ANNUAL REPORT AND ACCOUNTS '18

ANACOM

AUTORIDADE NACIONAL DE COMUNICAÇÕES

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NOTE FROM THE BOARD OF DIRECTORS

Mission

The mission of the *Autoridade Nacional de Comunicações* (National Communications Authority - ANACOM) is to regulate the communications sector, including electronic and postal communications and, without prejudice to its nature as an independent administrative entity, to assist the Government in these areas.

Values

The institutional values defined by ANACOM to support the fulfilment of its mission are:

Independence - to fulfil its mission independently, impartially and rigorously in relation to all interested parties operating in the market. To be impartial in its performance and in the defence of consumers and to provide regular information on its performance.

Transparency - to act transparently in the exercise of its functions and in the conduct of its operations. To be transparent in decision-making, vis-à-vis market players and the general public, in particular consumers of electronic communications and postal services. To actively involve all stakeholders in the regulatory activity. Its decisions are shared, proportionate and consistent.

Excellence - to be governed by the pursuit of excellence and technical rigor in the performance of its mission. To seek excellence through competence, professionalism and continuous improvement, anticipating the evolution of the sector and the market.

Team culture - to promote an attitude of cooperation and permanent support, fostering synergies, sharing experiences, opinions and resources. To belong to an organization in which each employee counts. Because this is the only way to make great teams.

Note from the Board of Directors

In 2018, ANACOM carried out its mission of regulating the communications sector with the objective of fully ensuring the sustained development of the sector, the promotion and defence of competition, and the protection of the rights and interests of consumers and other users.

ANACOM based its regulatory action on a rigorous analysis of the problems and challenges of postal and electronic communications in our country, and its decisions were preceded by a consultation of all interested parties. Thus, ANACOM carefully considered all the contributions received from communications services providers, from consumer organizations, and from all the users who participated in the public consultations promoted by ANACOM, in response to the appeal to make them more and more participatory, diversified and inclusive.

ANACOM also fostered frequent interaction with Parliament and the Government and has given particular attention to issues related to territorial cohesion, for which purpose it has established close links with regional governments and local authorities.

The complete coverage of the country with fixed and mobile broadband Internet, a substantial improvement in the quality of the universal postal service, overcoming difficulties in receiving DTT, strengthening the resilience and safety of networks in the event of fire, and replacing submarine cables linking mainland Portugal to the Autonomous Regions of the Azores and Madeira and the various islands, were among the stated priorities which justified concrete actions on the part of ANACOM.

As has been emphasized in several initiatives and decisions, striving for these objectives is essential to the modernization of the country and to the pursuit of balanced and inclusive development. This requires greater sharing of infrastructure and the encouragement of co-investment, which will help to create sustainable and resilient investments, to improve the quality of the services provided, and to provide competitive prices.

These options are involved in enabling communications to reach all locations, including those with very low population density, and are an important sustainability factor for the implementation of 5G.

The following five activities carried out by ANACOM in 2018 stand out for their importance to the development of communications in Portugal:

- The extensive work carried out within the postal sector, with a view to boosting the quality of the universal postal service and ensuring a better response to people's needs. In particular, the definition of new universal service quality indicators that CTT will have to meet in 2019 and 2020, a process which was accompanied by the introduction of changes to the system for measuring quality of service indicators, to make them more robust and reliable. ANACOM also approved the maximum change in the prices of the mail, parcels and newspaper services for the 2019-2020 period and went ahead with the analysis that allowed it to adopt a draft decision in early 2019 on the revision of the postal network density targets and minimum provision of services to be met by CTT.
- The coordination of the Working Group on "Forest Fires - Measures for the Protection and Resilience of Electronic Communications Infrastructure", which produced a detailed report that specified 27 measures designed to increase the protection and resilience of electronic communications infrastructure, particularly in the event of forest fire, while their implementation requires the involvement of several entities.
- A set of actions aimed at helping to solve problems of consumer dissatisfaction with electronic communications expressed in a large number of complaints. Accordingly, ANACOM advised operators not to charge their subscribers anything for the provision of non-detailed invoices or with a minimum of detail, either on paper or on any other medium, and defined the minimum level of detail and information to be included in the invoices that electronic communications operators must provide free of charge to subscribers requesting detailed billing, including information on the date on which the loyalty period ends and the charges to be borne by the customer if they wish to terminate the contract on the invoice issue date. ANACOM also defined the requirements that operators must meet regarding the complaints that their customers send via the physical or electronic complaints book and approved amendments to the Portability Regulation to solve the problem of high rejection of portability requests.
- To ensure users' free choice of content, applications and services available through Internet access, ANACOM has mandated operators to change one set of offers, known as zero rating offers and similar ones, which violated network neutrality and roaming rules.
- In addition, due to the impact it will have on the development of the sector in the coming years, work related to the preparation, approval and implementation of the roadmap for the clearance and assignment of the 700 MHz band, necessary for the development of the 5th generation mobile network under international agreements and European Parliament and Council decisions.

At the same time, ANACOM paid special attention to regular activities related to spectrum monitoring and management, the inspection and monitoring of postal and electronic communications, customer service and information, publication of statistics, litigation activity, and national and international cooperation, in particular with various regulators and regulator groups, with special emphasis on cooperation and dialogue with European counterparts and Portuguese-speaking countries.

It is worth mentioning that in 2018 the Chair of ANACOM was Vice-Chair of the European Regulators Group for Postal Services (ERGP), and he will be chair of this body in 2019.

By decision of the Government, ANACOM was temporarily granted the responsibility of Space Authority in the context of the approval of the regime of access and exercise of space activities based in Portugal.

ANACOM's activity in 2018 was only possible thanks to the high level of dedication and professionalism of its employees, which the Board of Directors sought to properly value and encourage. In 2018, a crucial factor was the approval of a new organizational model, which aims to make ANACOM work more efficiently and contribute to the greater motivation of its employees, underpinned by a human resources management policy based on criteria of justice, career opportunities and the rewarding of merit and performance.

Financial management in 2018

ANACOM conducted its operations in 2018 by pursuing strict management in terms of expenditure containment, particularly with respect to the purchase of goods and services. It should be noted that over the last seven years the value of these expenses has been reduced by approximately 4 million euros, or almost 33%.

The need to modernize the information and monitoring systems justified increasing investment in 2018, which stood at 2.5 million euros, a growth of 3% over the previous year.

ANACOM's revenues amounted to 98.4 million euros, which is 8% more than in the previous year, mainly due to an increase in fees for the use of frequencies and regulation fees, while expenditure amounted to 54.8 million euros, that is to say, in line with that of the previous year. However, if we ignore the increase in the provision for legal proceedings in progress, impairments and amortization/depreciation, the reduction in spending was 3%.

The Income Statement at the end of 2018 reported a profit of 43 529 000 euros, about 21% higher than in 2017.

The Board of Directors

João Cadete de Matos

João Miguel Coelho

Isabel Areia

Paula Meira Lourenço

Sandro Mendonça

ANACOM Corporate Bodies

ANACOM corporate bodies include the Board of Directors (BoD) and the Statutory Auditor.

The BoD is responsible for determining and implementing ANACOM's activity and for managing its services. The Statutory Auditor is responsible for verifying the legality, regularity and sound financial and patrimonial management of ANACOM and for consulting the Board of Directors in these areas.

Board of Directors

Chair

João Cadete de Matos

Vice-Chair

João Miguel Coelho

Members

Isabel Areia

Paula Meira Lourenço

Sandro Mendonça

Statutory Auditor

The Statutory Auditor is responsible for checking the legality, orderliness and sound financial and asset management of ANACOM and for consulting the Board of Directors (BoD) in these areas.

Until the appointment of the Statutory Auditor, which should be done by order of the members of the Government responsible for the areas of finance and communications, the Audit Committee remains in office on the date of entry into force of the articles of association:

Henrique Armando Antunes Ferreira, Chair

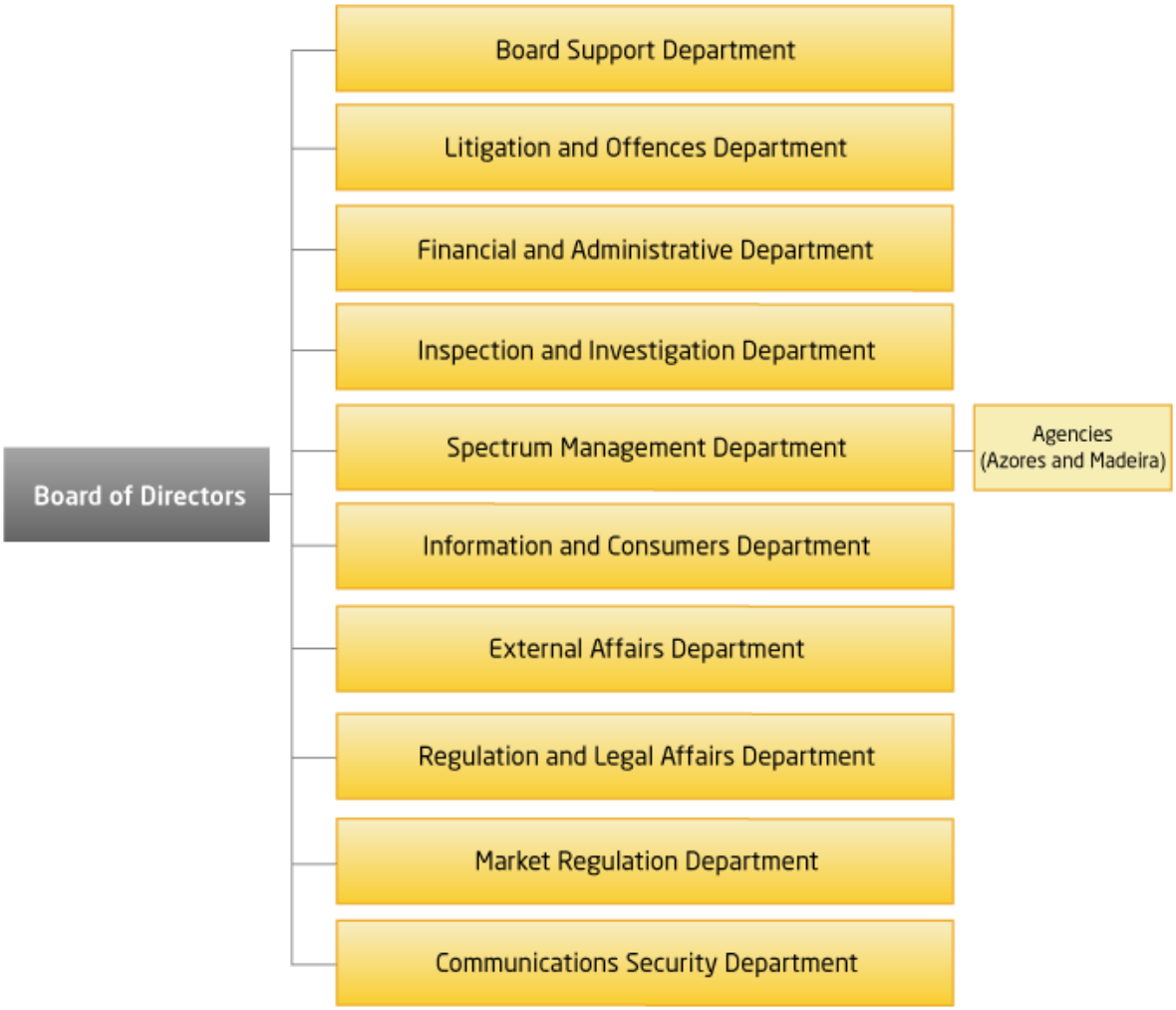
OLIVEIRA, REIS & ASSOCIADOS, SROC, Lda.

Represented by

Joaquim Oliveira de Jesus, Member

Duarte Nuno de Carvalho Gomes de Castro, Member

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

HUMAN RESOURCES

Human Resources

The development and motivation of employees were two strategic lines of action within ANACOM's internal management in 2018, with notable actions undertaken in the following areas:

- definition and implementation of ANACOM's teleworking policy, within the reinforcement of measures that promote balance between the employees' professional, family and personal life;
- promotion of new training programs and development of transversal, technical and functional skills and leadership and management skills;
- involvement and participation of staff in several multidisciplinary projects, in a collaborative approach of knowledge sharing in the quest for new ideas and solutions;
- resumption of the career development and salary progression system following the approval of Law 114/2017 of 29 December - State Budget Law for 2018 (LOE 2018), linked to the recognition of merit of employees;
- launch of the project to create an integrated information system with a view to the dematerialization of human resources processes, in the context of initiatives for the digital transformation of the organization.

1.1. Number and qualification

At the end of 2018, the breakdown of the distribution of ANACOM's workforce was as shown below:

Table 1.1 – Human resources deployed

	2018	2017	2016
1 - Permanent staff	397	403	400
2 - Requisitioned by ANACOM	0	0	0
3 - Providing services in other entities	12	14	12
4 - Fixed term contracts	0	0	0
5 - Human resources used = (1)+(2)-(3)+(4)	385	389	388

In 2018, eleven contracts were terminated, of which nine were on the initiative of the employee, and two were due to retirement. On the other hand, following external selection processes started in 2017, based on identified needs and under specified rules, three senior managers were recruited. There was thus a reduction in the number of employees.

The employee structure in terms of professional qualification levels did not change significantly from previous years, either. It should be noted that two technicians were recruited under the *Programa de Regularização Extraordinária dos Vínculos Precários na Administração Pública* (Programme for the Extraordinary Settlement of Insecure Employment in Public Administration - PREVPAP).

Table 1.2 – Qualification levels

	2018	2017	2016
Upper management	237	242	240
Middle management	127	126	127
Skilled professionals	13	13	13
Semi-skilled professionals	8	8	8
Total	**385**	**389**	**388**

1.2. Training and development

The continuous encouragement of the development of employees' skills is a critical factor for the organization's future success as well as a way to recognize their performance.

The training and knowledge management model was consolidated in 2018 through the organization of training initiatives in line with three main areas:

1. Transversal area - which includes training aimed at developing and strengthening ANACOM's transversal competences at the behavioural level and in terms of knowledge of the activity and of the organization, as well as associated with the use of tools that support a more efficient performance of the organization.

   In this area, there were 178 participations and a total of 4963 hours of training in 2018. Of particular note was the training in English, involving 92 employees for a total of 3737 hours of training.

   Also included in this area was is the integration training which, through the *Bem-Vindo* (Welcome) programme, covered the 13 newest recruits. Two other training initiatives were *Comunicar em Português Claro* (Communicate in Clear Portuguese) and the internal training programme on Radiocommunications and Spectrum Management, with a duration of 14 and 18 hours respectively.

2. Technical-functional area - which involves training in knowledge areas that are critical for the regulator's performance.

   Particularly relevant initiatives were: *Código dos Contratos Públicos* (Public Procurement Code), with a total of 83 participants, *Preparar o futuro II* (Preparing the future II), with 23 participants, IP Networks, with 12 participants, and Critical analysis and graphic construction, with 28 participants. Overall, 272 participations were recorded.

   Note, too, the *Saber* + (Knowing +) seminars, an initiative designed exclusively for employees on current issues relevant to the regulation of the communications sector. These involved presentations by organizations operating in the market, with a total of 238 participants.

3. Management and leadership area - the General Management Programme (conclusion of the third and last edition) is emphasized, which aimed to complement the training of senior managers, with the participation of 24 employees.

ANACOM continued to invest in the academic development of employees through its funding of specialized (postgraduate), first degree and master's courses. In 2018, these initiatives included

four employees. Mention should also be made of participation in workshops, seminars and conferences, events not only intended to foster the exchange of experiences and discussion of technical issues, but also to offer opportunities to get a better understanding of how the sector is evolving today, at the national and international level. Actions of this nature had 202 participants

Table 1.3 – Main training indicators

	2018	2017	2016
Number of actions	146	217	241
Number of participations	999	1916	447
Number of training hours	11 536	18 185	23 700
Number of training hours /Average number of staff	30	47	61
Training costs (thousands of euros)	144	257	305
Training costs /Personnel costs	0.5%	1.1%	1.4%
Training costs /Average number of staff (euros)	369	668	784

Note: For calculation purposes the average number of staff in 2018 was 391

The implementation of the training plan in 2018 represented an investment of about 144 000 euros, with the completion of 146 training initiatives in a total of 999 participations and 11 536 hours of training. This corresponded to an average of 30 hours and an investment 369 euros of training per employee.

In the context of the sharing of and access to knowledge, several internal 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 the organization and operation of ANACOM. The purpose of this collaborative drive was also to encourage internal, participative and transparent collaboration in resolving issues relevant 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 (State Budget Law) LOE 2018 and Law 33/2018 of 15 May (provisions for the implementation of the 2018 state budget (OE)), whose Article 136 sets out the rules for the valuations and pay rises for the employees of the independent regulatory entities.

Therefore, in July 2018, and with effect from January of that year, all mandatory changes of step on the pay scale, career progressions and changes of level or category resulting from the application of the career progression rules provided in Clause 5 of the Career Regulation appended to the Company Agreement of ANACOM (AE) were applied.

