

ANNUAL REPORT AND ACCOUNTS

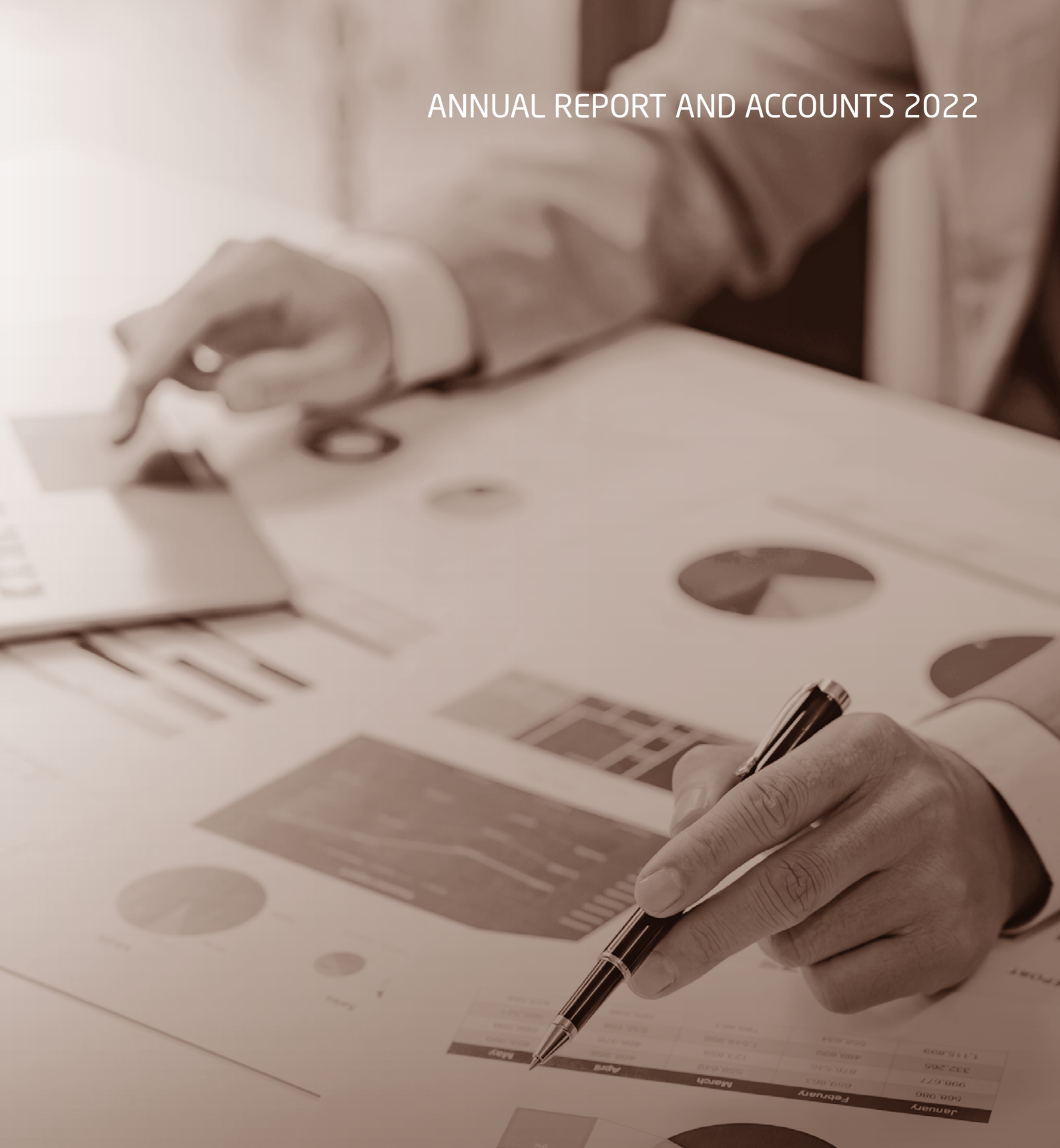


2022

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STATEMENT OF THE BOARD OF DIRECTORS

Statement of the Board of Directors

The Autoridade Nacional de Comunicações (ANACOM) hereby presents its Annual Report and Accounts for 2022. It includes a summary of the main activities carried out during the year, as well as the balance sheet and income statement, accompanied by the report of the Statutory Auditor, and it must be sent for approval to the members of the Government responsible for the areas of finance and infrastructure and to the Assembly of the Republic [the Portuguese Parliament].

This report will also be available on ANACOM's website.

ANACOM's mission is to regulate the communications sector, including electronic and postal communications and, without prejudice to its nature as an independent administrative body, to assist the Government in these areas. It also assumes, on a provisional basis, the duties and powers of the Space Authority, under Decree-Law 16/2019 of 22 January.

In addition to these duties, ANACOM acts as a central supervisory authority, with powers in all areas regulated by Decree-Law 7/2004 of 7 January, which regulates certain legal aspects of information society services, in particular electronic commerce, transposing Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000, except in matters where special law assigns sectoral competence to another authority.

ANACOM remains true to its mission of defending the public interest and protecting consumers and end users, to its vision of continuing to create value for society through an independent, transparent, sustainable, inclusive and digital regulation of the communications sector, taking into account three strategic objectives:

1 - To help the whole country to gain the maximum benefit in terms of choice, price, quality and security of postal and electronic communications services, through active and demanding regulation that promotes efficient investment, facilitates infrastructure sharing and ensures fair and dynamic competition.

2 – To ensure maximum protection of the rights of communications users throughout the territory and especially among the most vulnerable communities, by promoting a regulatory framework that prioritises information and transparency, and discourages and sanctions bad practices.

3 – To strengthen and make regulation in Portugal more accountable, by fully respecting its autonomy, impartiality, and independence and by demanding the strict fulfilment of its mission, particularly by sharing information and knowledge and encouraging the efficiency and economy of means and resources essential to the full acceptance of its responsibilities.

Bearing in mind these objectives, the following indicators were adopted to assess the efficiency, effectiveness and quality achieved by ANACOM in the exercise of its activity:

- ID1 - Plan Implementation: measures the number of actions fully carried out against the number of actions in the plan (considering actions that may be added or removed);
- ID2 - Percentage of determinations within the target time limit: corresponds to the percentage of decisions taken within the time limit set by ANACOM.

For this, the multi-annual activities plan 2022-2024 also set targets of 100 per cent for indicator ID1 (implementation of the plan) and 100 per cent for indicator ID2 (percentage of deliberations within the set target period), and in the reference year for those two indicators (2022), the target was achieved.

Thus, and without prejudice to the activities that will be developed in the Regulation, Supervision and Other Activities Report, it is important to monitor progress related to 5G networks, following the conclusion of the auction of 5G frequencies and other relevant bands. At the beginning of the second half of 2022, ANACOM released a first assessment of the development of 5G in Portugal, which it has been updating on a quarterly basis and in which special focus was given to the evolution of the number of base stations installed in the national territory, with the distribution segmented at the level of districts, municipalities, and parishes. At the end of 2022, the number of base stations installed in the national territory with 5G technology totalled 5,842 stations. In this context, ANACOM also promoted initiatives to publicise the obligations to which operators are subject regarding the installation of base stations at the request of specific bodies, involving an information campaign in which potential interested parties were contacted and a leaflet, video and podcast on the subject were prepared.

Also in the context of radio spectrum management, in December 2022 ANACOM approved the Strategic Spectrum Plan, following a market consultation, a document which highlights the regulator's overall strategic vision on the most important issues in this context, and

which indicates the main strategic actions leading to the provision of frequencies for radio services/applications in the civil sector for the future, in order to meet new spectrum needs, as well as considering the specificities of each service/application in the context of its development. Reference should also be made to market consultations on the spectrum availability in the 1500 MHz, 26 GHz frequency bands, and in the 700 MHz - duplex gap and guard bands (the latter already finalised in 2023).

In the context of market regulation, the monthly prices of the reference offers for access to ducts (RDAO) and access to poles (RPAO) were revised downwards. According to the decision approved in July, the maximum monthly prices for RDAO were reduced by 35%, while for RPAO the reduction was 20%.

ANACOM's decision was based on evidence that action was required at the level of the prices included in the RDAO and RPAO, to ensure their cost orientation, and it is understood that, in view of the margins observed in recent years, the reduction is appropriate and fully justified.

At the same time, also in 2022 (November), the decision on the amendments to the RDAO and RPAO was approved, involving the procedures, deadlines, and applicable penalties. A set of measures to promote a more expeditious and less costly installation of very high capacity networks by operators was also adopted and reviewed, facilitating the provision of retail services to end users.

In 2022, ANACOM continued to pursue a set of initiatives to provide information and raise awareness, particularly aimed at municipalities, on the implementation of electronic communications networks and their infrastructure. Developments related to 5G networks and the harmonisation of procedures were specifically targeted and they were also encouraged to reduce base station installation fees and harmonise them at national level. Specifically in terms of protecting the interests of users, in view of the current context of increasing inflationary pressures in Portugal and the consequent increase in the cost of living, and given the levels of poverty in our country, ANACOM, as the communications regulatory authority, has decided to adopt a recommendation addressed to providers of electronic communications services: they should consider the impact of their pricing policies on families, as they face an increase in the cost of living unprecedented in recent history. This situation is further exacerbated by the fact that the proportion of household expenditure

disbursed on communications services, which are an essential public service, is higher in Portugal than the European Union average.

The Government created a social tariff for the provision of broadband Internet access services (TSI – Internet social tariff) through Decree-Law 66/2021 of 30 July, which constitutes a measure of tariff accessibility within the scope of the universal service (US). After this, in 2022, ANACOM promoted the monitoring of adherence to the service, having approved tariffs made available by companies offering this type of services, and launched a broad information campaign in the press, radio and universities, with the aim of informing consumers about the conditions of access to this tariff.

ANACOM is focused on ensuring the permanent technological updating of its supervision systems, having initiated several processes in 2022 aimed at renewing the fixed and mobile infrastructure systems used by its teams, in particular the upgrading of radiogoniometry equipment, essential for the detection and elimination of harmful interference, as well as the acquisition of new spectrum analysers capable of ensuring the supervision of the new 5G mobile networks. In terms of confirming the quality of service of mobile and fixed networks, various measurement systems (QoE/QoS/NET.mede) were also updated, to enable ANACOM to be equipped with greater technical capacity, namely for testing, analysing, and reporting.

In the broad spectrum of matters over which ANACOM exercised its supervisory powers during 2022, we highlight the checking of compliance with the obligations of the legal regime regarding the construction of infrastructure suitable for hosting electronic communications networks and the installation of electronic communications networks. It also oversaw the Suitable Information and Infrastructure System (SIIA) - fundamental to enabling the sharing of infrastructure and facilitating the installation of operators' networks. Also significant were the oversight actions carried out with postal and electronic communications service providers operating in the market, including those related to conducting audits of the security of networks and services, under the Security Regulation, as well as the obligations arising from the renewal and allocation of rights of use for frequencies in the 2100 MHz band, following the Multiband Auction.

As part of the implementation of solutions aimed at improving the services provided to the market and end users, as well as increasing the efficiency of ANACOM's services, 2022 saw the development of Project SFAS - Supervision, Inspection and Sanctioning Action

continued. It is focused on the legislative simplification, modernisation, and procedural digitisation of the supervisory, inspection and sanctioning action carried out by this Authority. Specifically, it is intended that all activity undertaken by ANACOM's supervisory area, including interaction with stakeholders, will in future be accomplished electronically. In this context, we highlight the implementation of a digital platform that has allowed the electronic processing of ANACOM's administrative offence proceedings since the end of 2022.

Also in 2022, ANACOM approved a draft decision (which was determined in 2023) in which it ordered Internet access service providers (ISPs) to cease zero-rating and similar offers that discriminate, on commercial grounds, between traffic relating to zero-rated applications and other traffic. This cessation must take place within 20 working days of the date of the final decision in the case of offers available for new subscriptions, and within 90 working days of the date of the final decision in the case of contracts currently being implemented. Already in the context of the final decision on this matter, ANACOM determined that, in the latter case, the application of the aforementioned 90-day period would not prejudice users whose contracts provide for a loyalty period still in progress being able, if they so wish, to keep the stated offers under the conditions in force until the end of that period.

With regard to numbering, ANACOM has approved the Draft Regulation on the designation of a numbering range for the supply of the transmission service used for the provision of machine-to-machine (M2M) services, considering that in the short to medium term these services will significantly impact the national numbering plan, from the outset with the implementation of some applications, services or technologies that themselves will require a significant volume of numbering resources, such as *eCall*, and also given the boost that the spectrum that ANACOM has been making available to the market may provide.

Regarding emergency services, ANACOM has approved the start of a procedure to amend Regulation 99/2009 of 23 February on the release to the authorities responsible for emergency services of information on the location of callers to the single European emergency number 112 (Regulation 112L), adapting it to the legal framework in force and to the technological developments planned for the new generation of this service.

In the context of the Universal Postal Service, the entry into force, on 8 February 2022, of the new concession contract concluded between the Portuguese State and CTT provides

that the criteria to be followed in the pricing of the postal services that make up the universal service are established for a period of 3 years by an agreement to be concluded between ANACOM, the Directorate-General for the Consumer (DGC) and CTT (as provider of the UPS). This agreement was concluded in July 2022, and CTT submitted a price update proposal for 2023 (as from 01.03.2023) that complied with the principles and criteria for price formation defined.

In the context of assisting the Government, ANACOM has launched two public consultations in the process of preparing the public tender to be held for the installation, management, operation and maintenance of very high capacity electronic communications networks in geographical areas of the national territory where there is no coverage by such networks ("white areas"), namely regarding the mapping and designation of "white areas" and the tender procedure documents. Also in the effort to ensure connectivity, the Government is to be assisted with the technical specifications of the information to be uploaded by operators to the platform on the coverage of fixed and mobile electronic communications networks provided for in Decree-Law 40/2022 of 6 June.

With regard to the preparation of draft legislation, we highlight the delivery to the Government of the preliminary draft amendment to the rules of ham (amateur) radio with the aim of contributing to its development. In pursuing its mission, ANACOM has considered it particularly important to promote and appreciate this activity, particularly among the younger generations.

