mobile Telecommunications System – third generation Mobile Communications System – 3G), and LTE (Long Term Evolution – fourth generation Mobile Communications System – 4G) coverage provided by MEO, NOS Comunicações (NOS), and VODAFONE in a very significant part of the country, as well as inside the Alfa Pendular trains, along the entire length of the Braga-Porto-Lisboa-Faro railway axis.

The actions required within ANACOM's remit relating to emergency planning and security of communications were also carried out.

ANACOM approved final decisions on a number of matters, within the scope of its area of competence, regarding the preparation of the provision of the universal postal service after the expiry of the current contract, signed between the Portuguese Government and CTT – Correios de Portugal (CTT).

Within the framework of monitoring the provision of the universal postal service, the disclosure of the reports on the postal network and service offer and on the values of the

quality of service indicators (IQS) of CTT – the concessionaire of the universal postal service – in 2020 was carried out.

Also in the postal sector, ANACOM approved a provisional measure defining the objectives of postal network density and minimum service offer, to be in force until new objectives of postal network density and minimum service offer are approved, in accordance with the provisions of clause 15 of the universal postal service concession contract, whose Bases were approved by Decree-Law 448/99 of 4 November, and base XV of the aforementioned Bases, to be complied with by CTT.

ANACOM, in cooperation with the Government, has played a key role in the design of the new CAM Ring (undersea cable link between the mainland, the Azores, and Madeira), and also in ensuring that it is equipped with environmental seismic detection. This Ring will integrate the domestic branch (an optical fibre pair between Madeira and the Mainland) of the Ellalink submarine cable, which ensures the connection between Europe and South America. It is worth highlighting that ANACOM approved a reduction in the maximum prices of circuits between the mainland and the Autonomous Regions of the Azores and Madeira (CAM circuits), provided by MEO, and the maintenance of maximum prices of circuits connecting several islands of the Azores (inter-island circuits), within the scope of the reference offer of Ethernet capacity (ROEC), having thus contributed to the implementation of the national strategy of interconnection of submarine cables in Portugal, which enhances, namely, new services and allows greater knowledge in terms of seismic detection, environmental protection, and scientific research.

ANACOM allocated the right of use of short number 2424 to the Shared Services of the Ministry of Health (SPMS – Serviços Partilhados do Ministério da Saúde) to be used exclusively for sending short messages (SMS) to the population in the context of the implementation of the national plan of vaccination against COVID-19, including the sending of medical prescriptions and scheduling of appointments during that period.

Still on numbering, ANACOM approved Regulation 1028/2021 on the subassignment of E.164 numbers from the National Numbering Plan. This regulation allows numbers assigned by ANACOM to companies offering electronic communications networks and services to be subassigned to other companies, thus enabling the latter companies, when offering electronic communications services, to use those numbers by assigning them to end users of their own retail offerings. To that end, a contract must be signed between the



two concerned companies, which are required to ensure, namely, the conditions of use of the numbers and to guarantee all the rights of end users and subscribers, including the right to number portability.

On the internet social tariff, to comply with the provisions of Decree-Law 66/2021 of 30 July, ANACOM approved the following on 27 September: (1) the proposal on the value of the social tariff for the provision of broadband internet access services and corresponding public consultation report; (2) the proposal on the definition of the conditions required for the assignment, implementation, and maintenance of the social tariff for the provision of fixed or mobile broadband internet access services – specifying, inter alia, the conditions for the operationalisation of the tariff (3) the decision on the concept of excessive charge for the supply of broadband internet access service and the corresponding prior hearing and public consultation report; and (4) the decision on the definition of the bandwidth (throughput) and other quality of service parameters to be observed in the social tariff for the supply of fixed and mobile broadband internet access services and the corresponding prior hearing and public consultation report. The internet social tariff is made available by all companies that offer this type of service to consumers on low incomes or with special social needs and seeks to mitigate one of the barriers to the use of the broadband Internet access service, the high prices payable for access to it, promoting its use.

Finally, it should be noted that ANACOM renewed its intranet, developed a platform to support supervision, sanctioning area, and integration with Citius, completed the process of migrating 112 and 117 traffic to IP interconnection, and began the geographical survey of the coverage of electronic communications networks capable of providing a broadband service, provided for in EU Directive (2018/872) of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code. It also ensured all the conditions for auditing the security of electronic communications networks and services.

2021 was marked by the need to respond to a number of requests, including those not foreseen in the Activity Plan, which ANACOM continued to meet, despite the high demand. This performance was only possible thanks to the professionalism and dedication of all employees, whose performance and team spirit strengthened the Regulator as an independent, impartial, rigorous, and transparent entity. ANACOM's new organisational model, initiated at the end of the previous year, has also contributed to this, making it a

more agile, integrated and multidisciplinary Authority, better able to meet the various sectoral challenges in electronic communications, postal services, and spatial activities, now and in the future.



HUMAN  
RESOURCES

## Human Resources

The focus of ANACOM's strategic management of people in 2021 was centred on the change management process, as a critical determinant for the alignment, development, and motivation of employees and the reinforcement of organisational culture, through the communication of a common, comprehensive, and integrated vision, in which the new management teams, in alignment with the Board of Directors, played a decisive leadership role in the pursuit of this objective.

In this context, it is worth highlighting the implementation of a mobilising programme, of transversal impact, which sought to appeal to the participation of all employees in the development of important pillars so that this change can take place, endowing the structure with the necessary tools to give it continuity and ensure the Regulator's future sustainability.

In the pandemic scenario that characterised 2021, also important were the management dynamics in support of digital transformation and dematerialisation of processes, along with the adoption of measures aimed at continuing the process of adaptation to the organisational model initiated in the previous year and the effective endowment of resources to the structure and training of employees.

Also noteworthy is the stimulation of new approaches to access to knowledge and information in the context of digital mobility and the remote working model adopted in 2021, which predominantly guided the delivery of work at ANACOM in the year under review.

Finally, it is worth highlighting the start of ANACOM's process of accession to "iGen – Organisations for Equality Forum" in 2021, and the formalisation of its accession to the "Portuguese Charter for Diversity" and to the "Conciliation Pact", becoming part of the set of organisations committed to implementing initiatives that promote gender equality and diversity, and facilitate conciliation between professional, family, and personal lives, defending principles and values oriented towards well-being and quality of life.

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

- Implementation of the transversal organisational and cultural change management programme called Connected to the Future, whose mission was to clarify the objectives of the desired change and its associated benefits and challenges; to mobilise employees and foster a sense of urgency; to provide the necessary tools to make the desired behaviours and practices operational on a day-to-day basis and to train leaders, change agents, and experienced employees to be multipliers and ambassadors of the new culture and approaches.
- As part of the implementation of the organisational model, which began in 2020, an internal recruitment tender procedure was opened to select 30 coordinators who will take on the middle management of the teams that are part of the microstructure.
- Continuation of the processes of recruitment of young management staff under the initiatives carried out towards ANACOM's rejuvenation and future sustainability.
- Promotion of new online training and development platforms in the context of remote work and collaboration in virtual mode.
- Reinforcement of the digital transformation in people management, reflected in the dematerialisation of processes associated to the administrative management of documentation and treatment of information related to employees, promoting digital communication, and reducing paper consumption.
- Stimulation of remote working measures that promote a balance between employees' professional, family, and personal lives.
- Engagement and participation of the employees in multidisciplinary projects in a collaborative approach of sharing knowledge in the search for new ideas and solutions, fully embodying the 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, namely the Social Balance, the Single Report, among others.

### 1.1. Number and qualification

At the end of 2021, ANACOM's workforce showed the following distribution:

<b>Table 1.1 – Human resources used</b>			
	2021	2020	2019
1 – Permanent staff	383	377	382
2 – Requested by ANACOM	0	0	0
3 – Providing services in other entities	9	11	12
4 – Fixed-term contract employees	0	0	0
5 – Human resources used = (1)+(2)-(3)+(4)	374	366	370

In 2021, five employment contract terminations occurred, of which two were due to own initiative, one due to death, and two 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, especially ranked as junior, with a view to the rejuvenation of the staff.

The recruitment recorded in the same period, eleven senior managers, stemmed from the needs identified in the context of the organisational restructuring currently underway at ANACOM. ANACOM's staff also recorded differences in terms of its qualification structure in 2021 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.



## 1.2. Training and development

In the context of remote work developed wholly or partially in 2021, ANACOM reinforced its focus on online training seeking to meet training needs provided for in the plan or on an ad hoc basis, thus continuing the operationalisation of a development strategy increasingly focused on the digital landscape, with significant gains in the management of time, workspaces, and employee availability to participate in training actions.

Worthy of note is the new version of the Reception and Integration Programme, adapted to the virtual model, enabling newcomers to be quickly and effectively welcomed and involved in the organisation, helping them feel welcome and integrated into the teams and in ANACOM's purpose. The Programme also included the implementation of an e-learning tool that proved to be essential in communicating the desired information throughout the Programme. The volume of training hours, under the Reception and Integration Programme, represented 2% of the total.

In 2021, 159 training actions were carried out – internal, inter-company, or tailored to ANACOM – representing 13 thousand hours of training, a 4% growth compared to 2020.

The 13 thousand hours of training in 2021 included a diverse range of knowledge areas, with English language training (with 26% of the volume of hours), digital skills (10%) and knowledge of the activity and the organisation (which reached 8% of the volume of training hours) standing out.

The corporate informal digital training platform continued to play a fundamental role in the immediate continuity of the Regulator's training activity, thus enabling the updating of digital, behavioural, and management skills, representing 12% of the volume of training hours.

Internal training was also especially important in 2021, with a total of 982 participations and a volume of 1048 hours. Also noteworthy were the training actions and the webinars aimed at strengthening knowledge of the activity and of the organisation.

In 2021, a postgraduate course in information technologies, a master's degree in information security and cyberspace law, and two doctorates specialising in public policy were co-funded.

**Table 1.3 – Key training indicators**

	2021	2020	2019
Number of actions	159	504	254
Number of participations	2179	3662	1863
Number of training hours	13,263	12,349	11,686
Number of training hours/Average number of employees	35	34	31
Training costs (thousand euros)	187	111	138
Training costs/Personnel costs	0.8%	0.5%	0.6%
Training costs/Average number of employees (euros)	501	303	366

Note: For calculation purposes, it was considered that the average number of staff in 2021 was 374

The implementation of the training plan in 2021 represented a total investment of about 187 thousand euros, reflected in the accomplishment of 159 actions, with 2179 participations and 13,263 hours of training. This corresponded to an average of 35 hours and to an investment of 501 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 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 the 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

With effect from January 2021, all mandatory changes in salary position, progressions, and changes of level or rank resulting from the application of the professional career progression rules set out in ANACOM's Career Regulations were approved.

Also, within the scope of its human capital retention and development policies, professional evolution criteria were approved based on employee merit, under the terms described in the Regulator's collective labour regulation instrument.

In terms of recognition of employee performance and productivity, ANACOM maintained its use of instruments to recognise merit in the form of performance bonuses as a relevant part of the management and motivation of its people.

### 1.4. Selection and recruitment

Also in the context of the implementation of ANACOM's new organisational structure, the recruitment programme for professional profiles considered essential in preparing ANACOM for future needs continued, in order to ensure the rejuvenation, better adaptation of human resources to the challenges ahead, and the sustainability of the organisation.

To this end, the following tender procedures were carried out:

- Establishment of a pool of coordinators, through an internal recruitment process, to be selected later for thirty teams of the new microstructure to be coordinated. It should be noted that the completion of the selection phase for the corresponding teams has been carried over to 2022.
- Hiring of four senior technicians (geographical information systems administrator, specialist in geographical information systems, lawyer for the public procurement area, and financial specialist) – external recruitment.
- Conclusion of the processes initiated in 2020 for the hiring of 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).

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. Response to the COVID-19 pandemic**

Due to the COVID-19 pandemic, ANACOM implemented several measures to ensure a better adaptation to work carried out remotely, namely through the development of collaborative platforms for accessing and sharing information.

Work was carried out under the working time arrangements in force in the organisation, already applied in the previous year to the vast majority of ANACOM's employees, which continued to provide greater flexibility in the management of working hours and a better conciliation of professional life with family and personal life.

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

Throughout 2021, the following corporate initiatives were carried out to mobilise and involve employees in voluntary social and environmental participatory activities:

- In January 2021, ANACOM joined the Re-Food Movement, in an initiative against food waste, starting to deliver daily surplus meals from its headquarters canteen, and organised a campaign to collect recyclable plastic packaging for the food distributed daily by this organisation.
- The “Banco de Equipamentos” (Equipment Bank) campaign, which, in 2021, included the collection of electrical and electronic equipment (529 kg) for recovery, contributing to environmental sustainability and to endow charitable institutions with more efficient resources, and the donation of school books (96 kg) to be reused, with both campaigns having been promoted in partnership with the Bank of Donated Goods (Banco de Bens Doados – BBD).

TANGIBLE FIXED  
ASSETS,  
INTANGIBLE  
ASSETS AND  
INVESTMENT

## Tangible fixed assets, intangible assets, and investment

### Tangible fixed assets and intangible assets

In 2021, there was a reduction in investment in tangible fixed assets and intangible assets, which led to a decrease in the above-mentioned net assets (-10%).

