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ANNUAL  
REPORT  
AND ACCOUNTS  
**2019**

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ANACOM



AUTORIDADE  
NACIONAL  
DE COMUNICAÇÕES



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# STATEMENT OF THE BOARD OF DIRECTORS

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## Statement of the Board of Directors

ANACOM presents its Annual Report and Accounts for 2019, which include the main activities developed throughout the year, the balance sheet and income statement, and the Statutory Auditor's report.

Giving expression to the Activities Plan 2019-2021, ANACOM's action in 2019 focused on its various areas of intervention: defence of consumer rights and interests; studies on the market and access to networks, infrastructures and services; spectrum management; market supervision and oversight; sanctioning activity; and international representation. The key objectives were to protect the rights and interests of the consumers and all other end users, and ensure a competitive market, crucial for the development of electronic and postal communications, bearing in mind the need to guarantee the territorial cohesion of Portugal and the appropriate meeting of the needs of the different types of users.

Special reference should be made to all the work developed with a view to the definition of a framework to promote the implementation of 5G in Portugal, which is fundamental to pursue the country's coverage with broadband Internet, which has been revealed as essential for the development of the digital economy and society and for the promotion of territorial cohesion. Co-investment and sharing of infrastructures, namely national roaming, emerge as important instruments to accelerate the country's coverage with broadband networks and boost the appearance of new offers and services, while at the same time promoting the sustainability of the necessary investment.

With a view to the adoption of 5G, the release of the 700MHz band was a priority. The definition of the timing and preparation of the process of migration of the digital terrestrial television (DTT) broadcasting network to release this band implied intense activity in 2019, with the definition of all the necessary measures to ensure the least impact possible for the population that watches DTT. In order to prepare the process, that would start in 2020, ANACOM carried out a pilot test, on 27 November 2019, which consisted of switching the frequency of the Odivelas Centro broadcaster. The aim was to test the efficacy of all the measures considered by ANACOM, under its direct management and control, to support the population in this process. ANACOM provided the public with a call centre to support the population, with a toll free number; formed technical teams to provide assistance to the population in the field; launched a huge communication plan which included meetings with city, town and parish councils, and clarification sessions with the general public; organised a roadshow throughout all the parishes covered by the pilot; sent pamphlets to all the residences and trade establishments of the region affected by the pilot; and was diligently

present in the media. The pilot test was successful, demonstrating the efficacy of the measures taken by ANACOM.

In addition to this, in this regard, it is important to highlight other crucial activities carried out by ANACOM in 2019 to promote the development of the sector:

- Concerning the defence of the interests and rights of the consumers and all other users, particular note should be made of the draft amendment of the Electronic Communications Law, submitted to the Government and Parliament, which, among various measures, recommends changing the rules on the early notice of termination of binding contracts. Here, we also highlight ANACOM's decision which determines that telecommunications operators must provide, free of charge, to subscribers that request this, an invoice which includes the minimum details and information defined by ANACOM, irrespective of the format and means used. A portability validation code was also created, which makes the process of changing operator, keeping the same telephone number, faster and more expedite, thus reducing the cases of rejection of portability requests. The increased speed of access to the Internet that the operators must provide in the parishes that they undertook to cover following the 4G auction was also decided. Finally, special note should be made of the signing of agreements with seven consumer dispute arbitration centres (CACC), aimed at making the resolution of disputes with communication operators simpler and faster. This is a very important aspect, in a sector that is characterised by high levels of conflictuality and consumer claims;
- During the year, intensive activity was also developed in relation to the universal postal service: ANACOM determined that CTT should implement a series of changes aimed at making the system of measurement of the quality indicators of the universal postal service more reliable and robust, and defined new rules on matters of density of the postal network and minimum offer of services. This Authority also determined that CTT should correct the information that it gives to its customers at post offices about the book of complaints, and reduced the capital cost rate applicable to CTT, for the financial year of 2018, thus contributing to more prices in postal communications. The mechanism of compensation due to non-compliance with two quality of service indicators of the universal postal service in 2018 was also applied to CTT. And, at the end of November, ANACOM launched a public consultation on the provision of the universal postal service, in order to obtain comments on the terms and conditions that should be associated to this service, considering that the end of the current concession contract is approaching;

- With a view to promoting competition, various measures taken by ANACOM in 2019 merit highlighting: access to MEO conduits and posts by other operators was simplified, through the streamlining of the procedures established in wholesale offers of access to conduits (ORAC) and access to posts (ORAP); in particular this concerns the reduction of the installation period stipulated in the ORAC and simplification of the process. The process was launched with a view to the approval of a regulation that defines the conditions applicable to the sub-allocation of numbering resources, so as to enable some electronic communications services providers to use, by agreement, the numbers that this Authority allocates to other providers in the offer of the same service. The draft regulation on the methodology to be used to determine the value of remuneration payable by electronic communications companies as consideration for access to and use of infrastructure suitable for accommodating electronic communications networks was also approved. Concerning the security of the communications, the “Regulation on the Security and Integrity of Electronic Communications Networks and Services” was approved, which establishes the rules that companies offering public communications networks or electronic communications services accessible to the public should follow. Regarding prices, the decrease of the maximum retail prices of calls made to numbers starting with “707” and “708” was approved, and likewise the decrease of the maximum prices of the circuits between Mainland Portugal and Autonomous Regions of the Azores and da Madeira and inter-islands. Special reference is also made to the work carried out throughout the year by ANACOM, as chair of the working group “aimed at studying and analysing the most suitable technical and financial configuration for the timely replacement of the submarine cables carrying Mainland Portugal-Azores-Madeira connections”, which culminated in December with the delivery of the final report to the Government.

During 2019, ANACOM pursued its regular activity in monitoring the spectrum and market oversight, litigation and administrative offences, public attendance and provision of information to consumers, publication of statistics, as well as collaboration and dialogue, both at a domestic level with the Portuguese Parliament, Government, regional governments and local authorities, and abroad, with other regulators and groups of regulators.

We also highlight the work carried out by ANACOM with a view to transposition of the European Electronic Communications Code, planned to take place by December 2020.

In 2019, ANACOM's chairman took up the chair of the European Regulators Group for Postal Services, at a time when important challenges are being faced at a European level, such as the review of the sectoral regulatory framework and the harmonised implementation of the regulation

on postal parcels, in particular the approval, in the plenary meeting held in June in the Azores, of the Opinion of this body on the review of the European regulatory framework for the postal services.

As the Space Authority (AE), ANACOM approved the regulation relative to “the arrangement for access and pursuit of space activities”. This involves the activity of launch and return, as well as the command and control of space objects.

Lastly, it should be noted that 2019 was a special year for ANACOM, as it celebrated its 30th anniversary. During these 30 years, the communications sector and the country have evolved in a remarkable manner and ANACOM has contributed to this change, through its rigorous, impartial and transparent work.

The 30th anniversary of ANACOM was celebrated through various initiatives: a new image of its website, the conference entitled "The challenges of the digital society", a countrywide photography competition, a stamp issue and the publishing of two books: “*As Mais Belas Árvores de Portugal*” [The Most Beautiful Trees of Portugal] and “*ANACOM – 30 anos: contributos para a história da regulação das comunicações em Portugal*” [ANACOM – 30 years: contributions to the history of the regulation of communications in Portugal]. The latter compiles the contributions produced by 49 employees of ANACOM, revealing their vision on themes or situations that reflect their experience on issues as diversified as protection of communications consumers, the analysis and regulation of markets and the universal service, network neutrality, the monitoring and management of the radio spectrum, radio, television, market oversight, infrastructures, the security of communications and international cooperation.

These three decades of ANACOM's existence could not have been possible without the professionalism and dedication of those who are or were part of ANACOM, contributing with the performance of their mission in an independent, impartial, rigorous and transparent way, to its consolidation as a reference regulatory entity at a national and international level.

The Board of Directors

*João Cadete de Matos*

*João Miguel Coelho*

*Isabel Areia*

*Paula Meira Lourenço*

*Sandro Mendonça*

## **ANACOM Governing Bodies**

The Board of Directors and the Statutory Auditor are the governing bodies of ANACOM. The Board of Directors is responsible for the definition and implementation of ANACOM's activity, and for the directing its departments. The Statutory Auditor is responsible for controlling the legality, orderliness and sound financial and asset management of ANACOM, and for consulting the Board of Directors on these issues.

### **Board of Directors**



#### **Chairman**

João Cadete de Matos

#### **Vice-Chairman**

João Miguel Coelho

#### **Members**

Isabel Areia

Paula Meira Lourenço

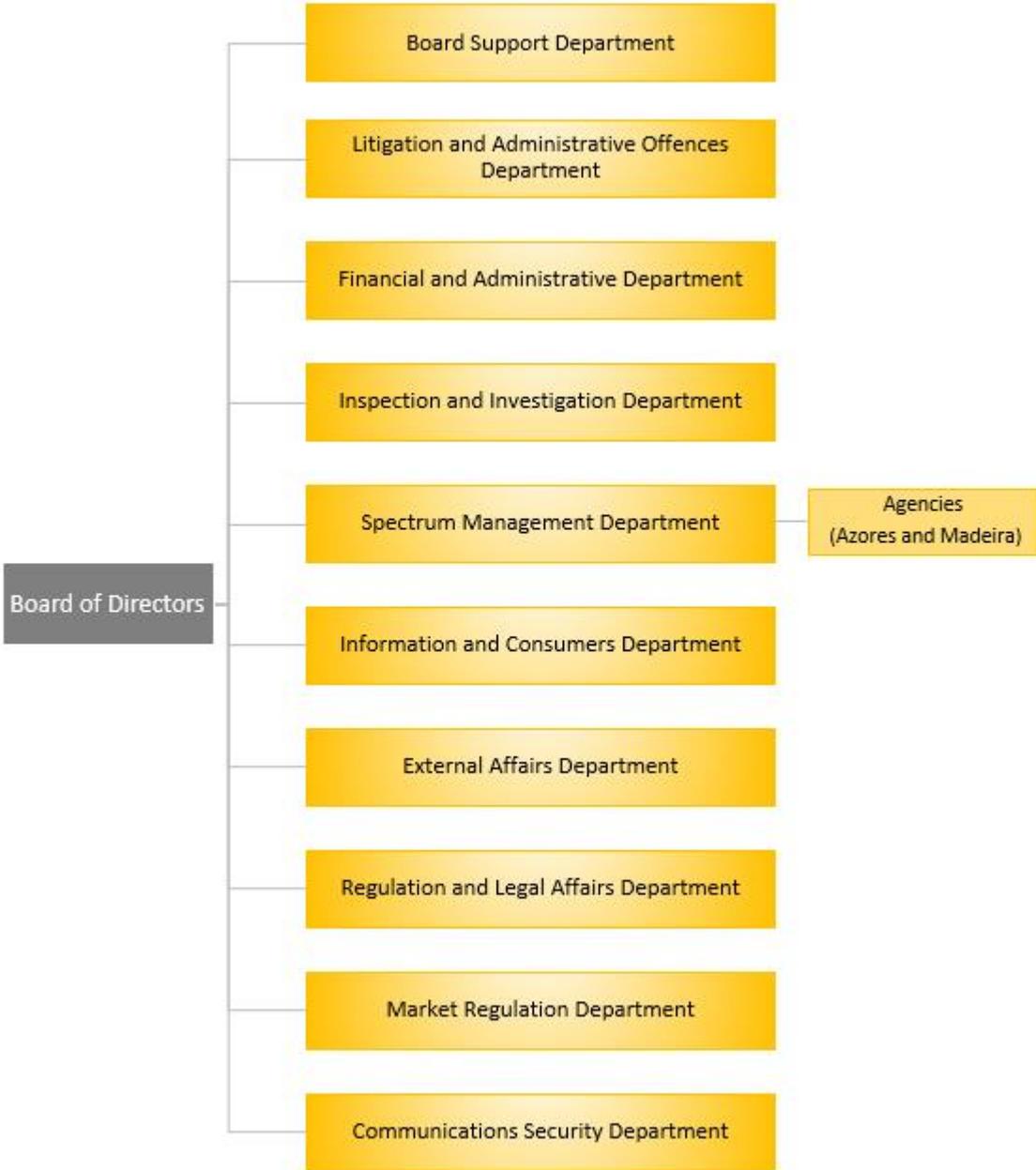
Sandro Mendonça

## **Statutory Auditor**

By Order 5723/2019, of 18 June 2019, the Minister of Finance and the Undersecretary of State and of Communications, pursuant to number 1 of article 33 of the Statutes of ANACOM, the firm Vítor Almeida & Associados, SROC, Lda., represented by Vítor Manuel Baptista de Almeida, registered in the Statutory Auditor Bar Association (OROC) under number 691 and in the list of auditors of the Securities Market Commission (CMVM) under number 20160331, was appointed Statutory Auditor of ANACOM, for a period of four years, non-renewable, taking effect on 1 May 2019.

Article 34 of the Statutes of ANACOM stipulates, among other aspects, the following powers and duties of the Statutory Auditor: a) regular monitoring and control of compliance with the applicable laws and regulations, budget implementation, and the economic condition, financial situation and net worth; b) issue of opinions on the annual report and accounts, including documents of legal certification accounts.

# Organic Structure



## Heads of Departments and Agencies

### **Board Support Department**

Fatima Aragão Botelho



### **Litigation and Administrative Offences Department**

Margarida Guimarães



### **Financial and Administrative Department**

Fernando Carreiras



### **Inspection and Investigation Department**

António Vassalo



### **Spectrum Management Department**

Luísa Mendes



### **Information and Consumers Department**

Maria Teresa Caetano



**External Affairs Department**

José S. Barros



**Regulation and Legal Affairs Department**

Sara Silva



**Market Regulation Department**

Luís Manica



**Communications Security Department**

Manuel Barros



**Azores Agency**

Luís Anselmo



**Madeira Agency**

José Nelson Melim



## ANACOM Staff





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# HUMAN RESOURCES

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## Human Resources

Under its strategy of management of its people, in 2019 ANACOM continued a series of initiatives aimed at developing the organisation and boosting the excellence of its human resources, a critical factor for the full attainment of its strategic goals and for a sustained response to the challenges that are permanently placed before it.

ANACOM's preparation for the process of organisational restructuring underway, the assessment and reward of performance and career progression, the balancing of professional life with personal life, the renovation of the management staff and the stimulation of new approaches to access knowledge in the context of digital mobility correspond to pillars of action that received heightened attention in 2019.

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

- Resumption of the career development and salary progression system following the approval of Law 71/2018 of 31 December, State Budget Law for 2019 (LOE 2019), related to the recognition of the employees' merit;
- Launch of recruitment processes with a view to hiring professional profiles that are more suited to the new organisational model;
- Stimulation of ANACOM's teleworking policy, placed in the reinforcement of measures that promote balance between the employees' professional, family and personal life;
- Development of new transversal training actions in the context of equality, non-discrimination and wellbeing;
- Engagement and participation of the employees in various multidisciplinary projects, of strategic impact, in a collaborative approach of sharing knowledge in the search for new ideas and solutions;
- Launch of the project to create an integrated information system with a view to the dematerialisation of human resources processes, in the context of initiatives for the digital transformation of the organisation.

## 1.1. Number and qualification

At the end of 2019, ANACOM's workforce showed the following distribution:

**Table 1.1 - Human resources used**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
1 - Permanent staff	382	397	403
2 - Requisitioned by ANACOM	0	0	0
3 - Working at other entities	12	12	14
4 - Fixed-term contracts	<u>0</u>	<u>0</u>	<u>0</u>
5 - Human resources used = (1)+(2)-(3)+(4)	370	385	389

In 2019, fifteen contracts were terminated, nine of which nine on the initiative of the employee, and six were due to retirement. Therefore, there was a significant reduction of ANACOM's total staff, with strong impact on the operability of the teams, and on the professional qualification structure, which changed in relation to previous years.

**Table 1.2 - Qualification levels**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Senior management	224	237	242
Middle management	125	127	126
Skilled professionals	13	13	13
Semi-skilled professionals	<u>8</u>	<u>8</u>	<u>8</u>
<b>Total</b>	<b>370</b>	<b>385</b>	<b>389</b>

## 1.2. Training and development

In 2019, the human resources development strategy involved the provision of means that could promote the adjustment and development of the crucial skills for the ability to anticipate problems and resolve them, both internally and externally, aimed at enhancing the quality of the leadership, efficacy and efficiency present at all levels of ANACOM.

In view of the current context, in which digital transformation is an ongoing reality, it is inevitable that learning should become increasingly more diversified, as people learn in different ways, which means that it is increasingly necessary to use formal as well as informal contexts of learning

and new technologies, enabling the human resources to respond in a flexible way to the new challenges in training.

In this regard, in 2019, the training activity at ANACOM experienced a reformulation of the internal training and development policy, which considers, among other aspects, the process of change to new mechanisms of knowledge and the implementation of the new learning model, through the provision of a digital platform of informal corporate training. This training meets the individual needs (of the employees) in terms of acquisition of new knowledge, when and where they want, in an intuitive format of learning and organisation of contents.

With a rate of use of the platform above 80%, approximately 5,800 videos were viewed throughout the year, in the sphere of soft skills, especially topics connected to emotional intelligence, communication, wellbeing and productivity. About 500 hours of training have been recorded in this regard.

The training and knowledge management model simultaneously maintained the boosting of training actions in line with its key axes of action (transversal, technical-functional, management and leadership), having recorded a total of 1863 participations in actions and a volume of 11,686 hours of training.

In the transversal sphere, which includes training aimed at developing and strengthening skills of behavioural nature and related to knowledge of the activity and organisation, as well as associated to the use of tools that support a more efficient performance of the organisation, 823 participations were recorded with a volume of 5,928 hours of training.

The training actions with the highest percentage of volume of hours were English (57%), harassment in the workplace and first aid (15%), time management and mindfulness (15%).

In the technical-functional sphere, which involves training in knowledge areas that are critical for the regulator's performance, 390 participations were recorded with a volume of 3,186 hours of training.