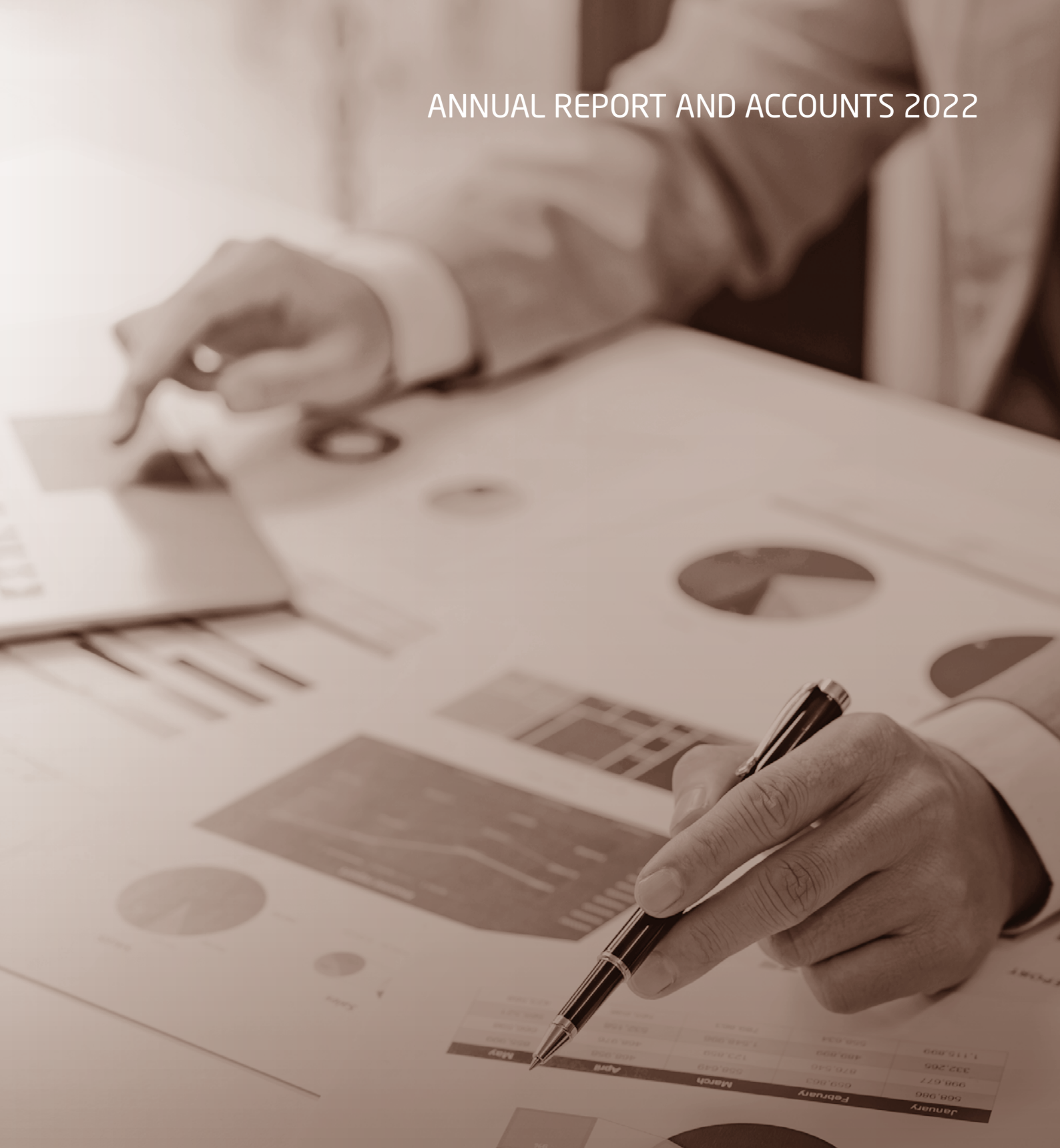
ANACOM has decided to impose fines totalling more than 15 million euros on the four main electronic communications operators, MEO, NOS, Vodafone and Nowo. This is because they adopted behaviour likely to violate the legal rules applicable to the communication of changes in contracted prices in relation to a large number of subscribers, which resulted in the commission of serious administrative offences, and for failing to provide information to ANACOM.

Specifically, the behaviour of these operators relates to the failure to inform subscribers, within the contractually prescribed period, of their right to terminate their contracts free of charge if they do not agree with the price increase proposed by the operators. Also at issue is the failure to communicate the proposed price increase in an appropriate manner, since, in some cases, the specific amount of the increase was only made known to subscribers

long after they had been informed that prices would increase and, in other cases, because the specific amount of the proposed increase was not stated in the manner and place indicated in the communication of the contractual amendment. In the case of NOS, it is also at issue that subscribers were not informed of the proposed price increase at least 30 days in advance.

Finally, it should be noted that ANACOM's new internal organisational model was stabilised and the required actions were taken to move ANACOM's head office to a different building, which took place in early 2023.

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HUMAN RESOURCES

Human resources

Under its people management strategy, ANACOM continued in 2022 a set of initiatives arising from the implementation of the organisational change process started the previous year. The management teams played a decisive leadership and management role in the constitution of the microstructure that integrates the various Organic Units, with a view to making the functioning of this Authority more effective and efficient, and creating future sustainability.

Adapting to the new reality (post-pandemic) led to the overhaul of people management policies, which had a critical role in the organisation's strategy by ensuring the coherence and alignment of all employees, as well as their active and effective participation in the opportunities for change encouraged internally and the achievement of the defined objectives.

In 2022, the management dynamics in support of digital transformation and the dematerialisation of processes were also noteworthy, along with the adoption of measures with a view to effectively staffing the human resources structure and providing training for employees.

As part of the process of joining "*iGen - Fórum Organizações para a Igualdade*" [Organisations for Equality Forum], ANACOM, being aware of the importance of this issue in its mission, in the lives of its employees and in society in general, has designed the Gender Equality Plan. This sets out to emphasise the organisation's efforts to reduce expressions of inequality through a number of explicit measures that translate into short and medium-term commitments. The organisational culture of gender equality, equal opportunities in employment and labour relations, and gender balance in the reconciliation of professional, family, and personal life are regarded as the priority areas of intervention.

Also noteworthy in 2022 is the boosting of new approaches to accessing knowledge and information in the context of digital mobility and the remote working model (teleworking).

Among the initiatives launched/continued are actions in the following areas:

- Completion of the internal tender procedure carried out at ANACOM to select 22 coordinators responsible for the intermediate management of the teams that make up the different Organic Units;
- Implementation of the internal mobility programme with a view to providing new professional opportunities, according to the preferences of the employees and the need for resources in the different Organic Units;
- Several external recruitment processes were carried out for recently graduated senior staff and staff with consolidated experience, as part of the initiatives undertaken to rejuvenate ANACOM and ensure its future sustainability;
- Impetus given to training actions focusing on the diversification of formats through the provision of both online and face-to-face courses in order to ensure an effective alignment between remote and face-to-face work;
- Streamlining and monitoring the new version of the Welcome and Integration Programme for new employees, with a view to providing them with effective and motivating adaptation experiences in the context of a new professional reality;
- Reinforcement of the digital transformation in people management, reflected in the dematerialisation of processes associated with the administrative management of documentation and the processing of employee information, encouraging digital communication, and reducing paper consumption;
- Streamlining remote working measures that promote the work-life balance of employees;
- Completion of the implementation process of a technological solution for data analytics, which allows the internal production of indicators on people management and makes it possible to respond to requests for information from official entities, namely the Social Balance Sheet, the Single Report, among others.

1.1. Number and qualification

At the end of 2022, ANACOM's workforce showed the following distribution:

Table 1.1 - Human Resources used			
	2022	2021	2020
1 - Permanent staff	396	383	377
2 - Requested by ANACOM	0	0	0
3 - Providing services in other organisations	8	9	11
4 - Fixed-term contract employees	0	0	0
5 -Human resources used = (1)+(2)-(3)+(4)	388	374	366

In 2022, there were sixteen employment contract terminations, six of which were self-initiated, and ten due to retirement.

During 2022, three employees were transferred in the public interest and four employees who had been transferred to other organisations returned to ANACOM. The high average age of ANACOM's staff continues to be a relevant factor in defining its human resources management strategy; it is addressed in the plan to hire senior staff with a view to leveraging the rejuvenation of the workforce and the needs identified in the context of organisational restructuring. In this way, 29 senior staff were hired in 2022, 16 of whom have a junior profile and the rest a profile with greater professional seniority.

In 2022, ANACOM's workforce also recorded differences in terms of its professional qualification structure, which has changed compared to previous years, showing an increase in the qualification level of its staff. The change in the qualification structure of ANACOM's staff resulted from the implementation of measures to develop skills and redefine the functional profiles of employees to foster their professional development.

The merit-based advancement system in force made it possible to change functional group and qualification level by applying exceptional advancements to the group of employees who met the functional and merit requirements set out in the rules established in ANACOM's collective bargaining agreement.

1.2. Training and development

In 2022, training and development strategies took on a highly relevant role in the appropriate provision and training of people to meet the training needs established in the plan or of an ad-hoc nature.

The stimulation of training actions is emphasised, focusing on the diversification of formats through the provision of both online and face-to-face courses, thus ensuring an effective alignment between remote and face-to-face work.

In 2022, 124 training actions were carried out - internal, inter-company, or tailored to ANACOM, representing 11,000 hours of training with a participation rate of over 90%.

The 11,000 hours of training in 2022 included a diverse range of knowledge areas, with English language training accounting for 26% of the number of hours, with information and data training 16%, and 5G training and legal affairs 11% of the training hours.

Internal training took centre stage in 2022, with a total of 995 participations and a total of 1,244 hours. Training and webinars aimed at strengthening knowledge of the activity and the organisation should be highlighted.

In 2022 ANACOM also co-funded a postgraduate course in the area of information technologies, a master's degree in information security and law in cyberspace, and two doctorates specialising in public policy.

Table 1.3 - Key training indicators

	2022	2021	2020
Number of actions	124	159	504
Number of participations	1 725	2 179	3 662
Number of training hours	11 201	13 263	12 349
Number of training hours/Average number of employees	30	35	34
Training costs (thousand euros)	165	187	111
Training costs/Staff costs	0.7%	0.8%	0.5%
Training costs /Average number of employees (euros)	441	501	303

Note: In 2022, for calculation purposes, the average number of employees was considered to be 376.

The implementation of the training plan in 2022 amounted to a total of around 165,000 euros, resulting in 124 actions being held, with 1,725 participations and 11,201 hours of training, corresponding to an average of 29 hours and an investment of 427 euros in training per employee.

1.3. Remuneration policy

With effect from January 2022, all mandatory changes in salary ranking, progression and changes in level or rank arising from the application of the rules on professional career progression provided for in ANACOM's Career Regulations were approved, as well as the updating of monthly basic salaries, in compliance with the provisions of Decree-Law 109-A/2021 of 7 December.

Also, regarding internal policies for the retention and development of human capital, professional development criteria were approved based on the merit of employees, under the terms provided in the Regulator's collective bargaining agreement.

In terms of recognising the performance and productivity of employees, ANACOM continued to use merit recognition instruments related to the award of performance bonuses as an important part of managing and motivating its staff.

1.4. Selection and recruitment

Also as part of the implementation of ANACOM's new organisational structure, the recruitment programme for professional profiles considered essential to prepare ANACOM for future needs was continued. The aim is to ensure rejuvenation, better adaptation of human resources to the challenges ahead and the sustainability of the organisation.

In this regard, admissions were made following external tendering procedures initiated in 2021 and new procedures were carried out, which are listed below:

- ten recent graduates in the fields of law, economics, and engineering (relevant branches);
- ten senior staff with consolidated experience for the Directorate-General for Regulation, in the areas of law, economics, telecommunications engineering, and communications security engineering;

- a Geographic Information Systems Administrator for the Directorate-General for Information and Innovation;
- two senior staff for the Internal Audit Office, who were not hired until early 2023;
- newly qualified telecoms engineers, who were not hired until early 2023.

Taking into account the overall ceiling of 423 employees and the number of new hires resulting from the above-mentioned recruitment processes, there remains a positive balance of potential new hires in the Regulator's workforce.

1.5. Reconciling professional, personal, and family life

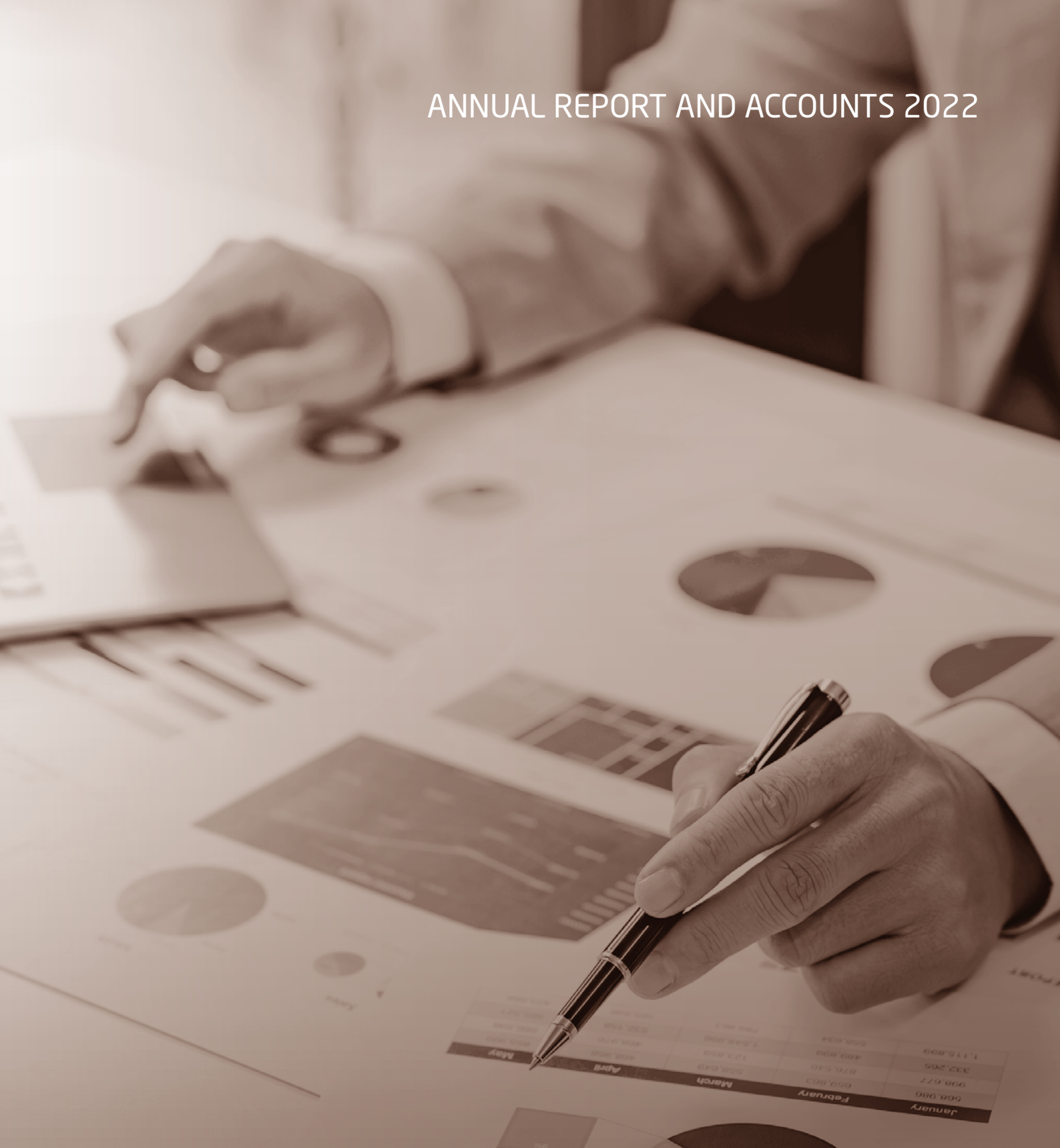
In 2022, ANACOM continued to implement measures to ensure better adaptation to remote working, in particular through the development of collaborative platforms for accessing and sharing information.

Work was carried out under working time arrangements, already applied in the previous year to the vast majority of the organisation's employees. This enabled greater flexibility in the management of working hours and a better reconciliation of professional, family, and personal life.

1.6. Social and environmental responsibility

- In the context of corporate initiatives to mobilise and involve employees in participatory social and environmental responsibility activities, ANACOM continued to collaborate in the "Equipment Bank" campaign, which annually involves collecting electrical equipment for recovery. It contributes to environmental sustainability and provides charitable institutions with more efficient resources, associated with the delivery of school books to be reused, both campaigns being promoted in partnership with the Bank of Donated Goods (BBD).
- Continuing its association with the Re-Food Movement in an initiative against food waste, ANACOM continued to deliver surplus daily meals from its Head office canteen to that organisation in the first four months of 2022.

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TANGIBLE FIXED ASSETS, INTANGIBLE ASSETS AND INVESTMENT

Tangible fixed assets, intangible assets, and investment

Tangible fixed assets and intangible assets

In 2022 there was an increase in investment in tangible fixed assets and intangible assets, which led to a slight increase in net assets.

Table 2.1 - Tangible fixed assets and intangible assets

	<u>2022</u>	<u>2021</u>	<u>VAR 22/21</u>	
Gross tangible fixed assets and intangible assets	95,951,484	92,760,499	3,190,985	3%
Accumulated depreciation and amortisation	-79,507,733	-76,348,694	-3,159,039	4%
Net tangible fixed assets and intangible assets	<u>16,443,751</u>	<u>16,411,806</u>	<u>31,945</u>	0%

Unit: Euros

The increase in the gross accumulated values of these assets, as well as in the respective depreciation and amortisation, were proportional, and the increase in amortisation is in line with the investment that has been made in software and hardware with high amortisation rates.