It should be noted that this restoration of career progression has put an end, albeit progressively, to the long period of restrictions on employees' pay and benefits applied between 1 January 2011 and 31 December 2017 and is a key element in the recognition of and reward for performance, also helping to attract and retain talent in an increasingly globalized and competitive world.

1.4. Selection and recruitment

Following the recruitment processes approved in 2017, three senior managers were employed in the first quarter of 2018. They have the critical skills required to achieve ANACOM's objectives and will also help to rejuvenate its staff.

1.5. Social and environmental responsibility

A number of corporate initiatives in 2018 aimed to mobilize employees' involvement in voluntary social and environmental participatory activities:

1. Partnership with the "Help to Clean the Beach!" (*Ajude a Limpar a Praia*!) movement at a corporate event geared to the preservation of marine and coastal ecosystems that resulted in the collection of 1.5 tonnes of marine litter on Foz do Lizandro beach in Ericeira.

2. Equipment Bank (*Banco de Equipamentos*) campaign, involved collecting electrical equipment for recovery, thereby contributing to environmental sustainability and providing charities with more efficient resources. This was associated with the delivery of school books to be reused, and both campaigns were promoted in partnership with the Bank of Donated Goods (*Banco de Bens Doados* - BBD).

3. Paper for Food (*Papel por Alimentos*) campaign, which converts the paper collected into food products that are given to charities.

1. Participation of several volunteer teams in the May and December rounds of the Food Bank Against Hunger (*Banco Alimentar Contra a Fome*).

2. Promotion of the campaign to collect blood and test for compatibility of bone marrow donors, in partnership with *Instituto Português do Sangue e da Transplantação* (Portuguese Institute of Blood and Transplants).

In the context of internal social responsibility, in 2018 ANACOM defined the internal teleworking policy, to be implemented in 2019. It will result in new ways of working, providing a better reconciliation of employees' professional, family and personal life.

FIXED ASSETS, INTANGIBLE ASSETS AND INVESTMENT

Fixed assets, intangible assets and investment

Fixed assets and intangible assets

The changes in tangible fixed assets and intangible assets during 2018 led to an increase of 2% in the net structure of these assets compared with the same period in 2017, as shown in Table 2.1.

Table 2.1 – Tangible fixed assets and intangible assets

	2018	2017	VAR 18/17	
Gross tangible fixed assets and intangible assets	86 072 150	83 748 989	2 323 161	3%
Accumulated depreciation and amortization	-69 223 496	-67 186 208	-2 037 288	3%
Net tangible fixed assets and intangible assets	**16 848 654**	**16 562 781**	**285 873**	2%

Unit: euro

Firstly, accumulated depreciation and amortization, and gross tangible fixed assets and intangible assets increased at the same rate (+3%), although in absolute terms the difference resulted in an increase in tangible fixed assets and net intangible assets of 286 000 euros.

Considering that a large part of these assets is represented by hardware and software, which have a short service life (four and three years, respectively) for the purpose of calculating depreciation and amortization when the maximum service life is reached, although still technologically operational, a coverage rate of 80% is considered appropriate, as in 2017.

Table 2.2 presents a breakdown of the above conclusions, detailing the change in the net values of these assets by main headings:

Table 2.2 – Change in tangible and intangible assets	2018	2017
Total investment for year	2 520 530	2 437 459
Deferred costs — adaptation works	-668	-17 409
Depreciation and amortization in year	-2 233 101	-2 636 206
Net divestment (write-offs)	-53	-2 459
Settlements	-835	-
Increase/(Reduction) in net assets	**285 873**	**-218 615**

Unit: euro

Investment

The investment policy in 2018 was guided by the implementation of the structural investments of a technical nature provided for in the 2018-2020 plan, needed to fully undertake the responsibilities established in the Articles of Association of ANACOM, in the area of monitoring and control of the radio spectrum and laboratory work, and in information systems, focusing on the measures provided for under the Information Systems Strategic Plan (*Plano Estratégico de Sistemas de Informação* - PESI).

Table 2.3 - Investment from 2009 to 2018			
YEAR	VALUE	YEAR	VALUE
2009	2 567 636	2014	2 587 071
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
10-Year Average	**2 769 952**		

Unit: euro

Investment in 2018 amounted to 2 521 000 euros, slightly above the level in 2017, but still 9% below the average of the last 10 years.

Investment policy focused on the structural investments that would maintain the high standards of quality and technical ability considered essential for performing the oversight tasks and

reinforcing the internal practice of careful selection of information system projects, based on case-by-case cost-benefit analyses.

Of the investments made in 2018, particular attention is drawn to that implemented in the consolidation of the server farm, in the software component, which began in 2017 with the investment made in the hardware component.

The breakdown of investment by nature is as follows:

Table 2.4 – Investment by nature

	2018	2017	VAR 18/17	
Buildings and/or constructions	58 902	107 950	-49 048	-45%
Basic equipment	461 787	640 822	-179 035	-28%
Transport equipment	64 006	-	64 006	
Computer equipment (hardware)	671 543	1 039 021	-367 478	-35%
Other tangible assets	53 007	39 428	13 579	34%
Intangible assets (software)	1 210 616	592 829	617 787	104%
Adaptation works	669	17 409	-16 740	-96%
Total	**2 520 530**	**2 437 459**	**83 071**	**3%**

Unit: euro

In short, the main areas of investment in 2018 by nature were as follows:

(i) Investment in information systems (hardware and software) (needed both for ANACOM to carry out its activities and to improve service provision to the market and consumers) accounted for the most important share of investment in 2018 (75% of the total), higher than the figure for 2017 (+15%).

(ii) Investment in basic equipment was based on technological upgrades of equipment supporting the technical areas of radio spectrum monitoring and control, and laboratories, and the replacement of equipment damaged in accidents. This was the second largest share of the total investment in 2018 (18%), although lower than in the previous year (-28%).

(iii) The rest of the investment focused on improving/maintaining conditions in owned and rented buildings, and on purchasing office equipment needed for the smooth running of the services, representing only 7% of the total investment.

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

1) **Area of radio spectrum management and laboratories**: investment in 2018 amounted to 461 787 euros (640 822 euros in 2017), and was allocated to the following projects:

- Project for the technological retrofitting of spectrum monitoring and control (SMC), which aimed to upgrade the operational services equipment for implementing spectrum monitoring and control actions within the required quality and reliability parameters, with the following acquisitions being particularly important:

  - three simple receivers for the remote stations on the islands and for the "Radiotask" project;

  - display system for the SMC Centre, as part of the redesign/modernization of the Porto Monitoring Centre.

) Project to modernize the Testing and Calibration Laboratory (LEC), for the technological upgrading of the equipment required for the laboratories, the most important acquisitions being:

  - an antenna for the 1 GHz to 18 GHz band for the anechoic chamber;

  - an EMI quality control system up to 30 MHz to improve good laboratory practice in checking test quality;

  - rubidium standards (GPS controller) for the Porto and Azores centres to ensure the quality control of the frequency measurements;

  - extra MET/CAL-TL licence for automatic calibration.

i) project for major repairs to the SINCRER system, designed to modernize remote stations. After 20 years in full operation, some components of SINCRER have deteriorated and become obsolete, in spite of improvements/repairs carried out in this period to counter the effects of corrosion, and other problems:

  - intervention on the tower supporting the antennas of the remote station at Serrinha;

  - intervention on the rotor of the remote station at Caramulo.

ii) Other current investment concerns one-off acquisitions and major repairs not associated with specific projects, resulting from SMC. The purpose is to provide operational services with the proper tools for carrying out their specific mission. The following acquisitions are highlighted:

- acquisition of NAS disks for the servers of the DTT probe network;

- acquisition of rotor for a mobile station;

- acquisition of digital frequency meters and discone antenna;

- repair of Barcarena's Beverage Antenna;

- repair of the time/clock system at the Madeira Agency;

- acquisition of various accessories in the area of radio frequency.

2) **Area of information systems and technology (IS/IT):** in which solutions were implemented with an overall realization value of 1 882 160 euros in 2018 (1 631 850 euros in 2017), including:

- Continuing the strong investment in the digital transformation of the organization, with emphasis on the creation of a new PESI for the 2018-2020 triennium, aiming at upgrading the data centres by continuing the investment made in 2017 and establishing new strategic goals: (i) Mobility, (ii) Data Science and Innovation (with emphasis on artificial intelligence).

- In the field of solutions for improving the services provided to the market and consumers, a number of initiatives were launched, notably;

  - increase in the quantity and quality of the services provided electronically by ANACOM, helping to enhance levels of e-Government, especially in the context of the Simplex programme, with emphasis on the development and implementation of new features in several systems (e.g. electronic licensing, virtual desk, etc.);

  - improvement of the systems relating to the Online Complaints Book - under the Simplex Programme, coordinated by the *Direção-Geral do Consumidor* (DGC – Directorate-General for Consumers);

- continuing the functional expansion of the NET.mede Internet speed measurement tool, in the context of creating means to improve consumer protection;

- implementation of data analysis software to be provided to the whole organization, and the development of pilot projects for the provision of horizontal data exploration platforms, changing from a paradigm of vertical exploration of data to horizontal exploration.

- In the field of solutions for the internal improvement and efficiency of services, note the following initiatives:

  - continuing the dematerialization and improvement of work processes supported by the document management and workflow solution in the organization, in order to increase productivity and speed of services provided and of administrative support procedures;

  - developing software sub-systems to extend functionalities and to adapt the various application platforms to current needs.

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

  - starting the conversion of the Integrated Plan for Application Consolidation, in the context of implementing the 2015-2017 PESI, by establishing a new integrated approach to rationalize the entire application landscape focused on an "internal Cloud" perspective;

  - acquiring mobility equipment (tablet type devices and Office365 platform) allowing the introduction in 2019 of technology enabling higher levels of collaborative work, for both server and terminal equipment, and for operating systems and productivity software, supporting information exchange and productivity more efficiently;

  - starting to implement the second stage of upgrading the server farm and the datacentres;

  - understanding that the higher levels of dematerialization and digital transformation will have to be matched by better levels of governance, strategy and security, significant investment was also made in 2018 in the information system governance platforms, with particular emphasis on the pillars of business architecture, PPM (project and portfolio management) and ITSM (IT service management).

3) **Area of infrastructure, administrative and other equipment,** with a total investment of 176 584 euros in 2018 (164 787 euros in 2017) with particular emphasis on the following items:

) In the field of infrastructure and repairs to own buildings and facilities, the investment arose from the following interventions:

- works inside the Porto building, which included partial replacement of the flooring, replacement of the CCTV camera at the entrance gate, and the drilling of a well for irrigation of the surrounding garden;

- works in the building of the Azores agency, namely, the remodelling of the garage, alteration of floor 1 and staircase;

- works in the Barcarena building, for the installation of SADI sirens;

- interventions in several SINCRER stations, Serrinha and Monte Telégrafo, to replace the air conditioning equipment by more suitable systems.

i) Regarding the administrative area, note the following:

- acquisition of furniture to replace very old furniture and meet the needs of the services;
- acquisition of a passenger vehicle and execution of a major repair to a vehicle belonging to ANACOM;
- acquisition of (IP Dect/Freeset) receivers, LCD screens and service mobile phones;
- acquisition of sound reproduction, image projection and photography equipment;
- purchase of fire extinguishers, air conditioning units, and equipment for the bar in head office, to meet the services' needs and/or to replace broken or outdated equipment, and a UPS for the new head office server farm.

ii) With regard to adaptation work on rented buildings, this was practically unnecessary, being confined to small changes to doors and cupboards, installing network access points and repairing/fitting blinds in the head office buildings.

ECONOMIC AND FINANCIAL ANALYSIS

Economic and financial analysis

Table 3.1 shows the overall values and changes in income, expenses and results in 2018 and 2017.

Table 3.1 – Results

	2018		2017		VAR 18/17	
Income	98 366 613	100%	91 149 209	100%	7 217 404	**8%**
Expenses	-54 837 054	56%	-55 035 532	60%	198 478	**0%**
Net profit	**43 529 559**	**44%**	**36 113 677**	**40%**	**7 415 882**	**21%**

Unit: euro

The Profit for the financial year at the end of 2018 rose to 43 529 000 euros, around 21% higher than in 2017.

The following changes from 2017 to 2018 should be noted:

iii) 7 217 000 euros (+ 8%) increase in ANACOM's income. This change was mainly due to: (i) the increase from fees relating to the electronic communications activity (+2 790 000 euros); (ii) increase in the fees for the use of frequencies (+2 788 000 euros); (iii) increase in the fees for the postal services activity (+196 000 euros); (iv) the increase in other income (+1 847 000 euros); and (v) sundry changes (-404 000 euros).

iv) 198 000 euros (-0.4%) fall in ANACOM's overall expenditure. This reduction was mainly due to the item Supply and external services, at 1 431 000 euros (-15%).

However, the increase in Provisions stood at 1 525 000 euros (+12%); and in Other expenses, at 310 000 euros (+4%), which is entirely due to the greater contribution to the Competition Authority (AdC) following the application of the legal criterion in force.

There were falls in the other items, thus: Personnel costs (-97 000 euros); Depreciation and amortization expenses (-403 000 euros); and Impairments (-107 000 euros).

The following points provide a detailed analysis of these changes.

Breakdown of income

Table 3.2 shows the overall values and changes in ANACOM's Expenses, from 2017 to 2018, which represented an overall increase of 7 217 000 euros (+ 8%).

Table 3.2 – Income

	2018	2017	VAR 18/17	
Electronic communications	**93 556 988**	**88 004 534**	**5 552 454**	**6%**
* Annual fees for EC activity	34 055 630	31 265 709	2 789 921	9%
* Fees for use of frequencies	57 814 519	55 026 501	2 788 018	5%
* Fees for use of numbers	1 678 239	1 702 324	-24 085	-1%
* Issuance of declarations and assignment of rights	8 600	10 000	-1 400	-14%
Other service provisions	**2 493 942**	**2 253 013**	**240 929**	**11%**
* Annual fees for postal services activity	2 036 371	1 840 709	195 662	11%
* Fines settled	346 840	262 364	84 476	32%
* Other fees	110 731	149 940	-39 209	-26%
Other income	**2 285 974**	**473 202**	**1 812 772**	**383%**
* Allocation of investment subsidies (Note 13)	3 891	3 890	1	0%
* Operating subsidies	91 283	125 650	-34 367	-27%
* Other fees	2 190 800	343 662	1 847 138	537%
Interest and similar income	**29 709**	**418 460**	**-388 751**	**-93%**
TOTAL	**98 366 613**	**91 149 209**	**7 217 404**	**8%**

Unit: euro

Analysis of the main changes relative to previous year

Increases:

- Annual fees for the electronic communications activity – including amounts invoiced in the year to providers of electronic communications networks and services. The change in these fees from 2017 to 2018, was mainly due to:

  - the increase in average costs with provisions in the last five years (+1 780 000 euros);

  - the increase in average costs incurred with regulation in the last three years (+1 010 000 euros).

  The increase in the average provisions in 2018 results solely from operators' contesting the regulation fees charged by ANACOM under current legislation. Provisions increased both because of new challenges by the operators and because of boosting the coverage for cases

from previous years, inasmuch as another year has gone by since the initial challenge. The provision has therefore been strengthened by a further 25%, until it reaches a 100% coverage after four years, following ANACOM's provisions policy.

The increase in average regulatory costs in 2018 was due in large part to the higher personnel costs with the partial reinstatement of career progression under LOE 2018, as well as the allocation of more people to work processes in the area, particularly in the area of complaints, and carrying out specialized work within the area.

- Fees for use of frequencies - in 2018, the full application of the fees established in Administrative Rule 157/2017 of 10 May, which were applied in part in 2017, given the date of publication of said administrative rule, established an increase in the amounts invoiced to operators, both in terms of terrestrial electronic communications services - SCET (+1 555 000 euros), and the fixed service, which, furthermore, had an increase in the number of connection requests, leading to an overall increase of the amount invoiced (+1 233 000 euros) – see Table 3.4.

- Annual fees for the postal service activity - for the same reasons indicated for the annual fees for the EC activity, the increase recorded in 2018 (+196 000 euros) reflects:

  - the increase in average costs with provisions in the last five years (+67 000 euros);

  - the increase in average costs incurred with regulation in the last three years (+129 000 euros).

- Fines paid – the increase in the amount settled (+84 000 euros) results from the market inspection activities and the application of the penalties provided for in the law for unauthorized practices, which can determine increases or decreases in each financial year, depending on the number and severity of infringements arising from the inspection activities.

- Other income - in addition to reflecting a decrease in the value of reimbursement of trips abroad, as there were fewer journeys that met the requirements to obtain this benefit (- 34 000 euros), there was also a gain resulting from the change to the plan relative to the growth rate of health costs, in the form of retirement benefits (healthcare). As of 2018, the liabilities for past services reflect the payment of the fixed monthly amount per participant of ANACOM to the Institute of Social Works (IOS), under the terms of the existing protocol,

instead of the claims curves used in previous years, since this method reflects the existing practice more accurately (+2 166 000 euros).