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

	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
Gross tangible fixed assets and intangible assets	92,760,499	91,535,613	1,224,886	1%
Accumulated depreciation and amortisation	-76,348,694	-73,309,807	-3,038,886	4%
<b>Net tangible fixed assets and intangible assets</b>	<b>16,411,806</b>	<b>18,225,806</b>	<b>-1,814,000</b>	<b>-10%</b>

Unit: Euros

The increases in the accumulated gross values of the above-mentioned assets, as well as in the corresponding depreciations and amortisations, took place at different rates, with the increase in amortisations being higher, given that there was a strong investment in software and hardware in 2020, with high rates of amortisation, which implied a 10% decrease in 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**

	<b>2021</b>	<b>2020</b>
Total investment for the year	1,247,761	2,623,386
Deferred costs – renovation works	-5,981	-1,714
Depreciation and amortisation for the year	-3,054,672	-2,905,584
Net divestment (write-offs)		0
Settlements	-1,108	0
<b>Increase/(Reduction) of net assets</b>	<b>-1,814,000</b>	<b>-283,912</b>

Unit: Euros



## Investment

In 2021, contrary to the trend of recent financial years in which there was an accentuated volume of structural investment, there was a decrease in investment, notwithstanding the fact that the structural investments of a technical nature envisaged in the 2021–2023 three-year plan, necessary for the full execution of the tasks enshrined in ANACOM's Statutes, were implemented. In 2021, the project to reformulate/modernise the Spectrum Monitoring and Control Centre (CMCE – Centro de Monitorização e Controlo do Espectro) of the Madeira branch was completed, having transformed the vehicle into the new mobile spectrum monitoring and control station (MCE – *monitorização e controlo do espectro*) and continued the measures related to the digital transformation of the organisation with a view to improving internal working conditions and their technical quality.

**Table 2.3 – Investment volumes from 2012 to 2021**

<b>YEAR</b>	<b>VALUE</b>	<b>YEAR</b>	<b>VALUE</b>
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
2016	1,745,412	2021	1,247,761
<b>10-YEAR AVERAGE</b>	<b>2,542,933</b>		

Unit: Euros

The investment made in 2021 amounted to 1.25 million euros, below the average investment level recorded over the last 10 years.

The breakdown of the investments by nature was as follows:

<b>Table 2.4 – Investments by nature</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
Buildings and/or constructions	49,699	584,050	-534,351	-91%
Basic equipment	246,400	333,049	-86,649	-26%
Transport equipment	48,249	40,318	7,931	20%
IT equipment (hardware)	61,412	443,410	-381,998	-86%
Other tangible assets	71,124	153,787	-82,663	-54%
Intangible assets (software)	764,897	1,067,058	-302,161	-28%
Adaptation works	5,980	1,714	4,266	249%
<b>Overall total</b>	<b>1,247,761</b>	<b>2,623,386</b>	<b>-1,375,625</b>	<b>-52%</b>

Unit: Euros

In summary, the main areas of investment in 2021, by nature, in line with the investment that was being made in previous years, were as follows:

- (i) Investment in information systems (hardware and software), required both to develop ANACOM's activities and to improve the services provided to the market and consumers, by adapting technological infrastructure through the acquisition of the necessary hardware and software, constituted the most important part of the investment made, around 66% of the total.
- (ii) The investment in basic equipment through the acquisition of various support equipment for the technical areas of monitoring and control of the spectrum, radioelectric, and laboratories, namely regarding the transformation of the vehicle for the new MCE mobile station, representing around 20% of the investment made in 2021.
- (iii) Regarding infrastructures, continuity was given to the investment related to the projects to reformulate/modernise the CMCE in terms of works on buildings and facilities, with the CMCE of the Madeira branch having been completed.

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 2021 amounted to 246 thousand euros (333 thousand euros in 2020), applied to the following projects:

- Technological refurbishment project for spectrum monitoring and control (MCE), seeking to adequately equip ANACOM's operational services to carry out spectrum monitoring and control actions with the required quality, reliability, and availability. Within this scope, the investment in basic equipment took on greater significance, namely the acquisition of the equipment and the transformation of the vehicle for the new MCE mobile station, which amounted to approximately 126 thousand euros in 2021.

- Project for modernisation of the Testing and Calibration Laboratory (LEC).

The modernisation of the Laboratory Centre continued, focusing on the technological upgrading of the equipment, namely for laboratory accreditation purposes.

The TEMPEST capacity implementation project has started in collaboration with the National Security Office.

- 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). After more than 20 years in full operation, some components of the SINCRER were already in quite a bad state, and so the corresponding rehabilitation was carried out with interventions on several minor components of the system, so that its operability would not be jeopardised.
- Project to reformulate/modernise the image of the MCE Centres (CMCE), aimed at giving a more up-to-date and modern image to the CMCE, through intervention in the buildings, completing the improvements of the construction and related works in the Madeira branch.

2) **Area of information systems and technology (IS/IT):** solutions were developed with an overall value of 826.3 thousand euros in 2021 (1.51 million euros in 2020), namely:



- The continuity of a strong investment in the digital transformation of the organisation, highlighting the continuity of the application transformation programme, a consolidation of the continuous improvement mechanisms allocated to work processes, and the adequacy of the support means for work processes developed in mobility contexts (remote working and operational mobility means for the teams).
- The reinforcement of installed capacity with regard to obsolescent means of mobility and the entry of new employees.
- The effort to implement innovation supporting the necessary cultural change inherent to a new work paradigm and a restructured organisational reality was equally relevant.

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

- Completion of the programme to implement a new Geospatial platform, enabling the internalisation and integration of several layers of georeferenced information, with special emphasis on the SIIA (Sistema de Informação de Infraestruturas Aptas – Suitable Infrastructure Information System), aiming at a richer, more comprehensive, efficient, and lower-cost operation.
- Development of a new geospatial website integrating the necessary information for the determination of white coverage areas for very-high-capacity fixed networks.
- Provision of a new solution for the Registration of Operators.
- Development of several improvements in tem.REDE? and NET.mede solutions made available to interested parties, namely those regarding the support of the 5G paradigm in the context of NET.mede.
- Continuation of the expansion of the use of analytical tools to various areas of information in the organisation, with special emphasis on the area of complaints and statistical information.



- Update of the technological solution to support the 5G Portal with the strengthening of content production.
- Expansion of the interaction network between regulators (also known as “Regulation X”) and strengthening of the principles and means of collaboration.
- Construction of the Platform for the management of the internet Social Tariff in compliance with the legal regime described in Decree-Law 66/2021 of 30 July.
- Start of the project to implement a single Licencing Portal for the installation of Submarine Cables.
- Start of the project to implement the Single Digital Platform as part of the integration in the European Portal for National and Cross-Border Citizens.
- Start of the programme for the implementation of solutions that ensure the digital transformation of the areas of Supervision, Inspection, and Sanctioning Action.

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

- Continuity of dematerialisation with the improvement of work processes supported by the document management and workflow solution in the organisation to increase the productivity and speed of the services provided and of administrative support procedures, with special focus on the response to restructuring and to new mobility work models.
- Evolution of various software subsystems to extend functionalities and adapt the different application platforms to current needs.
- Expansion of an Innovation adoption platform focused on means of collaboration, namely active knowledge-sharing solutions involving the entire organisation.

- Implementation of an e-learning solution.
- Implementation of a new internal communication platform (Intranet).
- Implementation of the adoption of a new governance solution for planning and control.
- Launch of the organisation's data governance project.
- Update of the Employee Portal.
- Implementation of a new analytical solution in the context of human resources.
- Implementation of the new IT service management platform.

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

- On-premise/Cloud hybridisation means update.
- Implementation of new layers of infrastructural security.
- Implementation of a new multimedia studio.
- Update of the means of administration of technology parks.
- Continued execution of the Integrated Application Consolidation Plan in terms of infrastructure and in the field of Data Centres.
- Strengthening of equipment to support mobile work.

3) **Area of infrastructure, administrative and other equipment**, with a total investment of 175 thousand euros in 2021 (780 thousand euros in 2020), covering the following areas:

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



- Construction work on the building of the Madeira branch, also within the scope of the modernisation/refurbishment of the spaces necessary for the installation of display systems in the CMCE.
- The replacement of the solar protection reflective film at the building of the Porto branch.

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

- Adaptation of the mobile spectrum monitoring and control station in Barcarena.

Regarding the administrative area, we highlight the:

- Acquisition of sound playback and image projection equipment for the new multimedia room.
- Acquisition of photographic equipment for the new multimedia room.

Regarding adaptation works in rented buildings, it is worth mentioning the works in the building of Av. José Malhoa 14, in the multimedia room.

ECONOMIC AND  
FINANCIAL  
REVIEW

## Economic and financial review

Table 3.1 presents the aggregate values of the key financial components for the ascertainment of the net income for 2021 and 2020.

<b>Table 3.1 – Financial results</b>				
	<u>2021</u>	<u>2020</u>	<u>VAR21/20</u>	
Income	103,835,485	97,396,229	6,439,256	7%
Costs	-71,304,080	-62,835,232	-8,468,848	13%
<b>Net income</b>	<b><u>32,531,405</u></b>	<b><u>34,560,997</u></b>	<b><u>-2,029,592</u></b>	<b>-6%</b>

Unit: Euros

The net income for the 2021 financial year, amounting to 32.531 million euros, was 6% lower than in 2020.

Generally speaking, the following variations are of special importance:

- In income, the variation (+7%) is essentially explained by the increase in the amount billed relating to frequency usage fees and electronic communications activity fees (+6.498 million euros).
- In expenses, the variation (+13%) is due to the following changes: (i) decreased expenses related to external supplies and services (-1.441 million euros); (ii) lower personnel costs (-6 thousand euros); (iii) decreased other expenses (-39 thousand euros); (iv) increased depreciation and amortisation for the year (+149 thousand euros); and (v) increased provisions (+3.758 million euros) and impairments (+6.049 million 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 2020 to 2021.

**Table 3.2 – Income**

	<u>2021</u>	<u>2020</u>	<u>VAR 21/20</u>	
Electronic communications (EC)	<b>100,733,413</b>	<b>94,234,570</b>	<b>6,498,843</b>	<b>7%</b>
* Annual fees for EC activity	37,147,431	34,349,713	2,797,718	8%
* Fees for use of frequencies	61,911,327	58,215,038	3,696,289	6%
* Fees for use of numbers	1,663,655	1,657,119	6,536	0%
* Issue of declarations and allocation of rights	11,000	12,700	-1,700	-13%
Other services rendered	<b>3,039,196</b>	<b>2,980,286</b>	<b>58,910</b>	<b>2%</b>
* Annual fees for postal services activity	2,426,541	2,520,129	-93,588	-4%
* Fines paid-up	492,531	353,764	138,767	39%
* Other fees	120,124	106,393	13,731	13%
Impairment reversals	<b>0</b>	<b>100,158</b>	<b>-100,158</b>	
Other income	<b>46,064</b>	<b>26,770</b>	<b>19,294</b>	<b>72%</b>
* Imputation of investment grants (Note 13)	3,891	3,891	0	0%
* Operational subsidies	15,888	12,949	2,939	23%
* Other	26,285	9,930	16,355	165%
Interest and similar income	<b>16,812</b>	<b>54,445</b>	<b>-37,633</b>	<b>-69%</b>
<b>TOTAL</b>	<b><u>103,835,485</u></b>	<b><u>97,396,229</u></b>	<b><u>6,439,257</u></b>	<b><u>7%</u></b>

Unit: Euros

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

- Annual electronic communications activity fees – includes the amounts billed in the year to electronic communications operators, with the variation compared to 2020 resulting from the increase recorded in the average costs supported with provisions in the last five years and with an increase in the average costs supported with regulation in the last three years.

The increase in the average provisions in 2021 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 service 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.

- Annual frequency usage fees – resulting from the recognition of the values related to the spectrum allocated within the scope of the 5G auction, as well as from the change in frequency usage rights.
- Fines paid – the increase in the amount settled (+139 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.

**Decreases:**

- Annual fees for postal service activity – includes the values charged during the year to the postal service operators, with the variation in relation to 2020 being the result of the decrease in the average costs borne with regulation in the past three years, offset by the increase in the average costs borne with provisions in the past five years.

**Applicable legislation**

- (i) Annual fees for electronic communications activity

The Electronic Communications Law, approved by Law 5/2004 of 10 February, in its current wording, 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 licencing 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 diploma that supports the collection of the fees due in this context is Ordinance 1473-B/2008 of 17 December, in its current wording, which establishes the new model of fees described in Article 105 of the Electronic Communications Law.

The fees established in Article 105 of the Electronic Communications Law, approved by Law 5/2004 of 10 February, in its current wording, 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 frequency usage rights 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, in its current wording, 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 ANACOM, 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 (EC)

### i) Annual regulatory fees

As stipulated in Ordinance 1473-B/2008 of 17 December, in its current wording, 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 1.500 million 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 37.144 million euros in 2021.