Here, the following area of knowledge showed the highest percentage of volume of hours of training: regulation (29%), legal affairs (22%), information systems (19%) and spectrum management (10%).

In the management and leadership sphere, we highlight training in Business Case (24 hours), with the participation of 12 employees.

Internal training was also particularly important throughout 2019, with a total of 267 participations and a volume of 420 hours of training. Reference should also be made to the information sessions given in the context of the migration of the digital terrestrial television (DTT) network, as well as the information sessions associated to the renewal of the NET.mede application and the NET.mede reserved area.

On the other hand, a doctoral programme was co-financed in 2019 in the area of information science and technologies.

Mention should also be made of staff participation in workshops, seminars and conferences, as these events not only foster the exchange of experiences and discussion of technical issues, but also offer opportunities to get a better understanding of how the sector is evolving, both at a national and international level. Actions of this nature involved 370 participations.

**Table 1.3 - Key training indicators**

	2019	2018	2017
Number of actions	254	146	217
Number of participations	1 863	999	1 916
Number of training hours	11 686	11 536	18 185
Number of training hours/Average number of employees	31	30	47
Training costs (thousand euros)	138	144	257
Training costs/ Personnel costs	0.6%	0.5%	1.1%
Training costs/Average number of employees (euros)	366	369	668

Note: In 2019, for calculation purposes it was considered that the average number of employees was 377

The implementation of the training plan in 2019 represented an investment of about 138,000 euros, with the accomplishment of 254 training actions, involving a total of 1863 participations and 11,686 hours of training. This corresponded to an average of 31 hours and an investment 366 euros of training per employee.

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

### **1.3. Remuneration policy**

In 2018, ANACOM resumed the career development system under Law 71/2018 of 15 May (State Budget Law 2018), which determines that employees of public legal persons endowed with independence derived from their integration in regulatory, supervision or control areas, are subject to the provisions in the respective collective labour agreements, when existent.

Therefore, in July 2019, and taking effect as at January of that year, all mandatory changes of positioning on the pay scale, career progressions and changes of level or category arising from the application of the career progression rules established in clause 5 of the Career Regulation appended to the Company Agreement of ANACOM were applied.

ANACOM also approved the remuneratory appreciations that are not mandatory, but are foreseen in the rules established in ANACOM's collective labour agreement, namely in point 4 of clause 5 of the Company Agreement, which was of particular importance. Indeed, the accomplishment of progressions of the exceptional type constitute a key element in the recognition of and reward of performance, also contributing to attract and retain talent in an increasingly globalized and competitive world.

A new approach to the performance assessment model has also been implemented, fostering more objective and quantifiable dynamics of this management tool, namely in the definition of goals, their monitoring and achievement of results.

Also concerning the recognition of the performance and productivity of the employees, ANACOM decided to boost the instrument of awarding performance bonuses as an important part of the management and motivation of its employees.

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

Under the implementation of the new organisational structure of ANACOM in 2019, various recruitment processes were started for the hiring of professional profiles that are more suited to the new organisational model and for preparing ANACOM for future needs, in order to assure the rejuvenation of the workforce, better adequacy of the human resources to challenges and the sustainability of the organisation.

To this end, the following tender procedures were launched, with expected completion in 2020:

- twelve directors (internal and external directors);
- eight deputy directors (internal and external directors);

- fifteen senior managers, through external tender, with profiles associated to critical areas of action (legal experts, lawyers, information system managers, economists, data scientists and telecommunication engineers).

It should be noted that the recruitment of senior managers under this process will be conditional to the number of vacancies at any given time (involving directors and deputy directors), considering the total maximum limit of employees.

### **1.5. Balance of personal and professional life**

Being aware of the need to institute more flexible forms of working at the organisation, that permit balancing professional and personal life, in 2019, ANACOM implemented an internal policy that, combined with the development of digital technology and the mobility of work, enables the majority of its employees to perform duties outside their workplace. This has visible impacts on the success of the activity, on professional motivation and on the development of families and society.

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

A number of corporate initiatives were carried out in 2019, aimed at mobilising the employees' involvement in voluntary social and environmental participatory activities:

- The “*Banco de Equipamentos*” (BBD or Donated Good Bank) campaign, which involved the collection of 1361 kg of electric equipment, contributing to environmental sustainability and to endow charitable institutions with more efficient resources, and the donation of 155 kg of school books to be reused.
- “*Papel por Alimentos*” (Paper for Food) campaign, which converts collected paper into food products that are given to charities.
- Participation in the “*Banco Alimentar Contra a Fome*” (Food Bank);
- Promotion of the campaign to collect blood and test the compatibility of bone marrow donors, in partnership with the *Instituto Português do Sangue e da Transplantação* (Portuguese Institute of Blood and Transplants).
- Promotion of the campaign, in partnership with Helpo, of the collection of various types of items to help children who were victims of the Idai cyclone, which left a trail of destruction in its wake in Mozambique.

- Regarding the reduction of our ecological footprint, we highlight the reduction in 2019 in relation to 2018 of the consumption of energy (-1% and -15%, respectively, in electricity and fuel) and -14% in water consumption. Plastic consumption was also cut, by replacing plastic water bottles by glass water bottles in meetings, using tap water, as well as by replacing plastic cups by paper cups.
- The good practice of separating waste was continued, with this waste having been sent on to appropriate recycling bins and, whenever possible, to the charitable association Entrajuda which works to recover, reduce, reuse and recycle.

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# TANGIBLE FIXED ASSETS, INTANGIBLE ASSETS AND INVESTMENT

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## Tangible fixed assets, intangible assets and investment

### Tangible fixed assets and intangible assets

The evolution of ANACOM's net worth in 2019 reflected the strong investment carried out in tangible fixed assets and intangible assets which led to a significant increase of these net assets (+10%).

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

	<b>2019</b>	<b>2018</b>	<b>VAR 19/18</b>	
Gross tangible fixed assets and intangible assets	89 177 570	86 072 150	3 105 420	4%
Accumulated depreciation and amortisation	-70 667 852	-69 223 496	-1 444 356	2%
<b>Net tangible fixed assets and intangible assets</b>	<b>18 509 718</b>	<b>16 848 654</b>	<b>1 661 064</b>	<b>10%</b>

Unit: Euros

The increases of the accumulated gross values of these assets, and their depreciation and amortisation, took place at different rates, with the increase of the gross assets having been higher, which drove the variation of their net values by +10%.

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

**Table 2.2 - Variation of tangible fixed assets and intangible assets**

	<b>2019</b>	<b>2018</b>
Total investment for the year	3 804 272	2 520 530
Deferred costs - renovation works	-22 652	-668
Depreciation and amortisation for the year	-2 119 025	-2 233 101
Net divestments (write-offs)	-1 531	-53
Settlements	0	-835
<b>Increase/(Reduction) of net assets</b>	<b>1 661 064</b>	<b>285 873</b>

Unit: Euros

## Investment

The structural investments of technical nature foreseen in the 2019-2021 plan were accomplished during 2019. These investments are necessary for the full implementation of the duties established in the Statutes of ANACOM, in particular in the area of radio spectrum monitoring and control, through the reformulation/modernisation of the Spectrum Monitoring and Control Centres (CMCE). Viewing systems were created in the Porto buildings and Azores Agency, under the updating of the laboratory equipment and information systems, focusing on the measures foreseen in the Strategic Plan for Information Systems (PESI) for the customer base and server base.

**Table 2.3 - Investment from 2010 to 2019**

<u>YEAR</u>	<u>VALUE</u>	<u>YEAR</u>	<u>VALUE</u>
2010	4 023 374	2015	2 355 091
2011	3 354 596	2016	1 745 412
2012	4 109 082	2017	2 437 459
2013	1 999 264	2018	2 520 530
2014	2 587 071	2019	3 804 272
<b><u>10-Year Average</u></b>	<b><u>2 893 615</u></b>		

Unit: Euros

The level of investment in 2019 amounted to 3,804 thousand euros, slightly above the level observed in the last 5 years and also significantly above the average of the last 10 years.

As noted, priority was given to the accomplishment of structural investments, which are, consequently, unrepeatable, aimed at improving the in-house working conditions and the technical quality of the work. Here, the ultimate goal is to accompany the evolution of best practices, ensuring the highest standards of quality and technical ability, considered essential for performing the duties to which ANACOM is bound by its Statutes.

The investments made in 2019 include, in particular, those accomplished in the reformulation/modernisation of the Spectrum Monitoring and Control Centres and final consolidation of the server base, in the software component. This consolidation had begun in 2017, with the investments made in the hardware component.

The breakdown of the investments by nature was as follows:

**Table 2.4 - Investment by nature**

	<u>2019</u>	<u>2018</u>	<u>VAR 19/18</u>	
Buildings and/or constructions	466 159	58 902	407 257	691%
Basic equipment	1 063 776	461 787	601 989	130%
Transport equipment	5 482	64 006	-58 524	-91%
Computer equipment (hardware)	660 523	671 543	-11 020	-2%
Other tangible assets	370 304	53 007	317 297	599%
Intangible assets (software)	1 215 376	1 210 616	4 760	0%
Renovation works	22 652	669	21 983	3286%
<b>Total</b>	<b><u>3 804 272</u></b>	<b><u>2 520 530</u></b>	<b><u>1 283 742</u></b>	<b><u>51%</u></b>

Unit: Euros

In short, the main areas of investment in 2019 by nature were as follows:

- (i) The investment in information systems (hardware and software), required both for the development of ANACOM's activities and for the improvement of the services provided to the market and consumes, constituted the most important portion of this investment, accounting for close to 49% of the total. This figure was slightly below the investment carried out in 2018 (-1%). However, it should be stressed that the in-house capacity for software development greatly surpasses the requirements of the various projects covered by the area, with the advantages of swiftness, lower cost and customised functionalities always associated to in-house information systems;
- (ii) The investment in basic equipment consisted of technological upgrades arising from the acquisition of a tool to carry out service quality tests under market oversight, and the acquisition of a variety of equipment to support the technical areas of radio spectrum monitoring and control. This investment accounted for the second largest portion of the total investment carried out in 2019, approximately 28%, almost three times the figure carried out in the previous year;
- (iii) The rest of the investment was directed at the reformulation/modernisation of the Spectrum Monitoring and Control Centres, not only in terms of construction works in buildings and facilities, but also in the acquisition of office support equipment. The improvement/maintaining conditions in owned and rented buildings, and the purchase of office equipment required for the smooth running of the services were also ensured, together representing close to 22% of the total investment.

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

1) **Area of management and control of the radio spectrum and laboratories:** the investments made in 2019 amounted to 897,758 euros (having reached 461,787 euros in 2018), applied to the following projects:

- Project for the technological retrofitting of spectrum monitoring and control (SMC), which aims to upgrade the operational services equipment for implementing spectrum monitoring and control actions within the required quality and reliability parameters. In this regard, of particular importance was the acquisition of six simple receivers for the remote stations of the Autonomous Regions of the Azores and Madeira for the Radiotask project. This is a software project that ANACOM has developed jointly with *Universidade Aberta*, used in the monitoring of the radio spectrum.
- Project to modernise the Testing and Calibration Laboratory (LEC), for the technological upgrading of the equipment required for the laboratory areas, with the most important acquisitions being: (i) upgrade up to 6 GHz of the system for radiated immunity testing of the anechoic chamber as the current system was limited to 1GHz, thus complying with the regulatory framework established in the Radio Equipment Directive, which requires immunity testing above this standard; (ii) upgrade of the generator that carries out the immunity testing for electrostatic discharges as it was found that there was evidence of failure in the existing generator; (iii) acquisition of an antenna in the 1 GHz to 18 GHz band for the anechoic chamber; (iv) acquisition of an electromagnetic interference (EMI) quality control system up to 30MHz to improve good laboratory practice in test quality control; (v) acquisition of rubidium standards (GPS controller) for the centres of Porto and the Autonomous Region of the Azores, to assure quality control of the frequency measurements; (vi) acquisition of an additional license to carry out automatic calibrations.
- Project for major repairs to SINCRER, designed to modernise the remote stations belonging to the National System for Remote Control of Radio Broadcasting Stations (SINCRER). Although interventions have been made over the years for the upgrade/repair/modernisation of the existing components at the remote stations, new interventions are necessary every year. To this end, in 2019, there was an intervention in the system of aircraft warning lights of the antenna support tower of the remote station at

Serrinha, and an intervention in the rotor of the remote station at Caramulo, which was in poor condition.

- Project to reformulate/modernise the Spectrum Monitoring and Control Centres (CMCE), designed for the technological upgrading of the CMCE, with ANACOM aiming to endow them with control rooms with the most recent, simple, versatile and ergonomic technology in order to meet the needs arising from the challenges that are increasingly more demanding in the ongoing and daily activity of spectrum management. With the reformulation of its Monitoring Centres, ANACOM will create better conditions to assure more and different aspects of spectrum supervision, monitoring and control on a remote basis and other activities associated to its function and mission. The future Spectrum Monitoring Centres will use the most modern technologies, so as to facilitate the technical management arising from the spectrum monitoring, control and supervision operations. Thus, interventions were made in terms of the buildings through civil construction contracts, the equipment supporting the activity, namely the acquisition of a viewing system, as well as the replacement of the technical and office furniture of the Centres of Porto and the Autonomous Region of the Azores. These interventions amounted to the total value of approximately 266 thousand euros, in other words, close to 30% of the investment budget for all the areas of management and monitoring of the radio spectrum and laboratories. In the future, all these remodelled facilities will constitute, in the different locations in which ANACOM is represented (Barcarena and Porto on the mainland, Funchal and Ponta Delgada, respectively in the Autonomous Regions of Madeira and the Azores) the ideal facilities for receiving external entities, conveying an image of excellence at the technological and innovation level.
- Other current investment corresponds to one-off acquisitions and major repairs not related to specific projects, arising from Spectrum Monitoring Centre activity, aimed at providing the operational services with better tools for carrying out their specific mission. This includes eight portable digital mobile radios (DMR), two portable receivers, one portable digital frequency counter and discone antenna, and various radiofrequency accessories.

2) **Market oversight area:** acquisitions were made of the total value of 166,018 euros in 2019, derived from the following investments:

- acquisition of a system for testing, processing, analysis and reporting of quality of service (QoS) information of the mobile communications systems;
- upgrading of firmware of the mobile terminals of the test platform of ANACOM.

3) **Area of information systems and technology (IS/IT):** solutions were implemented with an overall value of 1,875,899 euros in 2019 (1,882,160 euros in 2018), in particular

- Continued strong investment in the digital transformation of the organisation, especially the strengthening of the investment measures in work resources provided to the employees and the start-up of plan to transform the entire set of applications used by the organisation, and the adoption of new paradigms of implementation supported by project management and implementation methods.
- In the area of solutions designed to improve the services provided to the market and to consumers, various initiatives were developed, namely:
  - increased quantity and quality of the services provided electronically by ANACOM, contributing to increase the e-Government levels, namely in the Simplex context, in particular the beginning of the development of the solution for registering operators and implementation of new features in various systems inherent t the virtual counter;
  - continued functional expansion of the NET.mede Internet speed measurement tool aimed at creating means to improve consumer protection;
  - development of various improvements in the SIIA solution (Information System of Suitable infrastructures) to better support the external stakeholders;
  - continued implementation of data analysis software in a transversal context and adoption of the PowerBI tool in the analytical layer.

- In the area of solutions designed for the internal improvement and efficiency of services, the following initiatives are highlighted:
  - continued dematerialisation and improvement of work processes supported by the documental management and workflow solution in the organisation, in order to increase productivity and speed of services provided and administrative support procedures;
  - evolution and integration of the employee recording system, driving the improvement of human resources management work processes;
  - evolution of various software sub-systems to extend the functionalities and adapt the different application platforms to current needs (e.g. certification of invoices, new data exploration prospects);
  - accomplishment of the investment and start-up of implementation of the new platform transversally supporting the organisation, namely in its relations with external stakeholders, named Dynamics365;
  - continued investment in the means of communication and management underpinning the digital transformation and adoption of new forms of work.
  
- In the field of infrastructure architecture technology, the investment made it possible to develop the following projects:
  - continued implementation of the Integrated Plan for Application Consolidation, carrying out the necessary studies, definitions and transformations of infrastructure for the implementation of a new application paradigm aimed at eliminating data silos and more collaborative use based on principles of mobility;
  - strengthening of the investment in mobility equipment (tablet type devices and Office365 platform), with the introduction in 2019 of technology enabling higher levels of collaborative work, both for server and terminal equipment, and for operating systems and productivity software, supporting more efficient exchange of information and productivity;
  - implementation of new audiovisual means compatible with the new productivity platforms (Office365) for meetings and support;

- renewal of the entire technological equipment inherent to ANACOM's telephone exchanges, with strong integration of the mobile telephony component;
- implementation and operationalisation of the new information system governance platforms, in particular the pillars of AE (business architecture), PPM (project and portfolio management) and ITSM (information technologies service management).

4) **Area of infrastructure, administrative and other equipment**, with a total investment of 864,597 euros in 2019 (176,584 euros in 2018), covering the following areas:

- In the field of infrastructure and repairs to own buildings and facilities, the investment was made in interventions related to:
  - works at the buildings of Porto and the Azores Agency, aimed at creating conditions for the modernisation/reformulation of the required spaces to install viewing systems in the Spectrum Monitoring and Control Centres;
  - a variety of works to improve the operability of the facilities at the Azores Agency building, namely on the sanitary facilities, electric wiring, strengthening of security doors, redesign of rooms/canteen and waterproofing of the ceilings and terraces;
  - works in the Porto building, namely on the roof of the car park and electric wiring;
  - works at the Barcarena building, with a view to remodelling the sanitary facilities, intervention in terms of the CCTV system and acquisition of a boiler tank;
  - intervention works in the system of aircraft warning lights of the SINCRER remote station at Serrinha;
  - purchase of voice servers for the automatic attendance telephone exchanges at the different ANACOM buildings - head office, Barcarena, Porto and agencies.
- Regarding the administrative area, we highlight the:
  - purchase of a variety of furniture for the remodelling of the Spectrum Monitoring and Control Centres, replacement of obsolete and/or deteriorated furniture and installations for the data centre of the head office;

- purchase of equipment for the bars/canteens in various locations, namely water dispensers, fridges, microwaves and other appliances;
  - purchase of receivers (IP Dect/Freeset), LCD screens, earphones and service mobile phones;
  - purchase of sound reproduction, image projection and photography equipment;
  - purchase of defibrillators for the head office, Barcarena, Porto and agencies of the Azores and Madeira;
  - purchase of fire extinguishers, air conditioning units, and equipment for the bar of the head office, to meet service needs and/or to replace broken or obsolete equipment, and a UPS for the new head office servers.
- The main renovation works in rented buildings refer to the preparation of the space created for the telephone attendance call centre for resolving questions related to the DTT migration, the assembly of various partitions and the installation of network points.