Table 2.2 provides an overview of the change in these net assets by major headings.

Table 2.2 – Change in tangible fixed assets and intangible assets

	<u>2022</u>	<u>2021</u>
Total investment for the year	3,197,207	1,247,761
Deferred costs – renovation works	-5,086	-5,981
Depreciation and amortisation for the year	-3,161,706	-3,054,672
Net divestment (write-offs)		
Settlements	1,530	-1,108
Increase/(Reduction) of net assets	<u>31,945</u>	<u>-1,814,000</u>

Unit: Euros

Investment

In 2022, the level of investment normalised, given that in 2021 there had been a sharp decrease, thus remaining in line with the investment levels of previous years, except for the already-mentioned 2021 financial year. The most relevant investments in the 2022 financial year focused on technological fitness and technology architecture and platforms, aimed at improving the quality of services provided internally and externally, within the scope of ANACOM's responsibilities.

Table 2.3 – Investment from 2013 to 2022

YEAR	VALUE	YEAR	VALUE
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
2017	2,437,459	2022	3,197,207
10-YEAR AVERAGE	2,451,745		

Unit: Euros

The level of investment made in 2022 rose to 3.197 million euros.

The investments made had the following breakdown by nature:

Table 2.4 – Investments by nature

	2022	2021	VAR 22/21	
Buildings and/or constructions	26,543	49,699	-23,156	-47%
Basic equipment	521,212	246,400	274,812	>100%
Transport equipment	-	48,249	-48,249	-100%
IT equipment (hardware)	168,860	61,412	107,448	>100%
Other tangible assets	69,188	71,124	-1,936	-3%
Intangible assets (software)	2,406,318	764,897	1,641,421	>100%
Adaptation works	5,086	5,980	-894	-15%
Overall total	3,197,207	1,247,761	1,949,446	>100%

Unit: Euros

The main areas of investment in 2022, by nature, maintained the trend of previous years, namely:

- (i) Investment in information systems (hardware and software), necessary both to develop ANACOM's activities and to improve the services provided to the market and to consumers, through the adaptation of technological infrastructure strongholds through the acquisition of the necessary hardware and software, constituted the most important portion of the investment made, around 80% of the total;
- (ii) Investment in basic equipment through the acquisition of various equipment to support the technical areas of spectrum monitoring and control, radioelectric, and laboratories, represented around 16% of the investment made in 2022.

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 2022 amounted to 521 thousand euros (in 2021 they totalled 246 thousand euros), applied in the following projects:

- Project for the technological retrofitting of spectrum monitoring and control (MCE), which aims to suitably equip ANACOM's operational services to carry out spectrum monitoring and control actions with the quality, reliability and availability required, with investment in basic equipment taking on greater significance, namely the acquisition of three receivers with the capacity to decode the MPX and RDS components of the FM radio broadcasting service and an electromagnetic field measurement/evaluation system, among other equipment, the total amount of which was approximately 177 thousand euros in 2022;
- Project for major repairs to SINCRER, aimed at modernising remote stations. One-off restoration work was carried out on various minor components of the system, so that operability is not jeopardised;
- Project to modernise the Laboratory and Standardisation Centre (CLN), continued the modernisation of the Laboratory Centre aimed at the technological updating of equipment, specifically to gain laboratory accreditation and for the implementation of TEMPEST capacity in cooperation with the National Security Office.

2) **Area of information systems and technology (IS/IT):** solutions were developed with an overall value of 2.575 million euros in 2022 (826 thousand in 2021), of which the following should be noted:

- The continuity of strong investment in the digital transformation of the organisation, stressing the continuity of the application transformation programme, the consolidation of the continuous improvement mechanisms allocated to work processes and the capability of the support measures for work processes developed in mobility contexts (remote working and means of operational mobility for the teams);
- The implementation of several development initiatives in the context of the response to the European Regulation (EU) 2018/1724, contributing to the national and European effort to set up the Single Digital Gateway - the platform for accessing information and services online that facilitates interaction between citizens, businesses, and the State;
- The development of new policies, structures, and platforms for information management in general and market management in particular;
- Modification and reinforcement of the installed capacity with regard to the means of mobility in the internal environment, necessary for operation in the new head office building;
- The continuity and reinforcement of means of implementing innovation supporting the launch of new solutions and greater knowledge sharing.

In the area of solutions to improve market and consumer services, several initiatives have been instigated, including:

- Continuity of initiatives to improve services provided electronically by ANACOM;
- Technological development of the different processing axes inherent to the various services to be integrated into the Single Digital Gateway in the context of European Regulation (EU) 2018/1724;
- Start of the replacement of the organisation's Workflow and Document Management platform, promoting its technological and functional readjustment;
- Implementation of the new SIIA Platform (Suitable Infrastructure Information System) in its digital relationship components with stakeholders, namely data submission and processing;

- Implementation of the Geospatial Platform development programme, in a unique, corporate and collaborative technological ecosystem, composed of 3 geographic visualisation portals: Internal Portal, Public Portal and SIIA, allowing the integration of several layers of georeferenced information, aiming at a richer, more comprehensive, efficient, scalable and lower cost interaction, acting as an important information centre to support decision making;
- Development and public availability of a new geographic website integrating the information needed to determine white areas (target zones) without high capacity network coverage;
- Implementation of a new Knowledge and Collaboration Portal integrating the improvement of ANACOM's relationship and operation with all CACCs (Consumer Conflict Arbitration Centres);
- Continued extension of the use of analytical tools to various areas of information in the organisation, with particular emphasis on the area of complaints and statistical information, including the provision of a new dynamic, publicly accessible platform for information on complaints from regulated sectors;
- Implementation and operation of the Social Internet Tariff management platform, in compliance with the legal regime established in Decree-Law 66/2021 of 30 July;
- Development of the project to implement a single Licensing Portal for the installation of Submarine Cables;
- Implementation and operation of the new platform to support the Project for the digitalisation of Supervision, Inspection and Sanctioning activities (SFAS Project), which ensures the digital transformation of these ANACOM activities;
- Start-up of the Radio Knowledge Portal development project, including the dematerialisation of the Amateur Radio examination process.

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

- Start-up of the project to implement a new management platform for external actions - FSM (Field Services Management) (e.g., inspection, monitoring, etc.);
- Development of software subsystems to extend functionalities and adapt the various application platforms to current needs;
- Continued expansion of the Innovation adoption platform focused on collaborative means, particularly active knowledge sharing solutions involving the entire organisation;
- Extension of the adoption of the governance solution in the dimension of planning and control to the financial assets of the IT area;
- Development of the organisation's data governance policy definition project;
- Updates to and addition of various functionalities to the Employee Portal.

In the field of technology infrastructure architecture, the investment made allowed the development of the following projects:

- Updating the means of On-premises/Cloud hybridisation;
- Start of the periodic review of policies and update of solutions under Decree-Law 65/2021 of 30 July;
- Updating the means of administration of technology parks;
- Continued implementation of the Integrated Application Consolidation Plan, under the Digital Transformation initiatives, in infrastructure terms and in the field of Data Centres;
- Strengthening the stock of equipment to support working on the move;
- Recapacity planning inherent to operating in the new head office building.

3) **Area of infrastructure, administrative and other equipment**, with an overall investment of 100,817 euros in 2022 (175,052 euros in 2021), focusing on the following aspects:

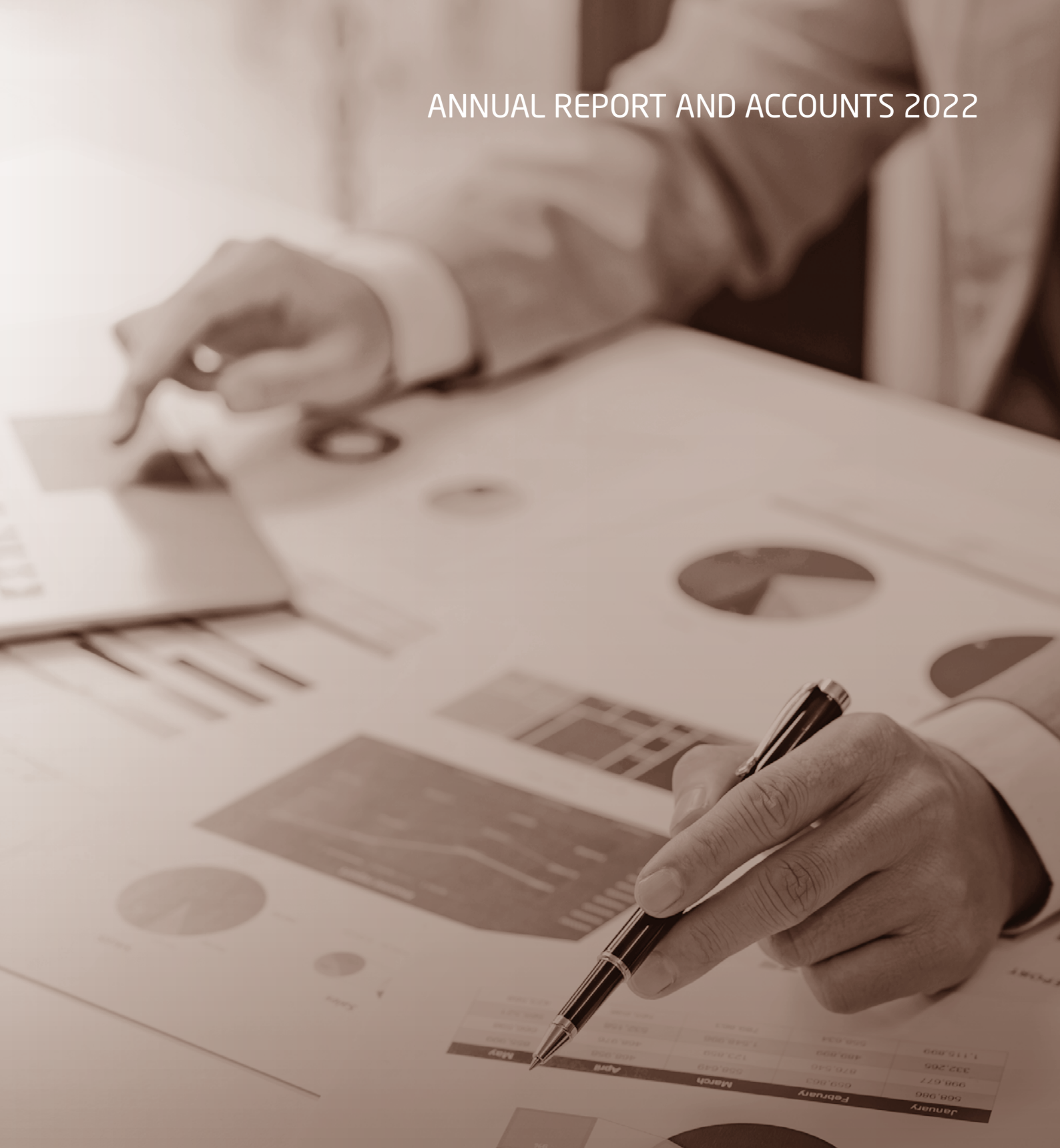
In the field of infrastructure and repairs to own buildings and facilities, the investment stemmed from the relevant interventions:

- Implementation of the Museum space in the Madeira Delegation;
- Acquisition and installation of an electric car charging station at the Azores Delegation;
- Adaptation of workstations in the workshop of the Azores Delegation.

With regard to the administrative area, it is worth highlighting:

- Purchase of equipment for sound reproduction and image projection for the multimedia room.

ANNUAL REPORT AND ACCOUNTS 2022



ECONOMIC AND FINANCIAL REVIEW

Economic and financial review

Table 3.1 shows, in aggregate form, the financial components determining the net results for the financial years 2022 and 2021.

Table 3.1 – Financial results				
	2022	2021	VAR22/21	
Income	116,699,753	103,835,485	12,864,268	12%
Expenses	-67,559,105	-71,304,080	3,744,975	-5%
Net income	<u>49,140,648</u>	<u>32,531,405</u>	<u>16,609,244</u>	51%
Unit: Euros				

The net income for the 2022 financial year, amounting to 49.141 million euros, was 51% higher than in 2021.

In a very general way, the following changes stand out:

- In income, the change (+12%) is mainly explained by the increase in the amount billed relating to frequency usage fees (+10.039 million euros) and electronic communications activity fees (+2.433 million euros);
- In expenses, the change (-5%) is due to the following developments: (i) decrease in provisions (-3.852 million euros); (ii) decrease in impairment losses (-2.113 million euros); (iii) increase in external supplies and services (+723,000 euros); (iv) increase in personnel costs (+545,000 euros); (v) increase in other costs (+842,000 euros); and (vi) increase in depreciation and amortisation (+107,000 euros).

The details of these variations are presented and analysed below.

Breakdown of income

Table 3.2 presents the overall values and variations in ANACOM's "Income" from 2021 to 2022.

Table 3.2 – Income

	2022	2021	VAR 22/21	
Electronic communications (EC)	113,202,068	100,733,413	12,468,655	12%
* Annual fees for EC activity	39,580,471	37,147,431	2,433,040	7%
* Fees for use of frequencies	71,950,238	61,911,327	10,038,910	16%
* Fees for use of numbers	1,667,159	1,663,655	3,504	0%
* Issue of declarations and allocation of rights	4,200	11,000	-6,800	-62%
Other services rendered 3,039,196 2,980,21	3,345,540	3,039,196	306,343	10%
* Annual fees for postal services activity	2,514,763	2,426,541	88,222	4%
* Fines paid-up	649,017	492,531	156,486	32%
* Other fees	181,759	120,124	61,635	51%
Other income	99,846	46,064	53,782	>100%
* Imputation of investment grants (Note 13)	3,890	3,891	-1	0%
* Operational subsidies	67,992	15,888	52,104	>100%
* Other	27,963	26,285	1,678	6%
Interest and similar income	52,300	16,812	35,488	>100%
TOTAL	<u>116,699,753</u>	<u>103,835,485</u>	<u>12,864,268</u>	12%

Unit: Euros

Analysis of the main changes year on year

Increases:

- Annual fees for electronic communications activity - includes the amounts billed during the year to electronic communications operators, with the year-on-year change resulting from the increase in the average costs of provisions in the last five years, despite the slight reduction in the average costs of regulation in the last three years.

The increase in average provisions in 2022 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 to fees, but also because of 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 under the 5G auction, whose effect, in 2021, only occurred for the last two months of the year, compared to 2022 where this impact was full, as well as the increase in the use of frequencies related to the fixed telecommunications service.
- Annual fees for postal service activity - includes the amounts charged to postal service providers during the year, with the variation in relation to 2021 resulting from the increase in the average costs borne with provisions in the last five years, and the slight increase in the average costs borne with regulation in the last three years.
- Fines paid - the increase in the amount settled (+ 156,000 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.

Applicable legislation

(i) Annual fees for "electronic communications"

The Electronic Communications Law (ECL) approved by Law 16/2022 of 16 August, establishes the legal regime applicable to electronic communications networks and services and related resources and services, while Decree-Law 264/2009 of 28 September establishes the regime applicable to the licensing of radiocommunications networks and stations, the supervision of the infrastructure of those stations, and the 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 fees provided for in Articles 167 and 168 of the ECL.

(ii) Annual fees for "postal services"

Law 17/2012 of 26 April, which establishes the regime for access to and pursuit of the activity of provider of postal services operated in competition, and Ordinance 1473-B/2008 of 17 December,

in its current wording, support the collection of fees due in this context, which must be cost-oriented.

(iii) Fees for providing “audiotext” services

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

(iv) Services provided in laboratories

The testing and calibration of equipment carried out in the laboratories are services provided by ANACOM in accordance with the functions assigned to it and are subject to the application of a specific tariff scheme set by the Board of Directors (BoD).

(v) Penalties

In the course of its oversight activities ANACOM may apply penalties, the amounts of which are set by the BoD, 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 acts required for the processing and punishment of any infringements of the laws and regulations of ANACOM, whose implementation or oversight are incumbent upon it, as well as the outcomes of non-compliance with its decisions, including, when applicable, taking precautionary measures, imposing penalties, namely penalty payments, and collecting fines.

