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Determination of 31.5.2007

Statement on the Cost Accounting System of PT Comunicações, S.A. for the Fixed Telephone Service and Leased Lines Service, for 2002-2003

Whereas:

- i. Since 2000 PT Comunicações, S.A. (PTC) has been declared an entity with significant market power in the fixed telephone networks market and/or fixed telephone service market, as well as in the leased lines market.
- ii. In this capacity, pursuant to article 35 of the Regulations for the Fixed Telephone Service Operation (RESFT - DL 474/99, of 08/11) and to article 29 of the Regulations for the Public Telecommunication Network Operation (RERPT - DL 290-A/99, de 30/07) PTC, for 2002-2003, was under the obligation to introduce a cost accounting system that was appropriate to the application of tariff principles provided for respectively in article 34 of RESFT and article 28 of RERPT.
- iii. Pursuant to the same articles 35 of RESFT and 29 of RERPT, it was incumbent upon ICP-ANACOM to declare compliance every year with the adopted cost accounting system and to approve this system.
- iv. Pursuant to the Concession Agreement, both in the version prepared in accordance with the Concession Bases approved by Decree-Law no. 40/95, of 15/02, and in the current version prepared in accordance with Decree-Law no. 31/2003, of 17/02, PTC must be provided with a cost accounting system that is appropriate to the application of the established tariff principles, being incumbent upon ICP-ANACOM to approve the method used in the implementation and use of the system and to verify and declare its compliance (article 18 of the Concession Bases – Decree Law 31/2003, of 17/02).
- v. In December 1996, and after ICP-ANACOM had established the general principles for PTC's cost accounting system, this operator reported officially to ICP-ANACOM that it had implemented a cost accounting system within the scope of the Public Telecommunication Service Concession Agreement;

- vi. ICP-ANACOM promoted audits to the above-mentioned system based on 1996-2003 financial years;
- vii. These audits were carried out by independent entities of PTC.
- viii. Within the scope of the audit to the financial years of 2002-2003, a statement of compliance of this system with the applicable regulatory provisions was presented, whereby auditors concluded that the cost accounting system conforms to such provisions, except for (i) the low level of integration of the computer system structure supporting the cost model; (ii) the method used in the separation by business areas; (iii) the assets and liabilities separation method.
- ix. As regards these reservations, ICP-ANACOM conveyed its view to PTC in a specific and independent document.

ICP-ANACOM thus declares that PTC's cost accounting system results for 2002-2003, except for the above-mentioned reservations, were presented in accordance with:

- i. The rules set out in paragraph no. 3 of the MEPAT Order no. 15021/99 (2nd Series) and in article 34 of RESFT, as regards the fixed telephone networks and fixed telephone service are concerned; and
- ii. Article no. 29 of RERPT, as far as the leased lines service is concerned.