

**CONSTELLATION COMMUNICATIONS, INC.**  
**FCC Form 430**  
**Question 10(b)**

**EXHIBIT VII**

The officers and directors of Constellation Communications, Inc. are as follows:

<b>Bruce D. Kraselsky</b> 10530 Rosehaven Street, Suite 410 Fairfax, Virginia 22030 (703) 352-1733	<b>Chairman and Chief Executive Officer</b>
<b>Ronald J. Lepkowski</b> 10530 Rosehaven Street, Suite 410 Fairfax, Virginia 22030 (703) 352-1733	<b>Director and Secretary</b>
<b>Bradley J. Schwartz</b> 10530 Rosehaven Street, Suite 410 Fairfax, Virginia 22030 (703) 352-1733	<b>Director and Treasurer</b>
<b>C.E. Velez</b> 10530 Rosehaven Street, Suite 410 Fairfax, Virginia 22030 (703) 352-1733	<b>Director</b>
<b>Robert Van Brunt</b> 10530 Rosehaven Street, Suite 410 Fairfax, Virginia 22030 (703) 352-1733	<b>Director</b>
<b>William Roughton</b> 10530 Rosehaven Street, Suite 410 Fairfax, Virginia 22030 (703) 352-1733	<b>Director</b>
<b>Marshall D. Williamson</b> 10530 Rosehaven Street, Suite 410 Fairfax, Virginia 22030 (703) 352-1733	<b>Director</b>

**J.R. Copple**  
10530 Rosehaven Street, Suite 410  
Fairfax, Virginia 22030  
(703) 352-1733

**Director**

**Talbot S. Huff**  
10530 Rosehaven Street, Suite 410  
Fairfax, Virginia 22030  
(703) 352-1733

**Director**

## DO PATRIMÔNIO LÍQUIDO

SOCIETÁRIA				(Em milhares de cruzeiros reais)	
Reserva de reavaliação de ativos de controladas	Reservas de Lucros			Ações em Tesouraria	Total do Patrimônio Líquido
	Reserva Legal	Reserva de Lucros a Realizar	Lucros Acumulados		
<u>1.727.082</u>	<u>486.484</u>	<u>49.973.236</u>	<u>22.288.864</u>		<u>157.482.297</u>
					21 798 127
					133 157
					97 296
				(314.079)	(314 079)
(5.837.808)		(74.140.089)	74.140.089		
27.572.867	11.782.932	1.210.382.032	554 108.177	(1 486 417)	3 919 094 513
			43		43
20.281.377			(20.281.377)		
			495.376.039		495 376 039
	24 768.802	470.607.237	(495 376 039)		
			(18 535 022)		(18 535 022)
<u><u>43.743.518</u></u>	<u><u>37.038.218</u></u>	<u><u>1.656.822.416</u></u>	<u><u>617.558.582</u></u>	<u><u>(1.800.496)</u></u>	<u><u>4.575.132.371</u></u>

# DEMONSTRAÇÃO DAS MUTAÇÕES

Exercícios findos em 31 de dezembro de 1993 e 1992		CORREÇÃO		
	Capital Realizado Atualizado	Reservas de Capital		
		Ágio na Subscrição de Ações	Doações e Subvenções p/ Investimentos	Reserva Especial Lei 8200/91
<b>Saldos em 31 de dezembro de 1991</b>	<b><u>1.433.876.790</u></b>		<b><u>2.786</u></b>	<b><u>323.660.021</u></b>
Aumento de capital social				
Recursos de autofinanciamento	61.576.719	18.035.579		
Recursos ordinários da UNIÃO	139.455.496	24.248.114		
Outros recursos capitalizáveis	51.231.832	370		
Reversão dif. aliq. lei 8541/92				21.163.146
Reavaliações de ativos				
Aquisições de ações próprias				
Venda de ações em tesouraria				
Reversão de reservas				
Realização reserva de reavaliação				
Dividendos prescritos				
Lucro líquido do exercício				
Destinação proposta da AGO dos lucros				
Transferências para reservas				
Dividendos propostos				
IRF sobre lucro líquido - Lei 7713/88				18.669.073
Reversão do ILL				
<b>Saldo em 31 de dezembro de 1992</b>	<b><u>1.686.140.837</u></b>	<b><u>42.284.063</u></b>	<b><u>2.786</u></b>	<b><u>363.492.240</u></b>
Ajuste de exercícios anteriores				
Por retificação de exerc. anteriores				
Aumento do capital social				
Recursos de autofinanciamento	93.702.358	31.256.163		
Outros recursos capitalizáveis	880.267			
Reservas e lucros	41.470.632	(41.467.846)	(2.786)	
Aquisições de ações próprias				
Reversão de reservas				
Realização reserva de reavaliação				
Dividendos prescritos				
Ajuste de realização na reserva de reavaliação				
Lucro líquido do exercício				
Destinação proposta da AGO dos lucros				
Transferências para reservas				
Dividendos propostos				
<b>Saldo em 31 de dezembro de 1993</b>	<b><u>1.822.194.094</u></b>	<b><u>32.072.380</u></b>	<b><u>-</u></b>	<b><u>363.492.240</u></b>