Electronic communications

(I) Annual regulatory fees

In accordance with the provisions of the above-mentioned Ordinance 1473-B/2008 of 17 December in its current wording, the annual fee due for pursuing the activity of electronic communications services operator must be borne by the respective operators, based on the costs arising from the activities of regulation, supervision and inspection of electronic communications services.

The method for calculating regulatory fees is based on ANACOM's real administrative costs, allocated to regulatory activities, according to three-year moving averages, excluding the costs arising from the change in the provision for ongoing legal proceedings, 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 providers of electronic communications networks and services 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, which pay a fixed fee of 2.5 thousand euros/year.

The annual report on the total fees charged and administrative costs to which they relate, respectively, in Article 167(1) and (2) of the Electronic Communications Law, is published annually on ANACOM's website.

Table 3.3 (Line 1.1(b)) 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 39.580 million euros in 2022.

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 PS)				Provisions associated with EC and PS (5-year average)	Breakdown of expenses (w/ provisions associated with EC and PS)
	Carried out			Average (3 years)		
	2021	2020	2019			
1. Regulatory and spectrum management costs	46,736,770	42,954,871	37,661,493	42,451,045	16,453,646	58,904,691
1.1 Expenses related to EC	40,038,555	37,021,282	30,034,955	35,698,264	16,099,727	51,797,991
1.1.1 Administrative expenses	31,621,806	27,628,435	22,390,737	27,213,660	16,099,727	43,313,387
a) Declarations attesting rights	59,567	78,943	135,908	91,473		91,473
b) Activity as provider of EC networks and services	21,952,538	26,585,203	21,901,600	23,479,781	16,099,727	39,579,508
c) Allocation of rights of use of frequencies	9,455,022	924,393	336,843	3,572,086		3,572,086
d) Allocation of rights of use of numbers	154,679	39,896	16,386	70,321		70,321
1.1.2 Frequency management costs	8,399,809	9,344,632	7,560,986	8,435,142		8,435,142
1.1.3 Number management costs	16,940	48,214	83,232	49,462		49,462
1.2 Postal regulation costs	2,203,877	1,945,846	2,619,779	2,256,501	353,920	2,610,421
1.2.1 Activity of postal service providers	2,171,422	1,905,748	2,584,870	2,220,680	353,920	2,574,600
1.2.2 Authorisations and licences	32,455	40,098	34,909	35,821		35,821
1.3 Other regulation costs	4,494,338	3,987,743	5,006,759	4,496,280		4,496,280
2. Other costs	3,074,296	1,793,142	2,374,563	2,414,000		2,414,000
Total costs	49,811,066	44,748,013	40,036,056	44,865,045	16,453,646	61,318,691

Unit: Euros

(ii) Fees for use of frequencies

Table 3.4 shows the values and comparison of the fees paid for the use of frequencies, by type of service, in 2022 and 2021.

Table 3.4 – Frequency use fees						VAR 22/21	
	2022		2021				
Mobile service (SCET)	61,403,046	85%	52,304,407	84%	9,098,639	17%	
Land mobile service	1,807,850	3%	1,906,313	3%	-98,463	-5%	
Fixed service	6,242,114	9%	4,904,769	8%	1,337,345	27%	
Fixed satellite service	689,160	1%	666,025	1%	23,135	3%	
Radio broadcasting service	1,002,488	1%	1,002,131	2%	358	0%	
Other services	805,579	1%	1,127,682	2%	-322,103	-29%	
Total	71,950,238	100%	61,911,327	100%	10,038,910	16%	

Unit: Euros

The increase in "Mobile service (SCET)" stems from the recognition of the amounts invoiced for spectrum allocated under the 5G auction, whose amounts to be invoiced started from the date of issue of the Rights of Use for Frequencies (RUF), for the Terrestrial Electronic Communications Service (SCET) rates, which occurred in November and December 2021. In 2022, invoicing for spectrum allocated under the 5G auction already reflected the entire financial year, unlike 2021, justifying the increase in this item.

With regard to fees for the "Fixed service", there was an increase in revenue from fees for fixed connections, justified by the increase in the number of fixed service point-to-point connections requested by operators of electronic telecommunications services in 2022.

Conversely, there was a decrease in the amounts collected under the heading "Other services", mainly due to fees related to temporary licences, which recorded a substantial decline, compared to the financial year 2021, due to a lower request for this type of licence for staging events.

(iii) Fees for the use of numbers

The value of the fees for the use of numbers charged in 2022 suffered a slight change (+3.5 thousand euros) in relation to the value invoiced in 2021.

Postal services

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 amount of costs that are eligible each year, which corresponds to the average value of the three financial 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 financial 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.

Table 3.3 (Line 1.2) presents the details of the calculation of regulation costs, on which the administrative regulatory fees due to ANACOM by postal service providers were based, which, according to the breakdown made, amounted to 2.610 million euros in 2022.

Detailed spending trends

Table 3.5 presents the overall values and changes in ANACOM's "Expenses" from 2022 to 2021.

Table 3.5 – Expenses		2022	2021	VAR 22/21	
External supplies and services		9,168,778	8,445,835	722,943	9%
* Specialised work	i)	1,948,427	1,953,921	-5,494	0%
* Advertising and publicity	ii)	85,772	8,943	76,830	>100%
* Surveillance and security	iii)	568,642	559,756	8,886	2%
* Maintenance and repair	iv)	2,172,945	2,078,188	94,757	5%
* Books and technical documentation	v)	142,251	122,861	19,390	16%
* Energy and fluids	vi)	710,213	391,939	318,274	81%
* Travel and accommodation	vii)	389,992	118,311	271,681	>100%
* Rents and leases	viii)	1,951,418	1,955,534	-4,115	0%
* Communication	ix)	342,305	299,905	42,400	14%
Insurance	x)	77,686	79,170	-1,484	-2%
* Cleaning, hygiene and comfort	xi)	294,317	293,909	408	0%
* Other supplies and services	xii)	484,811	583,399	-98,588	-17%
Personnel costs		24,881,034	24,336,529	544,505	2%
* Remuneration and charges	xiii)	23,281,097	22,640,908	640,189	3%
* Other personnel costs	xiv)	1,599,937	1,695,621	-95,684	-6%
Other expenses		8,316,538	7,474,374	842,163	11%
* Subscriptions	xv)	644,372	663,935	-19,562	-3%
* Meetings and conferences	xvi)	161,648	107,063	54,585	51%
* Sponsorships	xvii)	25,390	21,686	3,704	17%
* Contribution to external entities	xviii)	7,380,832	6,636,289	744,543	11%
* Cooperation	xix)	83,067	2,812	80,255	>100%
* Other	xx)	21,227	42,589	-21,361	-50%
Depreciation and amortisation costs		3,161,706	3,054,672	107,035	4%
Impairment losses		3,934,760	6,048,688	-2,113,928	-35%
Provisions		18,091,641	21,943,983	-3,852,341	-18%
Financing expenses		4,648	0	4,648	-
TOTAL		67,559,105	71,304,080	107,366	0%

Unit: Euros

Analysis of the main variations relative to the previous year:

Increases:

- "External supplies and services" (+9%) - the changes in the items "Energy and fluids" (+318 thousand euros) and "Travel and accommodation" (+272 thousand euros) explain a large part of the increase in this item as a result, respectively, of the generalised increase in the price of electricity, and the regular resumption of oversight actions in the country and trips abroad on behalf of ANACOM and the Portuguese State. On the other hand, there was a change in the fulfilment of the item "Other supplies and services" (-99 thousand euros) which mitigated this increase.
- "Personnel costs" (+2%) - The increase in "Remuneration and charges" (545 thousand euros) is due to the increases in the salary scale and career progressions, in accordance with legal stipulations and the provisions of the State Budget, and the positive change in the workforce.

Decreases:

- "Impairment losses" (-35%) - Mostly arises from unbilled amounts with high potential for litigation;
- "Provisions for the year" (-18%) - There was a substantial reduction year on year, mainly due to the use of provisions as a result of the completion of ongoing legal proceedings.

The breakdown of the values and the evolution of the components of each of the expenditure items, from 2021 to 2022, is presented below.

External supplies and services

- i) Specialised work (0%): the costs incurred in carrying out studies, opinions, legal consultancy, audits and other provisions of services required to support ANACOM's activity in specific areas and where it is necessary to complement ANACOM's own resources, skills and know-how.

Table 3.6 – Specialised work

	2022	2021	VAR 22/21	
Studies	93,764	185,334	-91,570	-49%
Legal consultancy	793,606	883,262	-89,656	-10%
Audits	264,308	158,500	105,808	67%
Computer services	443,750	455,108	-11,358	-2%
Translations	40,747	45,141	-4,395	-10%
Publications	9,803	7,703	2,101	27%
Other	302,449	218,872	83,577	38%
Total	1,948,427	1,953,921	-5,494	0%

Unit: Euros

There was practically no change in this item, although there were increases in the items "Audits" (+106 thousand euros) and "Other" (+84 thousand euros), offset by reductions in "Studies" (-92 thousand euros) and "Legal advice" (-90 thousand euros).

The increase in expenses under the heading "Audits", mostly carried out by legal imposition, is explained by the fact that a greater number of works were carried out in 2022, compared to the same period of the previous year.

In addition, there was an increase in the "Other" item as a result of higher costs related to selection and recruitment actions, as well as costs related to miscellaneous technical services.

Conversely, the decrease, year on year, in the item "Studies" is noteworthy because some services were contracted in 2021, mainly related to consultancy in the context of ANACOM's internal reorganisation, which were not repeated in 2022.

It is also worth noting the substantial decrease in the "Legal consultancy" item, given that in 2021 there was a greater need to resort to this type of services externally due to the increase in litigation, namely that related to the 5G auction.

- ii) Advertising and publicity (>100%): expenditure on advertising campaigns and other advertising-related expenses.

The value of this item varies each year depending on the advertising campaigns that need to be carried out. In 2022, several advertising campaigns were needed, related to the

dissemination of the social Internet tariff and the publication of staff recruitment advertisements, compared to residual expenditure last year when no major advertising campaigns were carried out.

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

The year-on-year increase reflects the 2% updating of most of the existing contracts, by virtue of the increase in the guaranteed minimum monthly wage (GMMW) from 665 euros to 705 euros. This resulted from the collective bargaining agreements of the security and surveillance service companies, and other variables arising from the negotiation of similar contracts.

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

Table 3.7 – Maintenance and repair				
	2022	2021	VAR 22/21	
Software	1,563,868	1,495,967	67,901	5%
Hardware	58,317	63,797	-5,480	-9%
Basic equipment	286,193	245,888	40,304	16%
Buildings	108,273	89,366	18,907	21%
Vehicles	13,769	14,699	-930	-6%
Elevators	20,626	26,374	-5,747	-22%
Air conditioning	48,711	47,367	1,344	3%
Other	73,187	94,730	-21,543	-23%
Total	2,172,945	2,078,188	94,757	5%

Unit: Euros

Expenditure in 2022 was generally higher than in the same period of the previous year, with increases and decreases in the various items.

The increase in the "Software" item should be emphasised, which is mainly due to expenditure on the maintenance of application systems.

Also noteworthy is the increase in the "Basic equipment" item, due to the increase in spending on corrective and preventive maintenance services for monitoring systems.

In the decreases, the item "Other" should be highlighted, which is mainly because additional expenses related to the maintenance of the SINCRER system and the ventilation system of the head office building occurred in 2021, which were not repeated in 2022.

- v) Books and technical documentation (+16%): technical books (hard copy or electronic format), technical documentation, journals and other specialised publications, needed for ANACOM's activities.
- vi) Energy and fluids (+81%): spending on electricity, fuel and water consumption.

Table 3.8 – Energy and fluids				
	2022	2021	VAR 22/21	
Electricity	612,777	315,582	297,195	94%
Fuel	60,539	41,969	18,570	44%
Water	34,874	33,483	1,392	4%
Other	2,022	905	1,118	>100%
Total	710,213	391,939	318,274	81%

Unit: Euros

The change noted in this item reflects the generalised increase in energy prices in the free market, for the supply of electricity and fuels, as a result of adverse circumstances in the energy market worldwide. The effects of this situation were felt throughout 2022, making it difficult to award contracts for the supply of these services, and forcing the negotiation of costlier contracts.

- vii) Travel, accommodation and transport (>100%): expenses related to travel expenses abroad for international meetings, some in representation of the Portuguese Government, and within the country, in particular for radio spectrum and market monitoring and inspection activities.

Table 3.9 – Travel and accommodation

	2022	2021	VAR 22/21
Travel abroad	163,139	36,145	126,994 >100%
Meals and accommodation abroad	86,725	12,011	74,715 >100%
Sub-total abroad	249,865	48,156	201,709 >100%
Travel in-country	86,311	39,126	47,185 >100%
Meals and accommodation in-country	53,816	31,029	22,788 73%
Sub-total in-country	140,128	70,155	69,973 100%
Total	389,992	118,311	271,681 >100%

Unit: Euros

Overall, travel expenses increased compared to 2021 (+272 thousand euros), due to the substantial increase in both foreign travel (>100%) and domestic travel (>100%).

The increase in in-country travel is due to the resumption of spectrum monitoring and supervision activities in 2022, at pre-pandemic levels, unlike in the same period in 2021 when restrictive measures were still in place because of the COVID-19 pandemic for some months of the year, as illustrated in the table below.

Table 3.10 – Travel and stays in the country

	2022	2021	VAR 22/21
Number of trips	2,373	2,032	341 17%
Number of days involved	3,481	2,743	738 27%
Total cost (Travel+Accommodation+Meals)	140,128	70,155	69,973 100%
Average cost per day of travel	40	26	15 57%

With regard to travelling abroad, Table 3.11 below also shows that travelling abroad resumed normality in 2022, following the lifting of travel restrictions and resulting in higher expenditure under this heading, given the small number of trips abroad in the same period the previous year.

Table 3.11 – Travel and accommodation abroad

	2022	2021	VAR 22/21
Number of trips	163	33	130 >100%
Number of days involved	705	126	579 >100%
Total cost (Travel+Accommodation+Meals)	249,865	48,156	201,709 >100%
Average cost of transportation per trip (euros)	1,533	1,459	74 5%
Average cost per day of travel	354	382	-28 -7%

This table shows that the number of trips and the number of days spent abroad increased in 2022, which implied an equivalent increase in expenditure on these trips¹, despite a slight decrease in the average spending per day of travel (-7%).

- viii) Rents and leases (0%): the rents of ANACOM's head office buildings, operating leases and other miscellaneous hire and rental charges.

Table 3.12 – Rents and leases

	2022	2021	VAR 22/21
Building rents	1,578,020	1,645,942	-67,923 -4%
Operating leases	273,823	265,240	8,583 3%
Other	99,576	44,351	55,225 >100%
Total	1,951,418	1,955,534	-4,115 0%

Unit: Euros

The 4% decrease in the "Building Rents" item is mainly due to the termination of the lease of an autonomous fraction in the "Malhoa 14" building, leased to meet specific needs related initially to the DTT migration project and later to the 5G auction.

- ix) Communication (+14%): expenses for telephones, mobile phones, postal services, data circuit hire, among others, incurred at the head office, in Barcarena, at the Porto delegation, and at the Madeira and Azores delegations.

The year-on-year rise is essentially related to the increase in mobile communications consumption due to the increase in signal coverage checking activities, and also due to

¹ It should be noted that part of the cost of travelling abroad is refunded by BEREC, the European Union (EU) and other entities. The travel item under review only records gross expenses, not deducted from these refunds, which are recorded as income, in accordance with the accounting rules in force.

the growth in Internet consumption related to the communication service of the DTT monitoring probes installed in the country.

- x) Insurance (-2%): insurance costs (multi-risk property of premises, fleet of vehicles, travel in the country and abroad, civil liability, transport of goods, among others).

