

Declaration on the analytical accounting system of the telephone service at a fixed location, the leased lines service and the interconnection service of PT Comunicações, S.A. with reference to the 2006 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 of narrowband access to the public telephone network at a fixed location and of telephone services at a fixed location;
 - Leased lines retail market and the wholesale markets for terminating and transit segments of leased lines;
 - Wholesale market for call origination and termination on the public telephone network at a fixed location;

2. As such, by determinations of the Management Board of ICP-ANACOM of 14/12/2004, 08/07/2005 and 17/12/2004, the following obligations were imposed, respectively, on PTC
 - To maintain an analytical accounting system which enables the verification of the price regulation measures imposed with respect to the markets referred to in 1.a) pursuant to paragraph 5 of article 85 of Law no. 5/2004 of 10/02 (LCE);
 - Develop and implement an appropriate system of cost accounting in the leased lines retail market pursuant to paragraph 3 of article 83 of the LCE, and implement a system of cost accounting and accounting separation in the leased lines wholesale markets, pursuant to article 71 of the LCE;
 - To implement a system of cost accounting and accounting separation in the markets for interconnection on the public

telephone network at a fixed location pursuant to article 71 of the LCE;

3. Under paragraph 6 of article 85, paragraph 6 of article 83 and paragraph 1 of article 76, all of the LCE, it is incumbent upon ICP-ANACOM to issue and publish, on an annual basis, a declaration as to the conformity of the *sistema de contabilidade analítica* (analytical accounting system) with the provisions referred to in 2;
4. Moreover, under the *Contrato de Concessão* (Concession Agreement), PTC is required to employ an accounting system which is appropriate to the stipulated tariff principles, whereas it is incumbent upon ICP-ANACOM to approve the methodology to be used in the implementation and use of the system, as well as to verify and declare its conformity (article 18 of the *Bases de Concessão* (Concession Bases), as approved by Decree-Law no. 31/2003 of 17/02);
5. In December 1996, and subsequent to the definition by ANACOM of the general principles of the accounting system of PTC, the operator officially notified ANACOM that it had implemented an analytical accounting system in respect of the *Contrato do Serviço Público de Telecomunicações* (Public Telecommunications Service Contract);
6. Since then, ICP-ANACOM has conducted audits of this system;
7. The audits were conducted by bodies which are independent of PTC;
8. Further to the recently completed audit referring to the 2006 financial period, a declaration was drawn up by the auditors of the system as to its conformity with the applicable provisions, wherein the auditors concluded that the SCA - *sistema de contabilidade analítica* (analytical accounting system) conforms with said provisions, except with regard to (i) the limited integration of supporting computer applications; (ii) insufficient supporting documentation with regard to the methodology employed in the separation of business areas, especially with regard to the separation of assets and liabilities; (iii) the cost, improperly included in the SCA of PTC, resulting from the

consideration of financial costs reported under personnel costs, leading to an overestimation of costs totalling about €49.5M; (iv) common costs, which represent 11.9% of total costs, thereby violating the limit established by Recommendation 98/322/EC; (v) the weaknesses detected in terms of the bases and justification given to the allocation of revenues to the income statements of the various products; and (vi) the allocation of costs in respect of the transfer of the former Marconi via common costs;

9. With respect to the reservations raised by the auditors, as referred to in paragraph 8, ICP-ANACOM conveyed its position to PTC in a separate and specific document, issuing a set of determinations and recommendations with a view to improving the SCA used by PTC;

ICP-ANACOM declares that the results of the *sistema de contabilidade analítica* (analytical accounting system) of PTC with reference to the 2006 financial period, notwithstanding the issued identified above, were produced in accordance with:

- a) The rules set out in paragraph 5 of article 85 of the LCE, with respect to narrowband access to the public telephone network at a fixed location and the publicly available telephone services at a fixed location;
- b) The provisions of paragraph 3 of article 83 and article 71 of the LCE, with respect to the leased lines service; and
- c) The provisions of article 71 of the LCE, in relation to call origination and termination on the public telephone network at a fixed location.

Such affirmation is made without prejudice to the possibility that findings and recommendations may stem from the analysis of the treatment of curtailment costs, as well as from the overall review and critical analysis of the model implemented by PTC for preparing the results of the analytical accounting system.