**Table 3.3 – Calculation of costs to determine the electronic communications regulatory fee and the Postal Services regulatory fee**

	Breakdown of ANACOM's expenses (without provisions associated with EC and SP)				Provisions associated with EC and SP (5-year average)	Breakdown of expenses (w/ provisions associated with EC and SP)
	Carried out			Average (3 years)		
	2020	2019	2018			
<b>1. Regulatory and spectrum management costs</b>	<b>42,954,871</b>	<b>37,661,493</b>	<b>38,227,889</b>	<b>39,614,751</b>	<b>13,893,170</b>	<b>53,507,921</b>
1.1 Expenses related to EC	37,021,282	30,034,955	31,172,134	32,742,790	13,602,760	46,345,550
1.1.1 Administrative expenses	27,628,435	22,390,737	22,422,537	24,147,236	13,602,760	37,749,996
a) Declarations attesting rights	78,943	135,908	51,496	88,782		88,782
<b>b) Activity as provider of EC networks and services</b>	<b>26,585,203</b>	<b>21,901,600</b>	<b>22,137,224</b>	<b>23,541,342</b>	<b>13,602,760</b>	<b>37,144,102</b>
c) Allocation of frequency usage rights	924,393	336,843	183,415	481,550		481,550
d) Allocation of number usage rights	39,896	16,386	50,402	35,561		35,561
1.1.2 Frequency management expenses	9,344,632	7,560,986	8,658,302	8,521,307		8,521,307
1.1.3 Number management expenses	48,214	83,232	91,295	74,247		74,247
<b>1.2 Postal regulation expenses</b>	<b>1,945,846</b>	<b>2,619,779</b>	<b>2,065,697</b>	<b>2,210,441</b>	<b>290,410</b>	<b>2,500,851</b>
1.2.1 Activity of postal service providers	1,905,748	2,584,870	2,042,428	2,177,682	290,410	2,468,092
1.2.2 Authorisations and licences	40,098	34,909	23,269	32,759		32,759
1.3 Other regulatory expenses	3,987,743	5,006,759	4,990,057	4,661,520		4,661,520
<b>2. Other expenses</b>	<b>1,793,142</b>	<b>2,374,563</b>	<b>2,216,658</b>	<b>2,128,121</b>		<b>2,128,121</b>
<b>Total expenses</b>	<b>44,748,014</b>	<b>40,036,056</b>	<b>40,444,547</b>	<b>41,742,872</b>	<b>13,893,170</b>	<b>55,636,042</b>

Unit: euros

 ii) Frequency usage fees

Table 3.4 presents the values and comparison of the fees paid for the use of frequencies, by type of service, in 2021 and 2020.



<b>Table 3.4 – Frequency use fees</b>							
	<b>2021</b>		<b>2020</b>		<b>VAR 21/20</b>		
Mobile service	52,304,407	84%	44,376,964	76%	7,927,442	18%	
Land mobile service	1,906,313	3%	2,110,282	4%	-203,969	-10%	
Fixed service	4,904,769	7%	9,583,406	16%	-4,678,637	-49%	
Fixed satellite service	666,025	1%	613,227	1%	52,799	9%	
Broadcasting service	1,002,131	2%	1,001,588	2%	543	0%	
Other services	1,127,682	2%	529,571	1%	598,111	113%	
<b>Total</b>	<b>61,911,327</b>	<b>100%</b>	<b>58,215,038</b>	<b>100%</b>	<b>3,696,289</b>	<b>6%</b>	
Unit: Euros							

The increase in the “Mobile Service” results from the recognition of the values related to the spectrum attributed in the scope of the 5G auction, whose amounts to be invoiced started from the date of issue of the Frequency Usage Rights (FUR), for the Terrestrial Electronic Communications Service fees, which occurred in November and December and which will be invoiced during the 2022 financial year, as well as from the change in the Frequency Usage Rights.

There was also an increase in the amounts collected under “Other Services”, predominantly due to the fees related to temporary licences, which recorded a substantial increase compared with 2020, since with the lifting of some restrictions related to COVID-19, some events took place, namely sports events, which required this type of licence.

Regarding fixed service fees, there was a decrease in the value of fees for fixed connections, requested by operators of electronic telecommunications services, due to the 50% reduction on the value of the applicable fee, resulting from the application of Ordinance 270-A/2020 of 23 November 2020.

#### ii) Fees for use of numbers

The value of the fees for the use of numbers charged in 2021 remained unchanged in percentage terms in relation to the value charged in 2020.

## 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, in its current wording, 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 applicable to the provision of postal services established by Law 17/2012 of 26 April (Postal Law), and aimed at harmonisation with the fee model already in force for providers of electronic communications networks and services, Ordinance 1473-B/2008, mentioned above, 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 2021 to 2020.

**Table 3.5 – Expenses**

		<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
<b>External supplies and services</b>		<b>8,445,835</b>	<b>9,886,697</b>	<b>-1,440,863</b>	<b>-15%</b>
* Specialised work	i)	1,953,921	2,829,546	-875,625	-31%
* Advertising and publicity	ii)	8,943	1,071,109	-1,062,167	-99%
* Surveillance and security	iii)	559,756	546,115	13,641	2%
* Maintenance and repair	iv)	2,078,188	1,874,111	204,077	11%
* Books and technical documentation	v)	122,861	137,127	-14,266	-10%
* Energy and fluids	vi)	391,939	333,403	58,536	18%
* Travel and accommodation	vii)	118,311	132,259	-13,948	-11%
* Rents and leases	viii)	1,955,534	1,577,915	377,619	24%
* Communication	ix)	299,905	445,596	-145,691	-33%
* Insurance	x)	79,170	83,465	-4,295	-5%
* Cleaning, hygiene and comfort	xi)	293,909	319,174	-25,265	-8%
* Other supplies and services	xii)	583,399	536,877	46,522	9%
<b>Personnel costs</b>		<b>24,336,529</b>	<b>24,342,903</b>	<b>-6,374</b>	<b>0%</b>
* Remuneration and charges	xiii)	22,640,908	22,681,561	-40,654	0%
* Other personnel costs	xiv)	1,695,621	1,661,342	34,279	2%
<b>Other expenses</b>		<b>7,474,374</b>	<b>7,513,549</b>	<b>-39,175</b>	<b>-1%</b>
* Subscriptions	xv)	663,935	636,407	27,528	4%
* Meetings and conferences	xvi)	107,063	50,415	56,648	112%
* Sponsorships	xvii)	21,686	47,789	-26,102	-55%
* Contribution to external entities	xviii)	6,636,289	6,756,915	-120,626	-2%
* Cooperation	xix)	2,812	271	2,541	937%
* Other	xx)	42,589	21,752	20,837	96%
<b>Depreciation and amortisation costs</b>		<b>3,054,672</b>	<b>2,906,044</b>	<b>148,628</b>	<b>5%</b>
<b>Impairment losses</b>		<b>6,048,688</b>			
<b>Provisions</b>		<b>21,943,983</b>	<b>18,186,039</b>	<b>3,757,944</b>	<b>21%</b>
<b>TOTAL</b>		<b>71,304,080</b>	<b>62,835,232</b>	<b>2,420,160</b>	<b>3.9%</b>

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

### Increases:

- “Impairment losses” (>100%) – Mostly arises from unbilled amounts with high potential for litigation.
- “Provisions for the financial year” (+21%) – Mostly due to the increase in the application of the criteria for setting aside provisions resulting from challenges to the settlement of regulatory activity fees.

### Decreases:

- “External supplies and services” (-15%) – the variations in the items “Specialised works” (-876 thousand euros) and “Advertising and publicity” (-1.062 million euros) justify much of the reduction that took place, given that the DTT migration project was finalised in 2020 and the expenses associated with this project no longer took place. However, there were variations in other headings that attenuated this reduction, such as: “Conservation and repair” (+204 thousand euros); “Energy and fluids” (+59 thousand euros); and “Rents and leases” (+378 thousand euros).
- “Personnel costs” (+0%) – The slight decrease in “Wages and salaries” (-6 thousand euros) stems from career progressions, in accordance with the legal stipulations and in accordance with the provisions of the State Budget, as well as from the increase in the workforce, which was compensated by the reductions related to the fact that there were no increases in the salary table, contrary to what happened in 2020, and by the decrease in overtime work, as well as by the fact that subsidies for exemption from working hours due to the DTT migration project, which ended in 2020, were no longer paid.

The breakdown of the values and the evolution of the components of each cost heading, from 2020 to 2021, is presented below.

### External supplies and services

- i) Specialised work (-31%): corresponds to expenses incurred in preparing studies and opinions, legal consultancy, 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**

	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
Studies	185,334	123,525	61,809	50%
Legal consultancy	883,262	540,973	342,289	63%
Audits	158,500	199,535	-41,034	-21%
Computer services	455,108	504,327	-49,218	-10%
Translations	45,141	72,495	-27,353	-38%
Publications	7,703	22,900	-15,198	-66%
Other	218,872	1,365,791	-1,146,919	-84%
<b>Total</b>	<b>1,953,921</b>	<b>2,829,546</b>	<b>-875,625</b>	<b>-31%</b>

Unit: Euros

The decrease in this item (-31%) is mainly due to the decrease that occurred in the item “Other” (- 1.147 million euros), offset by the increases in the items “Studies” (+62 thousand euros) and “Legal consultancy” (+342 thousand euros).

The increase in costs under “Studies” is explained by the fact that more opinions, namely of a legal nature, were requested.

There was also an increase in the item “Legal consultancy” when compared with the same period of the previous year, resulting from the need to resort to this type of service due to the increase in litigation, namely the litigation related to the auction process for the attribution of the rights to use 5G frequencies, considering that the need to resort to external lawyers specialised in defending legal processes varies according to the requests and complexity of the processes.

On the other hand, there was a substantial decrease in the item “Other”, given that in the 2020 financial year there were significant expenses related to the project to change the frequencies of the DTT, which was completed in that financial year.

- ii) Advertising and publicity (-99%): correspond to expenditure related to advertising campaigns and other advertising expenses.

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 2021.

- iii) Surveillance and security (+2%): correspond to services provided by specialised security companies at the head office premises of Barcarena, at the Porto branch, and at branches of the Autonomous Regions of Madeira and the Azores.

The year-on-year increase reflects the 2% 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 minimum monthly remuneration (RMMG – *remuneração mínima mensal garantida*) from 635 to 665 euros, and other variables stemming from that negotiation.

- iv) Maintenance and repair (+11%): correspond to the necessary services for the operational maintenance of ANACOM's assets, including technical assistance contracts concluded for the purpose, namely in relation to information systems, radio spectrum monitoring and laboratories.

<b>Table 3.7 – Maintenance and repair</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
Software	1,495,967	1,342,350	153,618	11%
Hardware	63,797	56,544	7,253	13%
Basic equipment	245,888	201,873	44,016	22%
Buildings	89,366	80,148	9,217	12%
Vehicles	14,699	39,699	-25,000	-63%
Elevators	26,374	18,430	7,944	43%
Air conditioning	47,367	53,128	-5,761	-11%
Other	94,730	81,940	12,790	16%
<b>Total</b>	<b>2,078,188</b>	<b>1,874,111</b>	<b>204,076</b>	<b>11%</b>

Unit: Euros

The expenses recorded in 2021 were higher 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, the “Software” item should be highlighted, due to the expenses with the maintenance of the application system, as well as the maintenance of software licences.

There were also increases in “Basic equipment”, due to the maintenance of the mobile testing system, which did not take place in 2020, and in “Buildings”, as a result of additional maintenance carried out at ANACOM’s facilities, namely in Barcarena.

Among the decreases, the item “Vehicles” should be highlighted, since in 2021 the expenses with vehicle reconditioning were marginal, which was not the case in 2020, since in that year there were several expenses with vehicle reconditioning whose long-term lease contracts ended in that year.

- v) Books and technical documentation (-10%): correspond to technical books (hard copy or electronic format), technical documentation, journals and other specialised publications, needed for ANACOM’s technical activities.
- vi) Energy and fluids (+18%): correspond to expenses related to consumption of electricity, fuel, and water.

<b>Table 3.8 – Energy and fluids</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
Electricity	315,582	251,396	64,186	26%
Fuel	41,969	46,998	-5,029	-11%
Water	33,483	33,088	395	1%
Other	905	1,920	-1,015	-53%
<b>Total</b>	<b>391,939</b>	<b>333,403</b>	<b>58,536</b>	<b>18%</b>

Unit: Euros

The increase in this item is fully justified by the increase in energy prices in the free market, which ANACOM has to resort to for the supply of electricity, reflecting the

difficulties resulting from a context of generalised increase in energy supply costs in the European market and especially in the Iberian market, making it difficult to award contracts for the supply of this type of service, and forcing the negotiation of shorter contracts with higher values, reflecting market conditions.

- vii) Travel, accommodation and transport (-11%): 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.

<b>Table 3.9 – Travel and accommodation</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
Travel abroad	36,145	41,347	-5,202	-13%
Meals and accommodation abroad	12,011	23,951	-11,940	-50%
Sub-total abroad	48,156	65,298	-17,142	-26%
Travel in-country	39,126	57,975	-18,848	-33%
Meals and accommodation in-country	31,029	8,986	22,042	245%
Sub-total in-country	70,155	66,961	3,194	5%
<b>Total</b>	<b>118,311</b>	<b>132,259</b>	<b>-13,948</b>	<b>-11%</b>

Unit: Euros

Overall, travel expenses decreased compared to 2020 (-11%), essentially due to travel abroad (-26%), given that travel within the country (+5%) increased.

This reduction is justified by the pandemic, originated with the COVID-19 virus, which prevented part of the scheduled trips abroad from taking place, due to the lockdown that took place in 2021, since in 2020 the restrictions on travel, due to the pandemic, were only reflected from the second quarter of the year.