Table 3.13 – Insurance				
	2022	2021	VAR 22/21	
Vehicles	9,052	10,366	-1,314	-13%
Travel	6,150	7,688	-1,538	-20%
Premises and facilities	53,074	51,606	1,468	3%
Civil liability	5,900	6,000	-100	-2%
Other	3,510	3,510	0	0%
Total	77,686	79,170	-1,484	-2%

Unit: Euros

- xi) Cleaning, hygiene and comfort (+0%): the services provided by specialised companies at the head office, in Barcarena, at the Porto delegation, and at the Madeira and Azores delegations.

The residual increase in this item is due to the fact that room cleaning services were carried out in 2021 related to the 5G auction, whose services ceased that year, as well as the renegotiation of the cleaning services contract for the head office building. The result was, from the end of 2022, a decrease in the monthly charges borne with it, which came to compensate in particular the increases that occurred with the acquisition of cleaning materials associated with the additional on-site work in 2022.

Other supplies and services (-17%): 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 publications, representation expenses, litigation, and so forth.

Table 3.14 – Other supplies and services			
	2022	2021	VAR 22/21
Journals and other publications	24,733	33,505	-8,772 -26%
Malhoa 14 condominium	94,484	93,048	1,436 2%
Office supplies	26,086	11,941	14,146 >100%
Supply of staff	3,929	157,541	-153,612 -98%
Transportation of goods and moves	10,973	8,032	2,942 37%
Other supplies and services	324,605	279,333	45,272 16%
Total	484,811	583,399	-98,588 -17%
Unit: Euros			

In these items, we emphasise the increase in "Office supplies" (+14 thousand euros) and "Other supplies and services" (+45 thousand euros), and on the other hand, the reduction in "Personnel assignment" (-153 thousand euros).

As for the items "Office supplies" and "Other supplies and services", the increase in expenditure is related to the return to the face-to-face work regime, which implied a greater need for consumables and other goods and services required when employees attended ANACOM's premises in person, given that in 2021 restrictions related to the pandemic situation were still in force.

Regarding the item " Supply of staff" (-98%), the decrease observed with expenditure was due to the reduced need to use specialised companies to fill specific human resources needs.

Personnel costs:

- xii) Remuneration and charges (+3%): covers spending on the remuneration paid to the governing bodies and staff of ANACOM, and the respective remuneration charges (social security and CGA).

Table 3.15 – Remuneration and charges

	2022	2021	VAR 22/21	
Remuneration				
Governing bodies	756,486	809,488	-53,002	-7%
Personnel	18,539,683	18,064,281	475,402	3%
	19,296,169	18,873,770	422,400	2%
Remuneration charges	3,984,927	3,767,138	217,790	6%
Total	23,281,097	22,640,908	640,189	3%

Unit: Euros

Remuneration and charges suffered a percentage change of 3% compared to 2021, for the following reasons:

Governing bodies - expenses decreased by 7%, reflecting salary adjustments made with the end of the mandate of an ANACOM Director in 2021, as well as the fact that the new Director, who took office in November 2021, earns less than the previous Director.

Personnel - Remuneration costs suffered a rise of 3%, due to the increases in the salary scale and career progressions, as legally stipulated and in accordance with the provisions of the State Budget, as well as the increase in the number of employees, from a total of 383 in 2021, to 396 in 2022 (bearing in mind the overall ceiling of 423 employees).

- xiii) Other personnel costs (-6%): includes the cost of post-retirement benefits, social welfare costs, notably those arising from agreements and contracts concluded with private companies, in the area of illness prevention, hygiene and safety at work, accidents at work (insurance). It also includes all expenses related to employment contract terminations by mutual agreement, training, and miscellaneous costs such as those established in the collective bargaining agreement regulation (ARCT).

Table 3.16 – Other personnel costs

	2022	2021	VAR 22/21	
Post-retirement benefits				
Pension costs (Note 15)	511,288	664,702	-153,414	-23%
Healthcare costs (Note 15)	38,671	40,032	-1,362	-3%
	549,959	704,734	-154,775	-22%
Social action expenses	776,558	713,814	62,744	9%
Contract terminations by mutual agreement	12,290	2,329	9,961	>100%
Work accident insurance	89,769	87,263	2,506	3%
Training	171,362	187,482	-16,120	-9%
Total	1,599,937	1,695,621	-95,684	-6%

Unit: Euros

Regarding the items in which increases were recorded, the following stand out:

(i) "Social action costs" and "Labour accident insurance" whose changes in costs (+9% and +3%, respectively) are mainly due to the greater number of employees in 2022.

As regards the items in which the largest falls were recorded, the following stand out:

(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) "Contract terminations by mutual agreement" - are related to one-off settlements with employees who leave; (iii) "Training" - the year-on-year decrease is explained by the use of the online format for the training actions planned for 2022, with lower costs.

Other expenditure:

xiv) Subscriptions (-3%): spending on subscriptions payable to national and international postal and telecommunications bodies, mostly in representation of the Portuguese Government.

Table 3.17 – National subscriptions				
	2022	2021	VAR 22/21	
<i>Associação Portuguesa para o Desenvolvimento Comunicações (APDC)</i>	2,500	2,500	0	0%
<i>Associação para as Comunicações, Eletrónica, Informações e Sistemas de Informação para Profissionais (AFCEA Portugal)</i>	800	800	0	0%
<i>Associação de Laboratórios Acreditados de Portugal (RELACRE)</i>	690	690	0	0%
<i>Associação para a Promoção e Desenvolvimento da Sociedade de Informação (APDSI)</i>	250	250	0	0%
<i>Associação Portuguesa para a Qualidade (APQ)</i>	500	500	0	0%
Total	4,740	4,740	0	0%

Unit: Euros

In 2022, 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, and there was no variation in the amounts paid compared to the previous year.

Table 3.18 – International subscriptions				
	2022	2021	VAR 22/21	
Association of Communications and Telecommunications Regulators of the Community of Portuguese-Speaking Countries (ARCTEL)	12,000	12,000	0	0%
International Telecommunication Union (ITU)	294,909	308,104	-13,195	-4%
Universal Postal Union (UPU)	151,377	155,255	-3,878	-2%
European Communications Office (ECO/CEPT)	87,749	87,651	98	0%
Postal Union of the Americas, Spain and Portugal (UPAEP)	78,107	80,414	-2,307	-3%
Independent Regulators Group (IRG)	13,000	13,000	0	0%
International Union of Radio Sciences (URSI)	2,190	2,170	20	1%
Red Compliance Association (REDCA)	300	600	-300	-50%
Total	639,632	659,195	-19,562	-3%

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 associated with 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 ANACOM's website.

In terms of operations, the only thing to note is the fall in the number of ITU participations, as there were one-off activities carried out with the ITU in 2021 that were not repeated in 2022.

- xv) Meetings, conferences and exhibitions (+51%): expenses related to the organisation of national and international events, promoted by ANACOM or by international organisations. Examples include meetings of working groups, and conferences and seminars organised in the communications sector

The increase in this item is due to the resumption in 2022 of regular national and international on-site meetings and conferences, due to the lifting of restrictions imposed during the pandemic. Internal ANACOM events were also held again, namely the Annual Staff Meeting, which resumed in 2022 after a two-year interval in which it did not happen, also due to the COVID-19 pandemic.

- xvi) Sponsorships (+17%): 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.

There was a slight increase in this item (+4 thousand euros), compared to the previous year, due to the sponsorship awarded for the organisation of several events, namely: i) ISU Project "In search for the uncertain" - Lagoa Secondary School (Azores); ii) "3rd ACCESS Space Conference"; iii) "30th ECSL Summer Course on Space Law and Policy"; and iv) 2022 edition of the "Portugal Air Summit".

- xvii) Contributions to external organisations (+11%):

Fundação Portuguesa das Comunicações (-4%): The value of the annual transfer from ANACOM is subject to a maximum amount which corresponds to the average of the amounts transferred in 2008, 2009 and 2010, pursuant to the applicable legislation. This maximum amount also includes the provision of ANACOM employees. In 2022 the annual transfer, which is constrained by Orders of the members of the government responsible for this matter, was not made as ANACOM is still awaiting the aforementioned Orders that

allow the transfer to be made, so an estimate of the amount of this transfer was recognised. The reduction was because the remuneration of ANACOM staff seconded there was lower, since a worker seconded to the Foundation returned to perform their duties at ANACOM.

Competition Authority (+3%): The recorded costs are calculated as the value of the 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 amount paid to this Authority in 2022 resulted from applying 6.25% to eligible income in 2021, and the amount paid in 2021 resulted from applying 6.25% to eligible income in 2020. Given that ANACOM's eligible income changed positively from 2021 to 2020, this was reflected in the value of the transfers made.

Consumer conflict arbitration centres (-11%): In 2022, in accordance with the protocols concluded between ANACOM and the consumer conflict arbitration centres, ANACOM contributed, through the fixed and variable components, to these arbitration centres with the amount of 307 thousand euros. The fixed component amounted to 40.5 thousand euros, as set out in Order 6909/2020, of 6 July 2020, of the Offices of the Secretary of State for Commerce, Services and Consumer Protection and the Secretary of State for Justice.

Regarding the variable component, the amount of 267 thousand euros was transferred to arbitration centres, 39 thousand euros less (-14%) than the amount transferred in 2021, based on the requirements and quality of service levels defined in the protocols signed with those consumer conflict arbitration centres.

xviii) Cooperation (>100%): expenses related to cooperation initiatives with Portuguese-speaking countries, including internships for representatives of those countries.

In 2022, there was an increase in this item (+80 thousand euros) year on year, due to the requests received from the Association of Communications and Telecommunications

Regulators of the CPLP (ARCTEL) and the Community of Portuguese Speaking Countries (CPLP), which are related in particular to the international cooperation actions developed this year with several Regulatory Authorities of Portuguese-speaking countries.

- xix) Other (-50%): expenses not covered by the previous headings, notably unfavourable exchange differences and other expenses.

The year-on-year decrease in this item is due to a lower level of expenses arising from unfavourable exchange rate differences.

Depreciation and amortisation costs for the year

The item "Depreciation and amortisation costs for the year", in 2022, recorded an increase of 107 thousand euros (+4%), which reflects the investment made in 2022 as well as the transfer of the investment in progress to the corresponding asset categories, starting its useful life in 2022.

Impairment losses

The analysis of customer account balances, according to the criteria mentioned in paragraph 4.7 of the Notes to the Financial Statements, determined the recognition of impairments in the amount of 3.934 million euros. This is, however, lower than the amount recognised in the same period of the previous year (+6.049 million euros).

The amount recognised as impairment loss is due to customer balances of substantial value for which there is a high expectation of litigation.

Provision for ongoing lawsuits

Legal actions have been brought against ANACOM, mainly challenging regulatory activity fees, but also involving challenges to decisions taken as part of market regulation activity and billing of radio service fees. In this context, almost all the legal actions brought against ANACOM in recent years concern appeals against judgments 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 2022 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, which corresponds to the legal period to file an objection.

Based on the events recorded in 2022 and the criteria mentioned above, ANACOM has updated the value of the accumulated provision for ongoing lawsuits, by increasing its value by 18.092 million euros, as follows:

- new challenges to regulatory fees: 6,296,023 euros;
- increase due to challenges to regulatory fees of previous years: 16,568,776 euros;
- reversal of provisions (other cases): 4,773,158 euros.

Financial situation

In the current financial year, the totals of both "Assets" and "Equity + Liabilities" amount to around 839 million euros, and show a residual variation compared to the same period of the previous year (-0.1%).

Under "Assets", the headings "Fixed assets" and "Net intangible assets" only suffered a residual increase (+32 thousand euros) as the value of the investment (3.19 million euros) slightly exceeded the depreciation and amortisation for the year (3.2 million euros) and "Cash and cash equivalents" increased by 17.2 million euros mainly thanks to the revenue obtained from the use of frequencies associated with the spectrum allocated under the 5G auction.

Liabilities decreased by around 17 million euros, mainly because funds were paid to the State in the context of the 5G auction (35 million euros), which offset the increase in provisions for ongoing legal proceedings (+18 million euros). Equity increased by 16.3 million euros, as the profit for the

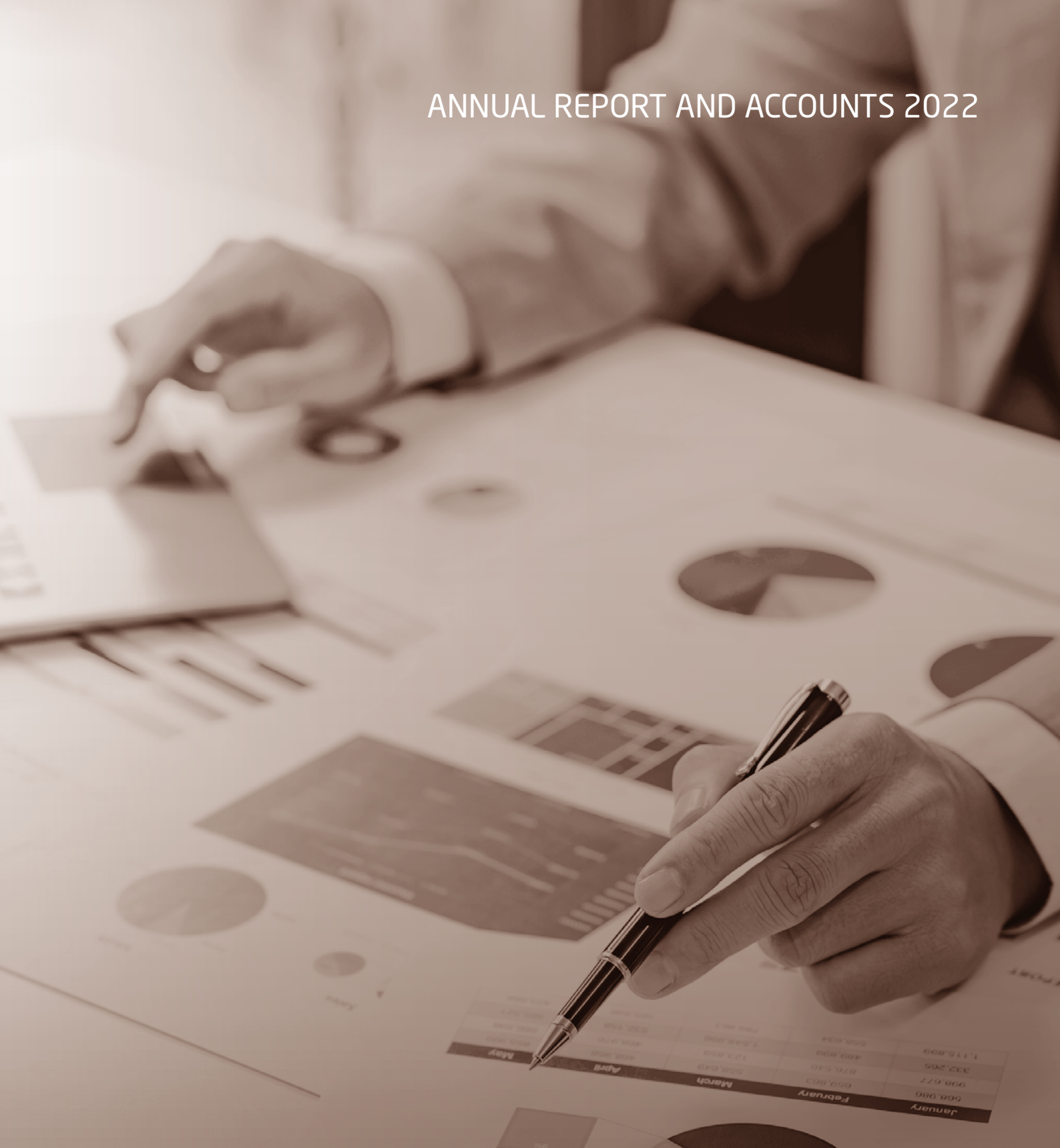
year, totalling 49.1 million euros, was higher than the appropriation of the 2020 results (34.5 million euros) and adjustments to reserves (1.8 million euros).