Decreases

- Interest and similar income - 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% for most of the year, which is why ANACOM opted to keep existing cash surpluses in a current account (-389 000 euros).

Applicable law

(i) Annual fees for the 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 Administrative Rule 1473-B/2008 of 17 December, which establishes the new fee model provided for in Article 105 of the ECL, as amended by Administrative Rule 296-A/2013 of 2 October, Administrative Rule 378-D/2013 of 31 December, and Administrative Rule 157/2017 of 10 May.

The fees provided for in Article 105 of the ECL are as follows: (a) issuance of statements supporting rights assigned by ANACOM for the exercise 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) exercise 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 the exercise of the activity of provider of postal services operated in competition, and Administrative Rule 1473-B/2008 of 17 December, as amended by Administrative Rule 296-A/2013 of 2 October, support the collection of fees in this context, which should be cost oriented.

(iii) Fees for providing Audiotext services

Decree-Law 177/1999 of 21 May establishes the regime of access to and the exercise of the activity of provider of audiotext services, whose fees were approved by Administrative Rule 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 are subject to the application of a specific tariff scheme set by the BoD.

(v) Penalties

In the course of inspection activities, ANACOM can apply penalties in the amounts set by the BoD, in accordance with the applicable law. ANACOM's articles of association, approved by Decree-Law 39/2015 of 16 March, establish in Article 9(1)(p) ANACOM's powers to carry out all the acts required to take action and punish any infringements of the laws and regulations whose implementation and oversight are incumbent upon this Authority, as well as the outcomes of non-compliance with its decisions, including, when applicable, taking precautionary measures, imposing penalties, including penalty payments, and collecting fines.

Electronic communications

(i) Annual regulation fees

The calculation methodology for 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 ABC (activity-based costing) system, do not include any sum connected to ANACOM'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 whose income does not exceed 250 000 euros, to which a zero fee applies, or to operators with a relevant income of 1.5 million euros or less, who pay a fixed fee of 2 500 euros/year.

The annual report of the regulation costs and the total fees charged as mentioned in Article 105(1)(a) to (d) of the ECL is published annually on ANACOM's website.

Table 3.3 gives the breakdown of the calculation of regulation costs on which the regulatory administrative fees payable to ANACOM by providers of electronic communications networks and services were based, and which, in accordance with the breakdown, amounted to 34 065 000 euros in 2018.

Table 3.3 – Calculation of costs to determine the electronic communications regulation fee and the postal services regulation fee

	Breakdown of ANACOM costs (excl. provisions related to EC and PS)				Provisions related to EC and PS (Average of 5 years)	Breakdown of costs in 2018 (with provisions related to EC and PS)
	Real			**Average (3 years)**		
	2017	**2016**	**2015**			
1. Costs of regulation and spectrum management	**39 641 432**	**38 159 566**	**38 122 819**	**38 641 272**	**11 647 636**	**50 288 908**
1.1 Costs relating to EC	32 936 223	31 832 808	31 568 558	32 112 530	11 543 209	43 655 739
1.1.1 Administrative costs	23 217 438	22 724 908	22 376 615	22 772 987	11 543 209	34 316 196
a) Declarations supporting rights	62 254	40 040	111 599	71 298		71 298
b) Exercise of the activity of provider of EC networks and services	23 009 048	22 469 348	22 088 021	22 522 139	11 543 209	34 065 348
c) Allocation of rights-of-use of frequencies	112 585	187 013	154 324	151 307		151 307
d) Allocation of rights-of-use of numbers	33 551	28 507	22 671	28 243		28 243
1.1.2 Frequency management costs	9 575 789	8 969 772	9 055 497	9 200 353		9 200 353
1.1.3 Numbering management costs	142 996	138 128	136 445	139 190		139 190
1.2 Postal regulation costs	2 321 077	1 723 198	1 870 955	1 971 743	104 427	2 076 170
1.2.1 Exercise of the activity of provider of postal services	2 308 473	1 706 642	1 847 974	1 954 363	104 427	2 058 790
1.2.2 Authorizations and licences	12 604	16 556	22 981	17 380		17 380
1.3 Other regulation costs	4 384 132	4 603 559	4 683 307	4 556 999		4 556 999
2. Other costs	**2 537 927**	**2 553 541**	**2 538 682**	**2 543 383**		**2 543 383**
Total costs	**42 179 359**	**40 713 107**	**40 661 502**	**41 184 655**	**11 647 636**	**52 832 291**

Unit: euro

(ii) Fees for the use of frequencies

Table 3.4 presents the amounts and the comparison of the fees paid for the use of frequencies in 2018 and 2017, by type of service.

Table 3.4 – Fees for the use of frequencies

	2018		2017		VAR 18/17	
Mobile service (SCET)	44 298 497	77%	42 743 199	78%	1 555 298	4%
Land mobile service	2 164 739	4%	2 165 282	4%	-543	0%
Fixed service	9 200 982	15%	7 986 607	14%	1 214 375	15%
Fixed satellite service	460 846	1%	509 240	1%	-48 394	-10%
Fixed wireless service (FWA)	73 000	0%	73 000	0%	0	0%
Radio broadcasting service	1 001 888	2%	1 002 638	2%	-750	0%
Other services	614 567	1%	546 535	1%	68 032	12%
Total	**57 814 519**	**100%**	**55 026 501**	**100%**	**2 788 018**	**5%**

Unit: euro

Overall, the value of the changes in these fees from 2017 to 2018 was 2 788 000 euros (+5%). The breakdown by service shows that the reason for the increase is the positive changes in the mobile service (+1 555 000 euros) and the fixed service (+1 214 000 euros), as already mentioned, but also at the level of other services (+19 000 euros).

Regarding the Mobile service, the increase reflects the application in full of the rates established by Administrative Rule 157/2017 of 10 May. In 2017 these were partially applied, given the date of publication of that administrative rule, since there were no significant changes in the amount of spectrum used by operators.

As for the Fixed service, the increase is also mainly justified by the application in full of the rates established by Administrative Rule 157/2017 of 10 May. In 2017 these were partially applied given the date of publication of that administrative rule, although the new requests for connections also played an important part in the positive change recorded.

In addition, it should be noted that the positive change in Other services derives from the increase in licensing related to aeronautical navigation aids (+68 000 euros).

Regarding the services with a greater reduction, the fixed satellite service stands out (-48 000 euros), because of the continued rationalization of the needs in this context by operators.

(iii) Fees for the use of numbers

The amount of the fees for the use of numbers billed in 2018 (1 678 000 euros) is in line with the figures for 2017, and there are no significant changes to be noted.

Postal Services

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

As stipulated in Administrative Rule 1473-B/2008 of 17 December, as amended by Administrative Rule 296-A/2013 of 2 October, the annual fee for engaging in the activity of postal services provider should be borne by the providers and be based on the costs arising from the activities of regulation, monitoring and inspection of postal services. This fee is based on the total amount 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 aiming at harmonization with the fee model already in force for providers of electronic communications networks and services, the above-mentioned Administrative Rule establishes the three contributory levels relating to engaging in the activity of postal services provider, according to relevant income. In this context, providers included in step 0, with relevant income up to 250 000 euros, are exempt from paying the fee, and providers included in step 1, with relevant income between 250 000 euros and 1.5 million euros, pay a fixed fee of 2 500 euros. Providers included in step 2, with relevant income over 1.5 million euros, pay a fee calculated according to their relevant income.

Breakdown of expenses

Table 3.5 shows the overall values and main changes in ANACOM's Expenses, from 2017 to 2018, which saw an overall reduction of 198 000 euros (-0.4%).

Table 3.5 – Expenses

		2018	2017	VAR 18/17	
External supplies and services		**8 139 860**	**9 571 251**	**-1 431 391**	**-15%**
* Specialised works	i)	1 640 514	2 379 265	-738 751	-31%
* Advertising and publicity	ii)	29 310	79 105	-49 795	-63%
* Surveillance and security	iii)	467 627	451 778	15 849	4%
* Maintenance and repair	iv)	2 113 830	2 259 919	-146 089	-6%
* Books and technical documentation	v)	85 093	251 414	-166 321	-66%
* Energy and fluids	vi)	476 487	511 834	-35 347	-7%
* Travel and accommodation	vii)	422 067	543 222	-121 155	-22%
* Rents and leases	viii)	1 595 972	1 617 544	-21 572	-1%
* Communication	ix)	276 213	293 470	-17 257	-6%
* Insurance	x)	86 323	85 720	603	1%
* Cleaning, hygiene and comfort	xi)	288 139	299 661	-11 522	-4%
* Other supplies and services	xii)	658 285	798 319	-140 034	-18%
Personnel costs		**22 719 466**	**22 811 788**	**-92 322**	**0%**
* Remuneration and charges	xiii)	21 025 364	20 727 666	297 698	1%
* Other personnel costs	xiv)	1 694 102	2 084 122	-390 020	-19%
Other costs		**7 268 237**	**6 957 893**	**310 344**	**4%**
* Subscriptions	xv)	841 331	869 541	-28 210	-3%
* Meetings and conferences	xvi)	167 918	188 437	-20 519	-11%
* Sponsorship	xvii)	21 346	48 579	-27 233	-56%
* Contribuition to external entities	xviii)	6 071 504	5 744 122	327 382	6%
* Cooperation	xix)	50 574	81 696	-31 122	-38%
* Other	xx)	115 564	25 518	90 046	353%
Depreciation and amortization costs		**2 233 101**	**2 636 206**	**-403 105**	**-15%**
Impairment losses		**95 556**	**202 221**	**-106 665**	**-53%**
Provisions		**14 380 834**	**12 856 173**	**1 524 661**	**12%**
Total		**54 837 054**	**55 035 532**	**-198 478**	**-0.4%**

Unit: euro

Analysis of the main changes compared to the same period in 2017

Decreases

- External supplies and services (-1 431 000 euros) (-15%) - the item Specialized works was mainly responsible for the decrease recorded, due to expensive works undertaken in 2017 which were not repeated in 2018 (-739 000 euros). But there were other items that also contributed significantly to this decrease, such as: Books and technical documentation (-166 000 euros); Maintenance and repair (-146 000 euros); Travel and accommodation (-121 000 euros); and Other supplies and services (-140 000 euros).

- Personnel costs (-92 000 euros) (-0.4%) - regarding Other personnel costs (- 390 000 euros), the sharp decreases in expenses with terminations by mutual agreement and with training are significant. As for Remuneration and charges, the increase in expenditure is due to the fact that the amount resulting from the partial restoration of career progression was higher than the decrease that occurred because the average labour force was lower than in the previous year (+298 000 euros).

- Impairment losses (-107 000 euros) (- 53%) - analysis of the seniority of client accounts determined a decrease, relative to the same period of the previous year.

- Depreciation and amortization costs (-403 000 euros) (-15%) - decrease thanks to the increase in the investment in progress, which is not subject to depreciation and amortization and the increase in fully depreciated/amortized assets.

Increases:

- Other costs (+310 000 euros) (+4%) - the increase in the contribution to the Competition Authority (*Autoridade da Concorrência* - AdC), as a consequence of applying the criteria established by Decree-Law 125/2014 of 18 August, which incorporated its articles of association (+330 000 euros), and in Other costs (+90 000 euros), was greater than the reductions that occurred in other items overall (-110 000 euros).

- Provisions for the financial year (+1 525 000 euros) (+ 12%) - the increase in provisions was also higher than in 2017, given the increase in the value of the challenges to payments of regulatory activity fees through actions brought against ANACOM.

The breakdown and change in each expense item from 2017 to 2018 is given below.

External supplies and services

i) Specialized works (-31%): expenses incurred in preparing studies and opinion reports, 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 competences and expertise within ANACOM.

Table 3.6 – Specialized works

	2018	2017	VAR 18/17	
Studies	113 120	701 082	-587 962	-84%
Legal consultation	346 331	345 595	736	0%
Audits	243 435	297 418	-53 983	-18%
Supply of computer services	364 310	415 283	-50 973	-12%
Translations	71 851	86 412	-14 561	-17%
Publications	33 949	43 228	-9 279	-21%
Other	467 518	490 247	-22 729	-5%
Total	**1 640 514**	**2 379 265**	**-738 751**	**-31%**

Unit: euro

The decrease in this item is mostly due to changes in the item Studies, although all other items contributed to this decrease to some extent.

In fact, several studies were carried out in 2017 that involved significant sums, which were not repeated in 2018. In this year, there is only one larger study on the "Fixed Termination Costing Model", with the rest costing smaller amounts.

ii) Advertising and publicity (-63%): spending on advertising campaigns and other advertising related expenditure.

The value of this item changes every year because it depends on what advertising campaigns are undertaken. In 2018, no campaigns worthy of special attention were carried out, so the costs recorded in this item only relate to invitations for public tenders and other procedures that involved minor expenses.

iii) Surveillance and security (+4%): services provided by specialized security companies in the head office, Barcarena and Porto facilities, and in the agencies of the Autonomous Regions of Madeira and the Azores.

The increase over the previous year reflects a 3.5% update of the value of most of the existing contracts, considering that they were updated because of the increase in the minimum monthly guaranteed remuneration (RMMG) from 580 to 600 euros. The rest is due to ad hoc needs occurring during the year.

iv) Maintenance and repair (-6%): services needed to ensure that ANACOM's assets continue to be operational, including technical assistance contracts entered into for the purpose, particularly in relation to information systems, radio spectrum monitoring and laboratories.

Table 3.7 – Maintenance and repair

	2018	2017	VAR 18/17	
Software	1 378 195	1 420 793	-42 598	-3%
Hardware	301 282	313 856	-12 574	-4%
Basic equipment	217 540	244 040	-26 500	-11%
Buildings	76 722	79 771	-3 049	-4%
Vehicles	29 389	26 435	2 954	11%
Elevators	17 833	22 605	-4 772	-21%
Air conditioning	43 621	56 353	-12 732	-23%
Other	49 248	96 066	-46 818	-49%
Total	**2 113 830**	**2 259 919**	**-146 089**	**-6%**

Unit: euro

Spending in 2018 was generally below that of the previous year, except for Maintenance of vehicles, because more vehicles needed costly repairs.

Hardware and software maintenance spending fell, reflecting the recent replacement of the 'client stock' and the 'server farm', which resulted in less need for maintenance spending in this financial year.

With regard to spending on other items, overall, needs were lower than in 2017.

v) Books and technical documentation (-66%): technical books (hard copy or electronic form), technical documentation, journals and other specialized publications, needed for ANACOM's technical activities.

In the current financial year, a critical reflection was made on the databases available for consultation at ANACOM, and access was rationalized, which resulted in lower overall expenditure.

vi) Energy and fluids (-7%): expenses related to the consumption of electricity, fuel and water.

Table 3.8 – Energy and fluids

	2018	2017	VAR 18/17	
Electricity	330 573	353 836	-23 263	-7%
Fuel	92 619	91 605	1 014	1%
Water	48 787	62 713	-13 926	-22%
Other	4 508	3 680	828	23%
Total	**476 487**	**511 834**	**-35 347**	**-7%**

Unit: euro

With regard to the Electricity and Water items, their consumption fell, which offset the small price increases that occurred. In the case of water consumption, it should be noted that the fall is essentially due to the fact that a well has been drilled to irrigate the grounds surrounding the Porto agency. In terms of Fuel, as prices were high throughout the year cost savings were not possible.

vii) Travel, accommodation and transport (-22%): expenses related to travelling abroad for international meetings, some in representation of the Portuguese Government, and within the country, notably for inspection and radio spectrum monitoring activities.

Table 3.9 – Travel and accommodation

	2018	2017	VAR 18/17	
Trips abroad	185 304	238 390	-53 086	-22%
Food and accommodation (abroad)	93 390	135 681	-42 291	-31%
Abroad sub-total	278 694	374 071	-95 377	-25%
Trips within country	111 833	123 303	-11 470	-9%
Food and accommodation within country	31 540	45 848	-14 308	-31%
Within country sub-total	143 373	169 151	-25 778	-15%
Total	**422 067**	**543 222**	**-121 155**	**-22%**

Unit: euro

Overall, travel expenses decreased compared to 2017, both for trips within the country (- 15%) and for trips abroad (-25%).

Regarding travel within the country, the inspection activities undertaken for radio spectrum monitoring and market supervision went well and were within the schedule, though with a lower expenditure than in 2017.

The following table shows the most important items of travel expenditure within the country for the radio spectrum and market inspection areas, which represent 88% of the total number of such trips in 2018:

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

	2018	2017	VAR 18/17	
Number of trips	3 359	3 343	16	0%
Number of days	4 422	4 476	-54	-1%
Total cost (Travel+Accommodation+Food)	126 622 €	140 951 €	-14 329 €	-10%
Average cost per trip (euros)	28 €	31 €	-4 €	-9%

With regard to travel abroad, Table 3.11 below shows details of the reduction:

Table 3.11 – Travel and accommodation abroad

	2018	2017	VAR 18/17	
Number of trips	227	348	-121	-35%
Number of days	832	1 316	-484	-37%
(Travel+Accommodation+Food)	278 694 €	374 071 €	-95 377 €	-25%
Average cost of transportation per trip (euros)	816 €	685 €	131 €	19%
Average cost per day	335 €	284 €	51 €	18%

In fact, the number of trips and the number of days abroad were lower than in 2017, which made it possible to offset the increase in the average cost per trip compared to the greater relative weight that long distance journeys had in 2018. This decrease is justified to some extent by the fact that in 2017 ANACOM still made quite a few trips in the context of BEREC, whose presidency it took over in 2016, which did not happen in 2018.[1]

viii) Rents and leases (-1%): covers the rents payable on premises where ANACOM has its head office, operating leases and other rentals.