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ECONOMIC AND  
FINANCIAL REVIEW

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## Economic and financial review

Table 3.1 presents the aggregate values of the key financial components for the ascertainment of the net income for 2019 and 2018.

<b>Table 3.1 - Results</b>							
	<u>2019</u>		<u>2018</u>		<u>VAR 19/18</u>		
Income	95 082 209	100%	98 366 613	100%	-3 284 404	<b>-3%</b>	
Expenses	-55 475 375	58%	-54 837 054	56%	-638 321	<b>1%</b>	
<b>Net income</b>	<b><u>39 606 834</u></b>	<b>42%</b>	<b><u>43 529 559</u></b>	<b>44%</b>	<b><u>-3 922 725</u></b>	<b>-9%</b>	

Unit: Euros

The combination of the most significant evolutions observed in the headings comprising the income and expenses led to the net income recorded at the end of 2019, of the value of 39,607 thousand euros, having being 9% lower than that observed in 2018.

Generally speaking, the following variations are of particular importance:

- In income, the variation (-3%) is explained by the following reasons: (i) reduction of the invoiced value of activity rates of the electronic communications (- 1350 thousand euros); (ii) reduction of the value of other income (- 2071 thousand euros); and (iii) miscellaneous variations (+ 137 thousand euros).
- In expenses, the variation (+1%) is due to the following evolutions: (i) increased expenses related to external supplies and services (+ 335 thousand euros); (ii) increased personnel costs (+ 427 thousand euros); (iii) increased other expenses (+ 429 thousand euros); (iv) decreased depreciation and amortisation for the year (- 114 thousand euros); and (v) decreased provisions and impairments (- 439 thousand euros).

The details of these variations are indicated below.

## Breakdown of income

Table 3.2 presents the overall values and variations changes in ANACOM's "Income" from 2018 to 2019.

<b>Table 3.2 - Income</b>				
	<b>2019</b>	<b>2018</b>	<b>VAR 19/18</b>	
Electronic communications (EC)	<b>92 173 971</b>	<b>93 556 988</b>	<b>-1 383 017</b>	<b>-1%</b>
* Annual fees of EC activity	32 705 549	34 055 630	-1 350 081	-4%
* Fees for use of frequencies	57 802 375	57 814 519	-12 144	0%
* Fees for use of numbers	1 655 447	1 678 239	-22 792	-1%
* Issue of declarations and allocation of rights	10 600	8 600	2 000	23%
Other services rendered	<b>2 655 501</b>	<b>2 493 942</b>	<b>161 559</b>	<b>6%</b>
* Annual fees for postal service activity	2 164 678	2 036 371	128 307	6%
* Fines paid-up	380 402	346 840	33 562	10%
* Other fees	110 421	110 731	-310	0%
Other income	<b>214 767</b>	<b>2 285 974</b>	<b>-2 071 207</b>	<b>-91%</b>
* Imputation of investment grants (Note 13)	3 891	3 891	0	0%
* Operating grants	104 444	91 283	13 161	14%
* Other	106 432	2 190 800	-2 084 368	-95%
Interest and other similar income	<b>37 970</b>	<b>29 709</b>	<b>8 261</b>	<b>28%</b>
<b>TOTAL</b>	<b>95 082 209</b>	<b>98 366 613</b>	<b>-3 284 404</b>	<b>-3%</b>

Unit: Euros

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

### Increases:

- Annual fees for postal service activity – includes the values charged during the year to the postal service operators, with the variation in relation to 2018 being the result of (i) the increase occurred in the average costs of provisions paid in the last five years (+ 67 thousand euros); and (ii) increase of the average costs paid for regulation in the last three years (+ 61 thousand euros).

The increase in the average provisions in 2019 was entirely due to proceedings filed by the service providers contesting the regulation fees charged by ANACOM under the current legislation. The constitution of provisions has increased each year not only due to the emergence of new proceedings filed by the providers objecting against fees, but also due to the reinforcement of the coverage of lawsuits of previous years. More than a year has elapsed

since the initial date of objection and the provision has been increased by a further 25%, until reaching 100% coverage after four years, following ANACOM's provisions policy.

The increase of the average regulation costs in 2019 was largely due to the increased personnel costs allocated to the handling of these processes, namely through the reinstatement of career progressions pursuant to the State Budget Law 2018;

- Fines paid – the increase in the amount settled (+ 34 thousand euros) arises 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 arising from the oversight activities, can determine increases or decreases in each financial year;
- Other income (operating grant) – the increase in question (+ 13 thousand euros) was originated by the higher value of reimbursements obtained from travel abroad, carried out in the context of the European Union, in representation of the Portuguese State.

#### **Decreases:**

- Other income (remaining) – the reduction observed in this heading (- 2084 thousand euros) arises from the following combined effect: (i) recording of income derived from the difference between the compensation made to MEO to cover the costs incurred in 2011 related to the switchover of the radio channels of the DTT network that belonged to the 800 MHz sub-band and the estimated value that had been accrued and recorded as an expense in 2012 (+ 88 thousand euros), as established in Ordinance 587/2019 of 6 September; (ii) in 2018 a gain had been recorded derived from the change of the retirement benefit plan (healthcare), which did not occur in 2019 (- 2166 thousand euros); and, (iii) other (- 6 thousand euros).

#### **Applicable law**

- (i) Annual fees for electronic communications activity

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

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

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

(ii) Annual fees for postal service activity

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

(iii) Fees for providing “audiotext” services

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

(iv) Laboratory services provided

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

(v) Penalties

In the course of its oversight activities, ANACOM can apply penalties of the values set by the Board of Directors, pursuant to the applicable law. ANACOM's Statutes, approved by Decree-Law 39/2015 of 16 March, establish in subparagraph p) of number 1 of article 9, ANACOM's powers to carry out all the acts required for the processing and punishment of any infringements of the laws and regulations of which the implementation or oversight are incumbent upon it, as

well as the outcomes of non-compliance with its decisions, including, when applicable, taking precautionary measures, imposing penalties, namely penalty payments, and collecting fines.

## **Electronic communications**

### **i) Annual regulation fees**

As stipulated in Ordinance 1473-B/2008 of 17 December, as amended by Ordinance 296-A/2013 of 2 October, the annual fee for pursuing the activity of electronic communications services 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.

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

The annual report of the regulation costs and the total fees charged, referred to in subparagraphs a) to d) of article 105 of the ECL, is published annually on ANACOM's website.

Table 3.3 presents the details of the calculation of regulation costs, underlying the regulatory administrative fees payable to ANACOM by providers of electronic communications networks and services, and which, according to the breakdown, amounted to 32,707 thousand euros in 2019.

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

	Breakdown of ANACOM costs (excluding provisions for EC and PS)				Provisions for EC and PS (5-year average)	Breakdown of costs in 2019 (with provisions for EC and PS)
	Real			Average (3 years)		
	2018	2017	2016			
<b>1. Costs of regulation and spectrum management</b>	<b>38 227 888</b>	<b>39 641 432</b>	<b>38 159 566</b>	<b>38 676 295</b>	<b>10 340 117</b>	<b>49 016 412</b>
1.1 Costs related to EC	31 172 134	32 936 223	31 832 808	31 980 388	10 168 361	42 148 749
1.1.1 Administrative costs	22 422 537	23 217 438	22 724 908	22 788 294	10 168 361	32 956 655
a) Declarations supporting rights	51 496	62 254	40 040	51 263		51 263
b) Pursuit of activity of EC network and service provider	22 137 224	23 009 048	22 469 348	22 538 540	10 168 361	32 706 901
c) Allocation of rights of use of frequencies	183 415	112 585	187 013	161 004		161 004
d) Allocation of rights of use of numbers	50 402	33 551	28 507	37 487		37 487
1.1.2 Frequency management costs	8 658 302	9 575 789	8 969 772	9 067 954		9 067 954
1.1.3 Number management costs	91 295	142 996	138 128	124 140		124 140
<b>1.2 Postal regulation costs</b>	<b>2 065 697</b>	<b>2 321 077</b>	<b>1 723 198</b>	<b>2 036 657</b>	<b>171 756</b>	<b>2 208 413</b>
1.2.1 Pursuit of activity of postal service provider	2 042 428	2 308 473	1 706 642	2 019 181	171 756	2 190 937
1.2.2 Permits and licenses	23 269	12 604	16 556	17 476		17 476
1.3 Other regulation costs	4 990 057	4 384 132	4 603 559	4 659 249		4 659 249
<b>2. Other costs</b>	<b>2 216 658</b>	<b>2 537 927</b>	<b>2 553 541</b>	<b>2 436 042</b>		<b>2 436 042</b>
<b>Total costs</b>	<b>40 444 547</b>	<b>42 179 359</b>	<b>40 713 107</b>	<b>41 112 337</b>	<b>10 340 117</b>	<b>51 452 454</b>

Unit: Euros

## ii) Fees for use of frequencies

Table 3.4 presents the values and comparison of the fees paid for the use of frequencies, by type of service, in 2019 and 2018.

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

	<b>2019</b>		<b>2018</b>		<b>VAR 19/18</b>	
Mobile service (SCET)	44 297 388	77%	44 298 497	77%	-1 109	0%
Land mobile service	2 165 026	4%	2 164 739	4%	287	0%
Fixed service	9 184 133	15%	9 200 982	15%	-16 849	0%
Fixed satellite service	459 844	1%	460 846	1%	-1 002	0%
Fixed wireless service (FWA)	36 500	0%	73 000	0%	-36 500	-50%
Radio broadcasting service	1 001 888	2%	1 001 888	2%	0	0%
Other services	657 596	1%	614 567	1%	43 029	7%
<b>Total</b>	<b>57 802 375</b>	<b>100%</b>	<b>57 814 519</b>	<b>100%</b>	<b>-12 144</b>	<b>0%</b>

Unit: Euros

In overall terms, the value of the variation occurred in this type of fees from 2018 to 2019 was insignificant (- 12 thousand euros). Here, note should only be made of the 50% reduction in income derived from the fees related to the fixed service via radio, as this service has been progressively replaced by alternative services that are more efficient and less expensive for the users.

## iii) Fees for use of numbers

The value of the fees for the use of numbers invoiced in 2019 (1655 thousand euros) is in line with the figures for 2018, with no significant changes to be noted.

## **Postal services**

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

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

regulation, monitoring and inspection of the electronic communications services. This fee is based on the total value of costs that are eligible each year, which correspond to the average value of the three years preceding that in which the fees are paid (excluding provisions for legal proceedings), in addition to the average value of the provisions for legal actions associated with the postal sector filed in the last five years. This method makes it possible to avoid major fluctuations in fees through changes in costs, thereby preserving the principles of foreseeability and transparency.

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

## Breakdown of expenses

Table 3.5 presents the overall values and variations changes in ANACOM's "Expenses" from 2018 to 2019.

**Table 3.5 - Expenses**

		<u>2019</u>	<u>2018</u>	<u>VAR 19/18</u>	
<b>External supplies and services</b>		<b>8 475 311</b>	<b>8 139 860</b>	<b>335 451</b>	<b>4%</b>
* Specialised work	i)	2 035 821	1 640 514	395 307	24%
* Advertising and publicity	ii)	64 120	29 310	34 810	119%
* Sureillance and security	iii)	491 079	467 627	23 452	5%
* Maintenance and repair	iv)	1 982 402	2 113 830	-131 428	-6%
* Books and technical documentation	v)	94 964	85 093	9 871	12%
* Energy and fluids	vi)	451 826	476 487	-24 661	-5%
* Travel and accommodation	vii)	552 424	422 067	130 357	31%
* Rents and leases	viii)	1 569 430	1 595 972	-26 542	-2%
* Communication	ix)	289 346	276 213	13 133	5%
* Insurance	x)	81 086	86 323	-5 237	-6%
* Cleaning, hygiene and comfort	xi)	296 194	288 139	8 055	3%
* Other supplies and services	xii)	566 619	658 285	-91 666	-14%
<b>Personnel costs</b>		<b>23 146 077</b>	<b>22 719 466</b>	<b>426 611</b>	<b>2%</b>
* Remuneration and charges	xiii)	21 498 039	21 025 364	472 675	2%
* Other personnel costs	xiv)	1 648 038	1 694 102	-46 064	-3%
<b>Other costs</b>		<b>7 697 672</b>	<b>7 268 237</b>	<b>429 435</b>	<b>6%</b>
* Subscriptions	xv)	748 279	841 331	-93 052	-11%
* Meetings and conferences	xvi)	281 691	167 918	113 773	68%
* Sponsorships	xvii)	51 039	21 346	29 693	139%
* Contribution to external entities	xviii)	6 481 674	6 071 504	410 170	7%
* Cooperation	xix)	14 509	50 574	-36 065	-71%
* Other	xx)	120 480	115 564	4 916	4%
<b>Depreciation and amortisation costs</b>		<b>2 119 025</b>	<b>2 233 101</b>	<b>-114 076</b>	<b>-5%</b>
<b>Impairment losses</b>		<b>116 071</b>	<b>95 556</b>	<b>20 515</b>	<b>21%</b>
<b>Provisions</b>		<b>13 921 219</b>	<b>14 380 834</b>	<b>-459 615</b>	<b>-3%</b>
<b>TOTAL</b>		<b><u>55 475 375</u></b>	<b><u>54 837 054</u></b>	<b><u>638 321</u></b>	<b>1,2%</b>

Unit: Euros

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

### **Increases:**

- “External supplies and services” (+4%) – the variations occurred in the headings of “Specialised work” (+ 395 thousand euros) and “Travel and accommodation” (+130 thousand euros) were primarily responsible for the increase. However, there were variations in other headings that attenuated this increase, such as: “Maintenance and repair” (-131 thousand euros); “Rents and leases” (vehicle operating leases) (-27 thousand euros); and “Other supplies and services” (-92 thousand euros).
- “Personnel costs” (+2%) – for “Remunerations and charges” (+427 thousand euros), the increase arises from the partial restoration of career progression and award of productivity bonuses, which was offset by the reduction of average staff numbers (-4%). With respect to “Other personnel costs” (-46 thousand euros), note should be made of the reductions occurred in “Social welfare costs” due to the lower average staff number and the expenses related to “Training”.
- “Other costs (+6%) – the increased contribution to the Competition Authority (AdC) arises from the application of the criteria determined by Decree-Law 125/2014 of 18 August (+358 thousand euros), and the remaining costs (+71 thousand euros), due to the increases and decreases shown in Table 3.5.
- “Impairment losses” (+21%) – the analysis of the seniority of client accounts showed an increase, year-on-year (+ 21 thousand euros).

### **Decreases:**

- “Depreciation and amortisation costs” (-5%) – although the investment increased by 50%, in relation to 2018, the fact that it was primarily done in December 2019 and was carried over in course led to the depreciation and amortisation for the year being below that recorded in 2018 (- 114 thousand euros).
- “Provision for the year” (-3%) – the reduction was due to the offsetting of the increase derived from the application of the criteria for constitution of provisions for the legal objections to the settlements of regulatory activity fees (+ 1058 thousand euros) with the reduction derived from the closing of two lawsuits related to radio spectrum fees (- 1518 thousand euros).

The breakdown of the values and the evolution of the components of each cost heading, from 2018 to 2019, is presented below.

### External supplies and services

- i) Specialised work (+24%): corresponds to expenses incurred in preparing studies and opinions, legal advice, audits and other provisions of service required to support the activities of ANACOM in specific areas where it is necessary to supplement the existing competences and expertise within ANACOM.

**Table 3.6 - Specialised work**

	<b>2019</b>	<b>2018</b>	<b>VAR 19/18</b>	
Studies	90 577	113 120	-22 543	-20%
Legal consulting	580 485	346 331	234 154	68%
Audits	175 108	243 435	-68 327	-28%
Computer services	401 161	364 310	36 851	10%
Translations	83 764	71 851	11 913	17%
Publications	21 731	33 949	-12 218	-36%
Other	682 995	467 518	215 477	46%
<b>Total</b>	<b>2 035 821</b>	<b>1 640 514</b>	<b>395 307</b>	<b>24%</b>

Unit: Euros

The increase observed in this heading (+24%) was fundamentally due to the positive variations occurred in the headings of “Legal advice” (+234 thousand euros) and “Other” (+215 thousand euros). In the first case, due to the increasing need to use external lawyers specialised in the defence of demanding and complex lawsuits. Regarding the second aspect, there are various situations: (i) the invoicing of the Centralised Information System (SIC) project, delayed in 2018, was restored in 2019; (ii) following the internal restructuring process underway, specialised companies were used for personnel selection and recruitment; (iii) start of the preparation of the DTT switchover process, namely through the creation of a call centre.

In the opposite direction, we highlight the reduction observed in the heading of “Audits” (-68 thousand euros), not only due to the delays occurred in the launch of various tenders, but also the delays in submission of final reports by suppliers.

- ii) Advertising and publicity (+119%): correspond to expenditure related to advertising campaigns and other advertising costs.