Nevertheless, trips to the country have already recorded a slight increase, as a result of the trips for spectrum monitoring and control and market surveillance, even though they involved fewer days of stay in 2021 than in 2020, as illustrated in the table below.



<b>Table 3.10 – Travel and stays in the country (spectrum + markets)</b>			
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>
Number of trips	2,032	1,942	90 5%
Number of days involved	2,743	3,535	-792 -22%
Total cost (Travel+Accommodation+Meals)	70,155	66,961	3,194 5%
Average cost per day of travel	26	19	7 35%

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

<b>Table 3.11 – Travel and accommodation abroad</b>			
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>
Number of trips	33	55	-22 -40%
Number of days involved	126	201	-75 -37%
Total cost (Travel+Accommodation+Meals)	48,156	65,298	-17,142 -26%
Average cost of transportation per trip (euros)	1,459	752	707 94%
Average cost per day of travel	382	325	57 18%

This table demonstrates that the number of trips and the number of days involved decreased in 2021, which led to a reduction of the costs related to travel.<sup>1</sup>

The near doubling of the average cost of transport per trip abroad in 2021 (+94%) compared to 2020 is justified by the fact that there were intercontinental trips in 2021, which implied an increase in the average cost of transport, since fewer trips were made abroad than in 2020, namely in Europe.

viii) Rents and leases (+24%): correspond to the rents of ANACOM's head office buildings, operating leases and other miscellaneous hire and rental charges.

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<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.

<b>Table 3.12 – Rents and leases</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
Building rents	1,645,942	1,295,592	350,350	27%
Operating leases	265,240	204,927	60,313	29%
Other	44,351	77,396	-33,045	-43%
<b>Total</b>	<b>1,955,534</b>	<b>1,577,915</b>	<b>377,619</b>	<b>24%</b>

Unit: Euros

The 24% increase in “Building Rents” reflects the renegotiation of the contract of one of the buildings of the headquarters, whose impact in terms of rents was an increase of about 19% compared to the previous rent. The remaining increase is justified by the absence of three months of rent, of the “Malhoa 14” building, during the 2020 financial year, due to the works that took place in this building, and due to the renegotiation of the rent contract of the headquarters building, whose increase only came into effect in April 2020. This meant that in that financial year the amount in rents was lower than the one for 2021.

Also noteworthy is the increase in costs with operating leases, reflecting the increase of the vehicle fleet and the decrease of “other” leases, given that, in 2020, vehicles were leased for the DTT migration project.

- ix) Communication (-33%): corresponds to expenses related to telephones, mobile phones, postal services, data circuit hire, among others, incurred at the head office, in Barcarena, at the Porto branch, and at the Madeira and Azores branches.

This decrease, compared to 2020, is essentially related to the end of the project related to the DTT band change, since the consumptions with the “Telephone and Mobile Phone” voice communications of the “call centre”, supporting the DTT band change, ceased.

- x) Insurance (-5%): corresponds to expenditure on insurance (multi-risk property insurance for buildings, vehicles, travel in Portugal and abroad, civil liability, transport of goods, and others).

<b>Table 3.13 – Insurance</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
Vehicles	10,366	14,650	-4,284	-29%
Travel	7,688	7,688	0	0%
Premises and facilities	51,606	51,617	-11	0%
Civil liability	6,000	6,000	0	0%
Other	3,510	3,510	0	0%
<b>Total</b>	<b>79,170</b>	<b>83,465</b>	<b>-4,295</b>	<b>-5%</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 2021 reflect the result of this public tender.

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

The decrease reflects the lower consumption in spending on cleaning materials, as in 2020 a substantial investment was made in this type of products due to the pandemic caused by the COVID-19 virus, as well as for cleaning rooms related to the DTT migration project, which was finalised in 2020.

This decrease was partially offset by the increases resulting from the update of the RMMG<sup>2</sup>, from 635 euros to 665 euros, reflected in the contracts by the companies providing this type of service.

- xii) Other supplies and services (+9%): 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 14, in Lisbon, temporary staff recruitment, cafeteria supplies, newspapers, journals, technical journals and publications, representation expenses, litigation, and so forth.

<sup>2</sup> Guaranteed Minimum Monthly Remuneration

<b>Table 3.14 – Other supplies and services</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR21/20</b>	
Journals and other publications	33,505	23,642	9,863	42%
Malhoa 14 condominium	93,048	76,298	16,750	22%
Office supplies	11,941	28,713	-16,772	-58%
Personnel assignment	157,541	107,473	50,068	47%
Transportation of goods and moves	8,032	6,890	1,141	17%
Other supplies and services	279,333	293,861	-14,528	-5%
<b>Total</b>	<b>583,399</b>	<b>536,877</b>	<b>46,522</b>	<b>9%</b>

Unit: Euros

In these items we highlight (i) the increase in the item “Personnel assignment” (+50 thousand euros) and (ii) the reduction in office supplies (-17 thousand euros).

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

Regarding the “Office supplies” item, the decrease in consumption is related to the reduction of employees at ANACOM’s premises due to the implementation of remote work originated by the COVID-19 pandemic.

### **Personnel costs**

- xiii) Remuneration and charges (+0%): cover spending on the remuneration paid to the governing bodies and staff of ANACOM, and the corresponding remuneration charges (social security).

<b>Table 3.15 – Remuneration and charges</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
<b>Remunerations</b>				
Governing bodies	809,488	795,187	14,302	2%
Personnel	18,064,281	18,145,328	-81,046	0%
	<b>18,873,770</b>	<b>18,940,514</b>	<b>-66,745</b>	<b>0%</b>
<b>Remuneration charges</b>	<b>3,767,138</b>	<b>3,741,047</b>	<b>26,091</b>	<b>1%</b>
<b>Total</b>	<b>22,640,908</b>	<b>22,681,561</b>	<b>(40,654)</b>	<b>0%</b>

Unit: Euros

Remuneration and charges did not undergo any percentage variation, compared to 2020, for the following reasons:

Governing bodies – expenses increased 2%, reflecting the salary adjustments made with the end of the mandate of a director of ANACOM, as well as the increase in per diems, given that in 2021 there was more travel due to the partial lifting of pandemic-related restrictions.

Personnel – Expenses with remunerations did not undergo any percentage variation given that the factors that implied positive variations, resulting from the increases recorded in the career progressions<sup>3</sup> in 2021, as well as the increase in staff numbers, from 377 employees in 2020 to 383 employees in 2021, were offset by the reductions related to the fact that there were no increases in the salary table<sup>4</sup>, contrary to what happened in 2020, by the decrease in overtime work and the attribution of the allowance for exemption from working hours, due to the DTT migration project, which ended in 2020, as well as by the retirements of some top and middle management.

- xiv) Other personnel costs (+2%): 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,

<sup>3</sup> As legally stipulated and in accordance with the provisions of the State Budget.

<sup>4</sup> As legally stipulated and in accordance with the provisions of the State Budget.

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).

<b>Table 3.16 – Other personnel costs</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
<b>Post-retirement benefits</b>				
Pension costs (Note 15)	664,702	697,981	-33,279	-5%
Healthcare costs (Note 15)	40,032	45,153	-5,121	-11%
	<b>704,734</b>	<b>743,134</b>	<b>-38,400</b>	<b>-5%</b>
<b>Social action expenses</b>	<b>713,814</b>	<b>687,568</b>	<b>26,246</b>	<b>4%</b>
<b>Contract terminations by mutual agreement</b>	<b>2,329</b>	<b>47,585</b>	<b>-45,256</b>	<b>-95%</b>
<b>Work accident insurance</b>	<b>87,263</b>	<b>71,590</b>	<b>15,673</b>	<b>22%</b>
<b>Training</b>	<b>187,482</b>	<b>111,465</b>	<b>76,017</b>	<b>68%</b>
<b>Total</b>	<b>1,695,621</b>	<b>1,661,342</b>	<b>34,279</b>	<b>2%</b>

Unit: Euros

The headings with increases include, namely:

(i) “Training” – the increase in expenses is explained by the greater execution of the training plan, through the increase of targeted or customised training actions, contributing to the strengthening of knowledge and for the preparation of human capital.

The headings with larger reductions include, namely:

(i) “Post-retirement benefits” (“healthcare”) – the changes reflect the results of the actuarial studies that are carried out every year by independent specialised companies; (ii) “Terminations by mutual agreement” – corresponds to the settlements related to the payment of the Allowance for Exemption from Working Hours, paid to employees who ended their service commission, in compliance with the provisions of the “Labour Code” and which occurred in 2020, explaining the variation, since in 2021 there were only a few occasional adjustments with the departure of employees.

### **Other expenses**

- xv) Subscriptions (4%):** corresponds to spending on subscriptions payable to national and international postal and telecommunications bodies, mostly in representation of the Portuguese Government.

<b>Table 3.17 – National subscriptions</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</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	690	0	0%
Associação para a Promoção e Desenvolvimento da Sociedade de Informação (APDSI)	250	250	0	0%
Associação Portuguesa para a Qualidade (APQ)	500	500	0	0%
<b>Total</b>	<b>4,740</b>	<b>4,740</b>	<b>0</b>	<b>0%</b>

Unit: Euros

In 2021, 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.

<b>Table 3.18 – International subscriptions</b>				
	<b>2021</b>	<b>2020</b>	<b>VAR 21/20</b>	
Association of Communications and Telecommunications Regulators of the Community of Portuguese-Speaking Countries (ARCTEL)	12,000	12,000	0	0%
International Telecommunication Union (ITU)	308,104	284,870	23,234	8%
Universal Postal Union (UPU)	155,255	150,301	4,954	3%
Gabinete Europeu de Comunicações (ECO/CEPT)	87,651	87,427	224	0%
Postal Union of the Americas, Spain and Portugal (UPAEP)	80,414	81,319	-904	-1%
Independent Regulators Group (IRG)	13,000	13,000	0	0%
International Union of Radio Sciences (URSI)	2,170	2,150	20	1%
Red Compliance Association (REDCA)	600	600	0	0%
<b>Total</b>	<b>659,195</b>	<b>631,667</b>	<b>27,528</b>	<b>4%</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 operations, the only thing to note is the increase in the contributions to the ITU as a result of one-off activities carried out with the ITU.

xvi) Meetings, conferences and exhibitions (+112%): 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.

In 2020, due to the pandemic caused by the COVID-19 virus, the events planned for that year were not held, except for ANACOM's participation in the XVII ANAFRE Congress, which took place in February 2020.

In 2021, a few meetings and conferences have already been held, namely the URSI congress and the EU Conference on international connectivity, which justifies the variation in terms of increased spending.

xvii) Sponsorships (-55%): 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.

In 2021 there was a reduction in the granting of sponsorships, given that they were only awarded to ACIST and URSI, while in 2020 several sponsorships and of a higher value were granted, namely to APDC, ACIST, and within the scope of the URSI Portuguese Committee meeting (Best Student Papers Award).

xviii) Contribution to external entities (-2%):



Fundação Portuguesa das Comunicações (-15%): The value of the annual transfer payable by ANACOM is subject to a maximum amount which corresponds to the average of the amounts transferred in 2008, 2009, and 2010, under the terms of the applicable legislation. This maximum amount also includes the assignment of ANACOM employees. In 2021, the amount authorised, which is limited by order of the Secretary of State for the Budget, was lower than that authorised in 2020, due to lower remunerations with ANACOM staff seconded there due to the retirement of an employee.

Competition Authority (Autoridade da Concorrência) (-1%): 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 2021 stemmed from the application of 6.25% to the income of 2020, and the value paid in 2020 from the application of 6.25% to the income of 2019. Given that ANACOM's eligible income suffered a slight negative variation from 2020 to 2019, this fact was reflected in the value of the transfers made.

Consumer conflict arbitration centres (+11%): In 2021, in accordance with the protocols entered into between ANACOM and the consumer dispute arbitration centres, ANACOM contributed, through the fixed and variable components, to these arbitration centres, the sum of 346 thousand euros. The fixed component amounted to 40 thousand euros, which was identical to the amount transferred in 2020, as defined in Order 6909/2020 of 6 July 2020, of the Offices of the Secretary of State for Commerce, Services, and Consumer Protection and of the Secretary of State for Justice.

Regarding the variable component, the amount of 306 thousand euros was transferred to the arbitration centres, 34 thousand euros (+11%) more than the amount transferred in 2020, depending on the requirements and service quality

levels defined in the protocols signed with those consumer conflict arbitration centres.

- xix) Cooperation (+937%): corresponds to expenses related to cooperation initiatives with Portuguese-speaking countries, notably traineeships of representatives of those countries.

Both in 2021 and 2020, spending on cooperation actions has been residual, given that 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 were practically nil, mostly due to the pandemic caused by the COVID-19 virus, notwithstanding the fact that there was a positive percentage variation from 2020 (271 euros) to 2021 (2,812 euros). However, the corresponding number for this increase was marginal.

- xx) Other (+96%): Expenses not covered by previous headings, namely unfavourable exchange rate differences and other expenses.

The increase in this item, compared to 2020, is mainly due to the accounting recognitions made due to unfavourable exchange rate differences.

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

The item “Depreciation and amortisation costs for the year”, in 2021, recorded an increase of 149 thousand euros (+5%), which reflects the investment made in 2021, as well as the transfer of the investment in progress to the corresponding asset categories, starting its useful life in 2021.