[1] Part of the cost of foreign travel is refunded by BEREC, the European Union (EU) and other bodies. In 2018, the amount of these reimbursements stood at 66 000 euros, lower than the previous year because fewer trips were made. The item in question only records gross expenses, without deducting these refunds which are recognized as income, in accordance with current accountancy rules.

Table 3.12 – Rents and leases

	208	2017	VAR 18/17	
Building rents	1 234 313	1 224 093	10 220	1%
Leasing	334 501	371 327	-36 826	-10%
Other	27 158	22 124	5 034	23%
Total	**1 595 972**	**1 617 544**	**-21 572**	**-1%**

Unit: euro

This item did not change significantly since slight increases in building rents, required by law, and in other rentals (rooms, vehicles and other facilities) were more than offset by decreases in spending on operating leases, notably the leasing of printing and copying equipment, the value of which was reduced as a result of the tender procedure used.

ix) Communication (-6%): includes expenses for telephones, mobile phones, postal services, and leased lines, etc., incurred in the head office, in Barcarena, Porto and in the Madeira and the Azores agencies.

The reductions obtained in recent years in this item were achieved by renegotiating contracts whenever market conditions were favourable, and by maintaining a policy of rationalizing the telecommunication resources used by ANACOM in its head office and agencies, resulting in lower consumption.

x) Insurance (+1%): expenditure on insurance (multi-risk property insurance for buildings, vehicles, travel in Portugal and abroad, and civil liability, and so forth).

Table 3.13 – Insurance

	2018	2017	VAR 18/17	
Vehicles	15 434	15 819	-385	-2%
Travel	7 694	8 426	-732	-9%
Buildings	50 822	40 398	10 424	26%
Civil liability	7 362	18 377	-11 015	-60%
Other	5 011	2 700	2 311	86%
Total	**86 323**	**85 720**	**603**	**1%**

Unit: euro

In 2017, an international public tender was launched for the award of most of ANACOM's insurance, to be in force in 2018 and 2019. Thus, the premiums paid in 2018 reflect the result of this public tender, in which there is an increase in the multi-risk property insurance for buildings.

At the same time, in the insurance not covered by the tender, it was decided not to renew the civil liability insurance related to the activity and some specific insurance packages were acquired to guard against specific situations.

The effect of combining these situations resulted in a slight cost increase in this item.

xi) Cleaning, hygiene and comfort (-4%): the services provided by specialized companies in the head office, Barcarena, Porto, and in the Madeira and the Azores agencies.

The decrease recorded in this item is due to the renegotiation of the principal cleaning services contracts, so that the effect of updating the RMMG, which normally influences the value of this type of contract, was not felt in this case.

Additionally, there was a 5% fall in expenditure for cleaning materials.

xii) Other supplies and services (-18%): the supplies and services not covered in the previous items, including tools and utensils, office supplies, condominium charges relating to the building on Avenida José Malhoa no. 14, temporary staff recruitment, cafeteria supplies, newspapers, journals, technical magazines and publications, representation expenses, and so forth.

Table 3.14 – Other supplies and services

	2018	2017	VAR 18/17	
Journals and other publications	21 697	57 241	-35 544	-62%
Malhoa 14 condominium	76 298	67 846	8 452	12%
Office supplies	40 160	50 912	-10 752	-21%
Personnel allocations	184 166	292 131	-107 965	-37%
Transportation of goods and moves	13 258	13 477	-219	-2%
Archive deposit	30 459	29 000	1 459	5%
Cafeteria and gift articles	71 421	68 284	3 137	5%
Other supplies and services	220 826	219 428	1 398	1%
Total	**658 285**	**798 319**	**-140 034**	**-18%**

Unit: euro

In these varied items, attention is drawn to the decreases in items Personnel allocations (-108 000 euros), Journals and other publications (-36 000 euros) and Office supplies (- 11 000 euros).

With respect to the item Personnel allocations, the expenditure was due to there being less need to hire temporary staff from specialized companies to meet ad hoc needs in terms of dealing with complaints, with a view to meeting deadlines.

Regarding the item Journals and other publications, a critical reflection was carried out on the documentation and the books and technical documentation available at ANACOM. It was then decided not to renew several subscriptions and to replace hard copy subscriptions with digital ones, which are cheaper.

As for the item Office supplies, it should be noted that there were costs in 2017 that were not repeated in 2018, such as the acquisition of ITED/ITUR cards, hence the decrease. On the other hand, the practice of holding an annual bidding procedure for the purchase of office supplies was continued since this has proved important for obtaining better prices.

Personnel costs:

xiii) Remuneration and costs (+1%): covers spending on the remuneration of corporate bodies and ANACOM's staff, as well as the costs related to salaries (social security).

Table 3.15 – Remuneration and costs

	2018	2017	VAR 18/17	
Remuneration				
Corporate bodies	861 150	895 360	-34 210	-4%
Personnel	16 759 723	16 531 265	228 458	1%
	17 620 873	**17 426 625**	**194 248**	**1%**
Costs over remuneration	**3 404 491**	**3 301 041**	**103 450**	**3%**
Total	**21 025 364**	**20 727 666**	**297 698**	**1%**

Unit: euro

Overall remuneration and costs were higher than in 2017, for the following reasons:

- corporate bodies - expenditure fell by 4%, as the remuneration structure provided for in the Framework Law of Independent Administrative Entities (Law 67/2013 of 28 August) established a new regime with lower pay limits than those being practised, resulting in lower expenses of this nature;

- ANACOM staff - expenditure was 1% higher than in 2017, because of the combined effect of the increase resulting from the partial reinstatement of career progression under LOE 2018 and the decrease in the average number of staff.

xiv) Other personnel costs (-19%): 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), as well as all expenses related to terminations by mutual agreement, training and sundry personnel costs such as those provided for in the collective labour negotiation regulation (ARCT).

Table 3.16 - Other personnel costs

	2018	2017	VAR 18/17	
Post-retirement benefits				
Pension costs (Note 15)	643 500	659 184	-15 684	-2%
Healthcare costs (Note 15)	136 273	140 972	-4 699	-3%
	779 773	**800 156**	**-20 383**	**-3%**
Social welfare costs	**663 875**	**663 219**	**656**	**0%**
Contract terminations by mutual agreement	**1 657**	**247 565**	**-245 908**	**-99%**
Work accident insurance	**82 579**	**82 368**	**211**	**0%**
Training	**144 425**	**256 588**	**-112 163**	**-44%**
Other personnel costs	**21 793**	**34 226**	**-12 433**	**-36%**
Total	**1 694 102**	**2 084 122**	**-390 020**	**-19%**

Unite: euros

Regarding the items with larger increases, Contract terminations by mutual agreement and Training costs are noteworthy.

In the first case, it should be noted that in 2017, contract terminations by mutual agreement took place involving much higher amounts than in 2018, when the amount was residual. In the second case, the decrease in costs reflects the implementation of fewer training activities, which resulted in lower expenditure (see Table 1.3).

It should be noted that the changes in Post-retirement benefits reflect the results of the actuarial studies carried out by independent specialized companies every year.

Other costs

xv) Subscriptions (-3%): spending on fees 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

	2018	2017	VAR 18/17	
Associação Portuguesa para o Desenvolvimento Comunicações (APDC)	2 500	2 500	0	0%
Associação para as Comunicações, Eletrónica, Informações e Sistemas de Informação para Profissionais (AFCEA Portugal)	800	800	0	0%
Associação de Laboratórios Acreditados de Portugal (RELACRE)	659	659	0	0%
Associação para a Promoção e Desenvolvimento da Sociedade de Informação (APDSI)	250	250	0	0%
Associação Portuguesa dos Bibliotecários (BAD)	180	180	0	0%
Associação Portuguesa para a Qualidade (APQ)	500	500	0	0%
The IT Service Management Forum (ITSMF)	150	150	0	0%
Total	**5 039**	**5 039**	**0**	**0%**

Unit: euro

In 2018, 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

	2018	2017	VAR 18/17	
International Association of Portuguese Speaking Communications (AICEP)	-	12 500	-12 500	-100%
Association of Communications and Telecommunications Regulators of the Community of Portuguese Speaking Countries (ARCTEL)	10 000	12 000	-2 000	-17%
International Telecommunications Union (ITU)	435 021	430 622	4 399	1%
Universal Postal Union (UPU)	148 270	146 274	1 996	1%
European Communications Office (ECO/ECPT)	87 808	87 876	-68	0%
Postal Union of the Americas, Spain and Portugal (UPAEP)	76 023	101 348	-25 325	-25%
European Telecommunications Standards Institute (ETSI)	63 460	58 492	4 968	8%
Independent Regulators Group (IRG)	13 000	13 000	0	0%
International Union of Radio Science (URSI)	2 110	2 090	20	1%
Red Compliance Association (REDCA)	600	300	300	100%
Total	**836 292**	**864 502**	**-28 210**	**-3%**

Unite: euros

These subscriptions are part of 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 organizations are quite broad, and are properly detailed in the "Report on Regulation, Supervision and Other Activities" produced every year and available on the ANACOM website.

In terms of payments, there is only the non-renewal of the subscription to AICEP and the reduction of the contribution to UPAEP to note.

xvi) Meetings, conferences and exhibitions (-11%): expenses related to national and international events promoted by ANACOM or by international organizations. Examples include meetings of working groups, and conferences and seminars organized in the communications sector.

Several important technical meetings took place in 2018, in particular, an ECC/CEPT meeting and the 12th Congress of URSI.

xvii) Sponsorships (-56%): costs related to sponsorships awarded as part of ANACOM's sectoral activities, through various quid pro quos, including publicizing the sector and its activity, and training.

The amount recorded under this item fell considerably compared to 2017, following the policy of greater selectivity and cost containment implemented by ANACOM.

xviii) Contributions to external bodies (+6%):

Fundação Portuguesa das Comunicações (-4%): the value of ANACOM's annual contribution is limited to a maximum amount which is the average of the amounts transferred in 2008, 2009 and 2010, under the current law. This maximum also includes the assignment of ANACOM staff. However, in 2018 due to the limit imposed by the State Secretary for the Budget (SEO) the annual contribution was less than in previous years. The change in this item is therefore mainly due to the reduction in the annual contribution.

Competition Authority (+7%): the increase in this sub-item is because the value of the contribution is calculated in accordance with Article 35 of Decree-Law 125/2014 of 18 August (AdC's articles of association), and it gave a higher than the 2017 contribution. This Decree-Law provides that 6.25% of ANACOM's eligible income for the previous year will be the Authority's contribution to AdC for the year. As the value of the eligible income in 2017 was higher than in 2016, the value of the 2018 contribution reflected this increase.

xix) Cooperation (-38%): expenses related to cooperation initiatives with Portuguese-speaking countries, notably traineeships of representatives of those countries.

Expenditure fell relative to 2017, both on cooperation with the *Associação dos Reguladores de Comunicações e Telecomunicações dos Países de Língua Portuguesa* (Association of Portuguese-speaking Communications and Telecommunications Regulators (ARCTEL-CPLP) and on cooperation with the Portuguese-speaking countries, since a smaller number of requests was received.

xx) Other (+353%): expenses not covered by the previous items, including unfavourable exchange rate differences and expenses not included in the other items.

The increase in this item is mainly due to the fact that since 2018 ANACOM has had an additional expense. This is because of the change in the Administration's roster; one of

the Board members who left office opted for the prorogation provided for in Article 19(2) of Law 67/2013 of 28 August (Framework Law of Regulatory Authorities), transposed to Article 23(4), of the articles of association of ANACOM, which establishes the possibility of receiving half of the monthly salary due to them during the period of non-performance of functions in entities that are the subject of ANACOM's activity (two years).

Depreciation and amortization costs for the year

The item Depreciation and amortization costs for the year fell by -15% (-403 000 euros) in 2018, relative to 2017, and the increase of the amount of fixed assets in progress, from 1 879 000 euros, to 3 016 000 euros (+ 1 137 000 euros), was crucial, while technical validations to enable them to come into operation are awaited.

Impairment losses

Analysis of customer balances, according to the criteria in point 4.7 of the Notes to the 2018 Financial Statements, established the need to strengthen the impairments (+96 000 euros). However, this figure is still lower than that for 2017 (+202 000 euros).

This increase recorded in 2018 is mainly due to the growing detection of insolvent debtor companies, which led to the calculation of 100% impairments in these situations.

Provisions for legal proceedings in progress

Legal actions have been brought against ANACOM, mainly challenging regulation activity fees, but also challenging decisions taken as part of the market regulation activity and the invoicing of radio service fees. In this context, almost all the legal actions brought by operators against ANACOM in recent years have been challenges of regulatory settlement decisions.

The claims for compensation in these actions are quite high and proper provisions are therefore made, according to the current accountancy rules.

The criteria followed in recent years were used in 2018 to establish provisions, which are, in brief:

i) regarding the amounts sought in legal proceedings challenging regulatory acts, the provision is estimated based on a greater or lesser assessment of risk;

ii) regarding legal proceedings involving claims concerning the amounts of fees for the 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 in a four-year period, after which cut-off point recovery of the debt is no longer possible.

On the basis of the events recorded in 2018 and the criteria listed above, ANACOM has updated the value of accumulated provisions for ongoing litigation, increasing their amount by 14 381 000 euros. This amount for provisions reflects an increase of 1 525 000 euros (+12%), relative to the increase in the value of the provision in 2017.

Financial situation

In 2018 there was an increase in Liabilities (+13 528 000 euros), mostly due to the strengthening of the provisions for the financial year (+14 381 000 euros). Additionally, there was an increase in Equity (+8 183 000 euros), essentially because the amount of net profits for allocation in 2016, under Administrative Rule 41/2018 of 10 May (-32 710 000 euros), was less than the amount of the 2018 net profit (+41 364 000 euros). Because of these two factors, the relative share of Equity in the balance sheet fell from 57% to 55%.

Table 3.19 – Balance sheet structure

	2018	2017
Total assets	**100%**	**100%**
Non-current assets	7%	7%
Current assets	93%	93%
Total Equity + Liabilities	**100%**	**100%**
Equity	55%	57%
Liabilities	45%	43%

Notwithstanding the above-mentioned changes in ANACOM's balance sheet structure, it remains a solid and consistent financial structure, achieved over the last few years, allowing the assurance

of the financial autonomy provided for in its articles of association, a basic condition to ensure the independence of the regulator.

PROPOSED ALLOCATION OF PROFITS

Proposed allocation of profits

Following the practice of previous years, it is proposed that the net profit for the year ended on 31 December 2018, in the amount of 43 529 558.80 euros, should be assigned as follows:

- Delivery to the State of the sum of 15 907 102.13 euros, which represents the increase in the fees for use of frequency set out in Administrative Rule 378-D/2013 of 31 December (+10 732 847.58 euros), and Administrative Rule 157/2017 of 10 May (+5 174 254.55 euros), since the increase in fees was decided by the Government for that purpose.

- Distribution of the rest, in the amount of 27 622 456.67 euros, as follows:

  – Investment reserves, in the amount of 2 986 171.29 euros (interest received in the IGCP + 10% of the remaining amount), to be used in the constitution of statutory capital, pursuant to Administrative Rule 1534-A/2002 of 23 December;

  – Delivery to the State in the amount of 24 636 285.38 euros (90% of the remaining amount), which will be recorded under the Retained earnings item until such time as the transfer is done.

ANACOM recommends that the portion to be delivered to the State, which totals 40.5 million euros, should be used to develop communications in Portugal for the benefit of end users.