# DO PATRIMÔNIO LÍQUIDO

(Em milhares de cruzeiros reais)

INTEGRAL		Reservas de Lucros			Ações em Tesouraria	Total do Patrimônio Líquido
Outras Reservas de Capital	Reserva de reavaliação de ativos de controladas	Reserva Legal	Reserva de Lucros a realizar	Lucros Acumulados		
<u>21.599</u>	<u>54.218.915</u>	<u>2.070.360</u>	<u>1.471.246.995</u>	<u>246.641.475</u>	<u>(77)</u>	<u>3.531.738.864</u>
						79 612 298
						163 703 610
						51 232 202
						21 163 146
						2 872 550
	2.872.550				(3.325)	(3.325)
1 535 956			(371.302.201)	371 302 201	3 402	1 539 358
	(13 533.414)			13 533 414		
				482		482
				203 981 130		203 981 130
		10 199 056	160.410.474	(170 609 530)		(101.168.450)
				(101 168 450)		(1.542.081)
				(1 542 081)		18 669 073
<u>1.557.555</u>	<u>43.558.051</u>	<u>12.269.416</u>	<u>1.260.355.268</u>	<u>562.138.641</u>		<u>3.971.798.857</u>
2 453 864						2 453 864
						124 958 521
						880 267
					(1 800 496)	(1 800 496)
			(74 140 089)	74 140 089		
	(20 095.910)			20 095 910		
				341		341
	20.281 377			(20 281 377)		
				495 376.039		495.376.039
		24 768 802	470.607 237	(495 376 039)		(18.535.022)
				(18 535 022)		
<u>4.011.419</u>	<u>43.743.518</u>	<u>37.038.218</u>	<u>1.656.822.416</u>	<u>617.558.582</u>	<u>(1.800.496)</u>	<u>4.575.132.371</u>

# DEMONSTRAÇÃO DAS ORIGENS E APLICAÇÕES DE RECURSOS

Exercícios findos em 31 de  
dezembro de 1993 e 1992  
(Em milhares de cruzeiros reais)

	CONTROLADORA		
	Legislação societária	Correção Integral (Em moeda de 31 de dezembro de 1993)	
	1993	1993	1992
<b>Origens</b>			
Recursos gerados pela atividade econômica	82.111.790	23.200.777	85.415.572
Redução no ativo realizável a longo prazo	20.514.658	93.592.911	-
Aumento no passivo exigível a longo prazo	31.570.762	55.406.463	100.379.850
Aumento dos recursos capitalizáveis	142.058.105	568.768.322	139.221.092
Aumento no capital social	16.478.868	94.582.625	252.264.047
Ágio na subscrição de ações	5.452.416	31.256.163	42.284.063
Outras origens	32.526.738	39.988.695	1.539.840
<b>Total das origens</b>	<b><u>330.713.337</u></b>	<b><u>906.795.956</u></b>	<b><u>621.104.464</u></b>
<b>Aplicações</b>			
Recursos aplicados pela atividade econômica	-	-	-
Aumento do realizável a longo prazo	-	-	322.620.803
Aumento de aplicações capitalizáveis	67.980.875	442.552.136	122.280.973
Aumento no ativo permanente	-	-	-
Investimentos	88.014.477	186.300.708	66.986.283
Imobilizado	349.379	1.449.074	1.387.679
Redução no passivo exigível a longo prazo	35.387.650	-	-
Dividendos provisionados	18.535.022	18.535.022	101.168.450
IRF - Lucro líquido - Lei 7713/88	-	-	1.542.081
Outras aplicações	22.245.363	184.380.562	133.174.402
<b>Total das aplicações</b>	<b><u>232.512.766</u></b>	<b><u>833.217.502</u></b>	<b><u>749.160.671</u></b>
<b>Aumento (redução) no capital circulante líquido</b>	<b><u>98.200.571</u></b>	<b><u>73.578.454</u></b>	<b><u>(128.056.207)</u></b>
<b>Ativo circulante:</b>			
No início do exercício	10.533.263	265.655.275	287.772.770
No fim do exercício	410.051.028	410.051.028	265.655.278
	<b><u>399.517.765</u></b>	<b><u>144.395.753</u></b>	<b><u>(22.117.492)</u></b>
<b>Passivo circulante</b>			
No início do exercício	9.516.685	240.016.580	134.077.866
No fim do exercício	310.833.879	310.833.879	240.016.581
	<b><u>301.317.194</u></b>	<b><u>70.817.299</u></b>	<b><u>105.938.715</u></b>
<b>Aumento (redução) no capital circulante líquido</b>	<b><u>98.200.571</u></b>	<b><u>73.578.454</u></b>	<b><u>(128.056.207)</u></b>
<b>Demonstração dos recursos gerados (aplicados) na atividade econômica:</b>			
Lucro líquido do exercício	495.376.039	495.376.039	203.981.130
Despesas (receitas) que não envolvem capital de giro:			
Ganho com investimentos decorrentes da equivalência patrimonial, exclui CR\$ 37.154.755 mil de dividendos (CR\$ 77.244.464 mil em 1992)	(458.127.971)	(458.127.971)	(88.469.925)
Perda monetária líquida a longo prazo	-	98.365	136.219
Despesas financeiras	-	3.360	-
Receitas financeiras	-	(21.138.253)	(35.711.910)
Depreciações e amortizações	1.476.481	5.316.519	5.282.351
Variações monet. dos valores a longo prazo	(2.673.471)	-	-
Resultado da correção monetária	45.004.687	-	-
Valor residual dos ativos perman. baixados	16.566	175.944	158.898
Outras despesas/(receitas)	1.039.459	1.496.774	38.809
	<b><u>(413.264.249)</u></b>	<b><u>(472.175.262)</u></b>	<b><u>(118.565.558)</u></b>
 <b>Total dos recursos gerados (aplicados) na atividade econômica</b>	 <b><u>82.111.790</u></b>	 <b><u>23.200.777</u></b>	 <b><u>85.415.572</u></b>

