

**DECLARATION ON THE COST ACCOUNTING SYSTEM OF THE FIXED TELEPHONE SERVICE, THE
LEASED LINE SERVICE AND THE INTERCONNECTION SERVICE PROVIDED BY PT
COMUNICAÇÕES, S.A., FOR THE 2007 FINANCIAL PERIOD**

Whereas:

1. By determinations of the Management Board of ICP-ANACOM of 08/07/2004 and 08/07/2005, PT Comunicações, S.A (PTC) was declared as an entity with significant market power in the following markets:
 - Markets in narrowband access to the fixed public telephone network and of publicly available fixed telephone services;
 - Leased lines retail market and the wholesale markets of terminating and trunk segments of leased lines;
 - Wholesale markets for call origination and termination in the fixed public telephone network;
2. In that capacity, by determinations of the Management Board of ICP-ANACOM of 14/12/2004, 08/07/2005 and 17/12/2004, the following obligations were respectively imposed on PTC:
 - To maintain a cost accounting system to allow verification of price regulation measures imposed on markets referred to in point 1a), under paragraph 5 of article 85 of Law No 5/2004, of 10/02 (ECL);
 - To develop and to put in place an appropriate cost accounting system for the leased line market, under paragraph 3 of article 83 of ECL, and to implement a costing and accounting separation system for wholesale leased line markets, pursuant to article 71 of ECL;
 - To implement a costing and accounting separation system for interconnection markets in the fixed public telephone network, under article 71 of ECL.
3. Pursuant to paragraph 6 of article 85 and to paragraph 1 of article 76, all of ECL, it is incumbent on ICP-ANACOM to declare and to publish every year the compliance of the cost accounting system with provisions in point 2;
4. Moreover, under its Concession Contract, PTC must be provided with a proper cost accounting system for applying the established tariff principles, being incumbent on ICP-ANACOM to approve the method for implementing and using the system, as well as to verify and declare its conformity (article 18 of the Bases of the Concession, approved by Decree-Law No 31/2003, of 17/02);
5. In December 1996, and after ICP-ANACOM had defined the general principles which PTC's accounting system should comply with, this operator officially notified ICP-ANACOM that it had implemented a cost accounting system in the scope of the Telecommunications Public Service Contract;

6. Since then, ICP-ANACOM has promoted audits by independent entities to the referred system;
7. In the scope of the audit to the 2007 financial period, recently concluded after results were recast according to the determination 16/2013 of 18/01, a declaration of conformity of the referred system with applicable provisions was prepared, having auditors concluded that the cost accounting system (CAS) complies therewith, except as regards: (i) the low level of integration of supporting computer applications; (ii) the insufficient supporting documentation concerning the method used for separation according to business areas, mainly separation of assets and liabilities; (iii) weaknesses in supporting and justifying the allocation of revenues to the income statement of the various products; (iv) the direct and non-prospective change of the period for acknowledging curtailment costs, which shifts from 8 to 11 years; (v) the limited supporting documentation on the change of pipeline service life, from 20 to 40 years;
8. As regards reservations in point 7., (i), (ii) and (iii), ICP-ANACOM laid down a set of determinations and recommendations for improvements of PTC's CAS;
9. As far as point IV is concerned, and whereas: (i) the amount in consideration (11.4M€) is not materially relevant compared to total CAS costs (0.55%); the under/over allocation of costs is not the issue here and; on the date a possible determination took effect, the financial periods from 2003 to 2006 would be practically amortised, ICP-ANACOM deems that the procedure followed by PTC should be maintained, stressing that, whenever possible and in future situations, linearising criteria should be used to acknowledge costs in order to mitigate their effects on the CAS;
10. Relatively to point V., taking into account that the reservation concerns only the lack of supporting documentation on the procedure adopted by PTC and admitting that the change in the pipeline service life corresponds to PTC's option to reflect at an economic level the real use of pipelines in view of the service life defined at an accounting level, a situation which shows an increased degree of accurateness in CAS accounts, ICP-ANACOM decided not to issue any recommendation or determination;

ICP-ANACOM hereby declares that the results of PTC's cost accounting system for the financial year of 2007, subject to the above-mentioned aspects, were produced in compliance with:

- a) Rules defined in paragraph 5 of article 85 of ECL, as regards narrowband access to the fixed public telephone network and publicly available fixed telephone services;
- b) Paragraph 3 of article 83 and article 71 of ECL as regards the leased line service; and
- c) Article 71 of ECL as regards call origination and termination in the fixed public telephone network.

This is without prejudice to any conclusions and recommendations that may result from the advisory services currently provided as regards the overall review and critical analysis of the model implemented by PTC for processing the CAS results.