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Balance sheet as at 31 December 2018 (euros)

Description	Notes	2018.12.31	2017.12.31
ASSETS			
Non-current assets			
Tangible fixed assets	8	14 614 547	14 738 820
Intangible assets	7	2 234 107	1 823 961
Other receivables	10	865	865
		16 849 519	**16 563 646**
Currents assets			
Customers	9	1 337 968	1 262 233
State and other public entities	16	-	194
Advances to suppliers		14 948	17 974
Other receivables	10	192 985	794 513
Deferrals	11	1 260 140	1 744 503
Other financial assets	5	200 000 000	70 000 000
Cash and bank deposits	5	29 403 742	136 964 785
		232 209 783	**210 784 202**
Total assets		**249 059 302**	**227 347 848**
EQUITY AND LIABILITIES			
EQUITY			
Other reserves	13	48 169 909	54 026 546
Retained earnings	13	39 148 692	32 520 395
Other changes in equity	13	6 460 770	6 464 661
Net result for period		43 529 559	36 113 677
Total equity		**137 308 930**	**129 125 279**
LIABILITIES			
Non-current liabilities			
Provisions	14	96 019 050	81 638 216
Liabilities due to post-employment benefits	15	8 759 412	8 118 009
		104 778 462	**89 756 225**
Current liabilities			
Suppliers		698 824	1 442 822
State and other public entities	16	758 672	772 010
Other payables	17	5 514 414	6 251 512
		6 971 910	**8 466 344**
Total liabilities		**111 750 372**	**98 222 569**
Total equity and liabilities		**249 059 302**	**227 347 848**

The notes below constitute 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 ending 31 December 2018 (euros)

Description	Notes	2018.12.31	2017.12.31
INCOME AND EXPENSES			
Services provided		96 050 930	90 257 547
Operating subsidies		91 283	125 650
External supplies and services		-8 139 860	-9 571 251
Personnel costs		-22 719 466	-22 811 788
Impairment of receivables (losses/reversals)	12	-95 556	-202 221
Provisions (increases/reductions)	14	-14 380 834	-12 856 173
Other income		2 194 691	347 552
Other costs		-7 268 237	-6 957 893
Results before depreciation, financing expenses, and tax		**45 732 951**	**38 331 423**
Costs/reversals of depreciation and amortization	18	-2 233 101	-2 636 206
Operating results (before financing costs and taxes)		**43 499 850**	**35 695 217**
Interest and similar income	20	29 709	418 460
Net result for period		**43 529 559**	**36 113 677**

The notes to the following annex form 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 in the period ending 31 December 2018 (euros)

	Other reserves	Retained earnings	Other changes in equity	Net result for period	Total
As at 31 December 2016	**51 822 015**	**27 337 252**	**6 468 551**	**35 971 696**	**121 599 514**
Changes in period					
Other changes recognized in equity					
- Employee benefits (Note 15)	-	209 987	-	-	209 987
- Subsidies (Note 13)	-	-	-3 890	-	-3 890
	-	209 987	-3 890	-	206 097
Net result for period				36 113 677	36 113 677
Comprehensive result	-	209 987	-3 890	36 113 677	36 319 774
Capital operations in period					
Allocation of 2015 results	2 204 531	-30 998 540	-	-	-28 794 009
Other operations					
- Transfer of results of previous period	-	35 971 696	-	-35971696	-
	2 204 531	4 973 156	-	-35 971 696	-28 794 009
As at 31 December 2017	**54 026 546**	**32 520 395**	**6 464 661**	**36 113 677**	**129 125 279**
Changes in period					
Other changes recognized in equity					
- Employee benefits (Note 15)	-9 118 456	6 486 316	-	-	-2 632 140
- Subsidies (Note 13)			-3 891	-	-3 891
	-9 118 456	6 486 316	-3 891	-	-2 636 031
Net result for period				43 529 559	43 529 559
Comprehensive result	-9 118 456	6 486 316	-3 891	43 529 559	40 893 528
Capital operations in period					
Allocation of 2016 results	3 261 819	-35 971 696	-	-	-32 709 877
Other operations					
- Transfer of results of previous period	-	36 113 677	-	-36 113 677	-
	3 261 819	141 981	-	-36 113 677	-32 709 877
As at 31 December 2018	**48 169 909**	**39 148 692**	**6 460 770**	**43 529 559**	**137 308 930**

The notes to the following annex form 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 ending 31 December 2018 (euros)

Description	Notes	2018.12.31	2017.12.31
Cash flows from operating activities			
Receivables from clients		95 982 282	90 345 998
Payments to suppliers		-8 873 512	-9 131 689
Payments to personnel		-22 500 333	-22 602 661
Cash flow generated by operations		**64 608 437**	**58 611 648**
Other receivables		11 091 001	25 918 202
Other payments		-17 939 539	-32 711 609
Other receivables/payments		**-6 848 538**	**-6 793 407**
Net cash flows from operating activities		**57 759 899**	**51 818 241**
Cash flows from investment activities			
Payments related to:			
Tangible fixed assets		-1 731 241	-1 212 198
Intangible assets		-1 151 556	-498 470
Receivables from			
Tangible fixed assets		-	13 051
Interest and similar income		271 732	411 150
Cash flows from investment activities		**-2 611 065**	**-1 286 467**
Cash flows from financing activities			
Payments related to:			
Allocation of 2016 and 2015 results (Note 13)		-32 709 877	-28 794 009
Net cash flows from financing activities		**-32 709 877**	**-28 794 009**
Change in cash and cash equivalents		22 438 957	21 737 765
Cash and cash equivalents at start of period	5	206 964 785	185 227 020
Cash and cash equivalents at end of period	5	**229 403 742**	**206 964 785**

The notes below constitute 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 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 new articles of association of ANACOM, approved by Decree-Law 39/2015 of 16 March, became effective on 1 April 2015. ANACOM's articles of association were thus adapted to the framework-law of regulatory authorities (Law 67/2013 of 28 August), incorporating the powers conferred on this authority through sundry legislation, in particular the Electronic Communications Law and the Postal Law. The articles of association now state expressly that ANACOM is the national regulatory authority (NRA) for the field of communications, for the purposes stated in EU and national legislation.

According to its articles of association, ANACOM is a legal person under public law, an independent administrative authority by nature, endowed with administrative, financial and management autonomy, and having 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 mentioned articles of association and other applicable legislation.

In addition, it is responsible for advising the Assembly of the Republic, when requested, 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, in relevant national and international bodies (Article 8(2)).

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

ANACOM also has the duty of guaranteeing compliance with the rules applying 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 organizations, keeps abreast of communications regulation experiences abroad and establishes relationships 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 standardization 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 organizations and services which are responsible for the establishment and management of the integrated emergency communications network.

ANACOM's legal framework was tailored to its mission and responsibilities and is a mixed regime that combines the prerogatives of public law essential for the performance of its authority duties with the flexibility and efficiency of private law.

The management principles which ANACOM must respect should be noted (Article 7(1) of the Articles of Association):

- the exercise 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 of results;
- transparency in its operations;
- respect for the principles of previous spending commitments and programming.

These financial statements were approved by the Board of Directors at its meeting on 11 April 2019. It is the opinion of the BoD that these financial statements provide a true and

proper picture of the operations of ANACOM, as well as its position, financial evaluation and cash flows.

2. Accounting principles for the preparation of the financial statement

2.1 Basis of Preparation

The financial statements were prepared in the context of the legal norms in force in Portugal, in accordance with the accounting standardization 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, as well as the international financial reporting standards (IAS/IFRS) and their technical interpretations (IFRIC), as adopted in the European Union.

The financial statements were prepared assuming the continuity of operations while 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 understandable information. Additional disclosures are provided whenever the standards contained in the NCRF might be insufficient to allow their full understanding

The financial statements cover a period that coincides with the calendar year and are 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 accounting 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, current and future results may differ from these estimates. Those 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 SNC.

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 comparison purposes in these financial statements.

4. Principal accounting policies

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

4.1 Currency conversion

4.1.1 Functional and presentation currency

The financial statements of ANACOM and these Notes are presented in euros, unless 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. The exchange rate gains or losses resulting from payment/receipt transactions and from conversion at the exchange rate on the date of the balance sheet, of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

4.1.3 Exchange rates used

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

Table 6.1 - Currencies

	2018.12.31	2017.12.31
US dollar	1.1427	1.1960
Swiss franc	1.1246	1.1670

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

4.2 Intangible assets

Intangible assets are entirely made up of software for ANACOM's use (see Note 7) and are recognized 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 provided for in NCRF 6 – Intangible assets, which requires that an intangible asset should be carried at its cost less accumulated amortization and any accumulated impairment losses.

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

4.3 Tangible fixed assets

Tangible assets are valued at acquisition cost, in accordance with no. 29 of Financial Accounting Reporting Standard 7 (NCRF 7) - Tangible fixed assets, which allows the option of using acquisition cost as 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 recognized in the cost of the asset or recognized as a separate asset, as appropriate, only when it is probable that future associated economic benefits will flow to the entity and when the cost can be reliably measured. The carrying amount of the replaced part is derecognized from the balance sheet.

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

The expenses resulting from adaptation works in rented buildings are recognized as an expense in the period according to the rental period provided for in the respective contracts.

The philatelic property, whose value 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. In the 2015 financial year the philatelic property was counted and subsequently valued at fair value (on the date of the inventory) by a qualified independent assessor, and the conclusion was there were no impairments to be recorded (see Note 8). From that date on and every year, the property was counted by sampling, whenever requested by independent auditing firms.

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

Table 6.2 – Useful live of tangible assets

	Years
Buildings and other constructions	Between 10 and 50 years
Basic equipment	Between 5 and 10 years
Transport equipment	Between 4 and 7 years
Tools and utensils	4 years
Administrative equipment	Between 4 and 10 years
Other tangible assets	Between 1 and 10 years

The useful life of assets is reviewed as of each financial reporting date so that the reported depreciation conforms to 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 realization value and book value of the asset, and are recognized in the income statement.

4.4 Leases

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

Leases are classified as financial when all 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.

Other leases are classified as operational, also pursuant to the provisions in this NCRF.

ANACOM only holds operational leases, and the payments are recognized as an expense on a linear basis over the leasing period.

4.5 Impairment of assets

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

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

4.6 Financial assets and 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 items Customers and Other receivables constitute receivables from fees paid by ANACOM and other sundry income. They are initially recognized at amortized cost, less impairment losses (Notes 9 and 10).

Impairment losses 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 prior to the end of the time limit for payment, to all customers with invoicing over 5 000 euros; sending a first letter of notice to all customers after the non-payment of the invoice on the specified date; and sending a final warning letter after the legally demandable surcharge has been generated (only for radio spectrum customers), if payment has not been made after 90 days. As for customers domiciled in the national territory, after the aforementioned recovery proceedings have been exhausted, 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 tax office with a debt certificate for enforced recovery.

In terms of impairment calculation there are three separate situations:

(i) Natural persons domiciled in the national territory

Impairment is established on failure to pay on the date stipulated in the invoice, since the collection rate for this kind of debt is very poor.

(ii) Legal persons domiciled in the national territory

Impairment is established after the customer's failure to respond to the final warning letter, since the collection rate is much higher than with natural persons.

(iii) Natural and legal persons domiciled abroad

Impairment is established after lack of payment on the date specified in the invoice, since ANACOM has no access to effective means of enforcing payment, whereas it does with customers domiciled in the national territory, where there are tax offices. 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 in litigation, contested debts, debts under appeal, companies in 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 to results if the indication of impairment no longer exists (Note 12).

4.8 Cash and cash equivalents

For 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 a year. Otherwise, and/or if it is not possible to mobilize them, they are recorded in Non-current assets.

4.9 Suppliers and Other payables

The items Suppliers and Other payables are obligations to pay for acquired goods or services and are initially recognized at fair value or at their amortized cost, less impairment losses (Note 17).

4.10 Post-employment benefits

ANACOM staff who came 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 CGA (Caixa Geral de Aposentações) plan, [a pension scheme for civil servants], and continued to enjoy this right after their transfer. ANACOM took on the responsibility for this plan (Note 15.1).

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

Employees who came from former CTT (CTT in its old 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), and ANACOM has taken on the healthcare responsibilities 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 covering ANACOM staff transferring from former CTT is the current CGA Plan, which is a defined benefits plan, not included in the balance sheet, and was constituted as an autonomous fund to finance liabilities. The balance sheet only reflects the financing 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, whose liabilities are reported on the balance sheet.

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 obligation 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 recognized 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 obligation of the defined benefit determined at the date of the balance sheet, less the fair value of the plan's assets.

<u>Recognition of actuarial deviations</u>

Actuarial deviations arise from experience adjustments and changes in actuarial assumptions.

ANACOM recognizes all calculated actuarial gains and losses for all plans in force directly in equity, as reported in the Statement of changes in equity. Gains and losses resulting from costs or gains in the current services of a defined benefit plan are recognized 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 recognized under Personnel costs in the period to which they relate.

4.11 Subsidies from the European Union or other entities

Non-refundable investment subsidies are initially recognized under the item Equity – Other changes in equity, and are subsequently credited in the income statement according to the depreciation of the assets to which they relate (Note 13).

Operating subsidies from the EU or other entities are recognized as income by their receipt value in the income statement in the period in which the related 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 stemming 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 ECL (Electronic Communications Law); (ii) fees in respect of 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.

Revenue from these fees is recognized in the period to which they relate, regardless of the date of receipt.

4.13 Revenue from financial investments

Revenue relating to interest or other income to be recognized in each period in respect 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 recognized as they accrue, 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 items Other accounts payable/receivable and Deferrals.

4.15 Surcharges and late-payment interest

Non-payment of fees which are due under the ECL and other applicable legislation within the stipulated time limit determines the charging of late-payment interest and surcharges, where applicable, by legal imposition which is binding upon ANACOM. These values are recognized by ANACOM only when their receipt becomes effective, always adopting prudence, considering the risks of non-collection.

4.16 Fines receivable

One of ANACOM's powers is that of oversight 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, too, are recognized by ANACOM when they have actually been received.

4.17 Critical estimates and judgements

Estimates and judgements having an impact on the financial statements of ANACOM are continuously evaluated and represent, on the date of each report, the best estimate, taking

into account the performance history, cumulative experience and expectations about future events that are deemed reasonable under the circumstances.

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

4.17.1 Provisions, liabilities and contingent 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 for the settlement of obligations may lead to significant adjustments, particularly in relation to ongoing legal proceedings and to contingencies, as referred to in Notes 14 and 23.

Provisions are recognized upon verification of all the following conditions: i) a legal or constructive obligation exists, arising from past events; ii) there is a high probability that an expenditure of internal resources will be required for the settlement of this obligation; and iii) the amount can be reasonably estimated (Note 14).

If one of the criteria is not met, no provision is 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 balance sheet date and are adjusted to reflect the best estimate on that date.

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

4.17.2 Actuarial assumptions

The determination of liabilities in respect of 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 on each reporting date. The most sensitive

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

Additionally, liability in respect of the defined benefit retirement and survivor pension plan is subject to legislation relating to the articles of association of the *Caixa Geral Aposentações* (CGA) and the General Social Security Scheme (*Regime Geral da Segurança Social*), so that any amendments to this legislation could lead to a material variation in that liability.

4.17.3 Amortization and depreciation

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

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

4.17.4 Impairment

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

The identification of impairment indicators, estimated future cash flows and determination of the fair value of assets implies a high degree of judgement by ANACOM regarding the identification and evaluation of various 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 available information and estimates made by ANACOM of the expected receivable cash flows.

4.17.5 Events after the balance sheet date

Material events after the balance sheet date that relate to the situations reported on the balance sheet are recognized and/or disclosed in the financial statements.

5. Cash flows

5.1 Cash and cash equivalents not available for use

ANACOM has no balance of cash or cash equivalents subject to restrictions of use for the financial periods presented.

5.2 Breakdown of the values reported in the item cash and bank deposits

In the 2017 and 2018 financial years, the values for cash and bank deposits were as follows:

Table 6.3– Cash flows

	2018	2017
Cash		
- Cash	**30 398**	**40 929**
Bank deposits	**29 373 344**	**136 923 856**
- Demand deposits		
Agência Gestão Tesouraria Dívida Pública (IGCP)	29 372 201	136 911 371
Other banks (commercial bankig)	1 143	12 485
Other financial assets		
- CEDIC	**200 000 000**	**70 000 000**
Net financial resources	**229 403 742**	**206 964 785**

Unit: euro

Following a recommendation of the Court of Auditors, from 2014 ANACOM kept most of the cash it held in IGCP (the 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 said credit institution, named CEDIC (Special Short-Term Debt Certificates - *Certificados Especiais de Dívida de Curto Prazo*). These investments are recorded under Other financial assets.

Private banking is only used for operations that are not provided by IGCP.

It should also be noted that in the current year the IGCP started to apply an interest rate equal to zero to the CEDIC applications, which is why ANACOM stopped making this type of investment, instead choosing to keep available funds in the current account, except for a one-off situation at the end of the year, where, under a proposal from the IGCP, ANACOM agreed to carry out an application in CEDIC in the amount of 200 million euros, for a short period.

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

(i) to deliver to the State part of the net profit related to previous years with respect to which the administrative rules that apply the results and/or determine the allocations of the amounts distributed have not yet been published;

(ii) to deal with future predictable and contingent obligations, in particular those related to ANACOM's operation and investment cycle and those resulting 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 Article 1(1) of its articles of association, 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 enjoys exemption from the payment of corporate income tax (IRC) as one of the entities included in the provisions of Article 9(1)(a) of the IRC Code. It is also exempt from stamp duty pursuant to article 6(a) of the *Código do Imposto do Selo* (Stamp Duty Code). As regards value added tax (VAT), because ANACOM has activities both subject to and not subject to VAT, the pro rata regime provided for in Article 23 of the Code applies. Value added tax (VAT) paid by ANACOM in the acquisition of goods and services, which is not recoverable, is reported under the respective items of costs and tangible and intangible fixed assets in the income statement and in the balance sheet.