# DEMONSTRAÇÃO DAS ORIGENS E APLICAÇÕES DE RECURSOS

Exercícios findos em 31 de  
dezembro de 1993 e 1992  
(Em milhares de cruzeiros reais)

	CONSOLIDADO		
	Legislação societária	Correção integral (Em moeda de 31 de dezembro de 1993)	
	1993	1993	1992
<b>Origens</b>			
Total recursos gerados pela atividade econômica		930.261.752	809.304.918
Redução no ativo realizável a longo prazo	44.823.221	15.573.296	-
Aumento no passivo exigível a longo prazo	67.110.953	159.714.099	204.340.790
Aumento dos recursos capitalizáveis	33.195.932	110.342.217	218.570.751
Aumento no capital social	16.478.868	94.582.625	252.264.047
Agio na subscrição de ações	5.452.416	31.256.163	42.284.063
Aumento no capital social em emp. controladas	1.829.795	10.262.234	1.911.663
Transferência do permanente para circulante	2.050.251	7.037.407	5.015.754
Outras origens	2.333.073	11.091.256	14.384.027
<b>Total das origens</b>	<b>173.274.509</b>	<b>1.370.121.049</b>	<b>1.548.076.013</b>
<b>Aplicações</b>			
Total recursos aplic. na atividade econômica	65.854.503	-	61.010.564
Aumento do realizável a longo prazo			
Aumento no ativo permanente			
Investimentos	731.464	5.845.302	3.460.270
Imobilizado	290.085.604	897.519.128	925.288.745
Diferido	21.450.512	59.682.981	29.094.677
Redução no passivo exigível a longo prazo	71.124.739	278.224.491	142.462.701
Dividendos provisionados			
Telebrás	18.535.022	18.535.022	101.168.450
Empresas controladas - part. minoritária	4.085.875	4.085.875	19.836.357
Dividendos complementares	484.304	991.273	-
Transferência para aumento de capital	24.316.877	139.077.571	297.077.216
Outras aplicações	315.162	1.827.819	9.938.284
<b>Total das aplicações</b>	<b>496.984.062</b>	<b>1.405.789.462</b>	<b>1.589.337.264</b>
<b>Redução no capital circulante líquido</b>	<b>(323.709.553)</b>	<b>(35.668.413)</b>	<b>(41.261.251)</b>
<b>Ativo circulante</b>			
No início do exercício	18.457.732	465.515.199	383.862.427
No fim do exercício	506.606.643	506.606.643	465.515.199
	<b>488.148.911</b>	<b>41.091.444</b>	<b>81.652.772</b>
<b>Passivo circulante</b>			
No início do exercício	30.350.133	765.448.740	642.534.717
No fim do exercício	842.208.597	842.208.597	765.448.740
	<b>811.858.464</b>	<b>76.759.857</b>	<b>122.914.023</b>
<b>Redução no capital circulante líquido</b>	<b>(323.709.553)</b>	<b>(35.668.413)</b>	<b>(41.261.251)</b>
<b>Demonstração dos recursos gerados pela atividade econômica</b>			
Lucro líquido do exercício	372.814.311	372.814.311	94.999.480
Participação minoritária nos resultados de empresas controladas	63.104.937	63.104.937	1.008.968
<b>Despesas/(receitas) que não envolvem capital de giro:</b>			
(Ganho) perda operacional com investimento em empresa coligada não consolidada e ganho não operacional com investimentos	1.176.645	1.176.645	1.146.980
Perda monetária líquida a longo prazo		7.228.812	27.917.828
Despesas financeiras		44.483.893	29.811.427
Receitas financeiras		(26.757.778)	(45.315.856)
Depreciações e amortizações	180.560.639	640.603.775	603.116.347
Variações monet. dos valores a longo prazo	582.044.186		
Resultado da correção monetária	(1.304.843.764)		
Valor residual dos ativos perman. baixados	16.624.675	38.959.217	31.585.464
Imposto de renda diferido	30.592.591	59.049.284	51.709.988
Imposto de renda - tributação incentivada	(47.139.909)	(273.040.568)	-
Outros	39.211.186	2.639.224	14.618.252
	<b>(501.773.751)</b>	<b>494.342.504</b>	<b>713.296.470</b>
<b>Total dos recursos gerados pela/(aplicados na) atividade econômica</b>	<b>(65.854.503)</b>	<b>930.261.752</b>	<b>809.304.918</b>