The value of this heading changes every year according to the advertising campaigns that are required. In 2019, no campaigns worthy of special attention were carried out, so the costs recorded in this heading essentially refer to invitations for public tenders and other procedures that involved minor expenses. Additionally, announcements were made disclosing recruitments associated to the internal restructuring underway and, albeit of little significance, advertising actions concerning the changes in DTT.

- iii) Surveillance and security (+5%): correspond to services provided by specialised security companies at the head office premises of Barcarena, Porto facilities and agencies of the Autonomous Regions of Madeira and the Azores.

The year-on-year increase reflects a 3.4% update of the value of most of the existing contracts, according to the minimum monthly guaranteed remuneration (RMMG) from 580 to 600 euros, as well as the updating of the wage table of the Collective Labour Agreement of the sector.

- iv) Maintenance and repair (-6%): correspond to the necessary services for the operational maintenance of ANACOM's assets, including technical assistance contracts concluded for the purpose, particularly in relation to information systems, radio spectrum monitoring and laboratories.

**Table 3.7 - Maintenance and repair**

	<b>2019</b>	<b>2018</b>	<b>VAR 19/18</b>	
Software	1 274 388	1 378 195	-103 807	-8%
Hardware	207 681	301 282	-93 601	-31%
Basic equipment	226 542	217 540	9 002	4%
Buildings	113 924	76 722	37 202	48%
Vehicles	18 840	29 389	-10 549	-36%
Elevators	16 969	17 833	-864	-5%
Air conditioning	49 266	43 621	5 645	13%
Other	74 792	49 248	25 544	52%
<b>Total</b>	<b>1 982 402</b>	<b>2 113 830</b>	<b>-131 428</b>	<b>-6%</b>

Unit: Euros

The expenses recorded in 2019, in each heading, were lower than those occurred in the same period of the previous year, except for the maintenance of buildings, as a

consequence of a policy of stronger intervention which implied major maintenance work in most of the buildings owned by ANACOM, the maintenance of air conditioning appliances, due to various highly expensive breakdowns and other situations (other), following the signing of maintenance contracts for the telephone exchanges acquired in 2019, and dismantlement and maintenance of the outdoor area of the ten stations of the National System for Remote Control of Radio Broadcasting Stations (SINCRER), expenses that were not incurred in 2018.

Hardware and software maintenance expenditure fell, reflecting the recent replacement of the “customer base” and “server base”, which resulted in less need for recurring maintenance costs during this year.

- v) Books and technical documentation (+12%): correspond to technical books (hard copy or electronic format), technical documentation, journals and other specialised publications, needed for ANACOM’s technical activities.

In the previous financial year, a critical reflection was made on the databases available for consultation at ANACOM, with the decision made to streamline access, which led to lower overall expenditure. In 2019, various updates were made to the range of contracted databases, which led to the indicated variation.

- vi) Energy and fluids (-5%): correspond to expenses related to consumption of electricity, fuel and water.

**Table 3.8 - Energy and fluids**

	<b>2019</b>	<b>2018</b>	<b>VAR 19/18</b>	
Electricity	328 578	330 573	-1 995	-1%
Fuel	76 920	92 619	-15 699	-17%
Water	42 189	48 787	-6 598	-14%
Other	4 139	4 508	-369	-8%
<b>Total</b>	<b>451 826</b>	<b>476 487</b>	<b>-24 661</b>	<b>-5%</b>

Unit: Euros

Negative variations occurred in all the headings, due to lower consumption, as there are no other noteworthy reasons.

- vii) Travel, accommodation and transport (+31%): corresponds to expenses related to travel abroad for international meetings, some in representation of the Portuguese Government, and within the country, notably for radio spectrum and market inspection and monitoring activities.

#### Quadro 3.9 - Deslocações e estadas

	<u>2019</u>	<u>2018</u>	<u>VAR 19/18</u>	
Travel abroad	242 017	185 304	56 713	31%
Meals and accommodation abroad	<u>127 596</u>	<u>93 390</u>	<u>34 206</u>	<u>37%</u>
Sub-total abroad	369 613	278 694	90 919	33%
Travel within the country	143 895	111 833	32 062	29%
Meals and accommodation within the country	<u>38 916</u>	<u>31 540</u>	<u>7 376</u>	<u>23%</u>
Sub-total in-country	182 811	143 373	39 438	28%
<b>Total</b>	<b><u>552 424</u></b>	<b><u>422 067</u></b>	<b><u>130 357</u></b>	<b><u>31%</u></b>

Unit: Euros

Overall, travel expenses decreased in relation to 2018, both for travel within the country (+28%) and travel abroad (+33%).

Regarding travel within the country, the inspection activities undertaken for radio spectrum monitoring and market oversight went well and as planned, intensifying at the end of the year due to the need to operationalise the internal resources to meet the progressive changes operated in DTT.

The following table shows the most important travel within the country made by the radio spectrum and market inspection areas, which represented 77% of the total number of these trips in 2019.

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

	<u>2019</u>	<u>2018</u>	<u>VAR 19/18</u>	
Number of trips	3 673	3 359	314	9%
Number of days involved	5 143	4 422	721	16%
Total cost (Transport+Accommodation+Meals)	140 071 €	126 622 €	13 449 €	11%
Average cost per trip	27 €	28 €	-1 €	-4%

With regard to travel abroad, Table 3.11 below shows the origin of the increase.

<b>Table 3.11 - Travel and accommodation abroad</b>				
	<b>2019</b>	<b>2018</b>	<b>VAR 19/18</b>	
Number of trips	317	227	90	40%
Number of days involved	1 114	832	282	34%
(Transport +Accommodation+Meals)	369 613 €	278 694 €	90 919 €	33%
Average cost of transport per trip	763 €	816 €	-53 €	-6%
Average cost per day of travel	332 €	335 €	-3 €	-1%

The number of trips and days abroad increased in relation to 2018, which led to a reduction of the average cost per trip, offsetting the higher relative weight that long-distance journeys had in 2018.<sup>1</sup>

- viii) Rents and leases (-2%): correspond to the rents of the buildings of the head office of ANACOM, operating leases and miscellaneous hire and rental charges.

<b>Table 3.12 - Rents and leases</b>				
	<b>2019</b>	<b>2018</b>	<b>VAR 19/18</b>	
Building rents	1.259.349	1.234.313	25.036	2%
Operating leases	259.055	334.501	-75.446	-23%
Other	51.026	27.158	23.868	88%
<b>Total</b>	<b>1.569.430</b>	<b>1.595.972</b>	<b>-26.542</b>	<b>-2%</b>

Unit: Euros

This heading did not change significantly as the minor increases occurred in the rents of buildings, required by law, and the increased miscellaneous hire and rental charges (rooms, equipment and vehicles), meeting occasional needs, were offset by the reduction of costs related to vehicle operating leases, due to the reduction of the number of vehicles in this context.

<sup>1</sup>It should be stressed that part of the expenses related to travel abroad are refunded by the Body of European Regulators for Electronic Communications (BEREC), European Union (EU) and other entities. In 2019, the value of these refunds amounted to 76 thousand euros, a figure higher than in the previous year, reflecting the higher number of trips that were required. The travel heading under review only records gross expenses, not net of these refunds, which are recorded as income, in conformity with the accounting rules in force.

- ix) Communication (+5%): corresponds to expenses related to telephones, mobile phones, data circuit hire, among others, incurred at the head office, in Barcarena, Porto and at the Madeira and Azores agencies.

Over the last few years, successive reductions of these expenses have been observed at ANACOM. In 2019, the increase was due to higher consumption following the implementation of a call centre to support the DTT switchover and the establishment of a rental agreement with a mobile service operator with a view to providing equipment and services for use by ANACOM employees.

- x) Insurance (-6%): corresponds to expenditure on insurance (multi-risk property insurance for buildings, vehicles, travel in Portugal and abroad, civil liability, transport of goods, and others).

**Table 3.13 - Insurance**

	<b>2019</b>	<b>2018</b>	<b>VAR 19/18</b>	
Vehicles	13 893	15 434	-1 541	-10%
Travel	7 688	7 694	- 6	0%
Premises and facilities	50 805	50 822	- 17	0%
Civil liability	6 000	7 362	-1 362	-19%
Outros	2 700	5 011	-2 311	-46%
<b>Total</b>	<b>81 086</b>	<b>86 323</b>	<b>-5 237</b>	<b>-6%</b>

Unit: Euros

In 2017, an international public tender was launched for the award of most of ANACOM's insurance, to be enforced in 2018-2019. Thus, the premiums paid in 2019 reflect the result of this public tender.

However, there is a negative variation in relation to 2018, the explanation of which, by heading, is as follows: (i) less vehicles with insurance taken out by ANACOM; (ii) non-renewal of the civil liability insurance in February 2019; hence, the first month of this year has not yet been invoiced; and (iii) various adjustments to other insurance.

- xi) Cleaning, hygiene and comfort (+3%): corresponds to the services provided by specialised companies at the head office, Barcarena, Porto, and the Madeira and Azores agencies.

The repercussion of the updating of the minimum monthly guaranteed remuneration (RMMG), from 580 euros to 600 euros (+3.4%), was not fully reflected in the contracts by the companies that provide the service.

Additionally, there was a 4% fall in expenditure related to cleaning materials.

- xii) Other supplies and services (-14%): corresponds to the supplies and services not covered in the previous headings, including tools and utensils, office supplies, condominium charges of the building on Avenida José Malhoa no. 14, temporary staff recruitment, cafeteria supplies, newspapers, journals, technical journals and publications, representation expenses, litigation, and so forth.

**Table 3.14 - Other supplies and services**

	<u>2019</u>	<u>2018</u>	<u>VAR 19/18</u>	
Journals and other publications	20 293	21 697	-1 404	-6%
Malhoa 14 condominium	76 298	76 298	0	0%
Office supplies	37 026	40 160	-3 134	-8%
Personnel assignment	61 153	184 166	-123 013	-67%
Transportation of goods and moves	15 275	13 258	2 017	15%
Archive custody	31 619	30 459	1 160	4%
Cafeteria and gift articles	67 989	71 421	-3 432	-5%
Other supplies and services	256 966	220 826	36 140	16%
<b>Total</b>	<b><u>566 619</u></b>	<b><u>658 285</u></b>	<b><u>-91 666</u></b>	<b><u>-14%</u></b>

Unit: Euros

In this type of heading of varied nature, we highlight (i) the decrease in the heading of “Personnel assignment” (- 123 thousand euros); and (ii) the increase of “Other supplies and services” (+ 36 thousand euros).

Concerning “Personnel assignment”, the expenditure was due to the lesser need to hire temporary staff from specialised companies to meet ad hoc requirements.

The heading “Other supplies and services” records expenses that were not incurred in 2018, namely the acquisition of accessories for the new customer base (bags, felt-tip pens, wireless adaptors, pens, films, covers, etc.), Christmas accessories, accessories used to support ANACOM employees who were part of the intervention teams in the field in the process of migration of DTT networks, and a significant increase of court fees for lawsuits.,

### **Personnel costs**

- xiii) Remuneration and charges (+2%): cover spending on the remuneration paid to the governing bodies and staff of ANACOM, and the corresponding remuneration charges (social security).

**Table 3.15 - Remuneration and charges**

	<u>2019</u>	<u>2018</u>	<u>VAR 19/18</u>	
<b>Remunerations</b>				
Governing bodies	815 947	861 150	- 45 203	-5%
Personnel	17 272 841	16 759 723	513 118	3%
	<b>18 088 788</b>	<b>17 620 873</b>	<b>467 915</b>	<b>3%</b>
<b>Remuneration charges</b>	<b>3 409 251</b>	<b>3 404 491</b>	<b>4 760</b>	<b>0%</b>
<b>Total</b>	<b><u>21 498 039</u></b>	<b><u>21 025 364</u></b>	<b><u>472 675</u></b>	<b><u>2%</u></b>

Unit: Euros

Overall remuneration and charges were 2% higher than in 2018, for the following reasons:

- Governing bodies – expenditure fell by 5%, as the remuneration structure stipulated in the Framework Law of Regulatory Entities (Law 67/2013 of 28 August) established a new regime with lower pay limits than those being applied, resulting in lower expenses of this nature;
  - ANACOM staff – expenditure was 3% higher than in 2018, due to the combined effect of the increase derived from the partial reinstatement of career progression under the State Budget Law 2018 and 2019, and the award of productivity bonuses that is no longer frozen and the decreased average number of staff (-4%).
- xiv) Other personnel costs (-3%): includes the cost of post-retirement benefits, social welfare costs, notably those arising from agreements and contracts concluded with private entities, in the area of illness prevention, hygiene and safety at work, accidents at work (insurance), and all expenses related to employment contract terminations by mutual agreement, training and miscellaneous costs such as those established in the collective labour bargaining regulation (ARCT).

**Table 3.16 - Other personnel costs**

	<b>2019</b>	<b>2018</b>	<b>VAR 19/18</b>	
<b>Post-retirement benefits</b>				
Pension costs (Note 15)	699 335	643 500	55 835	9%
Healthcare costs (Note 15)	56 394	136 273	-79 879	-59%
	<b>755 729</b>	<b>779 773</b>	<b>-24 044</b>	<b>-3%</b>
<b>Social welfare costs</b>	<b>637 532</b>	<b>663 875</b>	<b>-26 343</b>	<b>-4%</b>
<b>Contract terminations by mutual agreement</b>	<b>3 250</b>	<b>1 657</b>	<b>1 593</b>	<b>96%</b>
<b>Work accident insurance</b>	<b>83 132</b>	<b>82 579</b>	<b>553</b>	<b>1%</b>
<b>Training</b>	<b>137 794</b>	<b>144 425</b>	<b>-6 631</b>	<b>-5%</b>
<b>Other personnel costs</b>	<b>30 601</b>	<b>21 793</b>	<b>8 808</b>	<b>40%</b>
<b>Total</b>	<b>1 648 038</b>	<b>1 694 102</b>	<b>-46 064</b>	<b>-3%</b>

Unit: Euros

The headings with larger reductions, in particular, include: (i) “Retirement benefits (healthcare)” – the variations occurred in the “Post-retirement benefits” headings reflect the results of the actuarial studies that are conducted every year by independent specialised companies; and (ii) “Training” – the reduction reflect the accomplishment of lower cost training actions, as all the training indicators increased, namely the number of actions, the number of participants and the number of hours of training (see Table 1.3).

### Other costs

xv) Subscriptions (-11%): corresponds to spending on subscriptions payable to national and international postal and telecommunications bodies (ITU, UPU, UPAEP, ECO/CEPT, ETSI, IRG, URSI, etc.), mostly in representation of the Portuguese Government.

**Table 3.17 - National subscriptions**

	2019	2018	VAR 19/18	
<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>	659	659	0	0%
<i>Associação para a Promoção e Desenvolvimento da Sociedade de Informação (APDSI)</i>	250	250	0	0%
<i>Associação Portuguesa dos Bibliotecários (BAD)</i>	180	180	0	0%
<i>Associação Portuguesa para a Qualidade (APQ)</i>	500	500	0	0%
IT Service Management Forum (ITSMF)	150	150	0	0%
<b>Total</b>	<b>5 039</b>	<b>5 039</b>	<b>0</b>	<b>0%</b>

Unit: Euros

In 2019, ANACOM maintained a number of institutional partnerships with national bodies of sectoral relevance, as listed in the previous table, with a view to promoting the communications sector.

**Table 3.18 - International subscriptions**

	2019	2018	VAR 19/18	
International Association of Communications and Telecommunications Regulators of the Community of Portuguese-Speaking Countries (ARCTEL)	10 000	10 000	0	0%
International Telecommunications Union (ITU)	411 704	435 021	-23 317	-5%
Universal Postal Union (UPU)	140 014	148 270	-8 256	-6%
European Communications Office (ECO/CEPT)	87 698	87 808	-110	0%
Postal Union of the Americas, Spain and Portugal (UPAEP)	78 094	76 023	2 071	3%
European Telecommunications Standards Institute (ETSI)	-	63 460	-63 460	-100%
Independent Regulators Group (IRG)	13 000	13 000	0	0%
International Union of Radio Science (URSI)	2 130	2 110	20	1%
Red Compliance Association (REDCA)	600	600	0	0%
<b>Total</b>	<b>743 240</b>	<b>836 292</b>	<b>-93 052</b>	<b>-11%</b>

Unit: Euros

These subscriptions are required for ANACOM's international activity, mostly in the areas of regulation and advising the Government. One of its aims is to actively participate in the

development of the European Union (EU) internal market, and in the coordination and defence of positions in different forums.

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

In terms of payments, reference is only made to the decrease of the values of the contributions to the ITU and UPU following the renegotiation of the amounts of participation units allocated to Portugal.

xvi) Meetings, conferences and exhibitions (+68%): corresponds to expenses related to the organisation of national and international events, promoted by ANACOM or by international organisations. Examples include meetings of working groups, and conferences and seminars organised in the communications sector.

The ANACOM, conference, the UPAEP and ERPG workshops, the 13th Congress of the Portuguese Committee of the URSI and various initiatives around the commemoration of the 30th anniversary of ANACOM took place in 2019. Except for the Congress of the Portuguese Committee of the URSI, none of them took place in 2018, which explains the variation of costs.

xvii) Sponsorships (+139%): corresponds to costs related to sponsorships awarded as part of ANACOM's sectoral activities, through various quid pro quos, including publicising the sector and its activity, and training.

The value of the expenses incurred in this heading includes various sponsorships, in particular those granted to the APDC, ACIST and in the context of the 13th Meeting of the Portuguese Committee of the URSI ("ANACOM-URSI Portugal Award", which distinguished the best work in the area of radioelectricity and the "Best Student Paper Award" attributed to the best article submitted by a student).

xviii) Contributions to external bodies (+7%):

Fundação Portuguesa das Comunicações (+3%): the value of ANACOM's annual contribution to the Portuguese Communications Foundation is limited to a maximum amount corresponding to the average of the values transferred in 2008, 2009 and 2010, under the current law. This maximum also includes the assignment of ANACOM employees. However, in 2019 due to the limit imposed by the State Secretary for the Budget (SEO) in 2018, the annual contribution was lower than in previous years, as the remunerations of ANACOM staff assigned thereto were higher.