7. Intangible assets

In the 2017 and 2018 financial years, the movements reported under the intangible assets items were as follows:

Table 6.4 – Intangible assets

	Software	Other	In progress	Total
Acquisition cost				
Balance as at 1 January 2017	**20 818 792**	**-**	**475 588**	**21 294 380**
Acquisitions	284 070	-	251 957	536 027
Disposals	-	-	-	-
Transfers	56 803	-		56 803
Balance as at 31 December 2017	**21 159 665**	**-**	**727 545**	**21 887 210**
Acquisitions	726 872	-	483 744	1 210 616
Disposals	-	-	-	-
Transfers	45 578	-	-45 578	-
Balance as at 31 December 2018	**21 932 115**	**-**	**1 165 711**	**23 097 826**
Accumulated amortization				
Balance as at 1 January 2017	**18 987 556**	**-**	**-**	**18 987 556**
Amortizations during period (Note 18)	1 075 693	-	-	1 075 693
Disposals	-	-	-	-
Transfers	-	-	-	-
Balance as at 31 December 2017	**20 063 249**	**-**	**-**	**20 063 249**
Amortizations during period (Note 18)	800 470	-	-	800 470
Disposals	-	-	-	-
Transfers	-	-	-	-
Balance as at 31 December 2018	**20 863 719**	**-**	**-**	**20 863 719**
Net value as at 31 December 2017	**1 096 416**	**-**	**727 545**	**1 823 961**
Net value as at 31 December 2018	**1 068 396**	**-**	**1 165 711**	**2 234 107**

Unit: euro

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

The most important transfers from assets in progress to the intangible assets item in 2018 relate to completed software projects, specifically the Microsoft licensing, fixed termination, various myWS functionalities, online complaints book and virtual desk.

The specific projects in progress in the 2018 and 2017 financial years are as shown below:

Table 6.5 - Projects in progress

Description	2018	2017
Market Information System project (SIM-DOC)	557 317	398 763
Projects for the internal improvement of services (GIAF, Plage, BDE, Public accounting, billing, MyWs, SAAS, ITED)	171 043	100 430
Server Farm	354 420	182 774
Other	82 931	45 578
Total	**1 165 711**	**727 545**

8. Tangible fixed assets

In the 2018 and 2017 financial years, the movements reported under the tangible assets items were as follows:

Quadro 6.6 - Activos tangíveis

	Land	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other	Assets in progress	Total
Acquisition cost								
Balance as at 1 January 2017	**1 325 259**	**14 656 959**	**28 447 865**	**960 374**	**6 406 765**	**8 385 033**	**54 508**	**60 236 763**
Acquisitions	-	107 949	484 873	-	84 911	31 540	1 097 322	1 806 595
Disposals	-	-	-	-20 150	-	-	-	(20 150)
Write-downs		-15 350	(87 271)	0	-68 316	-11 117		-182 054
Transfers	-	0	20 625	-	0	0	-	20 625
Balance as at 31 December 2017	**1 325 259**	**14 749 558**	**28 866 092**	**940 224**	**6 423 360**	**8 405 456**	**1 151 830**	**61 861 779**
Acquisitions	-	58 902	165 516	64 006	75 026	44 899	900 062	1 308 411
Disposals	-	-	-	-	-	-	-	-
Write-downs	-	-28 156	-166 348	-	-	(1 363)	-	(195 867)
Transfers	-	0	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**
Accumulated depreciation								
Saldo em 1 de janeiro de 2017	**-**	**11 827 301**	**25 202 920**	**953 274**	**5 811 605**	**1 967 091**	**-**	45 762 191
Depreciation for period (Note 18)	-	246 533	1 029 343	4 275	241 371	38 991	-	1 560 513
Disposals	-	-	-	-18 891	-	-	-	-18 891
Write-downs	-	-14 150	-87 271	-	-68 316	-11 117	-	-180 854
Transfers	-	0	0	-	0	0	-	0
Balance as at 31 December 2017	**-**	**12 059 684**	**26 144 992**	**938 658**	**5 984 660**	**1 994 965**	**-**	**47 122 959**
Depreciation for period (Note 18)	-	226 667	916 038	5 398	247 120	37 408	-	1 432 631
Disposals	-	-	-	-	-	-	-	-
Write-downs	-	(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**
Net value as at 31 December 2017	**1 325 259**	**2 689 874**	**2 721 100**	**1 566**	**438 700**	**6 410 491**	**1 151 830**	**14 738 820**
Net value as at 31 December 2018	**1 325 259**	**2 522 056**	**2 126 527**	**60 174**	**312 358**	**6 417 982**	**1 850 191**	**14 614 547**

The items Land and Buildings report the infrastructure belonging to ANACOM located in Barcarena, Porto, Pinheirinhos da Azóia, and the Autonomous Regions of Madeira and the Azores.

Under the item Basic equipment all equipment is reported which is necessary for the Authority's function of inspection of the communications sector which ANACOM is bound to undertake according to its articles of association, whether conducted centrally (fixed) or in the field (mobile), including spectrum monitoring, as well as laboratory equipment required for testing its own equipment or that of external entities.

The item Transport equipment includes a share of the vehicles that belong ANACOM's fleet while the rest are vehicles deployed under an operational leasing regime, which are needed for outdoor inspection actions.

The main component of the item Administrative equipment is information technology equipment (hardware) although it also records all equipment and devices of an administrative nature used at ANACOM, including sundry furniture, receivers, sound and image devices, etc.

Other tangible fixed assets includes the philately collection from Portugal's former overseas colonies (*Ultramar*) which was removed from the State's private domain and included in the assets of ANACOM in 1998 under provision 2 of Joint Order 325/97 of 18 September 1997, of the Minister for Equipment, Planning and Territorial Administration and the Minister of State, published in the *Diário da República* (the official gazette) no. 226, 2nd Series, of 30 September 1997. This Order prohibits any 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. In the 2015 financial year the philatelic property was revalued by a qualified independent assessor. The conclusion was that these assets were not impaired since the current value given by the evaluation exceeds the balance sheet value. On 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 it has kept this value since then. The collection has been recounted several times since that date, by sampling, and no reason has 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 item 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 no. 29 of Financial Accounting Reporting Standard 7 (NCRF 7), and in accordance with the principle of consistency, the accounting value of the philatelic property was unchanged.

Assets in progress reports all assets that cannot yet be exploited because they are in a test or acceptance phase, though they exist at ANACOM. On 31 December 2018 assets in progress were as follows:

Table 6.7 – Projects in progress

Description	2018	2017
Test system for checking the compliance of DTT receivers	-	150 369
NET.MEDE connection	65 187	27 869
Renewal of time clock registration terminals	-	17 883
Server farm	1 128 352	916 246
Mobility equipment	327 332	-
Modernization/Renovation of CMCE North	268 195	-
Other	61 125	39 463
Total	**1 850 191**	**1 151 830**

Transfers of assets in progress to other tangible fixed assets items in 2018 relate to basic radioelectric equipment for the monitoring and control of the radio spectrum.

Depreciation of tangible fixed assets is reported in its entirety under the item Costs/reversals of depreciation and amortization in the income statement.

It should also be mentioned that as at 31 December 2018, the sum of 8 006 434 euros in tangible fixed assets was held by third parties, including 6 249 144 euros with respect to the philatelic property from the former Portuguese overseas colonies (*Ultramar*), in the custody of *Fundação Portuguesa das Comunicações*.

9. Customers

In the financial years 2018 and 2017, the breakdown of Other receivables was as follows:

Table 6.8 – Customers

	2018	2017
	Current	Current
Customers	**1 662 884**	**1 505 394**
Use of frequencies	254 654	368 539
Regulation and numbering	1 361 176	1 089 544
Other	47 054	47 311
Customers – doubtful receivables	**3 388 861**	**3 417 608**
Use of frequencies	1 620 166	1 636 723
Regulation and numbering	273 890	266 098
Other	1 494 805	1 514 787
Customers – Total	**5 051 745**	**4 923 002**
Impairment losses (Note 12)	-3 713 777	-3 660 769
Net value	**1 337 968**	**1 262 233**

Unit: euro

For the periods presented, no differences are reported between book value and fair value.

10. Other receivables

In the financial years 2018 and 2017, the breakdown of Other receivables is as follows:

Table 6.9 – Other receivables

	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
Accrued income						
Receivable interest	4 583	-	4 583	246 750	-	246 750
Other	9 432	-	9 432	344 110	-	344 110
	14 015	-	14 015	590 860	-	590 860
Other amounts due						
Values to be settled	164 199	-	164 199	202 374	-	202 374
Other	14 771	865	15 636	1 279	865	2 144
	178 970	865	179 835	203 653	865	204 518
Total	**192 985**	**865**	**193 850**	**794 513**	**865**	**795 378**

Unit: euro

The item Receivable interest includes the amount of interest due from ANACOM's financial investments, which will be received in a future period.

Values to be settled records the amounts to be settled by staff with respect to healthcare situations, since ANACOM ensures the management of the receipts and payments in this context, and other situations to be regularized with employees.

The item Other records the remaining residual situations.

11. Deferrals

In the financial years 2018 and 2017, ANACOM recorded the following balances under the deferrals item:

Table 6.10 – Deferrals

	2018	2017
Expenses do be recognized		
Meal allowances	100 237	102 540
Rents and leases	130 426	130 426
Insurance premiums	85 220	449 593
Renovation of facilities	6 302	11 675
Subscriptions	731 907	824 974
Publications	84 902	87 377
Maintenance of SAAS licensing	26 525	26 525
Other services	94 621	111 393
Total	**1 260 140**	**1 744 503**

Unit: euro

The item Meal allowances reflects the allowance paid in advance in December but relating to the next year.

The item Rents and leases includes rental values for 2019, paid in advance in 2018.

Insurance premiums are also invoiced and paid in advance. In the current year, not all policy premium receipts were issued in advance by the insurer, notably the health insurance receipt, hence the lower deferral in relation to the previous year.

The breakdown of this item as at 31 December 2018 and 31 December 2017 is as follows:

Table 6.11 – Insurance premiums

	2018	2017
Travel insurance	7 688	7 694
Property	46 861	1 820
Accidents at work	21 971	20 512
Health	-	409 499
Civil liability	6 000	7 362
Other	2 700	2 706
Total	**85 220**	**449 593**

Unit: euro

The item Renovation of facilities states the deferral to subsequent years of costs relating to renovation works in rented buildings. The costs were broken down based on the period fixed in the corresponding rent contract.

Under the Subscriptions item, values of contributions paid or invoiced in the financial period but relating to the next period are recorded as at 31 December 2018 and 31 December 2017, broken down as follows:

Table 6.12 – Subscriptions

	2018	2017
International Telecommunication Union (UIT)	411 704	435 021
Universal Postal Union (UPU)	138 980	147 252
European Communications Office (ECO/CEPT)	87 698	87 808
Postal Union of the Americas, Spain and Portugal (UPAEP)	78 094	76 023
International Union of Radio Sciences(URSI)	2 130	2 110
Electronic Communications Standards Institute (ETSI)	-	63 460
Independent Regulators Group (IRG)	13 000	13 000
Other	301	301
Total	**731 907**	**824 974**

Unit: euro

The item Maintenance of SAAS licensing in Table 6.10 relates to expenditure arising under multi-year maintenance contracts agreed with these brand-owning companies, chargeable to the following years, with a view to ensuring the operational status of the equipment and licences covered by the contracts, whose validity periods differ from the calendar year.

12 Impairments

The change recorded for the years 2018 and 2017 in the balances of impairment losses are as follows:

Table 6.13 – Impairments	Customers (Note 9)
As at 1 January 2017	**3 468 559**
Increase	202 221
Usage	-10 011
As at 31 December 2017	**3 660 769**
Increase	95 556
Usage	-42 548
As at 31 December 2018	**3 713 777**

Unit: euro

13 Equity

In the financial years 2018 and 2017, the balances of the equity items were as follows:

Table 6.14 – Reserves and other equity headings	2018	2017
Other reserves		
Investment reserves	55 546 437	52 284 618
Retirement benefits (Note 15)	-9 118 456	-
Other reserves	1 741 928	1 741 928
	48 169 909	54 026 546
Retained earnings		
Retirement benefits (Note 15)	-	-6 486 316
1st time adoption of SNC	3 035 015	3 035 015
Transfer of the net result	36 113 677	35 971 696
	39 148 692	32 520 395
Other changes in equity		
Reserve - philatelic property	6 249 144	6 249 144
Donations	109 780	109 780
Subsidies	101 846	105 737
	6 460 770	6 464 661
Net result for period	43 529 559	36 113 677
Total	**137 308 930**	**129 125 279**

The heading Other reserves includes the item Investment reserves, which reflects the accumulated amount of part of the net retained earnings recorded over the years. With the publication of Administrative Rule no. 41-A/2018 of 10 May, these reserves were reinforced in the amount of 3 261 819 euros. In 2018, all the adjustments resulting from the actuarial studies of pension and survivor and health care plans carried out since 2010 were reclassified into the Retirement benefits item, since in accordance with NCRF28, this reflects the nature of these equity items more accurately; the amount of this reclassification amounted to -6 486 316 euros. Accordingly, this item now includes the option to recognize

in equity the gains and losses recorded in the aforementioned actuarial studies, which had previously been recorded in retained earnings. The actuarial studies of the defined benefit plans reported at 31 December 2018 determined the accounting of adjustments to the profit and loss account, both the retirement and survivor pension plan (-2,630,140 euros) and the pension plan (-2 000 euros), the cumulative change of which reduced equity (-2 632 140 euros), as explained in Notes 15.1 and 15.3 of the Annex.

In 2018, the item Retained earnings reflects the accounting transactions performed with the adoption of the SNC and the results of previous years not being applied.

The main change recorded in this item derives from the distribution of the net profits for the financial year 2016, in accordance with the said administrative rule, which involved transfers of 35 971 696 euros. Of this amount, the sum of 24 104 082 euros was for the State, 2 206 034 euros for the European Space Agency (ESA), and 6 399 761 for the *Instituto do Cinema e Audiovisual* (Institute of Cinema and Audiovisual - ICA).

The item Other changes in equity refers to non-refundable investment subsidies in respect of tangible fixed assets (Note 4.11), the amount of a donation valued at market value, and the philatelic property from the former Portuguese overseas colonies (*Ultramar*), included in the assets of ANACOM under Tangible fixed assets (Note 8).

The change in investment subsidies in the 2018 and 2017 financial years is detailed below:

Table 6.15 – Investment subsidy

As at 1 January 2017	**109 627**
Increases	-
Recognition in results	-3 890
As at 31 December 2017	**105 737**
Increases	-
Recognition in results	-3 891
As at 31 December 2018	**101 846**

Unit: euro

Subsidies are recognized annually as income under Other income and gains.

14 Provisions

The change in Provisions in the financial years 2018 and 2017 was as follows:

Table 6.16 – Provisions

	Provisions for legal proceedings
As at 1 December 2017	**68 782 043**
Increases/Additions	12 856 173
As at 31 December 2017	**81 638 216**
Increases/Additions	14 380 834
As at 31 December 2018	**96 019 050**

Unit: euro

The provision corresponds to the estimated liability arising from the risk inherent in legal actions brought by various entities against ANACOM (Note 4.17). As at 31 December 2018 there were 167 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, 96 include claims for compensation.

The changes reported in the 2018 financial year were:

i) the instigation of 15 new actions, 10 of them with sums requested, involving disagreement with the settlement of fees relating to the regulation of electronic communications and postal services, issued by ANACOM, from 2016 and 2017;

ii) completion of three cases, none of which with amounts claimed;

iii) continuation of the other cases carried over from 2017.

To sum up, based on events in 2018, ANACOM had to update the value of the accumulated provision for ongoing legal processes by increasing it by 14 380 834 euros.

It should be noted that the value of this reinforcement stems from the coverage of new and existing challenges relating to regulation fees, where full coverage had not already been provided.

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 the expectation of an outcome of the legal proceedings in progress.

15 Retirement and healthcare benefit obligations

As mentioned in Note 4.10, ANACOM has assumed liabilities in respect of a retirement and survivor pension plan provided to staff transferring from the former CTT and a healthcare plan for employees not covered by Social Security, with both plans being defined benefit plans. In addition to these plans, a defined contribution pension plan is in force.

At 31 December 2018 and 31 December 2017 and in the years ended on those dates, the balances and expenses and income relating to these plans in the financial statements were as follows:

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

	2018	2017
Defined benefit pension plan (Note 4.10)	6 593 412	3 835 009
Defined benefit healthcare plan	2 166 000	4 283 000
Total	**8 759 412**	**8 118 009**

Unit: euro

Tale 6.18 – Expenses / (Income) in income statement

	2018	2017
Defined benefit pension plan	340 822	370 270
Defined contribution pension plan	311 216	303 640
Defined benefit healthcare plan	-2 029 727	140 972
Total	**-1 377 689**	**814 882**

Unit: euro

Table 6.19 – Actuarial (gains) and losses recognized in equity

	2018	2017
Defined benefit pension plan	-2 630 140	-216 987
Defined benefit healthcare plan	-2 000	7 000
Total	**-2 632 140**	**-209 987**

Unit:euro

15.1 Defined benefit pension plan

Staff of ANACOM transferring from the former CTT were covered at the date of their transfer by the retirement and survivor pension plan in force at that company, which corresponds to the CGA plan [pension plan for civil servants], and they still enjoy this right in accordance with Article 28 of Decree-Law 283/89 of 23 August. As such, ANACOM assumed responsibility for the payment of retirement pensions of the personnel transferring 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 liabilities for pension payments.