# NOTAS EXPLICATIVAS ÀS DEMONSTRAÇÕES FINANCEIRAS

Exercícios findos em 31 de dezembro de 1993 E 1992  
(Em milhares de cruzeiros reais)

## 1 - Contexto Operacional

**A** TELEBRÁS iniciou suas atividades em 9 de novembro de 1972, de acordo com a Lei nº 5.792, de 11 de julho de 1972, atuando como controladora de um sistema empresarial, atualmente constituído por 27 operadoras estaduais e por uma operadora de serviços de longa distância, a Embratel, sendo responsável por mais de 95% dos serviços públicos de telecomunicações do País. A TELEBRÁS explora os serviços sob concessão da União, de acordo com o que determina a Constituição Federal. Sua atividade, bem como a de suas empresas controladas, é regulamentada pelo Ministério das Comunicações, ao qual está vinculada. É uma empresa de economia mista, controlada pela União, que possui 53,3% do capital votante e 24,1% do capital total. A empresa tem 5,8 milhões de acionistas. O capital estrangeiro representa 27,9% do capital total. Está presente em todo o território nacional e, através de suas empresas controladas, presta serviços de transmissão de voz, texto, dados e imagens a níveis nacional e internacional. Seu compromisso é dotar o Brasil de uma infra-estrutura de telecomunicações adequada às suas necessidades e colaborar com o desenvolvimento nacional, a integração política e social do País e as relações com as demais nações.

## 2 - Apresentação das Demonstrações Financeiras e Efeitos da Inflação

a. Demonstrações financeiras na versão "correção integral", em moeda de 31/12/93

Elaboradas de acordo com os princípios fundamentais de contabilidade, aplicáveis às demonstrações financeiras em moeda de capacidade aquisitivo constante, com observância da Lei das Sociedades por Ações, normas da Comissão de Valores Mobiliários - CVM, e normas aplicáveis às concessionárias de serviços públicos de telecomunicações. Os principais critérios adotados para a elaboração dessas demonstrações financeiras, que se baseiam nos registros contábeis mantidos de acordo com as práticas

descritas na Nota 3, estão a seguir:

### Índice de correção

As demonstrações financeiras estão atualizadas ao poder aquisitivo da moeda de 31 de dezembro de 1993 e estão elaboradas mediante adoção do critério misto de correção, ou seja, com utilização da variação diária e média mensal do valor da UFIR, que se identifica com a expressão monetária da Unidade Monetária Contábil - UMC, instituída pela CVM.

### Demonstrações de resultados

Os componentes das demonstrações de resultados estão atualizados monetariamente até a data do balanço, considerando os seguintes aspectos:

- os ajustes inflacionários dos itens não monetários ativos e passivos estão eliminados contra as respectivas receitas e despesas de correção monetária;
- os ganhos ou perdas decorrentes da inflação referentes aos ativos e passivos monetários que geram encargos e receitas financeiras nominais são considerados como parcelas que ajustam os respectivos componentes do resultado;
- o imposto de renda e a contribuição social sobre o resultado são apropriados mensalmente, de acordo com a Lei 8.541/92;
- os ganhos e as perdas com a inflação, referentes aos demais itens monetários, estão distribuídos nas respectivas contas de resultado a que se vinculam. Os valores que não puderam ser alocados estão incluídos no grupo de outras receitas ou despesas operacionais.

b. Demonstrações na versão "legislação societária"

Elaboradas de acordo com os princípios fundamentais de contabilidade e de conformidade com a legislação societária e normas aplicáveis às concessionárias de serviços públicos de telecomunicações, que não requerem a apresentação das demonstrações expressas em moeda de poder aquisitivo constante. Assim, os demonstrações de resultado e das origens e aplicações de recursos resultam da simples acumulação de valores



nominais, seguindo as práticas contábeis descritas na nota 3. A correção monetária dos estoques e despesas antecipadas, e o ajuste a valor presente de obrigações foram contabilizados em 1993, com efeitos no resultado da exercício e ativo imobilizado, quando aplicável.

#### c. Demonstrações financeiras consolidadas

Incluem as demonstrações financeiras das empresas controladas, mencionadas na nota explicativa nº 4. Entre os principais procedimentos de consolidação estão:

- eliminação dos saldos das contas de ativos e passivos entre as empresas consolidadas;
- eliminação das participações no capital, reservas e resultados acumulados das empresas controladas.

### 3 - Resumo das Principais Práticas Contábeis

#### a. Classificação de ativos realizáveis e passivos exigíveis

É utilizado o prazo de 360 dias para distinção entre o circulante e o longo prazo.