### **Impairment losses**

The analysis of customer account balances, according to the criteria mentioned in paragraph 4.7 of the Notes to the Financial Statements of 2021, established an increase in impairments (+6.049 million euros), largely offsetting the decrease recorded in 2020 (-100 thousand euros).

The increase in 2021 is due to client balances of substantial value that are highly expected to be litigious.

### 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 2021 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 special 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 2021 and the criteria mentioned above, ANACOM has updated the value of the accumulated provision for ongoing lawsuits, increasing their value by 21.943 million euros, with the following breakdown:

- New contestations of regulatory fees: 8,216,093 euros.
- Other processes: 455,907 euros.
- Increase due to contestations of regulatory fees of previous years: 13,537,869 euros.
- Reversal of provisions (other processes): 265,887 euros.

## Financial situation

In the current financial year, the totals for both “Assets” and “Equity + Liabilities” increased by around 558 million euros, reflecting the amounts received from the 5G auction.

In the “Assets”, the headings of “Fixed assets” and “Intangible assets”, in both cases net, decreased by 1.8 million euros as the value of the investment (1.2 million euros) was lower than the value of the depreciation and amortisation for the year (3 million euros) and “Cash and bank deposits” increased by 428 million euros due to the collection of funds from the 5G auction.

“Liabilities” increased by 561 million euros, mainly due to provisions for ongoing legal cases (+21 million euros) and to the sums to be handed over to the State in connection with the 5G auction. “Equity” fell by around 3 million euros, as the net income for the year, of the value of 33 million euros, was lower than the application of the net income for 2019 and the adjustments in reserves (37.2 million euros).

The combination of these variations determined that the structure of “Assets” and “Liabilities” increased substantially, due, as already mentioned, to the sums relating to the 5G auction, which were reflected in both the assets and the liabilities headings, implying that the weight of “Equity” in the balance sheet was reduced.

**Table 3.19 – Balance sheet structure**

	<u>2021</u>	<u>2020</u>
<b>Total Assets</b>	<b>100%</b>	<b>100%</b>
Non-current assets	2%	6%
Current assets	<u>98%</u>	<u>94%</u>
<b>Total Equity + Liabilities</b>	<b>100%</b>	<b>100%</b>
Equity	16%	48%
Liabilities	<u>84%</u>	<u>52%</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.

PROPOSED  
APPLICATION OF  
NET INCOME

## Proposed application of net income

As in previous years, it is proposed that the net income for the year ended on 31 December 2021, amounting to 32,531,405.40 euros, should be transferred as follows:

- “Delivery to the State” of the amount of 17,480,909.17 euros, which represents the increase in the frequency usage fees set out in Ordinance 378-D/2013 of 31 December (+12,486,363.69 euros) and in Ordinance 157/2017 of 10 May, amended by Ordinance 270-A/2020 of 23 November, (+4,994,545.48 euros), as the increase in fees was determined by the Government for that purpose.
  
- Distribution of the remaining amount of 15,050,496.23 euros, as follows:
  - “Investment reserves” amounting to 1,509,774.62 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 13,540,721.61 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 31 million euros, should preferably be used to develop communications in Portugal for the benefit of end users.



FINANCIAL  
STATEMENTS

## Financial statements

### ANACOM – Individual balance sheet as at 31 December 2021 (euros)

Description	Notes	2021.12.31	31.12.2020
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>			
Tangible fixed assets	8	13,984,809	15,373,405
Intangible assets	7	2,426,997	2,852,401
Receivables	10	0	0
		<b>16,411,806</b>	<b>18,225,806</b>
<b><u>Current assets</u></b>			
Customers	9	541,687	848,642
Other receivables	10	132,413,725	666,780
Deferrals	11	1,192,618	1,421,526
Other financial assets	5	675,000,000	180,000,000
Cash and bank deposits	5	13,642,282	80,497,552
		<b>822,790,311</b>	<b>263,434,500</b>
<b>Total assets</b>		<b>839,202,117</b>	<b>281,660,306</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Other reserves	13	55,560,281	51,605,908
Retained earnings	13	37,596,012	42,641,849
Other changes in equity	13	6,449,099	6,452,990
		<b>99,605,392</b>	<b>100,700,747</b>
Net profit for the period		32,531,405	34,560,997
<b>Total equity</b>		<b>132,136,797</b>	<b>135,261,744</b>
<b>LIABILITIES</b>			
<b><u>Non-current liabilities</u></b>			
Provisions	14	150,070,290	128,126,308
Liabilities due to post-employment benefits	15	9,464,351	11,048,744
		<b>159,534,641</b>	<b>139,175,052</b>
<b><u>Current liabilities</u></b>			
Suppliers	16	1,144,298	2,778,019
Government and other public entities	17	970,936	883,027
Other payables	18	545,415,445	3,562,464
		<b>547,530,679</b>	<b>7,223,510</b>
<b>Total liabilities</b>		<b>707,065,320</b>	<b>146,398,562</b>
<b>Total equity and liabilities</b>		<b>839,202,117</b>	<b>281,660,306</b>

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

The Certified Accountant

The Board of Directors

**ANACOM – Individual income statement by nature for the period ended on 31 December 2021 (euros)**

<b>INCOME AND EXPENSES</b>			
Services provided		103,772,609	97,214,857
Operating grants		15,888	12,949
External supplies and services		-8,445,835	-9,886,697
Personnel costs		-24,336,529	-24,342,903
Impairment of receivables (losses/reversals)	12	-6,048,688	100,158
Provisions (increases/decreases)	14	-21,943,983	-18,186,039
Other income		30,176	13,820
Other expenses		<u>-7,474,374</u>	<u>-7,513,549</u>
<b>Earnings before interest, taxes, depreciation and amortisation</b>		<b>35,569,264</b>	<b>37,412,596</b>
Depreciation and amortisation costs/reversals	19	<u>-3,054,672</u>	<u>-2,906,044</u>
<b>Operating profit (before financing costs and taxes)</b>		<b>32,514,592</b>	<b>34,506,552</b>
Interest and similar income	21	<u>16,813</u>	<u>54,445</u>
<b>Net profit for the period</b>		<b><u>32,531,405</u></b>	<b><u>34,560,997</u></b>

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

The Certified Accountant

The Board of Directors

**ANACOM – Individual statement changes in equity for the period ended on 31 December 2021 (euros)**

	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Other changes in equity</u>	<u>Net profit for the period</u>	<u>Total</u>
<b>As at 31 December 2019</b>	<b>50,160,135</b>	<b>46,564,574</b>	<b>6,456,880</b>	<b>39,606,834</b>	<b>142,788,423</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 profit 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>51,605,908</b>	<b>42,641,849</b>	<b>6,452,990</b>	<b>34,560,997</b>	<b>135,261,744</b>
<b>Changes in the period</b>					
Other changes recognised in equity					
- Employee benefits (Note 15)	1,577,032				1,577,032
- Grants (Note 13)			-3,890		-3,890
	1,577,032	-	-3,890	-	1,573,142
Net profit for the period				32,531,405	32,531,405
<b>Comprehensive net income</b>	1,577,032	-	-3,890	32,531,405	34,104,547
<b>Capital operations in period</b>					
2019 profit appropriation	2,377,341	-39,606,834			-37,229,494
Other operations					
- Transfer of net income of the previous year		34,560,997		-34,560,997	-
	2,377,341	-5,045,837	-	-34,560,997	-37,229,494
<b>As at 31 December 2021</b>	<b>55,560,280</b>	<b>37,596,012</b>	<b>6,449,100</b>	<b>32,531,405</b>	<b>132,136,797</b>

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

The Certified Accountant

The Board of Directors

**ANACOM – Individual statement of cash flows for the period ended on 31 December 2021 (euros)**

Description	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Cash receipts from customers		97,667,705	97,440,709
Cash paid to suppliers		-9,827,759	-8,404,363
Cash paid to employees		-23,739,085	-24,443,527
<b>Cash generated from operations</b>		<b>64,100,861</b>	<b>64,592,819</b>
Other revenue		422,294,432	12,868,099
Other payments		-19,805,026	-20,223,304
Other cash receipts/payments		<b>402,489,406</b>	<b>-7,355,205</b>
<b>Net cash flows from operating activities</b>		<b>466,590,267</b>	<b>57,237,614</b>
<b>Cash flows from investment activities</b>			
Payments regarding:			
Tangible fixed assets		-524,463	-2,117,611
Intangible assets		-703,549	-1,312,149
Revenue derived from:			
Tangible fixed assets		-	-
Interest and similar income		11,968	58,777
<b>Net cash flows from investment activities</b>		<b>-1,216,044</b>	<b>-3,370,983</b>
<b>Cash flows from financing activities</b>			
Payments regarding:			
Application of net income		-37,229,493	-40,543,388
<b>Net cash flows from financing activities</b>		<b>-37,229,493</b>	<b>-40,543,388</b>
<b>Change in cash and cash equivalents</b>		<b>428,144,730</b>	<b>13,323,243</b>
Cash and cash equivalents at the beginning of the period	5	260,497,552	247,174,309
Cash and cash equivalents at the end of the period	5	<b>688,642,282</b>	<b>260,497,552</b>

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

The Certified Accountant

The Board of Directors

NOTES TO THE  
FINANCIAL  
STATEMENTS

## Notes to the financial statements

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

The Autoridade Nacional de Comunicações (Portuguese 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, namely the Electronic Communications Law and the Postal Law. The Statutes now explicitly state that ANACOM is the National Regulatory Authority (ARN – Autoridade Reguladora Nacional) for the field of communications, for the purposes stated in EU and Portuguese 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) of the above-mentioned Statutes).

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, contributing to the development of the European Union internal market and to the promotion of connectivity and access and usage of very-high-capacity networks.



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.

The management principles which ANACOM must observe (Article 7(1) of ANACOM's Statutes, approved by Decree-Law 39/2015 of 16 March) are of note:

- 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. It 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 Decree-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 4.1 – Currency**

	<u>2021.12.31</u>	<u>31.12.2020</u>
US dollar	1.1303	1.2246
Swiss Francs	1.0310	
Danish Krone	7.4215	

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 three 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.

<b>Table 4.2 – Useful life of tangible assets</b>	
	<b>Years</b>
Buildings and other constructions	10 to 50 years
Basic equipment	5 to 7 years
Transport equipment	4 to 7 years
Tools and utensils	4 years
Administrative equipment	4 to 8 years
Other tangible assets	1 to 10 years

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 payables/receivables" and "Deferrals".

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

Failure to pay fees which are due under the Electronic Communications Law, Postal 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 offense. 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, especially 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.

Specifically, 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.

### Non-adjusting events after the balance sheet date

A war broke out in Europe in 2022 following Russia's invasion of Ukraine. This war is having an impact on the price of raw materials and on various services.

Nevertheless, no materially relevant impacts are expected at this time due to this event.

The Board of Directors considers that this event does not call ANACOM's activity into question.

## **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 deposits**

In the 2021 and 2020 financial years, the values for cash and deposits were as follows:

<b>Table 4.3 – Cash flows</b>		
	<u>2021</u>	<u>2020</u>
<b>Cash</b>	<b>26,087</b>	<b>28,102</b>
<b>Bank deposits</b>	<b>13,616,195</b>	<b>80,469,450</b>
- Demand deposits		
Agência Gestão Tesouraria Dívida Pública (IGCP)	13,615,195	80,468,420
Other banks (commercial banking)	1,000	1,030
<b>Cash and bank deposits</b>	<b>13,642,282</b>	<b>80,497,552</b>
<b>Other financial assets</b>		
- CEDIC	<b>675,000,000</b>	<b>180,000,000</b>
<b>Cash and deposits</b>	<b><u>688,642,282</u></b>	<b><u>260,497,552</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, namely 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 675 million euros, for a short period of time, with this sum also including revenue from the 5G auction, which passed as a balance, on the recommendation of IGCP.

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, namely 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.

The increase in cash and deposits, from 2020 to 2021, stems from the values collected from the Auction for the Allocation of 5G Frequency Usage Rights, which ended in October 2021 and which enabled the collection of funds amounting to 410.054 million euros, which justifies the variation compared to 2020 in this item.

These sums are to be handed over to the State, with ANACOM awaiting, for this purpose, publication of the Ordinance of the members responsible for the areas of electronic communications and finance which will determine the transfer to the State's coffers, as set out in Article 19(13)(b) of Decree-Law 151-A/2000 of 20 July, in its current wording, and therefore, in light of the above, these sums, although collected by ANACOM, do not constitute ANACOM's income, since they must be remitted to the State.

## 6. Tax

Under the terms of Article 1(1) of its Statutes, approved by Decree-Law 39/2015 of 16 March, 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. VAT paid by ANACOM on the acquisition of goods and services, which is not deductible, is recorded under the respective items of expenses and tangible fixed assets and intangible assets in the income statement and in the balance sheet.