Under this plan, the members of staff who are covered are entitled to a retirement pension determined under the Social Security rules for the period after 31 December 2005 and, for the previous period, according to the rules of the articles of association of the CGA, set out in a formula that takes into consideration the average earnings for the last three years. The plan includes the following conditions:

- normal retirement age – age established in the Social Security general scheme;
- maximum pensionable time of service – 40 years;
- pensionable salary – average monthly wages subject to discount earned over the last three years (basic salary, seniority payments, flexible working and shift allowance);
- Social Security pension – scheme in force up to 31 December 1993;
- retirement pension – P = TS/40 x SPx80% + PSS, where:

  P = Monthly retirement pension;

  SP = Pensionable salary in 2005 revalued pursuant to Article 27(1) of Decree-Law 187/2007 of 10 May, with the maximum limit of 12 times the *indexante de apoios sociais* (IAS – social support index);

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

  PSS = Pension reckoned according to the rules of the general Social Security scheme, considering the time after 31/12/2005 until retirement;
- number of payments – pensions are paid 14 times per year.

The liabilities with defined benefits and the corresponding annual costs were determined through actuarial calculations, using the projected credit unit 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 time of calculation.

According to the actuarial study conducted by the company managing 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, transferring from the former CTT and recruited into ANACOM was estimated at 30 269 523 euros as at 31 December 2018.

The actuarial study was based on the following assumptions:

Table 6.20 – Assumptions in actuarial study

	2018	2017
Annual discount rate	1.50%	1.86%
Salary annual growth rate	1.50%	
Pension annual growth rate	1.00%	
Indexante de apoios sociais (IAS - social support index) growth rate	1.25%	
Salary revaluation rate	1.50%	
Calculation of Social Security pension	Decree-Law 187/2007 of 10 May and Decree-Law 167-E/2013 of 31 December were deemed to apply	
Social Security normal retirement age	Age 66 and three months/four months in 2017/2008, respectively. In the following years Eurostat projections for the Portuguese population	
Salary growth rate for purposes of calculating social security pension	0.50%	
Seniority bonuses	Projected for the normal retirement age	
Staff turnover rate	In the absence of any reliable statistics, and with an attitude of prudence, a 0% turnover rate was assumed	
Decrements in active life	Due to death or disability	
Invalidity table	Swiss EKV80 Table	
Mortality table	French TV 88/90 Table	

The effect on the liabilities of changes to the discount rate in 2018 was an increase in the amount of 1 322 281 euros, which was directly recorded under equity.

In the 2018 and 2017 financial years, the sum of liabilities recognized in the balance sheet is as follows:

Table 6.21 – Recognized liabilities

	2018	2017
Present value of liabilities	30 269 523	29 602 387
Fair value of fund assets	23 676 111	25 767 378
Surplus/(Deficit)	**-6 593 412**	**-3 835 009**

Unit: euro

Movement in the years 2018 and 2017 in the current value of liabilities underlying the pension plan was as follows:

Table 6.22 – Present value of liabilities

	2018	2017
As at 1 January	**29 602 387**	**29 160 636**
Cost of current services	414 335	440 556
Cost of interest	549 170	581 828
Payment of benefits	-982 936	-1 019 571
Changes in assumptions	1 322 281	516 889
Other actuarial (gains)/losses	-635 714	-77 951
As at 31 December	**30 269 523**	**29 602 387**

Unit: euro

In the 2018 and 2017 financial years, the value of the fund linked to this plan was as follows:

Table 6.23 – Value of fund

	2018	2017
As at 1 January	**25 767 378**	**25 244 262**
ANACOM contributions	212 559	234 648
Employee contributions	144 844	148 613
Benefits paid	-941 565	-987 130
Real return on fund assets	-1 507 105	1 126 985
As at 31 December	**23 676 111**	**25 767 378**

Unit: euro

The effect on the income statements for the 2018 and 2017 financial years stemming from this plan was as follows:

Table 6.24 – Effect on the income statement

	2018	2017
Cost of current services	414 335	440 556
Cost of interest	549 170	581 828
Employee contributions	-144 844	-148 613
Expected return on fund assets	-477 839	-503 501
Total included in personnel costs and/or (other income and gains)	**340 822**	**370 270**

Unit: euro

The effect of actuarial gains and losses recorded directly in equity for the years 2018 and 2017 was as follows:

Table 6.25 – Effect on equity

	2018	2017
Changes in discount rate	1 322 281	516 889
Difference between real and estimated return on fund assets	1 984 944	-623 484
Other actuarial (gains)/losses	-677 085	-110 392
Total reduction (increase)	**2 630 140**	**-216 987**

Unit: euro

In addition, it should be noted that the Fund had a negative return of about 5.5%. This fact, together with the negative effect resulting from the changes in the discount rate and the effect of other impacts resulting from the differences between the initial estimates of the study and the actual results, meant that the funding gap widened from 3 835 009 euros in 2017 to 6 593 412 euros in 2018. This corresponds to a 78% coverage of the liabilities, which is still 14% above the minimum required by the *Autoridade de Supervisão de Seguros e Fundos de Pensões* (ASF – Authority for the Supervision of Insurance and Pension Funds).

In the 2018 and 2017 financial years, the breakdown by type of assets held in the pension plan fund was as follows:

Table 6.26 – Assets by type

	2018	2017
Bonds	59.2%	57.8%
Cash	3.3%	2.7%
Shares	27.5%	29.2%
Real estate	0.7%	1.6%
Absolute return	9.3%	8.7%
Total	**100%**	**100%**

15.2 Defined contribution plan

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

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

If the contract is terminated, the contributions made by each employee up to that date revert in their favour, plus the respective return in each year. However, participation units that were acquired with contributions from ANACOM are only reimbursed to employees who leave in accordance with their active service time and based on six seniority levels.

In 2018 and 2017, the value of the defined contributions of ANACOM to the Retirement Pension Plan rose to 311 216 euros and 303 640 euros, respectively, and is recorded in Personnel costs.

15.3 Defined benefit healthcare plan

As at 31 December 2018, there were 82 ANACOM staff (active and retired) who were not covered by the Social Security healthcare or benefits schemes. They are instead insured by the *Instituto de Obras Sociais dos CTT* (CTT's Institute for Social Works – IOS) and by PT-ACS, including for medical care, medication, hospital admissions, associated diagnostic tests and nursing services, besides other social benefits, under an agreement between IOS and ANACOM.

The liabilities with 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 time of calculation.

According to the actuarial study by the consultant WillisTowersWatson, the current amount of liabilities in respect of healthcare, as at 31 December 2018 and 31 December 2017, stood at 2 166 000 euros and 4 283 000 euros, respectively.

The principal actuarial assumptions used in the actuarial calculation are as shown below:

Table 6.27 – Actuarial assumptions

	2018	2017
Annual discount rate	1.50%	1.86%
Inflation rate	2.00%	
Annual growth in healthcare costs	0.00%	3.50%
Monthly payment per participant	156.62 €	-
Administrative costs	-	A fixed cost value based on: the management commission paid to IOS and the structure costs associated with the healthcare plan
Invalidity table	50% EKV 80	
Mortality table	TV 88/90	
Retirement age	66 years+no. months in force	

The following assumptions were also considered:

- Percentage of married employees – at the date of retirement, disability or death, it is 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 – at the date of retirement, disability or death, an average of 1.5 children per married participant is assumed, and each child is 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 1.86% to 1.5%, resulting in liabilities increasing by 50 000 euros.

In the financial years 2018 and 2017, the sum of liabilities recognized in the balance sheet is as shown below:

Table 6.28 – Recognized liabilities

	2018	2017
Present value of liabilities		
Active and dependents	1 100 000	2 132 000
Retired and dependents	1 066 000	2 151 000
Total	**2 166 000**	**4 283 000**

Unit: euro

Movement in the 2018 and 2017 financial years in the current value of liabilities in respect of the healthcare plan was as follows:

Table 6.29 – Present value of liabilities

	2018	2017
As at 1 January 2018	**4 283 000**	**4 229 000**
Cost of current services	58 273	57 972
Cost of interest	78 000	83 000
Payment of benefits by ANACOM	-89 273	-93 972
Change in plan	-2 166 000	-
Change in assumptions	50 000	84 000
Other actuarial (gains)/losses	-48 000	-77 000
As at 31 December2018	**2 166 000**	**4 283 000**

The effect on the income statements for the 2018 and 2017 financial years stemming from this plan was as follows:

Table 6.30 – Effect on income statement

	2018	2017
Cost of current services	58 273	57 972
Cost of interest	78 000	83 000
Change in plan	-2 166 000	-
Total included in Personnel costs	**-2 029 727**	**140 972**

The cost of current services represents the increase in liabilities of each worker due to the fact that another year of service has elapsed.

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

The change to the plan stems from the change in the method of calculating the liabilities relating to the rate of growth of health costs. The liabilities for past services reflect the payment in 2018 of the fixed monthly amount per participant of ANACOM to the Institute of Social Works (IOS), under the terms of the existing protocol. This is instead of using the claims curves used in previous years, since this method reflects existing practice more accurately. As this change is considered a change in benefits granted, it was recorded under Other income.

The effects of actuarial gains and losses recorded directly in equity for the years 2018 and 2017 were as follows:

Table 6.31 – Effect on equity

	2018	2017
Change in discount rate	97 000	84 000
Changes in demographics	-47 000	-40 000
Changes in estimates	-48 000	-37 000
Total included in Equity	**2 000**	**7 000**

16 State and other public entities

In the 2018 and 2017 financial years, the breakdown of payables to the State and other public entities was as follows:

Table 6.32 – State and other public entities

	2018	2017
Personal income tax	354 357	363 288
Value added tax	28 486	22 258
Social security	375 829	386 464
Subtotal	**758 672**	**772 010**
Social security	-	-194
Total	**758 672**	**771 816**

Unit: euro

17 Other payables

In financial years 2018 and 2017, the breakdown of Other payables was as follows:

Table 6.33 – Other payables

	2018	2017
	Current	Current
Investment suppliers		
General suppliers	523 402	961 977
Cost additions		
Remunerations	2 940 066	2 788 276
Insurance payable	4 031	509 083
DTT contribution	1 947 838	1 947 838
Other	11 052	8 658
Other creditors		
Regulation fees to be refunded	6 594	6 594
Sundry creditors	81 431	29 085
Total	**5 514 414**	**6 251 512**

Unit: euro

The item Investment suppliers relates mainly to the amounts billed for the purchase of equipment and materials incorporated in tangible and intangible fixed assets in progress. The decrease was due to the fact that, in 2017, the purchases made in December, whose payment deadline was in 2018, were considerably higher than those made December 2018.

The item Remuneration includes the liability of ANACOM with respect to holidays and holiday allowances, which were calculated based on the remuneration received in the last month of 2018.

The item Insurance includes the amount payable in respect of insurance policies taken out by ANACOM when the premium receipts are issued in advance. The change versus 2017 reflects the fact that the health insurance receipt for 2019 was not issued in advance, that is, in 2018.

The heading DTT contribution includes the amount related to a contribution payable under the change of the assignment of radio channels for the DTT service. The respective Administrative Order is awaiting publication. The amount recorded reflects the best estimate, based on existing information.

Regulation fees to be refunded concerns adjustments to the regulation fees pursuant to Article 105(5) of the ECL.

The Sundry creditors item is mainly made up of small settlements of accounts with customers, suppliers, and staff regarding the management of insurance for accidents at work.

18 Expenses/reversals of depreciation and amortization

In the financial years 2018 and 2017, this item is broken down as follows (Notes 7 and 8):

Table 6.34 – Depreciation and amortization costs

	2018	2017
Depreciation of tangible fixed assets		
Buildings and other constructions	226 667	246 533
Basic equipment	916 038	1 029 343
Transport equipment	5 398	4 275
Administrative equipment	247 120	241 371
Other tangible fixed assets	37 408	38 991
	1 432 631	1 560 513
Amortization of intangible assets		
Software	800 470	1 075 693
Total	**2 233 101**	**2 636 206**

Unit: euro

19 Sponsorships

In the 2018 financial year ANACOM granted the following sponsorships, for the amounts shown:

Table 6.35 – Sponsorships

Entity	Initiative	Cost with value allocated
		2018
Associação Empresarial de Comunicações de Portugal (ACIST)	XXII National Meeting of Telecommunications Sector SMEs	5 000
Associação Portuguesa para o Desenvolvimento das Comunicações (APDC)	Sponsorship for 2018 acivity plan	15 346
Portuguese Committee of URSI - International Union of Radio Science	Best Student Paper Award (2018 edition)	1 000
		21 346

Unite: euro

Since ANACOM's articles of association empower it to pursue public interest objectives, awarding grants is an indirect way of achieving these ends and of ensuring cooperation with

other public and private bodies in promoting applied scientific research in communications. Furthermore, it encourages the dissemination of the regulatory framework in force and its competences and initiatives, as well as the rights and obligations of the entities that benefit from its activity, and of end users [Article 8(1)(r)(s), and Article 14 of the Articles of Association].

ANACOM has awarded 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 ones, approved on 18 August 2006.

ANACOM received 32 requests for sponsorship in 2018, 4 of which were granted, 8 turned down, 13 missed the opportunity, one was cancelled and 6 were carried over to 2019.

Also under the rules set out in 2006, two cooperation and sponsorship protocols were signed with two leading sectoral associations: the *Associação Portuguesa para o Desenvolvimento das Comunicações* (Portuguese Communications Development Association - APDC), in force from 1 July 2018 until 31 December 2020; and the *Associação Empresarial de Comunicações de Portugal* (Portuguese Business Communications Association - ACIST), with effect from 1 January 2019 to 31 December 2020.

ANACOM also sponsored the 22nd National Meeting of Telecommunications Sector SMEs, on the theme "High speed and low latency networks. The contribution to advanced computing and artificial intelligence", organized by ACIST in 2018.

The 4 sponsorships granted relate to activity plans, specific events and other actions promoted by entities representing or operating in the communications sector

As for the issues covered by sponsored initiatives, most of them focus on electronic communications, radiocommunications and telecommunications infrastructure in buildings (ITED).

It should be noted that the sum for sponsorships includes another related process - the Best Student Paper Award, granted through the Portuguese Committee of the International Union of Radio Science (URSI).

20 Interest and similar income

In the years 2018 and 2017, this item is broken down as follows:

Table 6.36 – Interest and similar income

	2018	2017
Late payment interest	23 069	31 892
Interest on financial investments	6 640	386 568
Total	**29 709**	**418 460**

Unit: euro

The decrease in the item related to Interest on financial investments results from the fact that 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% for most of the year, which is why ANACOM opted to keep existing cash surpluses in a current account, except for an application made at the end of the year, under a remunerated proposal from the IGCP.

21 Commitments

Commitments regarding the purchase of assets

As at 31 December 2018 around 1 331 008 euros was subject to contracts, including VAT (2017: 1 389 623 euros), for the acquisition of tangible and intangible fixed assets, of which 258 850 euros (2017: 622 411 euros) has been paid.

Commitments regarding operating leases

In the financial years 2018 and 2017, the minimum value of future rents payable under non-cancellable operating leases was as follows:

Table 6.37 – Leasing commitments

	2017	2017
Up to 1 year	1 459 275	1 459 275
Between 1 and 5 years	1 233 371	1 233 371
Total	**2 692 646**	**2 692 646**

Unit: euro

In 2018 these rents relate to: (i) the lease of one building and part of another on Av. José Malhoa where ANACOM head office is located, with a sum payable of 1 414 354 euros; (ii)

the rent of nine plots where the remote SINCRER stations are installed, with a sum payable of 73 894 euros; (iii) the leasing of 50 vehicles, under an operational leasing contract (AOV) for periods ranging between 48 and 54 months, with maintenance management included, and 33 contracts with tyre management, replacement vehicle and insurance, amounting to 196 950 euros, not including the option to purchase; (iv) the leasing of printing and copying equipment, with a payable sum amounting to 135 705 euros.

In the 2018 financial year, External supplies and services reports expenses incurred through the mentioned operating leases amounting to 1 568 814 euros (of which 1 207 179 euros relates to the renting of buildings, 27 134 euros relates to the renting of plots, 243 228 euros relates to the leasing of vehicles, and 91 273 euros relates to the leasing of printing and copying equipment). In 2017 the value recorded was 1 595 420 euros.

22. Accounting policies, alterations in accounting estimates and errors

In the present financial year, it has not been necessary to amend estimates or to register errors relating to prior financial 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 2018, ANACOM faced legal proceedings brought by operators in the context of its regulatory activity against which the Board of Directors did not consider it necessary to constitute provision, since the amounts sought were not indicated in the actions brought and there were no credible estimates to support such constitution.