#### b. Aplicação com liquidez imediata

É demonstrada ao custo, acrescida dos rendimentos auferidos até a data do balanço, não excedendo ao valor de mercado.

#### c. Contas a receber de serviços e a pagar a fornecedores

As contas de créditos com usuários dos serviços de telecomunicações estão avaliadas pelo valor da tarifa na data da prestação do serviço. As obrigações de fornecedores com vencimentos futuros foram descontadas a seu valor presente pela taxa média nominal de juros divulgada pela ANBID, refletindo as obrigações na data do balanço. Os demais créditos e obrigações estão em moeda da data do balanço.

#### d. Provisão para créditos de liquidação duvidosa

É constituída com base no saldo dos créditos operacionais, sendo seu valor estimado suficiente

para cobrir possíveis perdas na realização das contas a receber.

#### e. Estoques

São demonstrados pelo custo médio de aquisição, corrigidos monetariamente, o qual não excede ao custo de reposição.

Os estoques são segregados em expansão e manutenção. Os bens destinados à expansão são classificados no Permanente (Bens e Instalações em Andamento) e os destinados à manutenção são classificados no Circulante.

#### f. Investimentos

Os investimentos de participações societárias em controladas são corrigidos monetariamente e ajustados pelo método da equivalência patrimonial. Os outros investimentos são registrados pelo custo de aquisição corrigido monetariamente, menos provisão para perdas prováveis, quando for o caso.

#### g. Imobilizado

O valor do imobilizado é registrado pelo custo de aquisição e/ou construção, menos depreciação acumulada, corrigido monetariamente até a data de encerramento do exercício. Os gastos incorridos com manutenção e reparo, quando representam melhorias são capitalizados, enquanto os demais são debitados ao resultado, respeitando-se o regime de competência. A depreciação é calculada pelo método linear. As taxas utilizadas estão de acordo com a expectativa de vida útil dos bens e de conformidade com as normas do Serviço Público de Telecomunicações.

As principais taxas aplicadas estão divulgadas na nota 6.

#### h. Diferido

##### - Juros sobre obras em andamento

De acordo com a legislação em vigor, mensalmente, são calculados juros de 12% ao ano, sobre os capitais próprios que estão financiando as obras em andamento. Esses juros são ativados em contrapartida à conta de reserva de capital, para amortização num prazo de 10

anos, a contar da data de entrada da obra em operação.

#### - Despesas financeiras

Os juros pagos ou incorridos correspondentes aos financiamentos de terceiros relacionados com as obras em andamento, também são diferidos, para amortização linear no prazo de 10 anos.

#### - Outros

O diferido comporta também os encargos incorridos relativos à instalação e reorganização, sistemas de processamento de dados/apoio e outros que são amortizados no prazo mínimo de cinco e máximo de dez anos.

#### i. Tributos

A provisão para imposto de renda é constituída à alíquota de 25% acrescida de adicionais específicos sobre o lucro tributável excedente aos limites fiscais estabelecidos e considera as parcelas de incentivos fiscais. O imposto de renda e a contribuição social estão diferidos no ativo circulante e realizável a longo prazo e decorrem de despesas apropriadas no resultado, indedutíveis temporariamente. O imposto de renda e a contribuição social contabilizados no exigível a longo prazo corresponde ao imposto devido sobre o lucro inflacionário diferido, depreciações aceleradas, resultado credor da correção monetária complementar e especial - Lei 8200/91. A contribuição social sobre o resultado é constituída à alíquota de 10% sobre o lucro antes do imposto de renda, ajustado nos termos da legislação pertinente.

#### j. Empréstimos e financiamentos

São atualizados pelas variações monetárias e ou variações cambiais e juros incorridos até a data do balanço.

#### l. Provisão para contingências

Estão atualizados até a data do balanço pelo montante

provável da perda, observada a natureza de cada contingência.

#### m. Contribuição para expansão

A contribuição para expansão correspondente a participação financeira de promitentes assinantes é regulamentada pelas portarias 1361/76, 232/85, 881/90, 86/91 e 95/91 do Ministério das Comunicações. Essas participações podem ser pagas à vista ou a prazo. No caso da portaria 1361/76, de acordo com a portaria 232/85, podem, a critério da Telebrás, ser remetidos a esta ou capitalizados pela própria empresa a favor da TELEBRÁS, que por sua vez, capitalizará os valores em nome dos promitentes assinantes, utilizando-se para tal fim, do valor patrimonial de suas ações apurado no final do exercício anterior àquele em que ocorrerá a capitalização. A partir de 1992 esses valores passaram a ser corrigidos em função do Decreto nº 332/91. Para os planos de expansão, regidos pela portaria 881/90, 86/91 e 95/91, os juros recebidos dos contratos a prazo são transferido à TELEBRÁS. O valor da participação financeira arrecadada dos promitentes assinantes tem a seguinte destinação:

- 80% é capitalizado pela controlada em nome da TELEBRÁS, tomando por base o valor patrimonial de sua ação, apurado no fim do exercício social, anterior àquele em que ocorrer a capitalização. Essa parcela é apresentada no balanço como recursos capitalizáveis;
- 20% é remetido para a TELEBRÁS no mês seguinte à arrecadação. A parcela não remetida é apresentada nos balanços das empresas como passivo circulante na conta obrigações com empresas do sistema TELEBRÁS. Dos contratos regidos pela Portaria 881/90 celebrados pela Companhia Telefônica Melhoramento e Resistência - CTMR, 68% são capitalizados em nome da TELEBRÁS e os 32% restantes são remetidos à TELEBRÁS.