Competition Authority (+6%): the increase in this sub-heading is because the value of the contribution is calculated in accordance with article 35 of Decree-Law 125/2014 of 18 August (Statutes of the Competition Authority (AdC)), which gave rise to a figure higher than the contribution of 2018. This Decree-Law establishes that 6.25% of ANACOM's eligible income for the previous year constitutes the Authority's contribution to AdC for the year.

xix) Cooperation (-71%): corresponds to expenses related to cooperation initiatives with Portuguese-speaking countries, notably traineeships of representatives of those countries.

Expenditure related to cooperation activity decreased in relation to 2018, considering both cooperation with the Association of Portuguese-speaking Communications and Telecommunications Regulators of the Community of Portuguese Speaking Countries (ARCTEL-CPLP), and cooperation with the Portuguese-speaking countries, as a lower number of requests was received.

xx) Other (+4%): consist of expenses not covered by previous headings, in particular unfavourable exchange rate differences and expenses that cannot not be included in the other headings.

The increase of this heading is primarily due to the fact that ANACOM had an additional cost from February onwards, because, following the change of the composition of the Board of Directors, one of the Board members who left office opted for the prerogative established in number 2 of article 19 of Law 67/2013 of 28 August (Framework Law of Regulatory Entities), transposed to number 4 of article 23 of the Statutes of ANACOM.

This prerogative establishes, during the period of impediment of performance of duties in entities receiving ANACOM's activities (two years), the possibility of receiving half of the monthly salary that had been paid to this person. Compared to 2018, the year of 2019 had an additional month of cost.

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

The heading of "Depreciation and amortisation costs for the year", in 2019, declined by 5% (- 114 thousand euros) in relation to 2018, with the following situations having been determinant: (i) the value of fixed assets in progress carried over from 2018 were only deemed ready and subject to depreciation and amortisation in December 2019; and (ii) the significant investment carried out this year also took place in December 2019, with the majority being in progress and awaiting validations by ANACOM technical staff to enable their operationalisation.

### **Impairment losses**

The analysis of customer balances, according to the criteria referred to in point 4.7 of the Notes to the Financial Statements of 2019, established the need to strengthen the impairments (116 thousand euros), a figure above that recorded in 2018 (96 thousand euros).

This increase recorded in 2019 is mainly due to foreign debtors that, according to the approved criteria, were applied 100% impairments in the year when they occurred.

### **Provisions for legal proceedings in progress**

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

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

The criteria followed in recent years were maintained in 2019 to establish provisions, which are, in brief:

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

- ii) regarding legal proceedings involving claims concerning the amounts of fees for use of frequencies, the provision corresponds to 100% of the amount claimed and/or owed;
- iii) with regard to the amounts sought in actions for the settlement of regulation administration fees, given the particular nature of these challenges it is considered that the provision should cover the entire sum claimed over a period of 4 years, after which the limitation period means that recovery of the debt is no longer possible.

Based on the events recorded in 2019 and the criteria mentioned above, ANACOM has updated the value of the accumulated provision for ongoing lawsuits, increasing their value by 13,921 thousand euros. This value of provisions reflects a reduction of 460 thousand euros (-3%), compared to the reinforcement of the value of the provision in 2018, broken down as follows.

- new contestations of regulatory fees: 4,973,876 euros
- increase due to contestations of regulatory fees of previous years: 10,465,442 euros
- closing of two lawsuits on spectrum fees: -1,518,099 euros

### **Financial situation**

During the present financial year, the totals of both the “Assets”, and the “Equity + Liabilities” increased by approximately 19 million euros.

In the “Assets”, the “Fixed assets” and the “Intangible assets”, in both cases net, increased by 2 million euros as the value of the investment (4 million euros) was higher than the value of the depreciation and amortisation for the year (2 million euros) and the “Cash and bank deposits” increased by 17 million euros.

The “Liabilities” increased by 14 million euros, primarily due to the constitution of provisions for legal proceedings in progress (+14 million euros). The “Equity” also increased, by around 6 million euros, as the net income for the year, of the value of 40 million euros, was higher than the appropriation of the net income for 2017 (34 million euros).

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

**Table 3.19 - Balance sheet structure**

	<u>2019</u>	<u>2018</u>
<b>Total Assets</b>	<b>100%</b>	<b>100%</b>
Non-current assets	7%	7%
Current assets	<u>93%</u>	<u>93%</u>
<b>Total Equity + Liabilities</b>	<b>100%</b>	<b>100%</b>
Equity	53%	55%
Liabilities	<u>47%</u>	<u>45%</u>

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



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PROPOSED  
APPLICATION  
OF RESULTS

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## Proposed application of results

Following the practice of previous years, it is proposed that the net income for the year ended on 31 December 2019, of the value of 39,606,834.19 euros, should be transferred as follows:

- “Delivery to the State” of the value of 15,912,174.77 euros, which represents the increase in the fees for use of frequency established in Ordinance 378-D/2013 of 31 December (+10,732,812.44 euros), and Ordinance 157/2017 of 10 May (+5,179,362.33 euros), as the increase in fees was decided by the Government for this purpose.
- Distribution of the rest, of the value of 23,694,659.42 euros, as follows:
  - “Investment reserves”, of the value of 2,377,340.94 euros (interest received at the *Agência de Gestão da Tesouraria e da Dívida Pública* (IGCP – Treasury and Public Debt Management Agency) + 10% of the remaining amount), to be used for the constitution of statutory capital, pursuant to Ordinance 1534-A/2002 of 23 December;
  - “Delivery to the State” of the value of 21,317,318.48 euros (90% of the remaining amount), which will be recorded under the heading of “Retained earnings” until effectively transferred.

ANACOM recommends that the portion to be delivered to the State, amounting to 37.2 million euros, should preferably be used to develop communications in Portugal for the benefit of end users.



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FINANCIAL  
STATEMENTS

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## Financial Statements

### Balance sheet as at 31 December 2019 (euros)

Description	Notes	2019.12.31	2018.12.31
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>			
Tangible fixed assets	8	15 711 567	14 614 547
Intangible assets	7	2 798 151	2 234 107
Othe receivables	10	865	865
		<b>18 510 583</b>	<b>16 849 519</b>
<b><u>Current assets</u></b>			
Customers	9	1 373 860	1 337 968
Advances to suppliers		-	14 948
Other receivables	10	220 725	192 985
Deferrals	11	1 173 265	1 260 140
Other financial assets	5	170 000 000	200 000 000
Cash and bank deposits	5	77 174 309	29 403 742
		<b>249 942 159</b>	<b>232 209 783</b>
<b>Total assets</b>		<b>268 452 742</b>	<b>249 059 302</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Other reserves	13	50 160 135	48 169 909
Retained earnings	13	46 564 574	39 148 692
Other changes in equity	13	6 456 880	6 460 770
Net income for the period		39 606 834	43 529 559
<b>Total equity</b>		<b>142 788 423</b>	<b>137 308 930</b>
<b>LIABILITIES</b>			
<b><u>Non-current liabilities</u></b>			
Provisions	14	109 940 269	96 019 050
Liabilities due to post-employment benefits	15	9 445 845	8 759 412
		<b>119 386 114</b>	<b>104 778 462</b>
<b><u>Current liabilities</u></b>			
Suppliers		912 928	698 824
State and other public entities	16	784 148	758 672
Other payables	17	4 581 129	5 514 414
		<b>6 278 205</b>	<b>6 971 910</b>
<b>Total liabilities</b>		<b>125 664 319</b>	<b>111 750 372</b>
<b>Total equity and liabilities</b>		<b>268 452 742</b>	<b>249 059 302</b>

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

THE FINANCIAL AND ADMINISTRATIVE DIRECTOR  
Fernando Carreiras

THE BOARD OF DIRECTORS

## Income statement by nature for the period ended on 31 December 2019 (euros)

Description	Notes	2019.12.31	2018.12.31
<b>INCOME AND EXPENSES</b>			
Services rendered		94 829 472	96 050 930
Operating grants		104 444	91 283
External supplies and services		-8 475 311	-8 139 860
Personnel costs		-23 146 077	-22 719 466
Impairment of receivables (losses/reversals)	12	-116 071	-95 556
Provisions (increases/reductions)	14	-13 921 219	-14 380 834
Other income		110 323	2 194 691
Other expenses		<u>-7 697 672</u>	<u>-7 268 237</u>
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>41 687 889</b>	<b>45 732 951</b>
Depreciation and amortisation costs/reversals	18	<u>-2 119 025</u>	<u>-2 233 101</u>
<b>Operating income (earnings before interest and tax)</b>		<b>39 568 864</b>	<b>43 499 850</b>
Interest and similar income	20	<u>37 970</u>	<u>29 709</u>
<b>Net income for the period</b>		<b><u>39 606 834</u></b>	<b><u>43 529 559</u></b>

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

THE FINANCIAL AND ADMINISTRATIVE DIRECTOR  
Fernando Carreiras

THE BOARD OF DIRECTORS

## Statement of changes in equity for the period ended on 31 December 2019 (euros)

	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Other changes in equity</u>	<u>Net income for the period</u>	<u>Total</u>
<b>As at 31 December 2017</b>	<b>54 026 546</b>	<b>32 520 395</b>	<b>6 464 661</b>	<b>36 113 677</b>	<b>129 125 279</b>
<b>Changes in the period</b>					
Other changes recognised in equity					
- Employee benefits (Note 15)	-9 118 456	6 486 316	-	-	-2 632 140
- Grants (Note 13)			- 3 891	-	- 3 891
	<u>-9 118 456</u>	<u>6 486 316</u>	<u>- 3 891</u>	<u>-</u>	<u>-2 636 031</u>
Net income for the period				43 529 559	43 529 559
<b>Comprehensive net income</b>	-9 118 456	6 486 316	- 3 891	43 529 559	40 893 528
<b>Capital operations in the period</b>					
Appropriation of the net income 2016	3 261 819	-35 971 696	-	-	-32 709 877
Other operations					
- Transfer of the net income of the previous year	-	36 113 677	-	-36 113 677	-
	<u>3 261 819</u>	<u>141 981</u>	<u>-</u>	<u>-36 113 677</u>	<u>-32 709 877</u>
<b>As at 31 December 2018</b>	<b><u>48 169 909</u></b>	<b><u>39 148 692</u></b>	<b><u>6 460 770</u></b>	<b><u>43 529 559</u></b>	<b><u>137 308 930</u></b>
<b>Changes in the period</b>					
Other changes recognised in equity					
- Employee benefits (Note 15)	- 540 622				- 540 622
- Grants (Note 13)			- 3 890		- 3 890
	<u>- 540 622</u>	<u>-</u>	<u>- 3 890</u>	<u>-</u>	<u>- 544 512</u>
Net income for the period				39 606 834	39 606 834
<b>Comprehensive net income</b>	- 540 622	-	- 3 890	39 606 834	39 062 322
<b>Capital operations in the period</b>					
Appropriation of the net income 2017	2 530 848	-36 113 677			-33 582 829
Other operations					
- Transfer of the net income of the previous year		43 529 559		-43 529 559	-
	<u>2 530 848</u>	<u>7 415 882</u>	<u>-</u>	<u>-43 529 559</u>	<u>-33 582 829</u>
<b>As at 31 December 2019</b>	<b><u>50 160 135</u></b>	<b><u>46 564 574</u></b>	<b><u>6 456 880</u></b>	<b><u>39 606 834</u></b>	<b><u>142 788 423</u></b>

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

THE FINANCIAL AND ADMINISTRATIVE DIRECTOR  
Fernando Carreiras

THE BOARD OF DIRECTORS

## Statement of cash flows for the period ended on 31 December 2019 (euros)

Description	Notes	2019.12.31	2018.12.31
<b>Cash flows from operating activities</b>			
Revenue from customers		94 646 556	95 982 282
Payments to suppliers		-8 305 404	-8 873 512
Payments to the personnel		-22 560 902	-22 500 333
<b>Cash generated by the operations</b>		<b>63 780 250</b>	<b>64 608 437</b>
Other revenue		11 405 408	11 091 001
Other payments		-20 600 308	-17 939 539
Other revenues/payments		<b>-9 194 900</b>	<b>-6 848 538</b>
<b>Net cash flows from operating activities</b>		<b>54 585 350</b>	<b>57 759 899</b>
<b>Cash flows from investment activities</b>			
Payments related to:			
Tangible fixed assets		-2 268 846	-1 731 241
Intangible assets		-994 704	-1 151 556
Revenue derived from:			
Tangible fixed assets		-	-
Interest and similar income		31 596	271 732
<b>Net cash flows from investment activities</b>		<b>-3 231 954</b>	<b>-2 611 065</b>
<b>Cash flows from financing activities</b>			
Payments related to:			
Appropriation of the net income for 2017 and 2016		-33 582 829	-32 709 877
<b>Net cash flows from financing activities</b>		<b>-33 582 829</b>	<b>-32 709 877</b>
<b>Variation in cash and cash equivalents</b>		<b>17 770 567</b>	<b>22 438 957</b>
Cash and cash equivalents at the beginning of the period	5	229 403 742	206 964 785
Cash and cash equivalents at the end of the period	5	<b>247 174 309</b>	<b>229 403 742</b>

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

THE FINANCIAL AND ADMINISTRATIVE DIRECTOR  
Fernando Carreiras

THE BOARD OF DIRECTORS

## Notes to the financial statements

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

The *Autoridade Nacional de Comunicações* (National Communications Authority – ANACOM) has its head office at Av. José Malhoa, no. 12, in Lisbon.

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

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

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

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

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

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

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

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

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

- pursuit of its activity according to high quality standards;
- assurance of economic efficiency in its management and in the solutions adopted in its activities;
- management by determined and quantified objectives, and periodic evaluation according to results;
- transparency in its action;
- respect for the principles of previous spending budget commitments and programming.

These financial statements were approved by the Board of Directors at its meeting on 9 April 2020. Is the opinion of the Board of Directors that these financial statements provide

a true and appropriate reflection of the operations of ANACOM, as well as its position, financial assessment and cash flows.

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

### **2.1 Basis of preparation**

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

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

## **2.2 Exemption from the provisions of the 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 the financial statements**

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

## **4. Main accounting policies**

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

### **4.1 Currency conversion**

#### **4.1.1 Functional and presentation currency**

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

#### **4.1.2 Transactions and balances**

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

#### **4.1.3 Exchange rates used**

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

**Table 6.1 - Currency**

	<u>2019.12.31</u>	<u>2018.12.31</u>
US dollar	1.1212	1.1427
Swiss franc	1.0832	1.1246
Danish krone	7.4566	

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

## **4.2 Intangible assets**

Intangible assets are entirely made up of software for ANACOM's use (see Note 7) and are recognised and measured: (i) at purchase price, including costs related to intellectual property rights and non-refundable taxes on purchases, after deducting trade discounts and rebates; and (ii) any expenses directly attributable to the preparation of the asset for its intended use.

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

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

## **4.3 Tangible fixed assets**

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

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

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

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

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

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

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

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

**Table 6.2 – Useful lives of the tangible assets**

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

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

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

#### **4.4 Leases**

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

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

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

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

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

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

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

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

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

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

The headings of “Customers” and “Other receivables” constitute rights receivable for the fees paid by ANACOM and other miscellaneous income. They are initially recognised at amortised cost, less impairment losses (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 email), three days before the deadline for payment, to all customers with invoicing over 5,000 euros; the sending of a first warning letter to all customers after the non-payment of the invoice on the specified date; and the sending a final warning letter after the legally demandable surcharge has been generated (only for radio spectrum customers), if payment has still not been made after 90 days. For customers domiciled in Portugal, after the recovery proceedings mentioned above have been fully run without achieving payment, the outstanding debts are analysed and if there are no reasons to justify the failure to pay, then these outstanding debts are sent to the respective local Government Finance Departments with a debt certificate for enforced recovery.

For impairment calculation, three separate situations should be distinguished:

(i) Natural persons domiciled in Portugal

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

(ii) Legal persons domiciled in Portugal

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

(iii) Natural and legal persons domiciled abroad

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

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

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

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

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

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

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

#### **4.10 Post-employment benefits**

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

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

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

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

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

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

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

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

#### **Recognition of actuarial deviations**

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

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

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

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

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

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

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

#### **4.12 Revenue**

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

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

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

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

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

#### **4.14 Accrual basis**

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

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

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

#### **4.16 Fines receivable**

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

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

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

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

Estimates and judgements of impact on ANACOM's financial statements are continuously evaluated and represent the best estimated, on each reporting date, taking into account the

historical performance, cumulative experience and expectations about future events that are believed to be reasonable under the circumstances.

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

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

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

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

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

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

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

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

#### **4.17.2 Actuarial assumptions**

The determination of the liabilities related to retirement pensions and healthcare requires the use of assumptions and estimates of a demographic and financial nature, which may significantly influence the amount of liabilities ascertained on each reporting date. The most

sensitive variables refer to the discount rate used to update the liabilities, the rate of wage increase, and the mortality tables.

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

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

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

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

#### **4.17.4 Impairment**

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

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

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

#### **4.17.5 Events after the reporting date**

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

## 5. Cash flows

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

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

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

In 2019 and 2018, the values for cash and bank deposits were as follows:

**Table 6.3 - Cash flows**

	<u>2019</u>	<u>2018</u>
<b>Cash</b>		
- Cash	<b>36 297</b>	<b>30 398</b>
<b>Bank deposits</b>	<b>77 138 013</b>	<b>29 373 344</b>
- Demand deposits		
<i>Agência Gestão Tesouraria Dívida Pública</i> (IGCP)	77 136 323	29 372 201
Other banks (commercial banking)	1 690	1 143
<b>Other financial assets</b>		
- CEDIC	<b>170 000 000</b>	<b>200 000 000</b>
<b>Net cash resources</b>	<b><u>247 174 310</u></b>	<b><u>229 403 742</u></b>

Unit: Euros

Following a recommendation of the Court of Auditors, from 2014 ANACOM kept almost all of the cash held at IGCP (Treasury and Public Debt Management Agency - *Agência de Gestão da Tesouraria e da Dívida Pública*), with respect to both demand deposits and the financial investments in the product provided by the aforesaid credit institution, named CEDIC (Special Short-Term Debt Certificates - *Certificados Especiais de Dívida de Curto Prazo*). These investments are recorded under the heading of "Other financial assets".

