

Declaration on the Analytical Accounting System of CTT - Correios de Portugal, S.A., regarding the 2009 financial period, for the purposes of paragraph 2 of article 19 of Law no. 102/99 of 26 July, as amended by Decree-Law no. 116/2003 of 12 June

Whereas:

1. CTT - Correios de Portugal, S.A. (CTT), as provider of the universal postal service, and in accordance with paragraph 1 of article 19 of Law no. 102/99 of 26 July, as amended by Decree-Law no. 116/2003 of 12 June, is bound to employ a SCA - *sistema de contabilidade analítica* (analytical accounting System) that enables determination of the direct and indirect revenues and costs associated with each of the reserved services and each of the non-reserved services and, additionally, enables separation of the costs associated with the different basic operations of postal services (acceptance, sorting, transport and distribution of postal items);
2. CTT is bound, in accordance with point a) of paragraph 3 of article 2 of the *Convénio de Preços* (Price Convention) of the universal postal service of 10 July 2008, to maintain an SCA which enables determination of the costs associated with each service and, within this, the costs associated with the various forms of service provision, as well as the different stages of the productive process (acceptance, sorting, transportation and distribution);
3. ICP - Autoridade Nacional de Comunicações (ANACOM) decided on 19.05.2011 to contract Baker Tilly, PG & Associados, S.A. (Baker Tilly) to perform an audit of the results of the SCA used by CTT for the 2009 financial year;
4. the audit was performed by an entity independent of ICP-ANACOM and CTT; and,
5. following performance of the audit referred to in point 4, the auditors, based on the work performed, concluded that the results of SCA used by CTT with reference to the 2009 financial period are, in all materially relevant aspects, in compliance with applicable laws and regulations, while making exception of the fact that:
 - a) insufficient information was obtained as would allow an assessment of the reasonableness of the cost allocation criterion used in the SCA and, therefore, to assess the possible impact in terms of the products of the Universal Service, resulting:
 - i) from the allocation of a significant portion of the costs of the Retail organisational unit (57.5 million euros) to the various operational phases

- (acceptance, sorting, transportation and distribution), insofar as it was not possible to obtain sufficient information as would enable assessment of the suitability of the rationale. Costs associated with the macro Retail activity in 2009 amounted to a sum of about 63 million euros (2008: 27 million euros);
- ii) from the allocation of costs related to network management (2.3 million euros) to the various operational phases (acceptance, sorting, transportation, distribution), insofar as it was not possible to obtain sufficient information as would enable assessment of the suitability of the rationale; whereas the costs were, on one hand, allocated equally (25%) to each of these operational phases (1.9 million), and on the other hand (0.4 million), allocated to the stages of acceptance (33%), sorting (34%) and distribution (33%);
 - iii) from use of the "last key" criterion of allocation (used in allocating common costs), for allocation to SCA products of costs related to: (i) adjustments in stock values (731 thousand euros) and extraordinary costs (779 thousand euros) related, inter alia, to breakage and inventory differences, and (ii) adjustments to other debtor receivables (2.724 million euros) and extraordinary costs related to bad debts (1.405 million euros);
 - iv) from lack of information as would enable assessment of the reasonableness of the criterion used in the allocation, among the different SCA products, of revenues, registered in the SCA as "minus cost" related to the reimbursement of VAT, which amounted to about 1.209 million euros; and,
 - v) lack of sufficient and detailed information as would enable assessment of the buildings management policy and its effect on the SCA, in order to assess any inefficiencies and respective impact on the cost of the products included in the scope of the Universal Service.
 - b) documentation supporting the results of CTT's SCA for the 2009 financial year does not comply with the requirements specified by ICP-ANACOM in notice ANACOM-S05363/2005 of 02.06.2005;
 - c) various types of costs have been identified, which, although considered to be of immaterial value, considering their type and the information that might be obtained, should not have been allocated as if they were common costs, but rather allocated directly, or based on a relation of causality which better reflects the occurrence

of such costs having regard to their typology and the products associated therewith;

ICP-ANACOM declares, for the purposes of paragraph 2 of article 19 of Law no. 102/99 of 26 July, as amended by Decree-Law no. 116/2003 of 12 June, that the results of the *sistema de contabilidade analítica* (analytical accounting system) used by CTT - Correios de Portugal, S.A. with reference to the 2009 financial period, were produced in accordance with the laws and regulations, except as regards the aspects described in section 5.

Following the audit, the Management Board of ICP-ANACOM approved a set of determinations with a view to the improvement of the *sistema de contabilidade analítica* (analytical accounting system) used by CTT, while also reiterating those issued in previous years and requesting substantiated information about the status of their implementation.