Os recursos arrecadados, exceto os juros, atualizados monetariamente do mês dos respectivos recebimentos até o mês do primeiro balanço elaborado e auditado, serão capitalizados em nome dos promitentes assinantes pela TELEBRÁS, com base no valor patrimonial apurado nesse mesmo balanço.

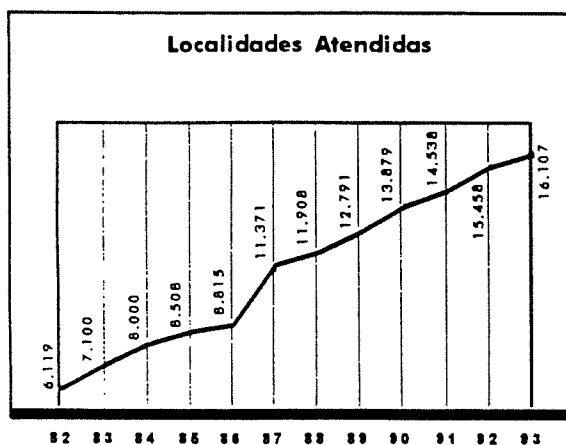
# EXPANSÃO E MODERNIZAÇÃO

**I**ntegrando todo o território nacional com uma planta instalada de 11.636 mil acessos telefônicos, dos quais 250.522 acessos celulares e 298.485 acessos ao serviço telefônico público, o Sistema TELEBRÁS está presente em todos os municípios brasileiros, com suas 27 operadoras estaduais e uma operadora dos serviços interurbanos e internacionais.

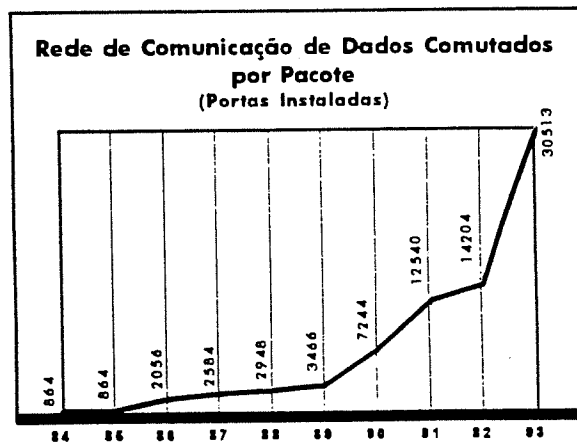
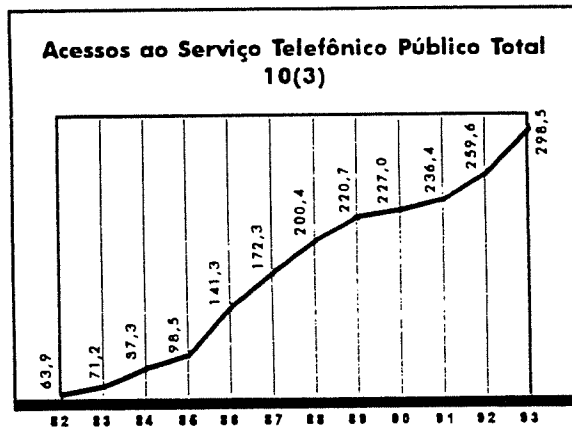
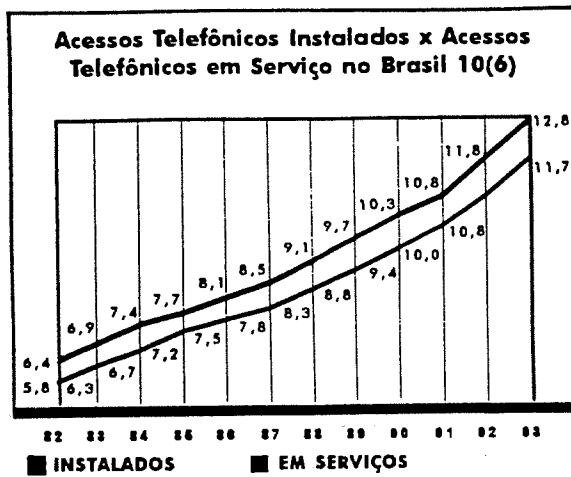
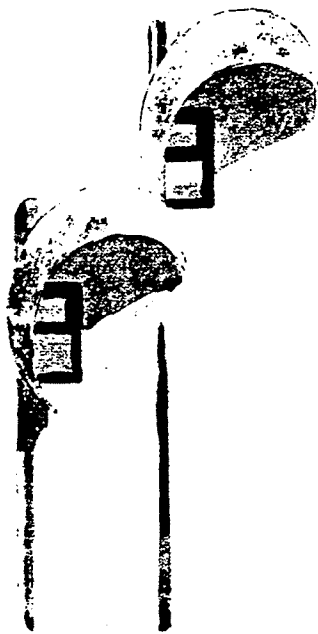