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

It should also be noted that in 2019 the IGCP started to apply an interest rate equal to zero to investments in CEDIC, which is why ANACOM stopped making this type of investment. Instead, ANACOM decided to keep these available funds in the current account, except for a one-off situation at the end of the year, where, under a proposal of the IGCP, ANACOM agreed to make an investment in CEDIC of the value of 170 million euros, for a short period.

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

(i) to deliver to the State part of the net income of previous years, in cases where the ordinances have not yet been published that determine the appropriation of the net income and/or determine the allocations of the distributed sums;

(ii) to deal with predictable and contingent commitments, in particular those related to ANACOM's operation and investment cycle and those arising from compensation sought in legal actions brought against ANACOM for which suitable provisions have been made for ongoing legal actions.

## **6. Tax**

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

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

## **7. Intangible assets**

In 2019 and 2018, the movements recorded under the intangible asset headings were as follows:

**Table 6.4 – Intangible assets**

	<u>Software</u>	<u>Other</u>	<u>In progress</u>	<u>Total</u>
<b>Acquisition cost</b>				
<b>Balance as at 1 January 2018</b>	<b>21 159 665</b>	-	<b>727 545</b>	<b>21 887 210</b>
Increases	726 872	-	483 744	1 210 616
Disposals	-	-	-	-
Transfers	45 578	-	(45.578)	-
<b>Balance as at 31 December 2018</b>	<b>21 932 115</b>	-	<b>1 165 711</b>	<b>23 097 826</b>
Increases	1 033 422	-	186 430	1 219 852
Disposals	-	-	-	-
Transfers	506 227	-	(506.227)	-
<b>Balance as at 31 December 2019</b>	<b>23 471 764</b>	-	<b>845 914</b>	<b>24 317 678</b>
<b>Accumulated amortisation</b>				
<b>Balance as at 1 January 2018</b>	<b>20 063 249</b>	-	-	<b>20 063 249</b>
Amortisation for the year (Note 18)	800 470	-	-	800 470
Disposals	-	-	-	-
Transfers	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>20 863 719</b>	-	-	<b>20 863 719</b>
Amortisation for the year (Note 18)	655 808	-	-	655 808
Disposals	-	-	-	-
Transfers	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>21 519 527</b>	-	-	<b>21 519 527</b>
<b>Net value as at 31 December 2018</b>	<b>1 068 396</b>	-	<b>1 165 711</b>	<b>2 234 107</b>
<b>Net value as at 31 December 2019</b>	<b>1 952 237</b>	-	<b>845 914</b>	<b>2 798 151</b>

Unit: Euros

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

The transfers of assets in progress to the heading of most significant intangible assets, occurred in 2019, refer to software projects that are concluded to be related to the server base, the management of the project management office (PMO) portfolio, the employee portal, and the application for management of advances and presentation of accounts (GAP).

In 2019 and 2018, the projects in progress were detailed as follows:

**Table 6.5 - Projects in progress**

Description	2019	2018
Market Information System project (SIM-DOC)	557 317	557 317
Projects for internal improvement of services (GIAF, Plage, BDE, Public accounting, invoicing, MyWs, SAAS, ITED)	200 926	171 043
Server base	0	354 420
Other	87 671	82 931
<b>Total</b>	<b>845 914</b>	<b>1 165 711</b>

## 8. Tangible fixed assets

In 2019 and 2018, the movements recorded under the tangible fixed asset headings were as follows:

**Table 6.6 - Tangible fixed assets**

	Land	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other	Assets in progress	Total
<b>Acquisition cost</b>								
Balance as at 1 January 2018	1 325 259	14 749 558	28 866 092	940 224	6 423 360	8 405 456	1 151 830	61 861 779
Increases	-	58 902	165 516	64 006	75 026	44 899	900 062	1 308 411
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	- 28 156	- 166 348	-	-	- 1 363	-	- 195 867
Transfers	-	-	155 949	-	45 752	-	- 201 701	-
Balance as at 31 December 2018	1 325 259	14 780 304	29 021 209	1 004 230	6 544 138	8 448 992	1 850 191	62 974 323
Increases	-	379 698	555 733	5 482	772 716	169 606	678 534	2 561 769
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	- 15 690	- 599 748	-	- 48 620	- 12 142	-	- 676 200
Transfers	-	-	295 437	-	1 434 001	-	- 1 729 438	-
Balance as at 31 December 2019	1 325 259	15 144 312	29 272 631	1 009 712	8 702 235	8 606 456	799 287	64 859 892
<b>Accumulated depreciation</b>								
Balance as at 1 January 2018	-	12 059 684	26 144 992	938 658	5 984 660	1 994 965	-	47 122 959
Depreciation for the year (Note 18)	-	226 667	916 038	5 398	247 120	37 408	-	1 432 631
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	- 28 103	- 166 348	-	-	- 1 363	-	- 195 814
Transfers	-	-	-	-	-	-	-	-
Balance as at 31 December 2018	-	12 258 248	26 894 682	944 056	6 231 780	2 031 010	-	48 359 776
Depreciation for the year (Note 18)	-	223 172	846 176	17 153	333 957	42 759	-	1 463 217
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	- 15 690	- 598 217	-	- 48 619	- 12 142	-	- 674 668
Transfers	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	-	12 465 730	27 142 641	961 209	6 517 118	2 061 627	-	49 148 325
<b>Net value 31 December 2018</b>	1 325 259	2 522 056	2 126 527	60 174	312 358	6 417 982	1 850 191	14 614 547
<b>Net value 31 December 2019</b>	1 325 259	2 678 582	2 129 990	48 503	2 185 117	6 544 829	799 287	15 711 567

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

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

The heading of “Transport equipment” includes part of the vehicles that belong ANACOM’s fleet, with the rest being vehicles under an operating lease regime, which are needed for outdoor inspection actions.

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

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

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

Therefore, and considering that ANACOM values tangible fixed assets at acquisition cost, a valuation method that it has used over the years, based on number 29 of NCRF 7, and in accordance with the principle of consistency, the accounting value of the philatelic property has remained unchanged.

“Assets in progress” record all the assets that, although existing at ANACOM, are not yet in condition to become operational due to being at a test or acceptance stage. As at 31 December 2019, the “Assets in progress” are as follows:

**Table 6.7 - Projects in progress**

Description	2019	2018
Mobile station for control of the spectrum	305 943	-
NET.MEDE connection	87 361	65 187
Server base	-	1 128 352
Mobility equipment	17 207	327 332
Modernisation/remodelling of the CMCE	354 894	268 195
Other	33 883	61 125
<b>Total</b>	<b>799 288</b>	<b>1 850 191</b>

Unit: Euros

Transfers of assets in progress to other tangible fixed asset headings occurred in 2019 primarily refer to the server base, mobility equipment, and basic radioelectric and laboratory equipment.

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

It is also important to mention that, as at 31 December 2019, the value of tangible fixed assets that were in the hands of third parties amounted to 8,151,487 euros, including 6,249,144 euros related to the philatelic property from the former Portuguese overseas colonies (Ultramar), in the custody of the *Fundação Portuguesa das Comunicações* (Portuguese Communications Foundation).

## 9. Customers

In 2019 and 2018, the heading of “Customers” was detailed as follows:

**Table 6.8 - Customers**

	<u>2019</u>	<u>2018</u>
	<u>Current</u>	<u>Current</u>
<b>Customers</b>	<b>1 820 009</b>	<b>1 662 884</b>
Use of frequencies	224 101	254 654
Regulation and numbering	1 552 234	1 361 176
Other	43 674	47 054
<b>Customers - bad debt</b>	<b>3 378 203</b>	<b>3 388 861</b>
Use of frequencies	1 615 428	1 620 166
Regulation and numbering	267 740	273 890
Other	1 495 035	1 494 805
<b>Customers - Total</b>	<b>5 198 212</b>	<b>5 051 745</b>
Impairment losses (Note 12)	-3 824 352	-3 713 777
<b>Net Value</b>	<b>1 373 860</b>	<b>1 337 968</b>

Unit: Euros

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

## 10. Other receivables

In 2019 and 2018, the heading of “Other receivables” was detailed as follows:

**Table 6.9 - Other receivables**

	<u>2019</u>			<u>2018</u>		
	<u>Currente</u>	<u>Non-current</u>	<u>Total</u>	<u>Currente</u>	<u>Non-current</u>	<u>Total</u>
<b>Accrued income</b>						
Interest receivable	8 146	-	8 146	4 583	-	4 583
Other	2 998	-	2 998	9 432	-	9 432
	11 144	-	11 144	14 015	-	14 015
<b>Other values due</b>						
Values to be settled	165 890	-	165 890	164 199	-	164 199
Other	43 691	865	44 556	14 771	865	15 636
	209 581	865	210 446	178 970	865	179 835
<b>Total</b>	<b>220 725</b>	<b>865</b>	<b>221 590</b>	<b>192 985</b>	<b>865</b>	<b>193 850</b>

Unit: Euros

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

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

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

## 11. Deferrals

In 2019 and 2018, ANACOM recorded the following balances in the heading of “Deferrals”:

**Table 6.10 - Deferrals**

	<u>2019</u>	<u>2018</u>
<b>Expenses to be recognised</b>		
Meal allowance	100 804	100 237
Rents and leases	130 426	130 426
Insurance premiums	107 153	85 220
Renovation of facilities	19 441	6 302
Subscriptions	618 590	731 907
Publications	50 347	84 902
Maintenance of SAAS licensing	28 180	26 525
Maintenance of Governance.Business	15 868	-
Other services	102 456	94 621
<b>Total</b>	<b><u>1 173 265</u></b>	<b><u>1 260 140</u></b>

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

The heading “Rents and leases” includes the rental values for 2020, paid in advance in 2019.

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

The details of this heading, as at 31 December 2019 and 2018, are as follows:

**Table 6.11 - Insurance premiums**

	<u>2019</u>	<u>2018</u>
Personal accidents for travel	7 688	7 688
Premises and facilities	47 661	46 861
Accidents at work	21 361	21 971
Vehicles	20 430	-
Health	503	-
Civil liability	6 000	6 000
Other	3 510	2 700
<b>Total</b>	<b><u>107 153</u></b>	<b><u>85 220</u></b>

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

The heading of “Subscriptions” records, as at 31 December 2019 and 2018, the contributions paid or invoiced in the year, but related to the following year, detailed as follows:

**Table 6.12 - Subscriptions**

	<u>2019</u>	<u>2018</u>
International Telecommunications Union (ITU)	284 870	411 704
Universal Postal Union (UPU)	149 524	138 980
European Communications Office (ECO/CEPT)	87 427	87 698
Postal Union of the Americas, Spain and Portugal (UPAEP)	81 319	78 094
União Radiocientífica Internacional (URSI)	2 150	2 130
Independent Regulators Group (IRG)	13 000	13 000
Other	300	301
<b>Total</b>	<b><u>618 590</u></b>	<b><u>731 907</u></b>

Unit: Euros

The headings “Maintenance of SAAS licensing” and “Governance.Business Maintenance” shown in Table 6.10 refer to expenditure to be imputed to following years related to multi-year maintenance contracts signed with these brand-owning companies, chargeable to the following years. These contracts aim to ensure the operability of the equipment and licences covered by the contracts, whose validity periods differ from the calendar year.

## 12. Impairments

The variation recorded during 2019 and 2018 in the balances of impairment losses are detailed as follows:

**Table 6.13 - Impairments**

	<b>Customers (Note 9)</b>
<b>As at 1 January 2018</b>	<b>3 660 769</b>
Increase	95 556
Uses	- 42 548
<b>As at 31 December 2018</b>	<b>3 713 777</b>
Increase	116 071
Uses	- 5 496
<b>As at 31 December 2019</b>	<b>3 824 352</b>

Unit: Euros

## 13. Equity

In 2019 and 2018, the balances of the equity headings are detailed as follows:

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

	<b>2019</b>	<b>2018</b>
<b>Other reserves</b>		
Investment reserves	58 077 286	55 546 437
Retirement benefits (Note 15)	-9 659 079	-9 118 456
Other reserves	1 741 928	1 741 928
	<u>50 160 135</u>	<u>48 169 909</u>
<b>Retained earnings</b>		
1st time adoption of the SNC	3 035 015	3 035 015
Transfer of net income	43 529 559	36 113 677
	<u>46 564 574</u>	<u>39 148 692</u>
<b>Other changes in equity</b>		
Reserve - philatelic collection	6 249 144	6 249 144
Donations	109 780	109 780
Grants	97 956	101 846
	<u>6 456 880</u>	<u>6 460 770</u>
<b>Net income for the year</b>	39 606 834	43 529 559
<b>Total</b>	<b><u>142 788 423</u></b>	<b><u>137 308 930</u></b>

Unit: Euros

The heading of "Other reserves" includes the heading of "Investment reserves", which reflects the accumulated value of the retained earnings recorded over the years. With the publication of Ordinance 113/2019 of 15 April, these reserves were reinforced by 2,530,849

euros. It also incorporates heading of “Retirement benefits”, where the actuarial studies of the defined benefit plans reported as at 31 December 2019 determined the recording of adjustments to the profit and loss account, both concerning the retirement and survivor pension plan (-534,622 euros) and the healthcare plan (-6000 euros). This accumulated variation reduced equity (-540,622 euros), as explained in Notes 15.1 and 15.3.

In 2019, 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 appropriated.

The main variation observed in this heading arises from the distribution of the net income for 2017, pursuant to the Ordinance referred to above, which involved transfers of 33,582,829 euros. Of these transfers, 25,907,764 euros were delivered to the State, 1,293,978 euros were delivered to the European Space Agency (ESA), and 6,381,087 euros were delivered to the Instituto do Cinema e Audiovisual (Institute of Cinema and Audiovisual - ICA).

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

The variation in investment grants observed during 2019 and 2018 is detailed below:

**Table 6.15 - Investment grant**

<b>As at 1 January 2018</b>	<b>105 737</b>
Increase	-
Recognition through profit or loss	-3 891
<b>As at 31 December 2018</b>	<b>101 846</b>
Increase	-
Recognition through profit or loss	-3 890
<b>As at 31 December 2019</b>	<b>97 956</b>

Unit: Euros

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

## 14. Provisions

The evolution of the heading of “Provisions” in 2019 and 2018 was as follows:

**Table 6.16 - Provisions**

	<b>Provisions for lawsuits</b>
<b>As at 1 December 2018</b>	<b>81 638 216</b>
Increases/Additions	14 380 834
<b>As at 31 December 2018</b>	<b>96 019 050</b>
Increases (regulation fees)	15 439 318
Reversal (radio spectrum fees)	-1 518 099
Net addition	13 921 219
<b>As at 31 December 2019</b>	<b>109 940 269</b>

Unit: Euros

The provision corresponds to the estimated liability arising from the risk inherent to legal actions filed by various entities against ANACOM (Note 4.17). As at 31 December 2019, there were 165 legal actions 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 communications, and acts contesting fee settlement. Of these lawsuits, 107 include claims for compensation.

The following variations were recorded in 2019:

- i) the instigation of 19 new actions, 13 of which with claims requested, involving disagreement with the settlement of fees for regulation of electronic communications and postal services, issued by ANACOM, from 2015 and 2018;
- ii) finalisation of 9 lawsuits, 2 with claims requested, related to radio spectrum fees;
- iii) continuation of the other lawsuits carried over from 2018 with claims requested.

In sum, based on the events recorded in 2019 and the criteria mentioned above, ANACOM has updated the value of the accumulated provision for ongoing lawsuits, increasing their value by 13,921 thousand euros.

It should be noted that the value of this reinforcement aims to cover new and existing lawsuits objecting to regulation 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 2019 and 2018 and in the years ended on those dates, the balances and expenses and income related to these plans presented in the financial statements are as follows:

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

	<u>2019</u>	<u>2018</u>
Defined benefit pension plan (Note 4.10)	7 304 845	6 593 412
Defined benefit healthcare plan	2 141 000	2 166 000
<b>Total</b>	<b><u>9 445 845</u></b>	<b><u>8 759 412</u></b>

Unit: Euros

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

	<u>2019</u>	<u>2018</u>
Defined benefit pension plan	399 920	340 822
Defined contribution pension plan	314 007	311 216
Defined benefit healthcare plan	56 394	-2 029 727
<b>Total</b>	<b><u>770 321</u></b>	<b><u>-1 377 689</u></b>

Unit: Euros

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

	<u>2019</u>	<u>2018</u>
Defined benefit pension plan	- 534 622	-2 630 140
Defined benefit healthcare plan	- 6 000	- 2 000
<b>Total</b>	<b><u>- 540 622</u></b>	<b><u>-2 632 140</u></b>

Unit: Euros

## 15.1 Defined benefit pension plan

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

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

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

P = Monthly retirement pension;

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

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

PSS = Pension calculated according to the rules of the general social security scheme, considering time of service after 31/12/2005 up to retirement;

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

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

According to the actuarial study conducted by the holding company of this Pension Fund – BPI Vida e Pensões, Companhia de Seguros S.A., the present value of liabilities for past service of active and retired staff, transferred from the former CTT and integrated into ANACOM was estimated at 32,208,268 euros as at 31 December 2019.