## 7. Intangible assets

In the 2021 and 2020 financial years, the movements recorded under the intangible asset headings were as follows:

<b>Table 4.4 – Intangible assets</b>			
	<b>Software</b>	<b>In progress</b>	<b>Total</b>
<b>Acquisition cost</b>			
<b>Balance at 1 January 2020</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>
Increases	566,737	198,160	764,897
Disposals	-	-	-
Transfers	145,844	-145,844	-
<b>Balance at 31 December 2021</b>	<b>25,168,248</b>	<b>981,384</b>	<b>26,149,632</b>
<b>Accumulated amortisation</b>			
<b>Balance at 1 January 2020</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>
Amortisation for the year (Note 18)	1,190,301	-	1,190,301
Disposals	-	-	-
Transfers	-	-	-
<b>Balance at 31 December 2021</b>	<b>23,722,636</b>	-	<b>23,722,636</b>
<b>Net value as at 31 December 2020</b>	<b>1,923,333</b>	<b>929,068</b>	<b>2,852,401</b>
<b>Net value as at 31 December 2021</b>	<b>1,445,612</b>	<b>981,384</b>	<b>2,426,997</b>

Unit: Euros

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

The most significant transfers from assets in progress to the intangible assets item, which occurred in 2021, concern software projects that were concluded, namely the “Upgrade of the financial management application”, “Office 365”, and “Microsoft Upgrade”.

In the 2021 and 2020 financial years, the ongoing projects were detailed as follows:

**Table 4.5 – Projects in progress**

Description	2021	2020
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)	155,695	252,729
Other	268,372	119,022
<b>Total</b>	<b>981,384</b>	<b>929,068</b>

Unit: Euros

## 8. Tangible fixed assets

In the 2021 and 2020 financial years, the movements in the tangible fixed assets headings were as follows:

**Table 4.6 – Tangible assets**

	Land	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other	Assets in progress	Total
<b>Acquisition cost</b>								
Balance at 1 January 2020	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	-	-	-	-	-	-	-	-
Write-offs	-	0	0	-	(263,629)	0	-	-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
Increases	-	49,699	246,400	48,249	81,581	50,956	-	476,884
Disposals	-	-	-	-	-	-	-	0
Write-offs	-	(16,894)	-	-	-	-	-	-16,894
Transfers	-	-	309,259	-	-	-	(309,259)	0
Balance at 31 December 2021	1,325,259	15,847,628	30,360,122	1,098,279	9,201,336	8,744,359	33,883	66,610,867
<b>Accumulated depreciation</b>								
Balance at 1 January 2020	-	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	-	0	0	-	-263,629	0	-	-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
Depreciation for the year (Note 18)	-	272,467	566,650	31,264	925,127	69,971	-	1,865,478
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	(16,894)	-	-	-	-	-	-16,894
Transfers	-	-	-	-	-	-	-	-
Balance at 31 December 2021	-	12,947,014	28,402,627	1,020,540	8,057,980	2,197,897	-	52,626,057
<b>Net value as at 31 December 2020</b>	1,325,259	3,123,383	1,968,485	60,754	1,986,902	6,565,478	343,143	15,373,405
<b>Net value as at 31 December 2021</b>	1,325,259	2,900,614	1,957,495	77,739	1,143,356	6,546,463	33,883	13,984,809

The “Land and Buildings” items record the infrastructure belonging to ANACOM at the premises in Barcarena, at the Porto delegation, at Pinheirinhos da Azóia, and at the delegations of the autonomous regions of Madeira and 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 “Administrative equipment” item is IT equipment (hardware), although it also includes all equipment and devices of an administrative nature used at ANACOM.

“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 29 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 2021, the “Assets in progress” are as follows:

<b>Table 4.7 – Ongoing projects</b>		
<b>Description</b>	<b>2021</b>	<b>2020</b>
Mobile station for spectrum control	-	309,260
Other	33,883	33,883
<b>Total</b>	<b>33,883</b>	<b>343,143</b>

Unit: Euros

The transfers from assets in progress to other tangible fixed assets items occurred in 2021 concern investments made in the Mobile Station for spectrum control.

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 2021, the value of tangible fixed assets that were in the hands of third parties amounted to 8,889,860.75 euros (7,001,758.01 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 the 2021 and 2020 financial years, the heading of “Customers” was detailed as follows:

**Table 4.8 – Customers**

	<b>2021</b>	<b>2020</b>
	<b>Current</b>	<b>Current</b>
<b>Customers</b>	<b>6,835,604</b>	<b>1,129,803</b>
Use of frequencies	6,193,503	230,582
Regulation and numbering	603,691	858,952
Other	38,410	40,269
<b>Customers – bad debt</b>	<b>3,419,205</b>	<b>3,416,217</b>
Use of frequencies	1,637,768	1,623,029
Regulation and numbering	314,404	298,923
Other	1,467,034	1,494,264
<b>Customers – Total</b>	<b>10,254,809</b>	<b>4,546,020</b>
Impairment losses (Note 12)	-9,713,123	-3,697,377
<b>Net Value</b>	<b>541,687</b>	<b>848,642</b>

Unit: Euros

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

The variation in the balance of the “Use of frequencies” heading is due to customer balances of a substantial amount still to be settled that show potential litigation, with the respective impairment loss having been recorded, which also justifies the variation in this heading.

## 10. Other receivables

In the 2021 and 2020 financial years, the heading of “Other receivables” was detailed as follows:

	<b>2021</b>			<b>2020</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
<b>Accrued income</b>						
Interest receivable	6,325	-	6,325	4,125	-	4,125
Other	770,409	-	770,409	383,979	-	383,979
	776,734	-	776,734	388,104	-	388,104
<b>Other values due</b>						
Values to be settled	120,727	-	120,727	136,503	-	136,503
Other	131,516,264	-	131,516,264	142,173	-	142,173
	131,636,991	0	131,636,991	278,676	0	278,676
<b>Total</b>	<b>132,413,725</b>	<b>0</b>	<b>132,413,725</b>	<b>666,780</b>	<b>0</b>	<b>666,780</b>

Unit: Euros

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 “Other accrued income” refers to income to be recognised in the year that has not yet been settled.

The increase in this item results from the recognition of the values related to the spectrum attributed in the scope of the 5G auction, whose amounts to be invoiced started from the date of issue of the Frequency Usage Rights (FUR), for the Terrestrial Electronic Communications Service fees, which occurred in November and December and which will be invoiced during the 2022 financial year.

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 item “Other” records the remaining existing situations, and in 2021 there was a substantial increase compared to 2020, since the amounts to be delivered to the State resulting from the 5G auction, which took place in 2021, but which are still pending receipt from the operators, were recorded.

These amounts, still to be received, concern the operators who opted to make part of the payment in instalments and the amounts concerning spectrum bands with restrictions, as provided for in the auction regulation, which may ultimately amount to 131.371 million euros if payments are not made in advance and are therefore subject to discount. These sums, once received from the operators who acquired spectrum under the auction, will be handed over to the State, and so an identical amount is recorded under the item “Other payables”.

## **11. Deferrals**

In the 2021 and 2020 financial years, ANACOM recorded the following balances in the heading of “Deferrals”:

<b>Table 4.10 – Deferrals</b>		
	<u>2021</u>	<u>2020</u>
<b>Expenses to be recognised</b>		
Meal allowance	94,180	87,536
Rents and leases	156,553	160,428
Insurance premiums	84,053	85,858
Renovation of facilities	11,140	11,044
Subscriptions	624,557	636,484
Publications	33,321	128,720
Other services	188,815	311,456
<b>Total</b>	<b><u>1,192,618</u></b>	<b><u>1,421,526</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 2022, paid in advance in 2021.

“Insurance premiums” reflect the values of premiums invoiced and paid in advance.

The details of this heading, as at 31 December 2021 and 2020, are as follows:

<b>Table 4.11 – Insurance premiums</b>		
	<u>2021</u>	<u>2020</u>
Personal travel accidents	6,150	7,688
Premises and facilities	49,528	47,651
Accidents at work	21,971	20,507
Health	503	503
Civil liability	5,900	6,000
Other		3,510
<b>Total</b>	<b><u>84,053</u></b>	<b><u>85,858</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 2021 and 2020, the contributions paid or invoiced in the year, but related to the following year, detailed as follows:

<b>Table 4.12 – Subscriptions</b>		
	<b>2021</b>	<b>2020</b>
International Telecommunication Union (ITU)	294,909	298,844
Universal Postal Union (UPU)	150,493	154,105
Gabinete Europeu de Comunicações (ECO/CEPT)	87,749	87,651
Postal Union of the Americas, Spain and Portugal (UPAEP)	78,107	80,414
International Union of Radio Sciences (URSI)	-	2,170
Independent Regulators Group (IRG)	13,000	13,000
Other	300	300
<b>Total</b>	<b>624,557</b>	<b>636,484</b>

Unit: Euros

## 12. Impairments

The variation recorded during 2021 and 2020 in the balances of impairment losses are detailed as follows:

<b>Table 4.13 – Impairments</b>	
	<b>Customers (Note 9)</b>
<b>As at 1 January 2020</b>	<b>3,824,352</b>
Reversal	-100,158
Uses	-26,817
<b>As at 31 December 2020</b>	<b>3,697,377</b>
Increases	6,048,688
Uses	-32,943
<b>As at 31 December 2021</b>	<b>9,713,123</b>

Unit: Euros

The increase in impairment is mainly due, as already mentioned in section “9 – Customers”, to outstanding client balances of a substantial amount that show potential litigation, and the respective impairment loss was recorded.

## 13. Equity

In the 2021 and 2020 financial years, the balances of the equity headings are detailed as follows:



<b>Table 4.14 – Reserves and other equity headings</b>		
	<b>2021</b>	<b>2020</b>
<b>Other reserves</b>		
Investment reserves	63,440,797	61,063,457
Retirement benefits (Note 15)	-9,622,445	-11,199,477
Other reserves	<u>1,741,928</u>	<u>1,741,928</u>
	55,560,280	51,605,908
<b>Retained earnings</b>		
First time adoption of the SNC	3,035,015	3,035,015
Transfer of net income	<u>34,560,997</u>	<u>39,606,834</u>
	37,596,012	42,641,849
<b>Other changes in equity</b>		
Reserve – philatelic collection	6,249,144	6,249,144
Donations	109,780	109,780
Grants	<u>90,176</u>	<u>94,066</u>
	6,449,099	6,452,990
<b>Net income for the year</b>	32,531,405	34,560,997
<b>Total</b>	<b><u>132,136,797</u></b>	<b><u>135,261,744</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 75-A/2021 of 31 March, these reserves were reinforced by 2,377,341 euros. This also incorporates the heading of “Retirement benefits”, where the actuarial studies of the defined benefit plans reported as at 31 December 2021 determined the recording of adjustments both to the retirement and survivor pension plan (+1,543,032 euros) and the healthcare plan (+34,000 euros), whose accumulated change increased equity (+1,577,032 euros), as explained in Notes 15.1 and 15.3 of the annex.

In 2021, 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 2019, in accordance with the Ordinance referred to above, which involved transfers of 37,229,493 euros. Of these transfers, 28,478,207 euros were delivered to the State, 1,575,000 euros to the European Space Agency (ESA), 1,500,000 euros to the Portuguese Space Agency, and 5,676,287 to 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 2021 and 2020 is detailed below:

**Table 4.15 – Investment grants**

<b>As at 1 January 2020</b>	<b>97,956</b>
Increases	-
Recognition through profit or loss	-3,890
<b>As at 31 December 2020</b>	<b>94,066</b>
Increases	-
Recognition through profit or loss	-3,890
<b>As at 31 December 2021</b>	<b>90,176</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 2021 and 2020 was as follows:

**Table 4.16 – Provisions**

	<b>Provisions for ongoing lawsuits</b>
<b>As at 1 December 2020</b>	<b>109,940,269</b>
Increases/Additions	18,186,039
<b>As at 31 December 2020</b>	<b>128,126,308</b>
Increases (regulatory fees)	22,201,208
Increases/reversals (other)	-257,225
Net addition	21,943,983
<b>As at 31 December 2021</b>	<b>150,070,290</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 2021, there were 218 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, 135 include claims for compensation.

The following variations were recorded in 2021:

- i) the instigation of 23 new actions, 17 of which with claims mainly involving disagreement with the settlement of fees for regulation of electronic communications and postal services, issued by ANACOM, from 2019 to 2020;
- ii) no provision has been made for proceedings without a requested value, as it is not expected that they will have a quantifiable impact in terms of value, namely proceedings relating to the challenge of the 5G auction regulation;
- iii) continuation of the other lawsuits carried over from 2021 with claims requested.

In short, based on the events recorded in 2021 and on the criteria mentioned above, ANACOM has updated the value of the accumulated provision for ongoing lawsuits, increasing its value by 21,943,983 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 2021 and 2020 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 4.17 – Liabilities in the balance sheet (+ or -)**

	<u>2021</u>	<u>2020</u>
Defined benefit pension plan (Note 4.10)	7,414,351	8,911,744
Defined benefit healthcare plan	2,050,000	2,137,000
<b>Total</b>	<b><u>9,464,351</u></b>	<b><u>11,048,744</u></b>

Unit: Euros

**Table 4.18 – Expenses / (Income) in the income statement**

	<u>2021</u>	<u>2020</u>
Defined benefit pension plan	342,365	364,299
Defined contribution pension plan	299,258	336,733
Defined benefit healthcare plan	40,032	45,153
<b>Total</b>	<b><u>681,655</u></b>	<b><u>746,185</u></b>

Unit: Euros

**Table 4.19 – Actuarial (gains) and losses recognised in equity**

	<u>2021</u>	<u>2020</u>
Defined benefit pension plan	1,543,032	-1,498,399
Defined benefit healthcare plan	34,000	-42,000
<b>Total</b>	<b><u>1,577,032</u></b>	<b><u>-1,540,399</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 31,868,607 euros as at 31 December 2021.