Evolução das Telecomunicações no STB (1972-1993)										
INDICADOR	UNIDADE	1972	1975	1979	1982	1985	1988	1991	1992	1993
INVESTIMENTO ECONÔMICO	US\$ MILHÕES	—	1219,5	1358,0	1523,3	918,3	1977,0	2311,0	3054,8	2935,3
ACESSOS TELEFÔNICOS INSTALADOS	ACESSOS MIL	1424	2214	4688	5778	6968	8235	9783	10640	11636
ACESSOS TELEFÔNICOS TOTAL EM SERVIÇO	ACESSOS MIL	1239	1847	3922	5301	6550	7582	9154	9875	10687
LOCALIDADES ATENDIDAS	LOCALIDADES	2196	2692	3336	6119	8508	11908	14538	15458	16107
PULSOS REGISTRADOS NOS CONTADORES DE ASSINANTES	BILHÕES DE PULSOS	2,82	4,53	12,65	20,55	28,05	35,12	46,61	50,00	53,25
CHAMADAS INTERURBANAS COMPLETADAS	MILHÕES DE CHAM.	124,9	248,3	482,4	781,3	1205,5	1851,4	2942,2	3130,8	3531,0
ACESSOS CELULARES INSTALADOS	ACESSOS	—	—	—	—	—	—	13500	60522	250522
ACESSOS AO SERVIÇO TELEFÔNICO PÚBLICO TOTAL	ACESSOS	10282	18314	42715	63880	98523	200355	236429	259607	298485
PESSOAL EMPREGADO	EMPREGADOS	—	74514	88669	93595	97737	97989	89088	89593	93574
EMPREGADOS / 1000 ACESSOS TELEFÔNICOS INSTALADOS	EMP / 1000 ACESSOS	—	33,6	18,9	16,2	14,0	11,9	9,1	8,4	8,1

Em 1993, mais 649 localidades foram interligadas à Rede Nacional de Telecomunicações, totalizando 16.107 comunidades que se comunicam com outras milhares de cidades de 203 países, com serviços de voz, dados e textos. A telefonia celular registrou um crescimento de 314%, passando de 60.522 terminais celulares de capacidade instalada, em 1992, para 250.522, em 1993.



O Sistema TELEBRÁS, superando novamente os números do ano anterior, instalou, em 1993, cerca de um milhão de novos acessos. A Situação Brasil, no mesmo período, teve um acréscimo de 1.032 mil o que permitiu a planta atingir a marca de 12,8 milhões de acessos instalados no país. O crescimento da planta foi de 8,8% sobre o ano de 1992, mais que o dobro do crescimento do PIB (3,8%). O número de Telefones Públicos cresceu 15%, em 1993, elevando a planta para 298.485. Foram instalados 26 mil novos terminais na Rede Nacional de Comunicações de Dados por Linha Dedicada, e 16 mil portas na Rede Nacional de Comunicação de Dados por Pacote, registrando um crescimento de 53% e 115%, respectivamente.



Em 1993, o investimento na expansão e otimização da Rede Nacional de Telecomunicações foi de US\$ 2,9 bilhões. O Sistema TELEBRÁS é o maior investidor em infra-estrutura de telecomunicações entre os países em desenvolvimento e o 8º do mundo, segundo dados da *União Internacional de Telecomunicações - UIT*. Em 1993, as fontes de recursos de investimentos foram as seguintes: 65% de recursos próprios originados na operação dos serviços, 12% de autofinanciamento e 23% em recursos líquidos de operação de crédito.

Os 12,8 milhões de acessos instalados no país elevaram a densidade telefônica para 8,4 acessos por 100 habitantes. Todas as famílias brasileiras com renda superior a US\$ 1,000 mensais estão atendidas pelos serviços de telecomunicações. O perfil da distribuição de renda do país explica porque um número significativo de pessoas não têm acesso individualizado aos serviços: 10% da