The actuarial study was based on the following assumptions:

**Table 6.20 - Assumptions of the actuarial study**

	<u>2019</u>	<u>2018</u>
Annual discount rate	1.00%	1.5%
Annual growth rate of salaries		1.50%
Annual growth rate of pensions		1.00%
Growth rate of the social support index (IAS)		1.25%
Salary revaluation rate		1.50%
Calculation of the Social Security pensions	Considering the application of Decree-Law 187/2007 of 10 May and Decree-Law 167-E/2013 of 31 December	
Social Security normal retirement age	66 years old and four/five months, in 2018 and 2019, respectively. For the following years, the Eurostat projections for the Portuguese population were considered	
Growth rate of salaries for purposes of calculating social security pensions		0.50%
Seniority payments	The seniority payments for the normal retirement age were projected	
Staff turnover rate	Due to the lack of any reliable statistics, from a prudent perspective, a staff rotation of 0% was considered	
Active life decrements	Due to death and disability	
Disability table	Swiss EKV80 table	
Mortality table	French TV 88/90 table	

The effect on the liabilities of the change to the discount rate in 2019 was an increase of this value by 1,899,323 euros, which was directly recorded under equity.

In 2019 and 2018, the value of the liabilities recognised in the balance sheet is as follows:

**Table 6.21 - Recognised liabilities**

	<u>2019</u>	<u>2018</u>
Present value of the liabilities	32 208 268	30 269 523
Fair value of the Fund's assets	<u>24 903 423</u>	<u>23 676 111</u>
<b>Surplus/(Deficit)</b>	<b><u>-7 304 845</u></b>	<b><u>-6 593 412</u></b>

Unit: Euros

The movement occurred in 2019 and 2018, in the present value of the liabilities underlying the pension plan was as follows:

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

	<u>2019</u>	<u>2018</u>
<b>As at 1 January</b>	<b>30 269 523</b>	<b>29 602 387</b>
Cost of current services	442 115	414 335
Cost of interest	453 706	549 170
Expected payment of benefits	- 929 149	- 982 936
Changes in assumptions	1 899 323	1 322 281
Other actuarial (gains)/losses	<u>72 750</u>	<u>- 635 714</u>
<b>As at 31 December</b>	<b><u>32 208 268</u></b>	<b><u>30 269 523</u></b>

Unit: Euros

In 2019 and 2018, the value of the fund linked to this plan evolved as follows:

**Table 6.23 - Value of the fund**

	<u>2019</u>	<u>2018</u>
<b>As at 1 January</b>	<b>23 676 111</b>	<b>25 767 378</b>
ANACOM contributions	223 109	212 559
Employee contributions	141 096	144 844
Benefits paid	-1 040 408	- 941 565
Real return on the funds's assets	<u>1 903 515</u>	<u>-1 507 105</u>
<b>As at 31 December</b>	<b><u>24 903 423</u></b>	<b><u>23 676 111</u></b>

Unit: Euros

The effect on the income statements for 2019 and 2018 arising from this plan is as follows:

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

	<u>2019</u>	<u>2018</u>
Cost of current services	442 115	414 335
Cost of interest	453 706	549 170
Employee contributions	- 141 096	- 144 844
Expected return of the fund's assets	<u>- 354 805</u>	<u>- 477 839</u>
<b>Total including personnel costs and/or (other income and gains)</b>	<b><u>399 920</u></b>	<b><u>340 822</u></b>

Unit: Euros

The effect of the actuarial gains and losses recorded directly in equity for 2019 and 2018 is as follows:

**Table 6.25 - Effect on equity**

	<u>2019</u>	<u>2018</u>
Change in the discount rate	1 899 323	1 322 281
Difference between the real and estimated return on the fund's assets	-1 548 710	1 984 944
Other actuarial (gains)/losses	<u>184 009</u>	<u>-677 085</u>
<b>Total reduction (increase)</b>	<b><u>534 622</u></b>	<b><u>2 630 140</u></b>

Unit: Euros

It is also important to highlight the fact that the real yield of the Fund was positive, by approximately 9%, which, combined with the negative effect arising from the change of the discount rate and the effect of the other impacts arising from the differences between the initial estimates of the study and the actual results, meant that the funding gap widened from 6,593,412 euros in 2018 to 7,304,845 euros in 2019 (+711,433). This corresponds to a 77% coverage of the liabilities, which is still 18% above the minimum required by the *Autoridade de Supervisão de Seguros e Fundos de Pensões* (ASF – Insurance and Pension Funds Supervisory Authority).

In 2019 and 2018, the relative weight of the assets comprising the pension plan fund, by nature, was as follows:

**Table 6.26 - Assets by nature**

	<u>2019</u>	<u>2018</u>
Bonds	59.3%	59.2%
Liquidity	1.2%	3.3%
Shares	31.2%	27.5%
Real estate properties	0.5%	0.7%
Absolute return	7.8%	9.3%
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

## 15.2 Defined contribution plan

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

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

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

In 2019 and 2018, the value of the defined contributions made by ANACOM to the Retirement Pension Plan in question amounted to 314,007 euros and 311,216 euros, respectively, being recorded in "Personnel costs".

## 15.3 Defined benefit healthcare plan

As at 31 December 2018, there were 77 ANACOM employees (active and retired) who were not covered by Social Security healthcare or benefits schemes. Instead, their health scheme is covered by the Instituto de Obras Sociais dos CTT (CTT's Institute for Social Works – IOS) and by PT-ACS. This namely includes medical care, medication, hospital admission,

auxiliary diagnostic tests and nursing services, in addition to other social benefits, under an agreement between IOS and ANACOM.

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

According to the actuarial study by the consultant Willis Towers Watson, the present value of the liabilities related to healthcare, as at 31 December 2019 and 31 December 2018, stood at 2,141,000 euros and 2.166,000 euros, respectively.

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

Table 6.27 - Actuarial assumptions	2019	2018
Annual discount rate	1.00%	1.50%
Inflation rate		2.00%
Monthly payment per participant		156.62
Disability table		50% EKV 80
Mortality table		TV 88/90
Retirement age	66 years old + number of months in force	

Furthermore, the following assumptions were also considered:

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

In this financial year, the actuarial assumption of the discount rate used was adjusted from 1.5% to 1%, reflected in the liabilities having increased by 123,000 euros.

In 2019 and 2018, the value of the liabilities recognised in the balance sheet was as follows:

**Table 6.28 - Recognised liabilities**

	<u>2019</u>	<u>2018</u>
Present value of the liabilities		
Active and dependant	1 017 000	1 100 000
Retired and dependant	<u>1 124 000</u>	<u>1 066 000</u>
<b>Total</b>	<b><u>2 141 000</u></b>	<b><u>2 166 000</u></b>

Unit: Euros

The movement occurred in 2019 and 2018, in the present value of the liabilities underlying the medical care plan was as follows:

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

	<u>2019</u>	<u>2018</u>
<b>As at 1 January 2019</b>	<b>2 166 000</b>	<b>4 283 000</b>
Cost of current services	24 394	58 273
Cost of interest	32 000	78 000
Payment of benefits by ANACOM	-87 394	-89 273
Change in plan	0	-2 166 000
Change in assumptions	123 000	97 000
Other actuarial (gains)/losses	<u>-117 000</u>	<u>-95 000</u>
<b>As at 31 December 2019</b>	<b><u>2 141 000</u></b>	<b><u>2 166 000</u></b>

The effect on the income statements for 2019 and 2018 arising from this plan was as follows:

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

	<u>2019</u>	<u>2018</u>
Cost of current services	24 394	58 273
Cost of interest	32 000	78 000
Change in plan	<u>0</u>	<u>-2 166 000</u>
<b>Total included in Personnel costs</b>	<b><u>56 394</u></b>	<b><u>(2 029 727)</u></b>

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

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

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

The effects of the actuarial gains and losses recorded directly in equity for 2019 and 2018 were as follows:

**Table 6.31 - Effect on equity**

	<u>2019</u>	<u>2018</u>
Change in discount rate	123 000	97 000
Demographic changes	-111 000	-47 000
Changes in estimates	<u>-6 000</u>	<u>-48 000</u>
<b>Total included in the heading of Equity</b>	<b><u><u>6 000</u></u></b>	<b><u><u>2 000</u></u></b>

## 16. State and other public entities

In 2019 and 2018, the balances payables to the “State and other public entities” was detailed as follows:

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

	<u>2019</u>	<u>2018</u>
Personal income tax	381 778	354 357
Value added tax	12 075	28 486
Social security	<u>390 294</u>	<u>375 829</u>
<b>Total</b>	<b><u><u>784 147</u></u></b>	<b><u><u>758 672</u></u></b>

Unit: Euros

## 17. Other payables

In 2019 and 2018, the heading of “Other payables” was detailed as follows:

**Table 6.33 - Other payables**

	<u>2019</u>	<u>2018</u>
	<u>Current</u>	<u>Current</u>
<b>Investment suppliers</b>		
General suppliers	1 081 860	523 402
<b>Accrued costs</b>		
Remunerations	3 420 554	2 940 066
Insurance payable	- 3 106	4 031
DTT contribution	-	1 947 838
Other	27 251	11 052
<b>Other payables</b>		
Regulation fees to be refunded	6 594	6 594
Miscellaneous payables	47 976	81 431
<b>Total</b>	<u><u>4 581 129</u></u>	<u><u>5 514 414</u></u>

Unit: Euros

The heading of “Investment suppliers” primarily refers to the acquisition of equipment and materials incorporated in the tangible fixed assets and intangible assets in progress, with the increase having been driven essentially by the high value of acquisitions made in December 2019, the payments of which will take place in 2020.

The heading of “Remunerations” includes the liability undertaken by ANACOM in relation to holidays and holiday allowances, which were calculated based on the remuneration received in the last month of 2019 and the projected growth of wages and career progression in 2020.

The heading of “Insurance” includes the amount payable for insurance policies taken out by ANACOM related to the annuity of 2019, the payment of which will take place subsequently.

The heading “DTT contribution”, which included a value related to a contribution payable under the change of the consignment of radio channels for the DTT service, was paid-up in 2019, in compliance with the provisions established in Ordinance 587/2019 of 6 September.

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

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

## 18. Depreciation and amortisation costs/reversals

In 2019 and 2018, this heading was broken down as follows (Notes 7 and 8):

**Table 6.34 - Depreciation and amortisation costs**

	<b>2019</b>	<b>2018</b>
<b>Depreciation of the tangible fixed assets</b>		
Buildings and other constructions	223 172	226 667
Basic equipment	846 177	916 038
Transport equipment	17 153	5 398
Administrative equipment	333 957	247 120
Other tangible fixed assets	42 758	37 408
	<u>1 463 217</u>	<u>1 432 631</u>
<b>Amortisation of the intangible assets</b>		
Software	655 808	800 470
<b>Total</b>	<b><u>2 119 025</u></b>	<b><u>2 233 101</u></b>

Unit: Euros

## 19. Sponsorships

ANACOM granted the following sponsorships in 2019, for the amounts shown:

**Table 6.35 - Sponsorships**

Entity	Initiative	Cost with attributed value
		2019
<i>Associação Empresarial de Comunicações de Portugal (ACIST)</i>	Sponsorship and Cooperation Agreement	15 346
<i>Associação Portuguesa para o Desenvolvimento das Comunicações (APDC)</i>	Sponsorship and Cooperation Agreement	30 693
Portuguese Committee of URSI – International Union of Radio Science	ANACOM-URSI Portugal Award (2019 edition)	4 000
Portuguese Committee of URSI – International Union of Radio Science	Best Student Paper Award (2019 edition)	1 000
		<b>51 039</b>

Unit: Euros

Pursuant to its Statutes, it is incumbent upon ANACOM to pursue purposes of public interest, where the award of grants is an indirect form of achieving this aim. This is likewise the case of collaborating with other public and private bodies to promote applied scientific research in communications. Furthermore, ANACOM encourages the dissemination of the regulatory framework in force and its powers, duties and initiatives, as well as the rights and obligations of the entities that benefit from its activity and of the end users [article 8, number 1, subparagraph r) and s), and article 14 of the Statutes].

ANACOM has awarded sponsorships grants since 1996. These 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 guidelines, approved on 18 August 2006, with the sponsorships not yet being considered in detail.

ANACOM received 30 requests for sponsorship during 2019, with 4 of these having been, 14 having been rejected, 8 having missed the opportunity, and 4 having been carried over to 2020.

Of the 4 grants awarded, two refer to cooperation and sponsorship agreements made in 2018, at that time still under the rules defined in 2006, signed with the *Associação Empresarial de Comunicações de Portugal* (Portuguese Communications Business Association – ACIST), effective from 1 January 2019 to 31 December 2020, and signed with the *Associação Portuguesa para o Desenvolvimento das Comunicações* (Portuguese Association for the Development of Communications – APDC), in force from 1 July 2018 to 31 December 2020.

The value of the sponsorship awarded by ANACOM to the ACIST was allocated to various activities, partially covering the implementation costs, having offered, in exchange, visibility, participation and disclosure of information about telecommunications infrastructure in buildings (ITED), telecommunications infrastructure in housing developments, urban settlements and concentrations of buildings (ITUR), digital terrestrial television (DTT) and 5G, in conformity with the aims underlying the granting of the sponsorship: (i) Seminar about digital terrestrial television “*TDT – Passo Inclusivo?*” (DTT – Inclusive Step?); (ii) Information on DTT; (iii) XXIII National Meeting of SME of the Telecommunications Sector “*Inovação e TICs vs Desenvolvimento Sustentável*” (Innovation and Information and Communication

Technology versus Sustainable Development); (iv) disclosure of information on ITED/ITUR and 5G.

The value of the sponsorship awarded by ANACOM to the ACIST was allocated to various activities, partially covering the implementation costs, having offered, in exchange, visibility, participation, advertising and disclosure of contents, in conformity with the aims underlying the granting of the sponsorship: (i) Digital Business Breakfast «Powering the Circular Economy of the Future»; (ii) Digital Business Breakfast «*O Futuro da Indústria Automóvel*» (The Future of the Automobile Industry); (iii) WSA Global Congress; (iv) Conference «Nearshoring & Human Talent – Portugal as an attractive services hub»; (v) 29th Digital Business Congress «The Future of Business»; (vi) Digital Business Breakfast «*O Futuro do Sector Financeiro*» (The Future of the Financial Sector); (vii) Journal «*Comunicações*» (disclosure of information and advertising); (viii) APDC Platforms - Website, Newsletters (disclosure of information).

In addition to this support, a sponsorship was also granted to the *Associação Observatório Aero Espacial Amadores Satélite* (Satellite Amateurs Airspace Observatory Association – AMSAT-CT), in the form of an institutional sponsorship (with no value attributed), embodied in the provision of a diagram of distribution of the radiocommunications services across the spectrum.

The total value of the sponsorships also includes another related process, ANACOM-URSI Portugal research award and the Best Student Paper Award, granted through the Portuguese Committee of the International Union of Radio Science (URSI).

Finally, the topics covered by sponsored initiatives focus on electronic communications, radiocommunications, telecommunications infrastructure in buildings (ITED) and telecommunications infrastructure in housing developments, urban settlements and concentrations of buildings (ITUR).

## 20. Interest and similar income

In 2019 and 2018, this heading is broken down as follows:

<b>Table 6.36 - Interest and similar income</b>		
	<b>2019</b>	<b>2018</b>
Late payment interest	25 658	23 069
Interest on financial investments	12 312	6 640
<b>Total</b>	<b>37 970</b>	<b>29 709</b>

Unit: Euros

The product made available by the *Instituto de Gestão do Crédito Público* (Public Credit Management Institute - IGCP), the special short-term debt certificates (CEDIC), had a remuneration rate 0% during the entire year of 2019, which is why ANACOM decided to keep the existing surplus cash in a current account. The increase occurred in the heading of "Interest on financial investments" is explained by the fact that, just as in the previous year, on an exceptional basis and under remunerated proposal of the IGCP, a financial investment was made during the last days of the year, covering a higher number of days than in 2018.

## 21. Commitments

### Commitments regarding the purchase of assets

As at 31 December 2019, approximately 585,265 euros were under contracts, including VAT (2018: 1,331,008 euros), for the acquisition of tangible fixed assets and intangible assets, of which 69,270 euros (2018: 258,850 euros) have already been paid.

### Commitments regarding operating leases

In 2019 and 2018, the minimum value of future rents payable under non-cancellable operating leases was as follows:

<b>Table 6.37 - Operating lease commitments</b>		
	<b>2019</b>	<b>2018</b>
Up to 1 year	1 561 078	1 484 416
1 to 5 years	4 728 312	336 487
<b>Total</b>	<b>6 289 390</b>	<b>1 820 903</b>

Unit: Euros

In 2019 these rents refer to: (i) the lease of a building and part of another on Av. José Malhoa where ANACOM's head office is located, with the amount payable being 6,103,518 euros; (ii) the lease of nine plots of land where the SINCRER remote stations are installed, with the amount payable being 86,404 euros; (iii) the lease of 12 vehicles, under vehicle operating lease contracts for periods ranging between 48 and 54 months, with the contracts ending in 2010, and amount payable being 28,901 euros, not including the option to purchase; and (iv) the operating lease of printing and copying equipment, with the amount payable being 70,567 euros.

In 2019, the heading "External supplies and services" records expenses incurred in relation to the aforesaid operating leases amounting to 1,518,404 euros (of which 1,232,198 euros refer to the rental of buildings, 27,152 euros refer to the rental of land, 183,024 euros refer to vehicle operating leases, and 76,030 euros refer to the operating lease of printing and copying equipment). The value recorded in 2018 was 1,568,814 euros.

## **22. 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.

## **23. Contingencies**

### **23.1 Guarantees**

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

### **23.2 Contingent liabilities**

#### Judicial proceedings

As at 31 December 2019, ANACOM faced legal proceedings brought by operators in the context of its regulatory activity for which the Board of Directors did not consider it necessary to constitute provisions, as the amounts sought were not indicated in the lawsuits and there were no credible estimates to support their constitution.

### **23.3 Contingent assets**

As at 31 December 2019, legal proceedings for compensation were underway following an incident that occurred some years previously that affected the philatelic property, as mentioned in Note 8. ANACOM estimates that the compensation payment will be around 377,273 euros. However, as at the reporting date there is still no confirmation that ANACOM will actually receive this sum.