The actuarial study was based on the following assumptions:

<b>Table 4.20 – Assumptions in the actuarial study</b>		
	<b>2021</b>	<b>2020</b>
Annual discount rate	0.90%	0.80%
Annual wage growth rate		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 and 7 months in 2022; 66 years and 4 months in 2023, and in the following years the Eurostat projections for the Portuguese population were considered	
Salary growth rate for calculating social security pensions		1.50%
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 2021 was a decrease of this value by 367,735 euros, which was directly recorded under equity.

In the 2021 and 2020 financial years, the value of the liabilities recognised in the balance sheet is as follows:

<b>Table 4.21 – Recognised liabilities</b>		
	<b>2021</b>	<b>2020</b>
Present value of the liabilities	31,868,607	33,226,850
Fair value of the Fund's assets	24,454,256	24,315,106
<b>Surplus/(Deficit)</b>	<b>-7,414,351</b>	<b>-8,911,744</b>

Unit: Euros

The movement occurred in the 2021 and 2020 financial years, in the present value of the liabilities underlying the pension plan was as follows:

<b>Table 4.22 – Present value of the liabilities</b>		
	<b>2021</b>	<b>2020</b>
<b>As at 1 January</b>	<b>33,226,850</b>	<b>32,208,268</b>
Cost of current services	383,361	435,170
Cost of interest	263,527	321,001
Expected payment of benefits	-1,338,745	-1,086,675
Changes in assumptions	-367,735	783,574
Other actuarial (gains)/losses	-298,651	565,512
<b>As at 31 December</b>	<b>31,868,607</b>	<b>33,226,850</b>

Unit: Euros

In the 2021 and 2020 financial years, the value of the fund linked to this plan evolved as follows:

<b>Table 4.23 – Value of the fund</b>		
	<b>2021</b>	<b>2020</b>
<b>As at 1 January</b>	<b>24,315,106</b>	<b>24,903,423</b>
ANACOM contributions	291,503	255,789
Employee contributions	112,290	143,919
Benefits paid	-1,244,220	-1,083,950
Actual return on fund assets	979,577	95,925
<b>As at 31 December</b>	<b>24,454,256</b>	<b>24,315,106</b>

Unit: Euros

The effect on the income statements for the 2021 and 2020 financial years arising from this plan is as follows:

**Table 4.24 – Effect on the income statement**

	<u>2021</u>	<u>2020</u>
Cost of current services	383,361	435,170
Cost of interest	263,527	321,001
Employee contributions	-112,290	-143,919
Expected return on the fund assets	<u>-192,233</u>	<u>-247,953</u>
<b>Total included in personnel costs and/or (other income and gains)</b>	<b><u>342,365</u></b>	<b><u>364,299</u></b>

Unit: Euros

The effect of the actuarial gains and losses recorded directly in equity for the 2021 and 2020 financial years is as follows:

**Table 4.25 – Effect on equity**

	<u>2021</u>	<u>2020</u>
Changes in the discount rate	-367,735	783,574
Difference between the real and estimated return on the fund's assets	-787,344	152,028
Other actuarial (gains)/losses	<u>-387,953</u>	<u>562,787</u>
<b>Total reduction (increase)</b>	<b><u>-1,543,032</u></b>	<b><u>1,498,389</u></b>

Unit: Euros

It is also important to highlight the fact that the real yield of the Fund was positive, by approximately 5.36%, which, combined with the positive 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 decreased from 8,911,744 euros in 2020 to 7,414,351 euros in 2021 (-1,497,393 euros). This corresponds to a 77% coverage of the liabilities, which is still 16% above the minimum required by the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF – Insurance and Pension Funds Supervisory Authority).



In the 2021 and 2020 financial years, the relative weight of the assets comprising the pension plan fund, by nature, was as follows:

<b>Table 4.26 – Assets by nature</b>		
	<b>2021</b>	<b>2020</b>
Bonds	66.1%	61.8%
Liquidity	1.0%	5.0%
Shares	28.2%	28.6%
Real estate properties	0.2%	0.3%
Absolute return	4.4%	4.3%
<b>Total</b>	<b>100%</b>	<b>100%</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 2021 and 2020, the value of the defined contributions of ANACOM to the Retirement Pension Plan in question amounted to 299,258 euros and 336,733 euros, respectively, being recorded in Personnel costs.

### 15.3 Defined benefit healthcare plan

As at 31 December 2021, there were 72 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 2021 and 31 December 2020, stood at 2,050,000 euros and 2,137,000 euros, respectively.

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

Table 4.27 – Actuarial assumptions	2021	2020
Annual discount rate	0.90%	0.80%
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 0.8% to 0.9%, reflected in the liabilities having decreased by 24,000 euros.

In the 2021 and 2020 financial years, the value of the liabilities recognised in the balance sheet was as follows:

<b>Table 4.28 – Recognised liabilities</b>		
	<u>2021</u>	<u>2020</u>
Present value of the liabilities		
Active and dependant	865,000	888,000
Retired and dependant	<u>1,185,000</u>	<u>1,249,000</u>
<b>Total</b>	<b><u>2,050,000</u></b>	<b><u>2,137,000</u></b>

Unit: Euros

The change occurred in the 2021 and 2020 financial years in the present value of the liabilities underlying the healthcare plan was as follows:

<b>Table 4.29 – Present value of the liabilities</b>		
	<u>2021</u>	<u>2020</u>
<b>As at 1 January 2021</b>	<b>2,137,000</b>	<b>2,141,000</b>
Cost of current services	23,032	24,153
Cost of interest	17,000	21,000
Payment of benefits by ANACOM	-93,032	-91,153
Change in plan	0	0
Change in assumptions	-24,000	50,000
Other actuarial (gains)/losses	<u>-10,000</u>	<u>-8,000</u>
<b>As at 31 December 2021</b>	<b><u>2,050,000</u></b>	<b><u>2,137,000</u></b>

The effect on the income statements for the 2021 and 2020 financial years arising from this plan was as follows:

<b>Table 4.30 – Effect on the income statement</b>		
	<b>2021</b>	<b>2020</b>
Cost of current services	23,032	24,153
Cost of interest	17,000	21,000
Change in plan	0	0
<b>Total included in Personnel costs</b>	<b>40,032</b>	<b>45,153</b>

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 the 2021 and 2020 financial years were as follows:

<b>Table 4.31 – Effect on equity</b>		
	<b>2021</b>	<b>2020</b>
Change in discount rate	-24,000	50,000
Demographic changes	-7,000	-5,000
Changes in estimates	-3,000	-3,000
<b>Total included in the Equity heading</b>	<b>-34,000</b>	<b>42,000</b>

## 16. Suppliers

In the 2020 financial year, several expenses, mainly related to the DTT project, were carried over in balance, having been settled in the 2021 financial year, justifying the variation of balance that occurs in this item from 2020 to 2021.

## 17. State and other public entities

In the 2021 and 2020 financial years, the balances payable to the “State and other public entities” were detailed as follows:

<b>Table 4.32 – Government and other public entities</b>		
	<b>2021</b>	<b>2020</b>
Personal income tax	475,078	381,778
Value added tax	14,934	12,075
Social security	480,923	390,295
<b>Total</b>	<b>970,936</b>	<b>784,148</b>

Unit: Euros

## 18. Other payables

In the 2021 and 2020 financial years, the heading of “Other payables” was detailed as follows:

<b>Table 4.33 – Other payables</b>		
	<b>2021</b>	<b>2020</b>
	<b>Current</b>	<b>Current</b>
<b>Investment suppliers</b>		
General suppliers	285,743	187,133
<b>Accrued expenses</b>		
Remunerations	3,490,961	3,224,495
Insurance payable	6,206	6,537
Other	83,997	79,138
<b>Other creditors</b>		
Regulatory fees to be refunded	6,594	6,594
Miscellaneous payables	541,541,945	58,567
<b>Total</b>	<b>545,415,445</b>	<b>3,562,464</b>

Unit: Euros

The heading of “Investment suppliers” mainly concerns the purchase of equipment and materials incorporated in tangible fixed and intangible assets in progress.

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 2021 and the projected growth of wages and career progression in 2022.

The heading of “Insurance” includes the amount payable for insurance policies taken out by ANACOM related to the annuity of 2021, 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.

Nevertheless, this heading underwent a substantial increase compared to the amounts recorded in 2020, which is justified essentially with the amounts collected under the 5G Auction for the Allocation of Frequency Usage Rights, which took place in 2021, due essentially to the following outstanding amounts.

- An amount of 410.054 million euros, related to the amounts received under the auction which ended in October 2021, which are to be handed over to the State, given that ANACOM is awaiting the publication of the ordinance by the members responsible for the areas of electronic communications and finance which will determine its transfer to the State coffers, as set out in the provisions of Article 19(13)(b) of Decree-law 151-A/2000 of 20 July, in its current wording.
- An amount which may ultimately reach 131.371 million euros, given that the values related to the operators who opted to make part of the payment for the spectrum acquired at auction in instalments, as well as the spectrum bands subject to restrictions, as foreseen in the auction regulation, are still pending receipt, and it is expected that 131.371 million euros will be collected if payments are not made in advance, as these will be subject to a discount rate if they occur.

These amounts, when received from the Operators, will be handed over to the State, and an identical amount is recorded under “Other receivables”.

These amounts, although collected by ANACOM, are not income of ANACOM, since they must be handed over to the State.

## 19. Depreciation and amortisation costs/reversals

In the 2021 and 2020 financial years, this heading was broken down as follows (Notes 7 and 8):

**Table 4.34 – Depreciation and amortisation costs**

	<u>2021</u>	<u>2020</u>
<b>Depreciation of tangible fixed assets</b>		
Buildings and other constructions	272,467	225,711
Basic equipment	566,220	693,766
Transport equipment	31,264	28,067
Administrative equipment	924,448	880,043
Other tangible fixed assets	<u>69,971</u>	<u>65,650</u>
	1,864,370	1,893,236
<b>Amortisation of intangible assets</b>		
Software	1,190,301	1,012,807
<b>Total</b>	<b><u>3,054,672</u></b>	<b><u>2,906,044</u></b>

Unit: Euros

## 20. Sponsorships

ANACOM granted the following sponsorships in 2021, for the amounts shown:

**Table 4.35 – Sponsorships**

Entity	Initiative	Cost with attributed value
		2021
Associação Empresarial de Comunicações de Portugal (ACIST)	Sponsorship and Cooperation Agreement	15,346
Portuguese Committee of the International Union of Radio Science (URSI)	Best Student Paper Award	5,750
Other	Low-value sponsorships	590
Unit: Euros		<b>23,707</b>

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 of ANACOM]. 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 2021 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. As no implementation model has been defined to enable the implementation of what was approved by the resolution of 28 September 2018, the allocation of support has been suspended since that date.

Thus, ANACOM received 12 requests for sponsorship in 2021, with 2 having been granted, 8 having been rejected, and 2 having been carried over to 2022.

In this context, support was only given to the Portuguese Communications Business Association (ACIST – Associação Empresarial de Comunicações de Portugal), and the sponsorship and cooperation protocol with ACIST was renewed for an additional three years, remaining in force until 31 December 2023.

The sponsorship attributed by ANACOM to ACIST was allocated to various activities and amounts to 15,375 euros (VAT included), partially covering the costs of their implementation. The consideration offered to ANACOM translates into the visibility of our brand, participation in events, and dissemination of information on ITED/ITUR and 5G, in accordance with the objectives underlying the granting of the sponsorship:

- “Accessibility of public infrastructure – feasibility?” webinar.
- “ANACOM FAQs – ITED / ITUR” webinar.
- “ITUR Dossier 3”.
- XXV National Meeting of SMEs from the Telecommunications Sector.



In addition to the initiatives described above, ACIST also promoted other activities, namely the production of 52 videos that predominantly seek to demonstrate the advantages of 5G through practical examples.

Also noteworthy is the support provided in areas of interest to ANACOM, namely in the implementation and dissemination of the “Connect to the Condominium” project, and in the actions developed by the group created in the context of the coverage of mobile networks in Portugal, and by the group created in the context of 5G.

The sum of sponsorships granted also included a related event: the Best Student Paper Award and the ANACOM-URSI Portugal award, granted through the Portuguese Committee of the International Union of Radio Science (URSI – Union Radio-Scientifique Internationale).

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

## 21. Interest and similar income

In the 2021 and 2020 financial years, this heading is detailed as follows:

<b>Table 4.36 – Interest and similar income</b>		
	<b>2021</b>	<b>2020</b>
Late payment interest	9,363	49,612
Interest on financial investments	7,450	4,833
<b>Total</b>	<b>16,813</b>	<b>54,445</b>

Unit: Euros

The increase in the heading “Interest on financial investments” stems from the fact that, as in the previous year, exceptionally and under a remunerated proposal from IGCP, a financial investment was made in “Special Certificates of Short-term Debt” (CEDIC – *Certificados especiais de dívida de curto prazo*) in the last days of the year, with a capital applied much higher than that applied in the 2020 financial year.

## 22. Commitments

### Commitments regarding the purchase of assets

As at 31 December 2021, approximately 1,410,165 euros were contracted, including VAT (2020: 412,905 euros), for the acquisition of tangible fixed assets and intangible assets, of which 47,318 euros (2020: 229,798 euros) have already been paid.