The combination of these variations meant that the structure of "Assets" did not change, "Liabilities" decreased slightly and there was an improvement in ANACOM's equity due to the substantial increase in net income which, being higher than the distribution of profits for the year, resulted in an increase in the weight of "Equity" in the balance sheet, as shown in the table below.

Table 3.19 – Balance sheet structure		
	2022	2021
Total Assets	100%	100%
Non-current assets	2%	2%
Current assets	98%	98%
Total Equity + Liabilities	100%	100%
Equity	18%	16%
Liabilities	82%	84%

As a result of the above-mentioned changes in the structure of ANACOM's balance sheet it has sustained a solid and consistent financial structure achieved throughout the last few years. This has allowed it to secure the financial autonomy established in its Statutes, a basic condition to ensure the independence of the Regulator.

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PROPOSED APPLICATION OF NET INCOME

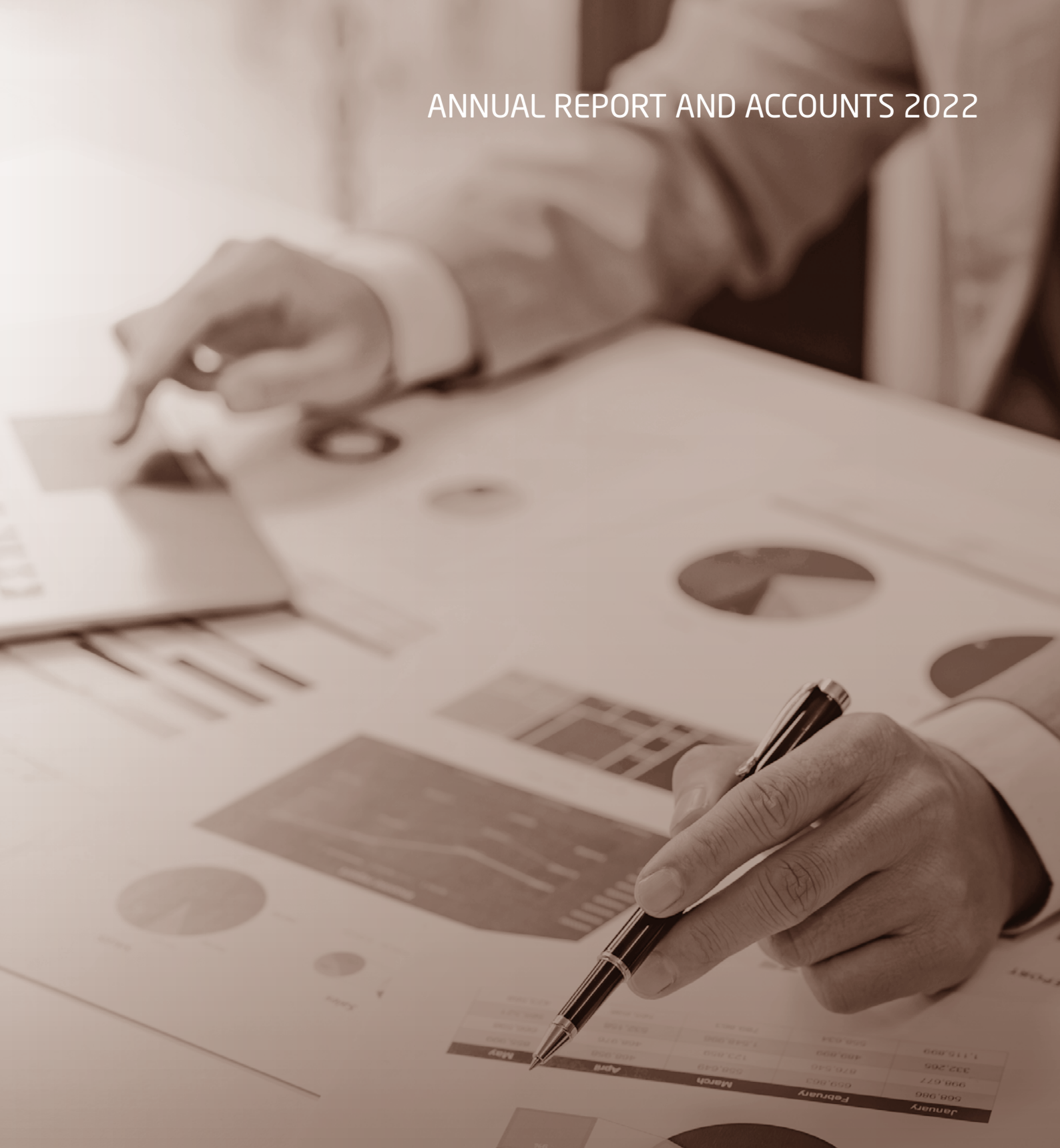
Proposed application of net income

As in previous years, it is proposed that the net income for the year ended on 31 December 2022, amounting to 49,140,648.30 euros, be transferred as follows:

- "Investment Reserves", amounting to 4,921,782.33 euros (interest + 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 sum of 44,218,865.97 euros (90% of the remaining amount), which will be accounted for under "Retained Earnings" until effectively transferred.

ANACOM recommends that the portion it will hand over to the State, totalling 44.2 million euros, should preferably be used to develop communications in Portugal for the benefit of end users.

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FINANCIAL STATEMENTS

Financial Statements

ANACOM - Individual balance sheet as at 31 December 2022 (euros)

Description	Notes	2022.12.31	2021.12.31
ASSETS			
<u>Non-current assets</u>			
Tangible fixed assets	8	13,053,707	13,984,809
Intangible assets	7	3,390,044	2,426,997
Receivables	10		0
		16,443,751	16,411,806
<u>Current assets</u>			
Customers	9	1,422,727	541,687
Other receivables	10	113,580,264	132,413,725
Deferrals	11	1,173,053	1,192,618
Other financial assets	5	650,000,000	675,000,000
Cash and bank deposits	5	55,890,360	13,642,282
		822,066,404	822,790,311
Total assets		838,510,155	839,202,117
EQUITY AND LIABILITIES			
EQUITY			
Other reserves	13	57,347,734	55,560,281
Retained earnings	13	35,566,420	37,596,012
Other changes in equity	13	6,445,209	6,449,099
		99,359,363	99,605,392
Net profit for the period		49,140,648	32,531,405
Total equity		148,500,011	132,136,797
LIABILITIES			
<u>Non-current liabilities</u>			
Provisions	14	168,161,932	150,070,290
Liabilities due to post-employment benefits	15	9,439,547	9,464,351
		177,601,479	159,534,641
<u>Current liabilities</u>			
Suppliers	16	972,726	1,144,298
Government and other public entities	17	800,254	970,936
Other payables	18	510,635,686	545,415,445
		512,408,665	547,530,679
Total liabilities		690,010,144	707,065,320
Total equity and liabilities		838,510,155	839,202,117

The notes in the following annex form 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 31 December (euros)

Description	Notes	2022	2021
RENDIMENTOS E GASTOS			
Services provided		116,547,607	103,772,609
Operating grants		67,992	15,888
External supplies and services		-9,168,778	-8,445,835
Personnel costs		-24,881,034	-24,336,529
Impairment of receivables (losses/reversals)	12	-3,934,760	-6,048,688
Provisions (increases/decreases)	14	-18,091,641	-21,943,983
Other income		31,854	30,176
Other expenses		<u>-8,316,538</u>	<u>-7,474,374</u>
Earnings before depreciation, financing costs and taxes		52,254,703	35,569,264
Depreciation and amortisation costs/reversals	19	<u>-3,161,706</u>	<u>-3,054,672</u>
Operating profit (before financing costs and taxes)		49,092,996	32,514,592
Interest and similar income	21	<u>47,652</u>	<u>16,813</u>
Net profit for the period		<u>49,140,648</u>	<u>32,531,405</u>

The notes in the following annex form an integral part of the financial statements presented above.

The Certified Accountant

The Board of Directors

ANACOM - Individual statement of changes in equity for the period ended 31 December 2022 (euros)

	Other reserves	Retained earnings	Other changes in equity	Net profit for the period	Total
As at 31 December 2020	51,605,908	42,641,849	6,452,990	34,560,997	135,261,744
Changes in the period					
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	0	-3,890	0	1,573,142
Net profit for the period				32,531,405	32,531,405
Comprehensive net income	1,577,032	0	-3,890	32,531,405	34,104,547
Capital operations in period					
Application of the net income 2019	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	0
	2,377,341	-5,045,837	0	-34,560,997	-37,229,494
As at 31 December 2021	55,560,280	37,596,012	6,449,100	32,531,405	132,136,797
Changes in the period					
Other changes recognised in equity					
- Employee benefits (Note 15)	-88,192				-88,192
- Grants (Note 13)			-3,890		-3,890
	-88,192	0	-3,890	0	-92,082
Net profit for the period				49,140,648	49,140,648
Comprehensive net income	-88,192	0	-3,890	49,140,648	49,048,566
Capital operations in period					
2020 profit appropriation	1,875,645	-34,560,997			-32,685,352
Other operations					
- Transfer of net income of the previous year		32,531,405		-32,531,405	0
	1,875,645	-2,029,592	0	-32,531,405	-32,685,352
As at 31 December 2022	57,347,733	35,566,421	6,445,210	49,140,648	148,500,011

The notes in the following annex form an integral part of the financial statements presented above.

The Certified Accountant

The Board of Directors

ANACOM - Individual statement of cash flows for period ended 31 December 2022
(euros)

Description	Notes	2022	2021
Cash flows from operating activities			
Cash receipts from customers		131,057,414	97,667,705
Cash paid to suppliers		-9,323,859	-9,827,759
Cash paid to employees		-25,233,915	-23,739,085
Cash generated from operations		96,499,641	64,100,861
Other revenue		13,109,325	422,294,432
Other payments		-56,574,995	-19,805,026
Other cash receipts/payments		-43,465,670	402,489,406
Net cash flows from operating activities		53,033,971	466,590,267
Cash flows from investment activities			
Payments regarding:			
Tangible fixed assets		-815,339	-524,463
Intangible assets		-2,301,488	-703,549
Revenue derived from:			
Tangible fixed assets		-	-
Interest and similar income		16,287	11,968
Net cash flows from investment activities		-3,100,540	-1,216,044
Cash flows from financing activities			
Payments regarding:			
Application of net income		-32,685,352	-37,229,493
Net cash flows from financing activities		-32,685,352	-37,229,493
Change in cash and cash equivalents		17,248,078	428,144,730
Cash and cash equivalents at the beginning of the period	5	688,642,282	260,497,552
Cash and cash equivalents at the end of the period	5	705,890,360	688,642,282

The notes in the following annex form an integral part of the financial statements presented above.

The Certified Accountant

The Board of Directors

Annex to the financial statements

1. Identification of the organisation and reporting period

The Autoridade Nacional de Comunicações (Portuguese National Communications Authority – ANACOM) has its head office at Rua Ramalho Ortigão, number 51, 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 organisation by nature, endowed with administrative, financial and management autonomy, with its own assets (Article 1); it is not subject to government oversight or control 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 on 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 ensuring compliance with the rules applicable to the sector, as well as with the obligations to which electronic communications and postal operators are subject, and for the efficient management of radio spectrum use.

ANACOM ensures the technical participation and sectoral representation of the Portuguese State in international organisations, monitors foreign experiences in the regulation of communications and establishes relations with other regulatory bodies.

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

ANACOM's legal system was adapted to its mission and duties, these being a mixed system that combines the prerogatives of public law, essential for the performance of its tasks as an authority, with the flexibility and efficiency of private law.

Attention is drawn to the management principles which ANACOM must observe (Article 7(1) of ANACOM's Statutes, approved by Decree-Law 39/2015 of 16 March):

- Pursuit of its activity in accordance with high standards of quality.
- 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 prior budget and programming of expenditure underlying the assumption of commitments and late payments by public bodies. These financial statements were approved by the Board of Directors at its meeting on 4 April 2023. It is the opinion of the Board of Directors that these financial

statements provide a true and fair view of ANACOM's operations, as well as its position, financial assessment, and cash flows.

2. Accounting framework 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 accordance 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 subsidiary application of the International Financial Reporting Standards (IAS/IFRS) and their Technical Interpretations (IFRIC) adopted 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 authorities should apply the Accounting Standardisation System for Public Administrations (SNC-AP)”.

However, it is reiterated that this amendment should not produce immediate effects in ANACOM’s legal sphere as this depends on a statutory modification which is required to ensure the production of effects of the amendments to the Framework Law of Regulatory Authorities in the legal sphere of each regulatory authority (see Article 3(1), (2), and (5) of Law 67/2013).

Nevertheless, it is important to state that ANACOM is developing all the necessary procedures to start applying the SNC-AP in the 2024 financial year.

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 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 (SNC)

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 financial statements

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

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

Table 4.1 – Currency		
	<u>2022.12.31</u>	<u>2021.12.31</u>
US dollar	1.0666	1.1303
Swiss francs	0.9847	1.0310
Danish krone	7.4365	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 with it will flow into the entity, and when the cost can be measured reliably. The book value of the replaced part is derecognised and eliminated 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 for the period in which they are incurred.

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

Philatelic estate, 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 estate was drawn up in 2015 and recorded at fair value (on the date of the inventory) by an independent qualified valuer, with the conclusion being that there were no impairments to be recorded (see Note 8). From that date onwards, and every year, the property is inventoried by sampling, whenever requested by independent auditing firms.

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

Table 4.2 – Useful life of tangible assets	
	Years
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 accordance 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, not the type of contract.

Leases are classified as finance leases 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 leases, 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 definite useful life are tested for impairment whenever events or changes in surrounding conditions indicate that the amount at which they are recognised in the financial statements is not recoverable.

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

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 to 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 exhausted 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 calculating impairment, three separate situations should be distinguished:

(i) Natural persons domiciled in Portugal:

Impairment is established immediately 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), and are recognised 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 16 and 18).

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 permanent contracts, taking effect on 1 January 2008. Both plans are managed by pension fund management agencies (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 benefit plan - Retirement and survivors' pensions and health care

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 4.17).

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 survivors' 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-reimbursable investment grants are initially recognised under the Equity heading "Other changes in equity" and are subsequently credited to 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 amount 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 on ANACOM. These values are recognised by ANACOM only when effectively received, always from a standpoint 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 Key estimates and judgements presented

Estimates and judgements of impact on ANACOM's financial statements are continuously evaluated and represent the best estimate 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 22.

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 determined on each reporting date. The most sensitive variables relate 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 change in that liability.

4.17.3 Amortisation and depreciation

The determination of the useful lives of assets, as well as the depreciation/amortisation method to be applied, are essential to determine the amount of depreciation/amortisation to be recognised in the income statement for each financial year.

These two parameters are defined according to the best judgement that can be 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, the estimate of 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, occur after the reporting date, and that relate to situations presented in the balance sheet are recognised and/or disclosed in the financial statements.

Events after the balance sheet date that do not give rise to adjustments:

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.

Notwithstanding, 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 cash or cash equivalent balances subject to restricted use for the financial years presented.

5.2 Breakdown of the amounts reported in the heading of cash and deposits

In the 2022 and 2021 financial years, the values for cash and deposits were as follows:

Table 4.3 – Cash flows		
	2022	2021
Cash	22,739	26,087
Bank deposits	55,867,621	13,616,195
- Demand deposits		
Agência Gestão Tesouraria Dívida Pública (IGCP)	55,866,621	13,615,195
Other banks (commercial banking)	1,000	1,000
Cash and bank deposits	55,890,360	13,642,282
Other financial assets		
- CEDIC	650,000,000	675,000,000
Cash and deposits	705,890,360	688,642,282

Unit: Euros

Following a recommendation by 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 not provided by IGCP and requires prior authorisation from the competent authorities.

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 in the sum of 675 million euros, for a short period of time.

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

- (i) to deliver to the State part of the net income of previous years, in cases where the ordinances have not yet been published that determine the appropriation of the net income and/or determine the allocations of the distributed sums;
- (ii) to deal with predictable and contingent commitments, notably 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 legal cases.