## **24. Related parties**

### **24.1 Remuneration of the governing bodies**

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

During 2019 and 2018, the remuneration of the Board of Directors and Audit Committee was as follows:

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

	<u>2019</u>	<u>2018</u>
Board of Directors	777 548	811 556
Audit Committee/Statutory Auditor	<u>38 399</u>	<u>49 594</u>
<b>Total</b>	<b><u>815 947</u></b>	<b><u>861 150</u></b>

Unit: Euros

The current Chairman of the Board of Directors took office on 15 August 2017, having been appointed under the terms of Council of Ministers Resolution 120/2017, approved by the Prime Minister on 10 August and published on 4 September.

Pursuant to Council of Ministers Resolution 16/2018, approved by the Prime Minister on 8 February and published on 23 February, three new members of the Board of Directors were appointed, who began their duties on 9 February 2018. Moreover, a director appointed in 2015 for a term of office of six years (Council of Ministers Resolution 38-B/2015, approved by the Prime Minister and published on 23 July) still remains in office.

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

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

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

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

Regarding the supervisory body, Order 5723/2019 of 18 June 2019, issued by the Minister of Finance and the Undersecretary of State and of Communications, pursuant to number 1

of article 33 of the Statutes of ANACOM, appointed the Statutory Auditor of ANACOM, for a period of four years, non-renewable, taking effect on 1 May 2019. The monthly remuneration of the statutory auditor corresponds to  $\frac{1}{4}$  of the value established for the monthly salary of the Chairman of the Board of Directors, i.e. 2,063.75 euros (paid 12 times). Up to then, ANACOM had been supervised by an Audit Committee which remained in office up to that date.

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

Law 35/2012 of 23 August created the electronic communications universal service compensation fund referred to in number 2 of article 97 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 (FCSU) aims to finance the net costs arising from the provision of the universal service of electronic communications.

The operation of the FCSU observes the principles of transparency, non-discrimination, proportionality and minimum market distortion. The financing of the net costs of the universal service is based on their distribution among the companies that offer public communications networks and/or electronic communications and services accessible to the public, in Portugal. For this purpose, the compensation fund incorporates the contributions of these companies.

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

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

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

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

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

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

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

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

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

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

On 13 August 2015, the founders partially amended the Statutes of the FPC, establishing its current nature as a private and non-profit institution. Article 1 of the Statutes states that each institutor should annually endow the Foundation with the necessary support for the pursuit of its purposes of social interest, with article 21, point 2 establishing that this endowment is made by delivery of a value, during the month of January, aimed at supporting the operating expenses. This provision (point 2, paragraph 1) also states that "the operating expenses related to the personnel, who may be seconded or assigned by the Founders at the express request of the Foundation, will be included each year in the Foundation's budget, to be approved by the Board of Directors". Article 22 concludes that "the operating expenses of the Foundation, including the provision of employees as mentioned in the previous article, will be shared by the Founders, in accordance with the annual budget to be approved (...)".

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

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

**Table 6.39 - FPC costs**

	<u>2019</u>	<u>2018</u>
Contribution	158 084	171 502
Costs related to assigned personnel	278 835	264 139
Accrued costs (holidays, holiday allowance and pensions)	25 323	12 929
Other services rendered	-	2 146
<b>Total FPC costs</b>	<b><u>462 242</u></b>	<b><u>450 716</u></b>

Unit: Euros

The annual contribution made in 2019 followed the procedure established in article 13 of the State Budget Law for 2019 (Law 71/2018 of 31 December) and in Ordinance 260/2018 of 14 September (in 2019 an Ordinance was not published for this effect), with this value being limited by order of the Secretary of State for the Budget (SEO).

Pursuant to this Ordinance and the order of the Secretary of State for the Budget, the *Inspecção-Geral de Finanças* (IGF – Inspectorate General for Finance), at ANACOM's request, issued a favourable opinion on 19 December 2019 regarding the transfer to be made, having established a ceiling for overall costs incurred in relation to the Foundation.

Having complied with the legal formalities, ANACOM's Board of Directors decided, on 21 December 2018, to authorise the transfer of 158,000 euros to the Foundation.

## **25. Other relevant information**

### **25.1 Autoridade da Concorrência (AdC – Competition Authority)**

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

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

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

In 2019, ANACOM recorded the value of 5,979,432 euros under "Other costs" (2018: 5,620,788 euros), which was transferred to the AdC, on a monthly basis.

## **26. Information required by law**

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

## **27. Events after the reporting date**

Concerning events after the reporting date, we highlight the emergence of the epidemiological situation of the novel COVID-19. Furthermore, the declaration of state of emergency in Portugal, decreed through President of the Republic decree 14-A/2020 of 20 March, and in the meantime regulated by Decree-Law 2-A/2020 of 20 March, led to the approval of a new series of exceptional and extraordinary measures. In particular, these measures have affected circulation on public roads, and the operation or suspension of certain types of facilities, establishments and activities, aimed at containing the transmission of the virus and the spreading of the COVID-19 disease.

In the communications sector, under number 1 of article 2-A of Law 5/2004 of 10 February, it was necessary to safeguard the identification of the electronic communications services considered critical and the customers that should be considered priority, and to define exceptional and urgent measures that the companies offering electronic communications networks and services should adopt in order to assure the continuity of these services. Decree-Law 10-D/2020 of 23 March was published in this context, establishing exceptional and temporary measures for the COVID-19 disease epidemic related to electronic communications.

ANACOM's activity, under these exceptional circumstances, faced various consequences, namely: the approval and disclosure of the ANACOM COVID-19 Contingency Plan; the suspension of the face-to-face public attendance and treasury service at all facilities, including the library/documentation centre (in Lisbon); the suspension of the DTT migration

process; the suspension of the auction public consultation process on the regulation of the auction of the spectrum associated to 5G.

A further consequence of this pandemic and following Government guidelines (embodied namely in article 6 of Decree 2-A/2020 of 20 March, which determines the compulsory “adoption of telework arrangements, irrespective of the type of employment contract, whenever permitted by the duties in question”), the great majority of ANACOM's employees (about 90%) have shifted to working from home under a telework arrangement.

Alongside this, under its duties of assisting the Government, ANACOM henceforth monitors the provision of electronic communication services and postal services on an ongoing daily basis. ANACOM has strengthened its articulation with the civil protection authorities and proposed measures aimed at adapting the legislation to the pandemic situation, with a view to protecting the consumers, especially the more critical and vulnerable. The above has taken place in addition to the measures that ANACOM is preparing and has approved under its own powers.

The Financial and Administrative Director

*Fernando Carreiras*

The Board of Directors

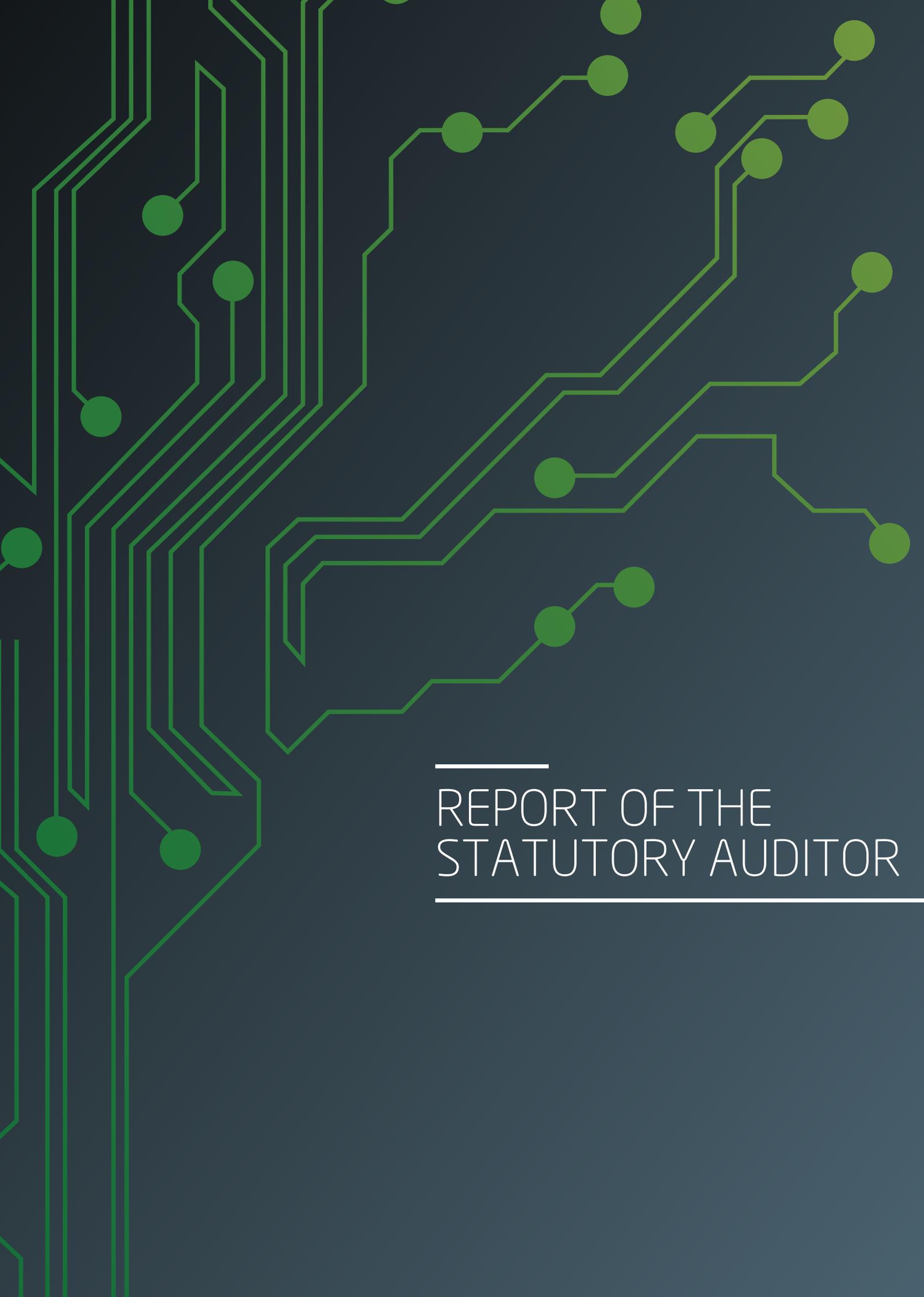
*João António Cadete de Matos*

*João Miguel André Monteiro Coelho*

*Isabel Maria Guimarães de Oliveira Rodrigues Areia*

*Paula Cristina Meira Lourenço*

*Sandro Miguel Ferreira Mendonça*



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REPORT OF THE  
STATUTORY AUDITOR

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## Report of the statutory auditor

### REPORT AND OPINION OF THE STATUTORY AUDITOR

In compliance with the provisions in subparagraph b) of number 1 of article 34 of the Statutes of **ANACOM – AUTORIDADE NACIONAL DE COMUNICAÇÕES** (“Entity”), and all other applicable legislation, in the capacity of Statutory Auditor of this Entity, we hereby submit our Report and Opinion on the accounts and Management Report presented by the Board of Directors, for the year ended on 31 December 2019.

We analysed the Management Report drawn up by the Board of Directors and the accounts for the year ended on 31 December 2019, including the Balance Sheet, the Income Statement by Nature, the Statement of Changes in Equity, the Statement of Cash Flows and the respective Notes to these financial statements.

As a whole, these documents suitably reflect the Entity's business evolution and comply with the requirements arising from the applicable legislation.

As Statutory Auditor, and pursuant to the requirements in subparagraph b) of number 1 of article 34 of the Entity's Statutes, we hereby issue the Legal Certification of the Accounts, without reservations and with one emphasis relative to the described effects derived from the declaration of the state of COVID-19 pandemic on the Entity's activity. A paragraph on Other Matters was also included, due to the fact that the financial statements relative to 31 December 2018 were audited by another Audit Firm.

We also analysed the proposed appropriation of net income submitted by the Board of Directors, and believe that it is balanced and compliant with the applicable legal precepts.

Accordingly, we believe that the documents referred to above enable, when read as a whole, a good understanding of the financial situation of **ANACOM – AUTORIDADE NACIONAL DE COMUNICAÇÕES**, as at 31 December 2019, and meet the legal and statutory requirements. As is incumbent on us, we also issue our opinion as to the measurement criteria used by the Entity, which are describes in the Notes.

In view of our work, and in conformity with the above, we are of the opinion that the State, as the sole holder of the assets of **ANACOM – AUTORIDADE NACIONAL DE COMUNICAÇÕES**:

- (a) Should approve the Management Report, the Balance Sheet, the Income Statement by Nature, the Statement of Changes in Equity, the Statement of Cash Flows and the respective Notes, relative to the financial year ended on 31 December 2019, submitted by the Board of Directors;

- (b) Appraise the Proposed Appropriation of Net Income, expressed by the Board of Directors in its Management Report, which is in conformity with the applicable legal and statutory provisions;
- (c) Proceed with the general appraisal of the Entity's Management and Supervision.

Lisbon, 6 April 2020

**THE STATUTORY AUDITOR**

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

Represented by:

Vítor Manuel Batista de Almeida

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

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# LEGAL CERTIFICATION OF THE ACCOUNTS

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## Legal certification of the accounts

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the financial statements of **ANACOM – AUTORIDADE NACIONAL DE COMUNICAÇÕES**, (the Entity), which cover the balance sheet as at 31 December 2019 (showing a total of 268,452,742 euros and a total equity of 142,788,423 euros, including a net income of 36,906,834 euros), the income statement by nature, the statement of changes in equity and the statement of cash flows relative to the end ended on that date, and the notes to the financial statements which include a summary of the significant accounting policies.

In our opinion, the financial statements attached herewith present a true and fair portrayal, in all material aspects, of the financial position of ANACOM, as at 31 December 2019, and its financial performance and cash flows for the year ended on that date, in accordance with the Accounting and Financial Reporting Standards (NCRF) endorsed in Portugal through the Accounting Standardisation System (SNC).

#### BASIS FOR OUR OPINION

Our audit was conducted in accordance with the International Standards on Auditing (ISA) and other technical and ethical standards and guidelines of the Portuguese Institute of Statutory Auditors (OROC). Our responsibilities pursuant to these standards are described in the “Responsibilities of the auditor for the audit of the financial statements” section below. We are independent from the Entity under the terms of the law and we have complied with all the other ethical requirements of the code of ethics of the Portuguese Institute of Statutory Auditors (OROC).

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

#### EMPHASIS

In point 27 of the Notes to the financial statements, the management body describes the impacts generated by the appearance of the COVID-19 pandemic on the communications sector, as well as the measures that have

been taken in the meantime. In this regard, it is not expected that the existing situation should affect the Entity's operation as a going concern. Our opinion remains unchanged in relation to this matter.

## **OTHER MATTERS**

As we were only appointed as Statutory Auditor of the Entity on 4 June 2019, the financial statements relative to the year ended on 31 December 2018 were audited by another Audit Firm, which expressed an opinion on these financial statements on 29 April 2019, without any reservation or emphasis.

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

The management body is responsible for the:

- preparation of financial statements that present a true and fair portrayal, in all material aspects, of the financial position, financial performance and cash flows of the Entity in accordance with the Accounting and Financial Reporting Standards (NCRF) endorsed in Portugal through the Accounting Standardisation System (SNC);
- production of the management report under the applicable legal and regulatory terms;
- creation and maintenance of an appropriate internal control system to enable the preparation of financial statements that are free of material misstatement due to fraud or error;
- adoption of accounting policies and criteria that are appropriate under the circumstances; and
- appraisal of the Entity's capacity to continue as a going concern, disclosing, when applicable, any issues that could raise significant doubt as to the continuity of the activities.

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

Our responsibility is to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatements due to fraud or error, and issue a report presenting our opinion.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or together, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we make professional judgments and maintain professional scepticism throughout the audit, and also:

- identify and assess the risks of material misstatement of the financial statements, due to fraud or error, we design and implement audit procedures to overcome these risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud can involve connivance, falsification, deliberate omissions, false statements or overlap of internal control;
- obtain an understanding of the relevant internal control for the audit, aimed at designing audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Entity;
- assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by the management body;
- conclude on the appropriateness of the use, by the management body, of the going concern assumption and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could raise significant doubt as to the Entity's capacity to ensure the continuity of its activities. If we conclude that there is a material uncertainty, our report should draw attention to the related disclosures included in the financial statements or, if these disclosures are not appropriate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions could lead the Entity to discontinue its activities;
- appraise the presentation, structure and content of the financial statements as a whole, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner achieving an appropriate presentation;
- inform those in charge of governance of various issues, such as the scope and planned timeline of the audit, and the significant conclusions of the audit, including any significant flaw of internal control detected during the audit.

Our responsibility also includes verification of the concordance of the information presented in the management report with the financial statements.

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

### **ON THE MANAGEMENT REPORT**

In compliance with article 451, number 3, subparagraph e) of the Commercial Companies Code, we are of the opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, the information contained therein is concordant with the audited financial statements and, in view of the knowledge and appraisal on the Entity, we did not detect material incorrections.

Lisbon, 6 April 2020

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

Represented by:

Vitor Manuel Batista de Almeida

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



**Lisboa (Sede/Headquarters)**  
Av. José Malhoa, 12  
1099 - 017 Lisboa  
Portugal  
Tel: (+351) 217211000  
Fax: (+351) 217211001

**Açores**  
Rua dos Valados, 18 - Relva  
9500 - 652 Ponta Delgada  
Portugal  
Tel: (+351) 296302040

**Madeira**  
Rua Vale das Neves, 19  
9060 - 325 S. Gonçalo - Funchal  
Portugal  
Tel: (+351) 291790200

**Atendimento ao Público (Public Attendance)**  
800206665  
info@anacom.pt

[www.anacom.pt](http://www.anacom.pt)