### Commitments regarding operating leases

In the 2021 and 2020 financial years, the minimum value of future rents payable under non-cancellable operating leases was as follows:

<b>Table 4.37 – Operating lease commitments</b>		
	<b>2021</b>	<b>2020</b>
Up to 1 year	1,759,697	1,758,759
1 to 5 years	4,325,232	6,015,877
<b>Total</b>	<b>6,084,930</b>	<b>7,774,636</b>
Unit: Euros		

In 2021 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 5,739,504 euros; (ii) the lease of nine plots of land where the SINCRER remote stations are installed, with the amount payable being 43,644 euros; (iii) the lease of 22 vehicles, under vehicle operating lease contracts for periods of 48 months, whose amount payable stands at 255,890 euros, not including the option to purchase; and (iv) the operating lease of printing and copying equipment, whose amount payable is 45,891 euros.

In the 2021 financial year, the heading of “External supplies and services” records expenses incurred in relation to the aforesaid operating leases amounting to 1,911,184 euros (of which 1,618,766 euros concern the rental of buildings, 27,176 euros concern the rental of land, 220,757 euros concern vehicle operating leases, and 44,484 euros concern the operating lease of printing and copying equipment). In 2020, the total amount recorded was 1,500,519 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 2021, 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 establish provisions, as the specific amounts were not indicated in the lawsuits in question and there were no credible estimates to support their establishment.

### Compensation due to the holders of the frequency usage rights

In the draft Ordinance on results that ANACOM sends annually to the Government, it is proposed that ANACOM retains a sum of around 4,000,000 euros for:

- i) Any compensation due to the holders of usage rights of frequencies in the 1800 MHz band for the costs incurred in changing the assignment of the radioelectric spectrum in that frequency band, under the combined terms of article 31(6) of Regulation 560-A/2011 of 19 October, and article 4 of Decree-Law 151-A/2000 of 20 July.
- ii) Any compensation to be paid to the holders of network licences for the digital terrestrial television broadcasting service (DTT) and for the network licences for ancillary broadcasting applications and SAB/SAP-programme production (audio links), operating in the 700 MHz band, for the charges arising from the release of the radioelectric channels and frequencies assigned to them in that frequency band, under the terms of article 4 of Decree-Law 151-A/2000 of 20 July.

In light of the above, these compensations may be set by specific ordinance, which determines that the compensations are paid from ANACOM's budget and not through ANACOM's results, contrary to the proposed ANACOM results ordinance.

## 23.3 Contingent assets

As at 31 December 2021, 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 the 2021 and 2020 financial years, the remuneration of the Board of Directors and of the Audit Committee was as follows:

<b>Table 4.38 – Remuneration of the governing bodies</b>		
	<b>2021</b>	<b>2020</b>
Board of Directors	779,084	764,783
Statutory Auditor	30,404	30,404
<b>Total</b>	<b>809,488</b>	<b>795,187</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 term of office of the member of the Board of Directors appointed by Council of Ministers Resolution 38-B/2015 of 23 July – Isabel Maria Guimarães de Oliveira Rodrigues de Areia – expired in July 2021. However, she remained in office until her effective replacement, as provided for in Article 23(2) of ANACOM's Statutes, that is, until 28 October 2021.

By Council of Ministers Resolution 148/2021 of 3 November, a new member of the Board of Directors – Patrícia Alexandra Martinho Correia da Silva Gonçalves – was appointed, with the Resolution of the Council of Ministers coming into effect on the day following its approval.

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 Regulatory Entities (approved by 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: 7,249.5 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, namely: (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 2021 and 31 December 2020:

<b>Table 4.39 – FPC costs</b>		
	<b>2021</b>	<b>2020</b>
Contribution	160,000	160,000
Costs related to assigned personnel	258,996	294,353
Accrued costs (holidays, holiday allowances and pensions)	(3,385)	14,511
Regularisation of excess FPC 2020 allocation	(15,519)	-
<b>Total FPC costs</b>	<b>400,092</b>	<b>468,864</b>

Unit: Euros

The annual contribution made in 2021 followed the procedure established in Article 12 of the State Budget Law for 2020 (Law 2/2020 of 31 March), due to Article 13 of Law 75-B/2020 (State Budget Law for 2021), and in Ordinance 260/2018 of 14 September (no Ordinance was published for this effect in 2021), with this value being limited by order of the Secretary of State for the Budget.

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 28 December 2021 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 28 December 2021 to authorise the transfer of 160 thousand euros to the Foundation.

## **25. Other relevant information**

### **25.1 Competition Authority (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 2021, ANACOM recorded the value of 5,890,236 euros under "Other expenses" (2020: 5,976,012 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 Certified Accountant

*Rui Ferreira*

The Board of Directors

*João António Cadete de Matos*

*João Miguel André Monteiro Coelho*

*Paula Cristina Meira Lourenço*

*Sandro Miguel Ferreira Mendonça*

*Patrícia Alexandra Martinho Correia da Silva Gonçalves*

REPORT OF THE  
STATUTORY  
AUDITOR

## REPORT AND OPINION OF THE STATUTORY AUDITOR

In order to comply with the provisions of article 34(1)(b) of the Statutes of **ANACOM – AUTORIDADE NACIONAL DE COMUNICAÇÕES** (“Entity”), as well as other applicable legislation, as Statutory Auditor of this Entity, we hereby present our Report and Opinion on the Report and Accounts presented by its Board of Directors, concerning the year ended 31 December 2021.

We have analysed the Management Report prepared by the Board of Directors and the accounts for the year ended 31 December 2021, comprising the Balance Sheet, the Income Statement by Nature, the Statement of Changes in Equity, the Cash Flow Statement, and the Notes to the financial statements.

The Management Report includes a description of the activity carried out, highlighting the fact that, notwithstanding the constraints arising from the pandemic, the strategic objectives of protecting the rights and interests of consumers and other end users of services subject to ANACOM’s regulatory activity have been maintained and even reinforced by a set of additional measures aimed at mitigating the enormous economic and social impact resulting from this new reality.

Another relevant area of the Regulator’s performance, also highlighted in the Management Report, is related to the conclusion of the tender process regarding the implementation of the fifth mobile generation (5G), as well as the continuation of management dynamics in support of digital transformation and dematerialisation of processes.

It should also be noted, as mentioned in Note 2.1 of the Notes to the financial statements, that ANACOM adopts the Accounting Normalisation System (SNC), in line with the provisions of article 35(2) of its Statutes, approved by Law 39/2015 of 16 March.

In view of the new wording of Article 38(1) of the Framework Law on Regulatory Authorities, approved by Law 67/2013 of 28 August, given to it by Article 329 of the 2019 State Budget Law, regulatory authorities must apply the Accounting Standardisation System for the Public

Administration (SNC-AP). However, as pointed out in the Note of the Annex, any change to the applicable accounting framework would require a prior amendment of its Statutes, a matter that depends on the will of the legislator.

As Statutory Auditor, we have issued the Legal Certification of Accounts, without reserves and with an emphasis on the war situation in Europe and its effects on the global and Portuguese economy, although it is expected that they will not affect the continuity of the Entity's activity.

As a whole, the aforementioned accounting documents adequately reflect the evolution of the Entity's activity, complying with the requirements arising from the applicable legislation.

We also analysed the proposal for the appropriation of profits presented by the Board of Directors, believing it to be balanced and in accordance with the applicable legal requirements.

Accordingly, we believe that the above-mentioned documents, when read together, provide a good understanding of the financial position of **ANACOM – AUTORIDADE NACIONAL DE COMUNICAÇÕES**, as at 31 December 2021, satisfying the legal and statutory provisions. As is our duty, we also agree with the valuation criteria used by the Entity, which are described in the Annex.

In view of the work carried out, and in accordance with the above, we are of the opinion that the State, through the members of the Government responsible for the areas of finance and communications:

- (a) Approve the Management Report, the Balance Sheet, the Income Statement by Nature, the Statement of Changes in Equity, the Cash Flow Statement, and the respective notes attached to these financial statements for the year ended 31 December 2021, presented by the Board of Directors.
- (b) Consider the Proposal for the Appropriation of Profits, expressed by the Board of Directors in its Management Report, which, in our opinion, is in accordance with the applicable legal and statutory provisions.

Lisbon, 21 April 2022

**THE STATUTORY AUDITOR**

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

Represented by:

Vitor Manuel Batista de Almeida

*(Registered with the OROC under No. 691 and on the CMVM list of auditors under No. 20160331)*

LEGAL  
CERTIFICATION  
OF ACCOUNTS

## LEGAL CERTIFICATION OF ACCOUNTS

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We audited the attached financial statements of **ANACOM – AUTORIDADE NACIONAL DE COMUNICAÇÕES** (the Entity), which comprise the balance sheet on 31 December 2021 (showing a total of 839,202,117 euros and an equity of 132,136,797 euros, including a net income of 32,531,405 euros), profit and loss statement by type, the statement of changes in equity, and the cash flow statement concerning the year ended on that date, and the Notes to the financial statements that include a summary of the significant accounting policies.

In our opinion, the attached financial statements present, in a true and fair view, in all material aspects, the financial position of **ANACOM – AUTORIDADE NACIONAL DE COMUNICAÇÕES**, as at 31 December 2021, and its financial performance and cash flows for the year ended on that date in accordance with the Accounting and Financial Reporting Standards adopted in Portugal through the Accounting Standardisation System.

#### BASES FOR THE OPINION

Our audit was prepared in accordance with the International Auditing Standards (IAS) and other standards and technical and ethical guidelines of the Portuguese Institute of Certified Public Accountants (*Ordem dos Revisores Oficiais de Contas*). Our responsibilities, under the terms of these standards, are described in the section “Responsibilities of the auditor for the audit of financial statements” below. We are independent of the Entity under the terms of the law and meet all the other ethical requirements under the terms of the code of ethics of the Portuguese Institute of Certified Public Accountants.

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

#### EMPHASIS

As disclosed by the Board of Directors, in note 4.17.5 of the Annex, following the current situation of conflict in Europe and the impact on the economy, both at global and Portuguese



levels, namely on the evolution of the costs of energy, fuel, and other relevant goods and services, it is impossible to reliably estimate the impact that these situations may have on the future development of the Entity's activity and, consequently, on the evolution of its economic and financial situation, although the Board of Directors believes that the Entity's continuity is not at stake. Our opinion is not altered in respect to this matter.

#### **RESPONSIBILITIES OF THE GOVERNING BODY FOR THE FINANCIAL STATEMENTS**

The governing body is responsible for:

- preparing financial statements that truthfully and fairly represent the financial position, financial performance and cash flows of the Entity, in compliance with the accounting and financial reporting standards NCRF adopted in Portugal through the Accounting Standardisation System;
- preparing the management report in accordance with the applicable legal and regulatory terms;
- creating and maintaining a suitable internal control system to allow the preparation of financial statements free of material misstatements due to fraud or error;
- adopting accounting criteria and policies suitable for the circumstances; and
- evaluating the Entity's ability to continue operating, disclosing, when applicable, matters that may give rise to substantial doubts about continued operation.

#### **RESPONSIBILITIES OF THE AUDITOR IN THE AUDIT OF FINANCIAL STATEMENTS**

Our responsibility consists of obtaining reasonable assurance as to whether the financial statements as a whole are free of material misstatements due to fraud or error, and issuing a report containing our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the IAS will always detect a material misstatement when one exists. Misstatements may originate from fraud or error and are considered material if, isolated or jointly, can be reasonably expected to influence economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with the IAS, we make professional judgements and maintain professional scepticism during the audit and also:

- we identify and assess the risks of material misstatements of financial statements due to fraud or error, devise and execute audit procedures that respond to these risks, and we obtain auditing evidence that is adequate and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of detecting a material misstatement due to error, as fraud may involve collusion, falsification, intentional omission, false declarations or overriding of internal controls;
- we gain an understanding of the internal controls relevant to the audit with the aim of devising audit proceedings that are appropriate for the circumstances, but not to express an opinion on the effectiveness of the Entity's internal controls;
- we assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by the governing body;
- we decide on the governing body's adequacy of use of the going concern assumption and, based on the audit evidence obtained, if there is any material uncertainty related to events or conditions that may give rise to substantial doubts about the capacity of the Entity to continue operating. If we find that there is a material uncertainty, we must call attention in our report to the related disclosures included in the financial statements or, if these disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained at the date of our report. However, future events or conditions may lead to the Entity ceasing its operations.
- we evaluate the presentation, structure and overall content of the financial statements, including the disclosures, and whether these financial statements represent the underlying events and transactions in order to reach a suitable presentation;
- we communicate with the governing bodies, among other matters, the planned scope and timetable of the audit, and the meaningful conclusions of the audit, including any significant deficiency in internal controls identified during the audit.

Our responsibilities also include verifying the consistency between the information contained in the management report and in the financial statements.

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

### **ABOUT THE MANAGEMENT REPORT**

In compliance with the applicable legal requirements, it is our opinion that the management report was prepared in accordance with the legal and regulatory requirements in force, the information contained in it is consistent with the financial statements and, taking into account our knowledge and appraisal of the Entity, we have not identified any material misstatements.

Lisbon, 21 April 2022

### **VITOR ALMEIDA & ASSOCIADOS, SROC, LDA**

Represented by:

Vítor Manuel Batista de Almeida

*(Registered with the OROC under No. 691 and on the CMVM list of auditors under No. 20160331)*

# 2021



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April 2022