23.3 Contingent assets

As at 31 December 2018, legal proceedings for compensation were under way in respect of the incident that occurred some years previously and 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 date of the balance sheet there is still no confirmation that ANACOM will receive this sum

24 Related parties

24.1 Remuneration of corporate bodies

In accordance with NCRF 5, the members of ANACOM's Board of Directors are related parties by virtue of their fundamental role in its management.

In the 2018 and 2017 financial years, the remuneration awarded to the members of the Board of Directors and the Audit Committee was as follows

Table 6.38 – Board remuneration

	2018	2017
Board of Directors	811 556	845 767
Audit Committee	49 594	49 594
Total	**861 150**	**895 360**

Unit: euro

On 15 August 2017, the current Chairman of the Board of Directors took office, having been appointed pursuant to Resolution of the Council of Ministers 120/2017, approved on 10 August and published on 4 September, taking effect on that date.

According to the Resolution of the Council of Ministers 16/2018, approved 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 member appointed in 2015 for a term of six years (Resolution of the Council of Ministers 38-B/2015, approved and published on 23 July) remains in office.

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

Thus,, in accordance with 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 of the (four) new members of the Board of Directors was established by the salaries committee which, according to the report approved on 28 June 2017, fixed the monthly salary and the monthly allowance of representation expenses, in the following amounts:

- Chair of the Board of Directors: 8 255 euros (14 payments) + 40% of the respective salary (12 payments), for representation expenses.
- Vice-chair and Members of the Board of Directors: 7 249.5 euros (14 payments) + 40% of the respective salary (12 payments), for representation expenses

No retirement pension liability is incurred for members of the above bodies.

24.2 Universal Service Compensation Fund (FCSU)

Law 35/2012 of 23 August creates the electronic communications universal service compensation fund mentioned in Article 97(2) of the ECL, and establishes the criterion for the sharing of the universal service net costs between the companies that are required to contribute to it. The compensation fund aims to finance the net costs resulting from the provision of the electronic communications universal service.

The compensation fund observes the principles of transparency, non-discrimination, proportionality, and minimum market distortion. The financing of the US net costs is sustained by sharing them between the companies that provide public communications

networks and/or publicly available electronic communications and services, in the national territory. For this purpose, the compensation fund holds contributions from those companies.

The compensation fund is an autonomous public asset, without legal personality, under the administration of ANACOM, which, as the managing body, is in charge of its legal representation. The compensation fund is in no way liable for the debts of the managing body, nor is that body responsible for fund's credits. The accounting of the compensation fund is autonomous and separate from ANACOM's accounting. As the managing body, ANACOM is responsible for organizing the accounting of the compensation fund in accordance with SNC (accounting standardization system) standards. The compensation fund's report and the accounts receive an opinion prepared by a statutory auditor or chartered accountant, and are published and sent to the Government minister responsible for the area of communications.

ANACOM is responsible for doing whatever is necessary to ensure the good management of the compensation fund, namely:

(i) for managing and ensuring the collection of contributions from the companies that provide public communications networks and/or publicly available electronic communications services, in the national territory;

(ii) for managing the transfers and payments to be made to the universal service provider(s);

(iii) for managing the financial resources of the compensation fund;

(iv) for drawing up and publishing each year a report setting out the calculated cost of US obligations, stating the contributions made to the compensation fund by all companies involved.

ANACOM can, at any time, undertake all the acts required to perform the functions established by law, in particular to request and obtain relevant information from the companies offering public communications networks and/or publicly available electronic communications services, and to instigate auditing activities.

24.3 *Fundação Portuguesa das Comunicações* - Portuguese Communications Foundation (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 Articles of Association, which have subsequently been modified.

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 socio-economic 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 fulfil its social interest purposes.

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

The Board of Directors is made up of an odd number of members, with at least one representative from each Founder member, and five members at the most. The responsibilities of the Board of Directors include: (i) to set the Foundation's general operating policies; (ii) to approve the budgets and annual or multiannual activity plans proposed by the Executive Board; (iii) to annually evaluate, discuss and approve 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) to set the remuneration of the board members; (v) to represent the Foundation.

On 13 August 2015, the founders proceeded to partly amend the FPC's Articles of Association, thereby establishing its current nature as private and non-profit. Its first Article states that each founding member grants the Foundation, every year, the economic support needed to carry out its social interest purposes, while Article 21(2) sets out that such allocation is made through the payment of a sum, in the month of January, intended to support the operating expenses. That article (Article 21(2)(1)) also states that the 'the value relating to costs with employees 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'.

On 10 September 2015 there was an amendment to the Framework-Law of Foundations (Law 150/2015 of 10 September), approved by Law 24/2012 of 9 July, by 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 financial years ended on 31 December 2018 and 2017:

Table 6.39 – FPC costs

	2018	2017
Funding	171 502	195 000
Costs for allocated personnel	264 139	272 545
Specialized costs (holidays; allowances and pensions)	12 929	3 778
Other provisions of service	2 146	1 722
Total FPC costs	**450 716**	**473 045**

Unit: euro

The annual contribution made in the 2018 financial year followed the procedure set out in Article 14 of the State Budget Law for 2018 (Law 114/2017 of 29 December) and in Administrative Rule 260/201 of 14 September, limited by the order of the State Secretary for the Budget 1577/2018/SEO of 15 October 2018.

Under the terms of the aforementioned Administrative Rule and SEO Order, on 21 December 2018 the *Inspeção-Geral de Finanças* (IGF), upon ANACOM's request, issued a favourable opinion regarding the transfer to be made, having set a ceiling for overall costs with the Foundation.

Having complied with the legal formalities, ANACOM's Board of Directors decided on 21 December 2018 to authorize the transfer of 172 000 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 articles of association 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, such as ANACOM, through the application of a fee based on the total revenues of those regulatory authorities and collected in the last financial year, defined by the annual publication of an administrative rule.

Article 35 specifies that that fee is fixed by 31 July of each year, through an administrative rule by the Government ministers responsible for the area of finance and the main area of economic activity of the regulatory authority, and shall come into effect in the following calendar year. It also establishes that if that administrative rule is not published within the time limit, the fee applicable for the next calendar year will be the average value of the period mentioned in that Article (between 5.5% and 7%), which is 6.25%

Therefore, each month ANACOM transferred the sums given by applying the exception system provided for in the AdC's articles of association, i.e. 6.25% on the previous year's revenue, since the relevant administrative rule had not been published.

ANACOM recorded the amount of 5 620 788 euros (2017: 5 271 077 euros), as an expense under the item Other costs in the 2018 financial year, which was transferred to AdC on a monthly basis.

26. Information required by law

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

The 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

REPORT OF THE AUDIT COMMITTEE

Report of the Audit Committee

1. SUMMARY OF ACTIVITIES UNDERTAKEN

Under legal and statutory provisions, specifically as laid down in point d) of article 33 of the Statutes of **ICP - AUTORIDADE NACIONAL DE COMUNICAÇÕES** (presently ANACOM), approved by Decree-Law no. 309/2001 of 7 December (as amended by paragraphs 3 and 4 of article 5 of Decree-Law no. 39/2015 of 16 March), it is incumbent upon this Audit Committee to present a report on our inspection of, and to issue our opinion on, the Annual Report and Accounts of ANACOM for the financial year ended 31 December 2018.

The Audit Committee has held meetings and examined the most relevant aspects of ANACOM's management, and:

- has examined available financial information, on a sample basis, with favourable result;

- has taken note of the External Audit Report, as drawn up by DELOITTE & ASSOCIADOS - SOCIEDADE DE REVISORES OFICIAIS DE CONTAS, S.A., responsible for auditing the accounts of ANACOM in respect of financial year 2018; the Auditors cooperated with the Chartered Accountant in the exercise of the latter's specific functions.

We have examined the Annual Report and Accounts of ANACOM, as presented by the Board of Directors, and we have ascertained their accuracy and detail as regards their characterisation of the activity carried out during financial year 2018.

2. ACTIVITY OF ANACOM

ANACOM is a legal person governed by public law, endowed with administrative and financial autonomy and its own assets; its mission is the regulation of the communications sector, including electronic and postal communications, and the provision of assistance to the Government under the terms of its statutes and of the law.

As regards ANACOM's activity, we refer to the 2018 Annual Report and Accounts, which summarise the main occurrences of the financial year under examination.

3. ANNUAL REPORT AND ACCOUNTS 2018

The Audit Committee has conducted itself in order to verify the financial, accounting, administrative and management aspects reported in the Annual Report and Accounts and, subsequently, to issue an opinion thereon. This matter is governed by the provisions of ANACOM's Statutes and additionally by those provisions as apply generally to public corporate entities.

The 2018 Annual Report and Accounts, as submitted by the Board of Directors, clearly describe the macro-economic and sectorial framework in which ANACOM carries on its activities; they likewise detail the developments occurring as regards human and material resources, and they report on the economic and financial situation as in the financial year ended on 31 December 2018.

In general terms, the financial statements and accounting systems supporting the Annual Report and Accounts appear to comply with the *Sistema de Normalização Contabilística* (Accounting Standardisation System), and they adequately and substantively express ANACOM's asset position as on 31 December 2018, as well as the results of its operations, changes in equity and cash flows occurring during the financial year ending on that date.

3.1. BALANCE SHEET

The base structure of the Balance Sheet reported by ANACOM as on 31 December 2018 is as follows:

Euros

Items	2018	2017	Variation	
			Value	%
Assets	249 059 302	227 347 848	21 711 454	9.55%
Equity	137 308 930	129 125 279	8 183 651	6.34%
Liabilities	111 750 372	98 222 569	13 527 803	13.77%

The gain reported in Assets results, in large part, from the increase of 22,500,000 euros recorded during the financial period under "Liquid Financial Assets". Under this item, we note the subscription to 200,000,000 CEDIC - Certificados Especiais de Dívida de Curto Prazo (Special Certificates of Public Debt).

In terms of its weight in the structure of ANACOM's Balance Sheet, Equity decreased from 57 percent to 55 percent, involving the following variations:

- Increase in Other Reserves (3,261,819 euros) resulting from the part retention of net profit in respect of financial year 2017, as under Administrative Rule no. 41-A/2018 of 10 May, as well as the reduction of 2,632,140 euros, recorded under the same heading as a result of the adjustment made during the financial year to the retirement benefits account, in accordance with the actuarial studies which were reported on 31 December 2018 and to which we had access.

- Increase in Retained Earnings (6,486,316 euros) resulting from the reclassification of retirement benefits under Other Reserves. This increase corresponds to the reduction, by the same amount, recorded under Other Reserves.

- A year-on-year variation of approximately 7,400,000 euros in Annual Net Profit.

We also noted the following transfers, resulting from application of Administrative Rule no. 41-A/2018 of 10 May:

- Transfer of 2,206,035 euros to the European Space Agency (ESA);

- Transfer of 6,399,761 euros to Instituto do Cinema e do Audiovisual, I.P. (Cinema and Audiovisual Institute).

As regards Liabilities, and as compared to 2017, an increase of about 14% is reported. As such, we highlight the increases reported under Provisions (14,380,834 euros), representing about 86% of total liabilities.

The remaining variations, while minor, are duly expressed and explained in the 2018 Annual Report and Accounts.

3.2. Income statement

The following table shows the variations reported in income during the present financial period as compared to 2017.

Euros

Items	2018	2017	Variation	
			Value	%
Income	98 366 613	91 149 209	7 217 404	7.92%
Expenses	54 837 054	55 035 532	-198 478	-0.36%
Net income for year	43 529 559	36 113 677	7 415 882	20.53%

The following aspects are noted with regard to ANACOM's Income Statements:

- Compared to the previous financial year, income increased by around 8%, while there was a reduction in expenditure of approximately 0.4%. Consequently, total net income for 2018 was reported at 43,529,559 euros, representing an increase of 7,415,882 euros versus 2017;
- The reported increase in income stems primarily from the increase in revenues earned from services provided, constituting a total increase of 5,793,383 compared to 2017;
- As regards expenditure, overall, a slight decrease is reported compared to the previous financial period, and notable variations representing increases and decreases. As such, we note the increase in provisions constituted in respect of legal actions instigated against ANACOM (1,524,661 euros) and the reduction in expenses in respect of supplies and services from third parties (1,431,391 euros).

The remaining variations are expressed and duly explained in the 2018 Annual Report and Accounts.

4. Other Situations

Pension Funds

As mentioned in note 15 of the Annex, ANACOM constituted a separate pension fund on 1 October 1996 to cover and fund liabilities in respect of the payment of pensions to staff transferred from former CTT - Correios e Telecomunicações, E.P.. In addition to this fund, ANACOM also operates a defined-contribution pension plan.

According to the actuarial study conducted by the company managing this pension fund (BPI-Pensões), as on 31 December 2018, the present value of total liabilities in respect of active and retired staff transferred from former CTT and integrated into ANACOM was estimated at 30,269,523 euros, whereas the fund's assets were given a fair value of 23,676,111 euros. As a result of this difference, a reduced liability is recognised in ANACOM's balance sheet (6,593,412 euros). In parallel, and based on the actuarial study on health care, an increase of 50,000 euros was applied, primarily as a result of the change in the discount rate, which was reduced from 1.86% to 1.50%, in accordance with recommended market practices.

Ongoing legal proceedings

In the financial year under review, ANACOM added around 14,380,834 euros to constituted Provisions, resulting in a balance of 96,019,050 euros as on 31 December 2018. This sum results from ANACOM's appraisal of the liabilities in question. As on 31 December 2018, there were 167 legal actions in progress - an increase of 12 since 31 December 2017 (15 new actions and 3 actions concluded). The majority of these refer to proceedings brought to contest acts arising from regulatory activity in the area of electronic communications, arising from regulatory activity in the area of postal services and acts challenging radio fee settlements. Of these actions, 96 involve claims for compensation. Subsequent to a meeting held with the Legal Department of ANACOM, we took note of how ongoing legal proceedings have been developing, and we can conclude that the sum of constituted provisions is sufficient to respond to possible unfavourable outcomes.

Public Procurement

We performed tests to ascertain compliance with the application of Public Procurement rules, specifically observance of process management, as well as the framework governing the sum of awards per undertaking, taking into account the established limits. With regard to analysis of the management of the processes which we have tested, we have ascertained that they are in general compliance with the procedures set out in *Código dos Contratos Públicos* (Public Procurement Code).

5. OPINION

In light of the above, it is our opinion that approval should be given to:

a) the Annual Report and Accounts, as submitted by the Board of Directors of ANACOM, in respect of the year ended 31 December 2018; and

b) the proposed allocation of net profits from 2018, amounting to 43,529,559 euros, as follows:

- "Delivery to the State" of 15,907,102 euros, representing the increase in fees charged for use of frequencies, as under Administrative Rule no. 378-D/2013 of 31 December and Administrative Rule no. 157/2017 of 10 May, since the increase in fees was ordered by the Government for this purpose;
- Allocation of the remaining sum of 27,622,457 euros as follows:
  - Allocation of 2,986,171 euros to "Investment Reserves" (interest earned from IGCP + 10% of the remaining value) to be used in the constitution of statutory capital under the terms of Administrative Rule no. 1534-A/2002 of 23 December;
  - "Delivery to the State" of 24,636,285 euros (90% of the remaining amount), which will be recorded under "Retained Earnings" until actual delivery to the State.

The Audit Committee acknowledges and would like to express its gratitude for all the assistance and cooperation which has been provided by ANACOM's Board of Directors and staff.

Finally, it is reported that it was not possible for the Chairman of the Audit Committee, Dr. Henrique Antunes Ferreira, to be present at the meeting held to give consideration and

approval to this report; nevertheless, the Chairman was informed of and concurs with its contents.

Lisbon, 22 April 2019

THE AUDIT COMMITTEE

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OLIVEIRA, REIS & ASSOCIADOS, SROC, LDA.
Represented by
Dr. Joaquim Oliveira de Jesus, ROC no. 1056, Member

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Dr. Duarte Nuno de Carvalho Gomes de Castro, Member

AUDIT REPORT

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STATUTORY AUDITOR´S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Anacom – Autoridade Nacional de Comunicações ("the Entity"), which comprise the balance sheet as at 31 December 2018 (that presents a total of Euro 249,059,302 and equity of Euro 137,308,930, including a net profit of Euro 45,529,559), the statement of profit and loss by nature, the statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present true and fairly, in all material respects, the financial position of Anacom – Autoridade Nacional de Comunicações as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with "Normas Contabilísticas e de Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística" ("Portuguese GAAP").

Basis for opinion

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

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

Other matters

The financial statements of the Entity as at 31 December 2017 were audited by another auditor, whose Audit Report dated 19 April 2018, does not include any modification to the opinion neither any emphasis paragraph.

Responsibilities of Management for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with "Normas Contabilísticas e de Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística";

- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

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- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for supervising the process of preparation and disclosure of the financial information of the Entity.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Lisbon, 29 April 2019

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Deloitte & Associados, SROC S.A.
Represented by Nuno Miguel Cabaço da Silva, ROC