It should also be noted that the financial means include a sum in the order of 392 million euros, from revenues already settled in the course of the 5G auction, which must be delivered to the State, upon publication of an ordinance by the members responsible for the areas of electronic communications and finance that will determine its transfer to the State 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 paid 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) since it belongs to the group of organisations established in Article 9(1)(a) of the IRC Code. ANACOM is also exempt from stamp duty pursuant to Article 6(a) 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 2022 and 2021 financial years, the movements recorded under the intangible asset headings were as follows:

Table 4.4 – Intangible assets

	Software	In progress	Total
Acquisition cost			
Balance at 1 January 2021	24,455,668	929,068	25,384,736
Increases	566,737	198,160	764,897
Disposals	-	-	-
Transfers	145,844	-145,844	-
Balance as at 31 December 2021	25,168,248	981,384	26,149,632
Increases	2,309,810	96,508	2,406,318
Disposals	-	-	-
Transfers	947,763	-947,763	-
Balance as at 31 December 2022	28,425,821	130,129	28,555,950
Accumulated amortisation			
Balance at 1 January 2021	22,532,334	-	22,532,334
Amortisation for the year (Note 19)	1,190,301	-	1,190,301
Disposals	-	-	-
Transfers	-	-	-
Balance as at 31 December 2021	23,722,636	-	23,722,636
Amortisation for the year (Note 19)	1,443,271	-	1,443,271
Disposals	-	-	-
Transfers	-	-	-
Balance as at 31 December 2022	25,165,906	-	25,165,906
Net value as at 31 December 2021	1,445,612	981,384	2,426,997
Net value as at 31 December 2022	3,259,915	130,129	3,390,044

Unit: Euros

The item "Intangible assets" includes the investment made over the years in software.

The most significant transfers from assets in progress to the intangible assets heading in 2022 relate to software projects that were completed, namely "SIM-DOC", "Management Indicators", "Operator Registration" and the "Geospatial Platform".

In the 2022 and 2021 financial years, the ongoing projects were detailed as follows:

Table 4.5 – Projects in progress

Description	2022	2021
Market Information System projects (SIM-DOC)		557,317
Projects for internal improvement of services (various Software applications)	130,129	155,695
Other		268,372
Total	130,129	981,384

Unit: Euros

8. Tangible fixed assets

In the financial years 2022 and 2021, the movements recorded in items of property, plant and equipment were as follows:

Table 4.6 – Tangible assets

	Land	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other	Assets in progress	Total
Acquisition cost								
Balance at 1 January 2021	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	0	476,884
Disposals	-	-	- 0	- 0	-	-	-	-
Write-offs	-	-16,894	0	- 0	-	0	-	-16,894
Transfers	-	-	309,259	-	0	-	-309,259	-
Balance as 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
Increases	-	25,197	521,212	-	181,306	58,729	985	787,430
Disposals	-	-	-	-	-	-	-	0
Write-offs	-	-	(1,620)	-	-	(1,143)	-	-2,762
Transfers	-	-	-	-	-	-	-	0
Balance as at 31 December 2022	1,325,259	15,872,825	30,879,715	1,098,279	9,382,642	8,801,945	34,868	67,395,535
Accumulated depreciation								
Balance at 1 January 2021	-	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	0	-	0	0	-	-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
Depreciation for the year (Note 18)	-	266,048	532,107	34,653	809,315	76,367	-	1,718,490
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	-	(1,620)	-	-	(1,102)	-	-2,721
Transfers	-	-	-	-	-	-	-	-
Balance as at 31 December 2022	-	13,213,061	28,933,115	1,055,193	8,867,295	2,273,162	-	54,341,826
Net value as at 31 December 2021	1,325,259	2,900,614	1,957,495	77,739	1,143,356	6,546,463	33,883	13,984,809
Net value as at 31 December 2022	1,325,259	2,659,764	1,946,600	43,086	515,347	6,528,783	34,868	13,053,707

Unit: Euros

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 essential 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 organisations.

The heading of “Transport equipment” includes the vehicles that belong to 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 appliances of an administrative nature used at ANACOM.

“Other tangible fixed assets” include the philately collection from Portugal’s former overseas colonies (Ultramar) which was transferred from the State’s private domain and incorporated in ANACOM’s assets in 1998, under the terms and for the purpose of paragraph 2 of Joint Order of the Minister of Equipment, Planning and Territorial Administration and the Deputy Minister no. 325/97, of 18 September 1997, published in Diário da República no. 226, Series II. According to this Order, the disposal of this asset is prohibited without prior permission from the government minister responsible for the communications sector. The initial value of the philatelic estate 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 estate was revalued again in 2015 by a qualified independent valuer, with the conclusion being drawn that these assets were not impaired, as their current value at that time, arising from the valuation, exceeded its book value. At 31 December 2016, the value of the philatelic estate 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 being found to change the existing situation.

The philatelic estate has not depreciated but it is periodically subject to impairment tests. With the adoption of the 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 paragraph 29 of NCRF 7, and in accordance with the principle of consistency, the book value of the philatelic estate has remained unchanged.

“Assets in progress” includes all the assets which, although existing at ANACOM, are not yet in a position to be put into operation as they are in the testing or acceptance stage. At 31 December 2022, the “Assets in progress” are as follows:

Table 4.7 – Ongoing projects		
Description	2022	2021
Other	34,868	33,883
Total	34,868	33,883
Unit: Euros		

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, at 31 December 2022 the value of tangible fixed assets that were in the hands of third parties amounted to 8,981,587.57 euros (6,638,044.35 euros of Net Assets), including 6,249,144 euros related to the philatelic estate from the former Portuguese overseas colonies (Ultramar), in the custody of the Fundação Portuguesa das Comunicações (Portuguese Communications Foundation).

9. Customers

In the 2022 and 2021 financial years, the heading of “Customers” was detailed as follows:

Table 4.8 – Customers

	2022	2021
	Current	Current
Customers	11,607,462	6,835,604
Use of frequencies	10,044,647	6,193,503
Regulation and Numbering	1,526,522	603,691
Other	36,293	38,410
Customers – bad debt	3,435,714	3,419,205
Use of frequencies	1,664,462	1,637,768
Regulation and Numbering	327,776	314,404
Other	1,443,476	1,467,034
Customers – Total	15,043,176	10,254,809
Impairment losses (Note 12)	-13,620,449	-9,713,123
Net Value	1,422,727	541,687

Unit: Euros

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

The change in the balance of the “Use of frequencies” and “Regulation and numbering” headings is due to substantial customer balances still to be settled that show a potential for litigation, and the respective impairment loss has been recorded (Note 4.7), justifying the year-on-year increase (+881 thousand euros) in 2022, in the net value of “Customers”.

10. Other receivables

In the financial years 2022 and 2021, the composition of the item “Other receivables” is as follows:

Table 4.9 – Other receivables

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Accrued income						
Interest receivable	39,021	-	39,021	6,325	-	6,325
Other	98,296	-	98,296	770,409	-	770,409
	137,317	-	137,317	776,734	-	776,734
Other amounts due						
Amounts to be settled	152,652	-	152,652	120,727	-	120,727
Other	113,290,296		113,290,296	131,516,264		131,516,264
	113,442,947	0	113,442,947	131,636,991	0	131,636,991
Total	113,580,264	0	113,580,264	132,413,725	0	132,413,725

Unit: Euros

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

The heading “Other [accrued income]” relates to income to be recognised in the year that has not yet been settled.

The heading of “Amounts 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 any other situations to be settled with employees.

The item “Other” records any other existing situations, including amounts to be paid to the State resulting from the 5G auction, which are still pending receipt from the operators, and the decrease in 2022 is due to the fact that the amounts received in the meantime by ANACOM were delivered during this financial year.

These amounts, still to be received, concern the operators who opted to make part of the payment in instalments and also the amounts relating to spectrum bands with restrictions, as provided for in the auction regulation, which may ultimately amount to 113.193 million euros if advance payments are not made and are therefore subject to discount, given that in the 2022 financial year the amount of 18.176 million euros, corresponding to the first instalment, has already been delivered by operators who opted to make the deposit in instalments. 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 financial years 2022 and 2021, ANACOM has recorded the following balances under the heading of deferrals:

Table 4.10 – Deferrals		
	2022	2021
Expenses to be recognised		
Meal allowance	99,830	94,180
Rents and leases	156,984	156,553
Insurance premiums	41,685	84,053
Renovation of facilities	6,618	11,140
Subscriptions	570,666	624,557
Publications	89,140	33,321
Other services	208,131	188,815
Total	1,173,053	1,192,618

Unit: Euros

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

The heading “Rents and leases” includes the rental values for 2022, paid in advance in 2021.

“Insurance premiums” reflects the amounts of premiums invoiced and paid in advance.

The details of this heading at 31 December 2022 and 2021 are as follows:

Table 4.11 – Insurance premiums		
	2022	2021
Personal travel accidents	6,150	6,150
Premises and facilities	1,819	49,528
Accidents at work	23,802	21,971
Health	503	503
Civil liability	5,900	5,900
Other	3,510	-
Total	41,685	84,053

Unit: Euros

The heading of “Renovation of facilities” records expenses deferred to subsequent financial 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 at 31 December 2022 and 2021 the contributions paid or invoiced in the year, but related to the following year, detailed as follows:

Table 4.12 – Subscriptions		
	2022	2021
International Telecommunication Union (ITU)	316,512	294,909
Universal Postal Union (UPU)	152,528	150,493
European Communications Office (ECO/CEPT)	88,026	87,749
Postal Union of the Americas, Spain and Portugal (UPAEP)	-	78,107
International Union of Radio Sciences (URSI)	-	-
Independent Regulators Group (IRG)	13,000	13,000
Other	600	300
Total	570,666	624,557

Unit: Euros

12 Impairments

The change recorded during the 2022 and 2021 financial years in the balances of impairment losses is detailed as follows:

Table 4.13 – Impairments	
	Customers (Note 9)
As at 1 January 2021	3,697,377
Increases	6,048,688
Uses	-32,943
At 31 December 2021	9,713,123
Increases	3,934,760
Uses	-27,434
At 31 December 2022	13,620,449

Unit: Euros

The increase in impairments is, as already mentioned in Point "9-Customers", mainly due to outstanding customer balances of a substantial value that show potential for litigation, and the respective impairment loss has been recorded.

13 Equity

In the 2022 and 2021 financial years, the balances of the equity headings are detailed as follows:

Table 4.14 – Reserves and other equity headings

	2022	2021
Other reserves		
Investment reserves	65,316,443	63,440,797
Retirement benefits (Note 15)	-9,710,637	-9,622,445
Other reserves	<u>1,741,928</u>	<u>1,741,928</u>
	57,347,734	55,560,280
Retained earnings		
First time adoption of the SNC	3,035,015	3,035,015
Transfer of net result	<u>32,531,405</u>	<u>34,560,997</u>
	35,566,420	37,596,012
First time adoption of the SNC		
Reserve – philatelic estate	6,249,144	6,249,144
Donations	109,780	109,780
Grants	<u>86,286</u>	<u>90,176</u>
	6,445,210	6,449,099
Net income for the year	49,140,648	32,531,405
Total	<u>148,500,011</u>	<u>132,136,797</u>

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 115/2022 of 16 March, these reserves were reinforced by 1,875,791 euros. This also incorporates the heading of “Retirement benefits”, where the actuarial studies of the defined benefit plans reported at 31 December 2022 determined the recording of adjustments to both the retirement and the survivors’ pension plan (+503,192 euros) and the healthcare plan (+415,000 euros), whose accumulated change increased equity (+88,192 euros), as explained in Notes 15.1 and 15.3 of the annex.

In 2022, the heading of “Retained earnings” reflects the accounting movements performed as a result of the adoption of the 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 2020, in accordance with the Ordinance referred to above, which involved transfers of 32,685,352 euros. Of these transfers, 23,078,541 euros were paid to the State, 1,653,750 euros to the European Space Agency (ESA), 2,000,000 euros to the Portuguese Space Agency, and 5,953,061 euros to the Instituto do Cinema e Audiovisual (ICA).

The heading “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 estate from the former Portuguese overseas colonies (Ultramar), incorporated in ANACOM's assets under the heading of "Tangible fixed assets" (Note 8).

The change in investment grants noted during 2022 and 2021 is detailed below:

Table 4.15 – Investment grants

As at 1 January 2021	94,066
Increases	-
Recognition through profit or loss	-3,890
As at 31 December 2021	90,176
Increases	-
Recognition through profit or loss	-3,890
As at 31 December 2022	86,286

Unidade: Euros

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

14 Provisions

The trend in the heading "Provisions" in 2022 and 2021 was as follows:

Table 4.16 – Provisions

	Provisions for ongoing lawsuits
As at 1 December 2021	128,126,308
Increases (regulatory fees)	22,201,208
Increases/reversals (other)	-257,225
Net addition	21,943,983
As at 31 December 2021	150,070,290
Increases (regulatory fees)	22,887,369
Increases/reversals (other)	-4,795,728
Net addition	18,091,641
As at 31 December 2022	168,161,932

Unit: Euros

The provision corresponds to the estimated liability arising from the risk inherent to lawsuits filed by various bodies against ANACOM (Note 4.17.1). At 31 December 2022, there were

245 legal cases in progress, 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 services, and acts contesting fee settlement. Of these lawsuits, 155 include claims for compensation.

The following variations were recorded in 2021:

- i) the instigation of 32 new actions, 24 of which with claims mainly involving disagreement with the settlement of fees for regulation of electronic communications and postal services, issued by ANACOM, from 2017 to 2021;
- 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, specifically proceedings relating to the challenge of the 5G auction regulation;
- iii) continuation of the other legal actions carried over from 2021 with claims requested.

In short, based on the events recorded in 2022, ANACOM has updated the value of the accumulated provision for ongoing lawsuits, increasing its overall amount by 18,091,641 euros.

It should be noted that the amount 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 2022 and 2021 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 -)

	2022	2021
Defined benefit pension plan (Note 4.10)	7,864,547	7,414,351
Defined benefit healthcare plan	1,575,000	2,050,000
Total	9,439,547	9,464,351

Unit: Euros

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

	2022	2021
Defined benefit pension plan	152,294	342,365
Defined contribution pension plan	348,969	299,258
Defined benefit healthcare plan	38,671	40,032
Total	539,934	681,655

Unit: Euros

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

	2022	2021
Defined benefit pension plan	-503,192	1,543,032
Defined benefit healthcare plan	415,000	34,000
Total	-88,192	1,577,032

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 Article 27(1) 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 defined benefit liabilities 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 28,983,262 euros at 31 December 2022.

The actuarial study was based on the following assumptions:

Table 4.20 – Assumptions in the actuarial study		
	2022	2021
Annual discount rate	3.29%	0.90%
Annual wage growth rate	2.50%	
Annual growth rate of pensions	2.00%	
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	
Social Security normal retirement age	of 31 December were considered applicable 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, from a prudent perspective, a 0% turnover rate was considered	
Active life decrements	Due to death or disability	
Disability table	Swiss EKV80 table	

The effect on the liabilities of the change to the discount rate in 2022 was a decrease of this value by 2,709,148 euros, which was directly recorded under equity.

In the 2022 and 2021 financial years, the value of the liabilities recognised in the balance sheet is as follows:

Table 4.21 – Recognised liabilities		
	2022	2021
Present value of the liabilities	28,983,262	31,868,607
Fair value of the Fund's assets	21,118,715	24,454,256
Surplus/(Deficit)	-7,864,547	-7,414,351
Unit: Euros		

The movement in the 2022 and 2021 financial years, in the current value of the liabilities underlying the pension plan, was as follows:

Table 4.22 – Present value of the liabilities		
	2022	2021
As at 1 January	31,868,607	31,868,607
Cost of current services	281,794	383,361
Cost of interest	283,486	263,527
Expected payment of benefits	-1,304,014	-1,338,745
Changes in assumptions	-2,709,148	-367,735
Other actuarial (gains)/losses	562,537	-298,651
As at 31 December	28,983,262	31,868,607

Unit: Euros

In the 2022 and 2021 financial years, the value of the fund linked to this plan evolved as follows:

Table 4.23 – Value of the fund		
	2022	2021
As at 1 January	24,454,256	24,315,106
ANACOM contributions	210,365	291,503
Employee contributions	196,230	112,290
Benefits paid	-1,330,573	-1,244,220
Actual return on fund assets	-2,411,563	979,577
As at 31 December	21,118,715	24,454,256

Unit: Euros

The effect on the income statements for the financial years 2022 and 2021 resulting from this plan is as follows:

Table 4.24 – Effect on the income statement		
	2022	2021
Cost of current services	281,794	383,361
Cost of interest	283,486	263,527
Employee contributions	-196,230	-112,290
Expected return on the fund assets	-216,756	-192,233
Total included in personnel costs and/or (other income and gains)	152,294	342,365

Unit: Euros

The effect of actuarial gains and losses recognised directly in equity for the 2022 and 2021 financial years is as follows:

Table 4.25 – Effect on equity		
	2022	2021
Changes in the discount rate	-2,709,148	-367,735
Difference between the real and estimated return on the fund's assets	2,628,319	-787,344
Other actuarial (gains)/losses	589,096	-387,953
Total reduction (increase)	508,267	-1,543,032
Unit: Euros		

It is also important to highlight the fact that the real yield of the Fund was negative, by approximately 9.90%, which, combined with the positive effect arising from the change of the discount rate, meant that the funding gap increased from 7,414,351 euros in 2021 to 7,864,547 euros in 2022 (+450,196 euros). This corresponds to a 73% coverage of the liabilities, which is still a 3% deficit in relation to the minimum required by the Insurance and Pension Funds Supervisory Authority (ASF), amounting to a need for coverage of 450,000 euros, which will be settled during the 2023 financial year.

In the 2022 and 2021 financial years, the relative weight of the assets comprising the pension plan fund, by nature, was as follows:

Table 4.26 – Assets by nature		
	2022	2021
Bonds	65.7%	66.1%
Liquidity	6.8%	1.0%
Shares	22.1%	28.2%
Real estate properties	0.2%	0.2%
Absolute return	5.2%	4.4%
Total	100%	100%

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), then 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 to the benefit of the employee whose contract was terminated in accordance with their active service time and based on six seniority levels.

In 2022 and 2021, the value of the defined contributions of ANACOM to the Retirement Pension Plan in question amounted to 348,969 euros and 299,258 euros, respectively, being recorded in Personnel costs

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15.3 Defined benefit medical care plan

As at 31 December 2022, there were 70 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 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 defined benefit obligations 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 2022 and 31 December 2021, stood at 1,575,000 euros and 2,050,000 euros, respectively.

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

Table 4.27 – Actuarial assumptions		
	2022	2021
Annual discount rate	3.29%	0.90%
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	

In addition, the following assumptions are 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 0.9% to 3.29%, reflected in the liabilities having decreased by 425,000 euros.

In the 2022 and 2021 financial years, the value of the liabilities recognised in the balance sheet was as follows:

Table 4.28 – Recognised liabilities		
	2022	2021
Present value of the liabilities		
Active and dependant	537,000	865,000
Retired and dependant	1,038,000	1,185,000
Total	1,575,000	2,050,000
Unit: Euros		

The change that occurred in the 2022 and 2021 financial years in the present value of the liabilities underlying the healthcare plan was as follows:

Table 4.29 – Present value of the liabilities

	2022	2021
As at 1 January 2021	2,050,000	2,137,000
Cost of current services	20,671	23,032
Cost of interest	18,000	17,000
Payment of benefits by ANACOM	-98,671	-93,032
Change in plan	0	0
Change in assumptions	-425,000	-24,000
Other actuarial (gains)/losses	10,000	-10,000
As at 31 December 2021	1,575,000	2,050,000

Unit: Euros

The effect on the income statements for the 2022 and 2021 financial years arising from this plan was as follows:

Table 4.30 – Effect on the income statement

	2022	2021
Cost of current services	20,671	23,032
Cost of interest	18,000	17,000
Change in plan	0	0
Total included in Personnel costs	38,671	40,032

Unit: Euros

The cost of current services represents the increased liability of each employee given 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 because 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 in 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 began in 2018 to reflect the payment 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 actuarial gains and losses recognised directly in equity in the 2022 and 2021 financial years were as follows:

Table 4.31 – Effect on equity

	2022	2021
Change in discount rate	-425,000	-24,000
Demographic changes	6,000	-7,000
Changes in estimates	4,000	-3,000
Total included in the Equity heading	-415,000	-34,000

Unit: Euros

16 Suppliers

In 2022, the amount owed to suppliers totalled around 973,000 euros, representing a substantial fall compared to the same period in 2021 (-15%).

17 State and other public entities

In the financial years 2022 and 2021, the balances payable to the "State and other public bodies" are detailed as follows:

Table 4.32 – State and other public bodies

	2022	2021
Personal income tax	319,460	475,078
Value added tax	50,523	14,934
Social security	430,271	480,923
Total	800,254	970,936

Unit: Euros

18 Other payables

In the financial years 2022 and 2021, the heading of "Other payables" was detailed as follows:

Table 4.33 – Other payables		
	2022	2021
	Current	Current
Investment suppliers		
General suppliers	285,880	285,743
Accrued expenses		
Remunerations	3,367,292	3,490,961
Insurance payable	7,589	6,206
Other	857,242	83,997
Other creditors		
Regulatory fees to be refunded	6,594	6,594
Miscellaneous payables	506,111,090	541,541,945
Total	510,635,686	545,415,445
Unit: Euros		

The item "Investment suppliers" refers mainly to the acquisition of equipment and materials incorporated in tangible and intangible fixed 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 2022 and the projected growth of wages and career progression in 2023.

The heading of "Insurance" includes the amount payable relating to adjustments to insurance taken out by ANACOM for the 2022 annuity, the payment of which will take place afterwards.

The heading "Other" includes the estimated compensation due to holders of rights of use for frequencies in the 1800 MHz band for the costs incurred with the change in the assignment of the radio spectrum in that frequency band, as established in Ordinance 716/2022 of 17 October.

The item "Regulatory fees to be reimbursed" relates to adjustments made to regulatory fees, pursuant to Article 167(6) of the Electronic Communications Law.

The heading "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, as well as the amounts collected

under the 5G Auction for the Allocation of Rights of Use of Frequency, which took place in 2021, still to be paid to the State, with the following detail:

- An amount of 392.417 million euros, related to the amounts received under the 5G auction, which results from the difference between 410.054 million euros received in 2021, plus 18.177 million euros received in 2022² and 35.813 million euros, paid to the State in 2022, as established in Ordinance 295/2022 of 13 December, 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 113.193 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 113.193 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, if the ordinance of the members responsible for the areas of electronic communications and finance is published with this scope, and an identical amount is recorded under "Other receivables".

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

This item also includes a sum of 451 thousand euros to be paid to the State, in the context of fines collected by ANACOM, which constitute revenue shared between ANACOM and the State.

19 Depreciation and amortisation expense/reversals

In the 2022 and 2021 financial years, this item is broken down as follows (Notes 7 and 8):

² Figures for operators who opted to pay part of the spectrum auctioned in instalments

Table 4.34 – Depreciation and amortisation costs

	2022	2021
Depreciation of tangible fixed assets		
Buildings and other constructions	266,048	272,467
Basic equipment	532,107	566,220
Transport equipment	34,653	31,264
Administrative equipment	809,315	924,448
Other tangible fixed assets	76,313	69,971
	1,718,436	1,864,370
Amortisation of intangible assets		
Software	1,443,271	1,190,301
Total	3,161,706	3,054,672

Unit: Euros

20 Sponsorships

ANACOM granted the following sponsorships in 2022, for the amounts shown:

Table 4.35 – Sponsorships

Entity	Entity	Cost with attributed value
		2022
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; ANACOM-URSI Portugal; Best research project	6,050
Other	Low-value sponsorships	3,994
		25,390

Unit: Euros

Pursuant to its Statutes, it is incumbent upon ANACOM to pursue purposes of public interest, where the award of grants is an indirect form of achieving this aim. This is likewise the case of collaborating with other public and private bodies to promote applied scientific research in communications. Furthermore, ANACOM encourages the dissemination of the regulatory framework in force and its powers, duties and initiatives, as well as the rights and obligations of the organisations 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. They 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. By determination of the Board of Directors of 15 March 2022 the implementation model was approved that enables the implementation of what was approved by the resolution of 28 September 2018.

In this regard, and based on the sponsorship guidelines approved by the Board of Directors, ANACOM supports initiatives of public and private organisations whose objectives are relevant to the communications sector and to the activity that ANACOM pursues. To this end, it provides a limited amount of funding, approved in its Multi-Annual Activities Plan and Budget, for the annual allocation of sponsorships, which is reviewed annually.

Thus, ANACOM received 16 requests for sponsorship in 2022, with 6 having been granted, 9 having been rejected, and 1 having been carried over to 2023.

In this context, support continued to be given to the Portuguese Communications Business Association (ACIST – Associação Empresarial de Comunicações de Portugal), with the sponsorship and cooperation protocol with ACIST remaining in force until 31 December 2023.

The amount of the sponsorship granted by ANACOM to ACIST was allocated to only a few activities, totalling 15,346 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, talks, exhibitions, and the dissemination by ACIST of information of interest to ANACOM on matters that are relevant to ACIST members, such as ITED, ITUR, 5G, IoT, Smart Cities, among many other linked ones, ACIST's collaboration in activities promoted by ANACOM and in which the association's participation is relevant, in accordance with the objectives underlying the granting of the sponsorship:

- Webinar "Inclusive Home Automation".
- Workshop "BIM Model - FFAST IT".
- XXVI National Meeting of SMEs in the Telecommunications Sector - "The connectivity of the future".

- Technical Publication "Citizenship and Smart Territories - Next Generation Applications and Services".

- Roadshow "ITED / ITUR - Direct route to 5G"

In addition to the initiatives described above, the contribution made to the Working Group on the deployment of "small cells" should be emphasised.

It should be noted that the sponsorship budget includes other related processes, such as the Best Student Paper Award, the ANACOM-URSI Portugal award, and the award for the best research project in the categories innovation, sustainability, and social responsibility, awarded in the context of the Portuguese Committee of the International Radio Scientific Union (URSI).

21 Interest and similar income

In the 2022 and 2021 financial years, this heading is detailed as follows:

Table 4.36 – Interest and similar income		
	2022	2021
Late payment interest	11,030	9,363
Interest on financial investments	41,271	7,450
Total	52,300	16,813
Unit: Euros		

The increase in the heading "Interest on financial investments" stems from the fact that, as in the previous year, exceptionally and under an interest-bearing proposal from IGCP, financial investments were made in "Special short-term debt certificates" (CEDIC – Certificados especiais de dívida de curto prazo) in the last months of the year, for a longer term than in 2021, although the capital invested was slightly lower.

22 Commitments

Commitments regarding the purchase of assets

At 31 December 2022, approximately 369,029 euros, excluding VAT (2021: 1,410,165 euros), had been contracted for the acquisition of tangible and intangible fixed assets, of which 71,377 euros (2021: 47,318 euros) have already been paid.

Commitments regarding operating leases

In the 2022 and 2021 financial years, the minimum value of future rents payable under non-cancellable operating leases was as follows:

Table 4.37 – Operating lease commitments		
	2022	2021
Up to 1 year	712,774	1,759,697
1 to 5 years	8,347,002	4,325,232
Total	9,059,776	6,084,930
Unit: Euros		

In 2022, these rents refer to: (i) the lease of part of a building at Av. José Malhoa, number 14, (until the end of 2023) and the lease of the new building where ANACOM's head office are located, at Rua Ramalho Ortigão, with the amount payable being 8,445,050 euros (starting in 2024); (ii) the lease of nine plots of land where the SINCRER remote stations are installed, with the amount payable being 36,908 euros; (iii) the lease of 40 vehicles, under vehicle operating lease contracts for periods of 48 months, whose amount payable stands at 571,262 euros, not including the option to purchase; and (iv) the operating lease of printing and copying equipment, whose amount payable is 6,556 euros.

In the 2022 financial year, the heading of “External supplies and services” records expenses incurred in relation to the aforesaid operating leases amounting to 1,882,833 euros (of which 1,578,019 euros concern the rental of buildings, 27,190 euros concern the rental of land, 238,362 euros concern vehicle operating leases, and 39,262 euros concern the operating lease of printing and copying equipment). In 2021, the total amount recorded was 1, 911,184 euros.

22 Contingencies

22.1 Guarantees

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

22.2 Contingent liabilities

Judicial proceedings

As at 31 December 2021, ANACOM faced legal proceedings filed by various agencies, 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 rights of use of frequency

In the draft Ordinance on results that ANACOM sends annually to the Government, it is proposed that ANACOM retains a sum of around 2,000,000 euros for:

i) Compensation due to holders of network licences for the digital terrestrial television broadcasting service (DTT) and network licences for auxiliary broadcasting applications and programme production - SAB/SAP (audio links), operating in the 700 MHz band, for costs arising from the release of radio channels and frequencies allocated to them in the said frequency band, under Article 4 of Decree-Law 151-A/2000 of 20 July.

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

22.3 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 estate, 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.

23 Related parties

23.1 Remuneration of 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 2022 and 2021 financial years, the remuneration of the Board of Directors and the Supervisory Board was as follows:

Table 4.38 – Remuneration of the governing bodies

	2022	2021
Board of Directors	726,082	779,084
Statutory Auditor	30,404	30,404
Total	756,486	809,488

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.

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 amounts:

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

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

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

23.2 Universal Service Compensation Fund (USCF)

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. Under no circumstances is the compensation fund liable for the debts of the management body, nor is the management body liable for claims against the fund. The accounting of the compensation fund is autonomous and separate from ANACOM's accounting. As the managing agency, 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 they 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 to:

- (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 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 universal service obligations, indicating the contributions made to the compensation fund by all companies involved.

ANACOM can, at any time, carry out all the acts required to perform the duties established by law, including requesting and obtaining relevant information from the companies that provide public communications networks and/or publicly available electronic communications services, as well as instigating audit actions.

23.3 Portuguese Communications Foundation (FPC)

On 6 October 1997, ANACOM, Portugal Telecom, S.A. and CTT – Correios de Portugal, S.A., set up 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 development 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, endowed annually by the 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: (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 Founder should annually endow the Foundation with the necessary support for the pursuit of its purposes of social interest, with Article 21(2) establishing that this endowment is made through the delivery of an amount, in the month of January, to support operating expenses. This provision (Article 21(2)(i)) 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 subject.

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 2022 and 31 December 2021:

Table 4.39 – FPC costs		
	2022	2021
Contribution		160,000
Costs related to assigned personnel	243,381	258,996
Accrued costs (holidays, holiday allowances and pensions)		(3,385)
Regularisation of excess FPC 2020 allocation		(15,519)
Total FPC costs	243,381	400,092
Unit: Euros		

Contrary to what has happened in previous years, the annual contribution was not made in this financial year, as ANACOM is still awaiting the Orders from the members of the government allowing the Inspectorate-General of Finance (IGF) to issue a favourable opinion on the transfer to be made.

These procedures comply with the provisions of Article 12(1) of Law 2/2020 of 31 March 2020, which approves the State Budget for 2020, by virtue of Article 12 - Transfers to foundations of Law 12/2022 of 27 June, on the State Budget for 2022 and Ordinance 260/2018 of 14 September (given that in 2022 no Ordinance was published for this purpose and according to the Inspectorate-General of Finance the Ordinance published in 2018 applies in 2022).

24 Other relevant information

24.1 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 bodies, namely ANACOM, by application of a fee based on the total revenues of these regulatory entities and charged in the last financial year for which accounts were 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 in 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 for the period mentioned in the cited Article (between 5.5% and 7%), which is 6.25%.

In view of the above, ANACOM transferred, on a monthly basis, the amounts 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 2022, ANACOM recorded the sum of 6,066,087 euros (2021: 5,890,236 euros) under the heading "Other expenses", which was transferred to the Competition Authority on a monthly basis.

25 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 Treasury.

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

2022



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