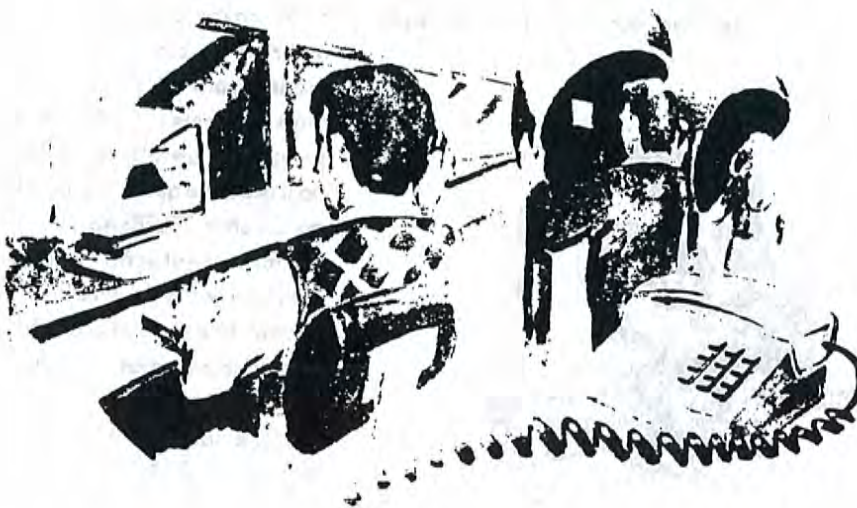


população concentra 46% da renda nacional, 70 milhões sobrevivem com renda mensal familiar de até US\$ 350 e 32 milhões se encontram abaixo da linha de pobreza.

Para cumprir seu compromisso social com o usuário urbano de renda mais baixa e com o usuário das áreas rurais, sem comprometer a disponibilidade e a qualidade dos serviços aos segmentos da população já plenamente atendidos, a TELEBRÁS vem desenvolvendo tecnologias, que reduzem o custo de acesso, e vem ampliando a oferta de novos serviços.

A solução do Telefone Virtual, por exemplo, vem democratizando o acesso de amplos segmentos de baixa renda, expandindo a utilização dos serviços de telecomunicações para setores que não podem arcar com os custos de um terminal convencional. Neste serviço, o custo de acesso passou a ser de apenas 2% do custo de um acesso individualizado. O Telefone Virtual entrou em operação, em 1993, com o Serviço Público de Mensagens, que vem atendendo às necessidades de telecomunicações de um expressivo segmento da população.

Os Telecentros Comunitários concentram, em um único local, serviços públicos, teleescritório, facilidades de negócios e suporte à Teleducação, possibilitando o acesso coletivo aos serviços de telecomunicações e teleinformática. A meta é a de implantar 3.000 Telecentros Comunitários em todo o país.



Em 1993, a TELEBRÁS deu continuidade ao esforço de levar ao meio rural serviços de alta qualidade, utilizando modernas tecnologias, dentre elas a tecnologia celular e a rede de transmissão via satélite.

Nesta linha, se insere, dentre outros, o Serviço Celular Fixo Rural-Ruralcel, serviço público de telefonia celular rural fixa que utiliza as facilidades da rede celular móvel para atendimento de 50 mil novos usuários, numa primeira etapa, e 100 mil, até 1995.

O Programa de Atendimento Rural Via Satélite-PRORURAL, cujos estudos, planejamento e publicação do edital de concorrência foram realizados em 1993, também figura no conjunto de estratégias voltadas para o atendimento ao cliente do campo e às comunidades distantes ou de difícil acesso. O PRORURAL é um sistema de comunicação via satélite, operando em banda C através do Satélite Brasilsat II, vai beneficiar uma população de um milhão de pessoas e atender, numa primeira fase, a ser ativada em 1994, mais 300 localidades.

O Telefone Público a Cartão Indutivo com Telesupervisão, tecnologia desenvolvida pelo Centro de Pesquisa e Desenvolvimento - CPqD da TELEBRÁS, é um exemplo significativo de sucesso do programa de melhoria de qualidade e de popularização dos serviços no Brasil. Inaugurado durante a Conferência das Nações Unidas sobre Meio Ambiente e Desenvolvimento, a RIO 92, a meta é de instalar 600 mil até o ano 2000, quando toda a planta de telefones públicos estará operando com essa nova tecnologia, o que significará substancial economia com aquisição,

operação e manutenção, além de aumento de receita.

Os Serviços Comutados a 64 Kbit/s estão sendo ofertados como parte da introdução dos serviços de Rede Digital de Serviços Integrados - RDSI, tanto em faixa estreita como em faixa larga. Dentre outras facilidades, permite a Videoconferência, um serviço de comunicação simultânea entre dois ou mais usuários por meio de voz, dados e imagem, através de câmeras de TV e terminais de vídeo, microcomputadores, impressoras e outros periféricos.

Estas novas aplicações, que automatizam os ambientes de trabalho, modernizam e tornam as empresas mais eficientes, já fazem parte do programa de oferta de serviços e aplicações de quase todas as empresas do Sistema TELEBRÁS.

A implementação destes novos serviços está ocorrendo simultaneamente com a introdução de modernas tecnologias de Engenharia da Informação, de Gerência de Rede e de Sistemas de Suporte à Operação das Redes de Telecomunicações.



**A**s tecnologias disponíveis, muitas delas criadas e desenvolvidas no Centro de Pesquisa e Desenvolvimento-CPqD da TELEBRÁS, permitem hoje, tanto ao usuário dos grandes centros urbanos como à população da Região Amazônica, comunicação com qualquer parte do planeta, utilizando uma das maiores infra-estruturas de transmissão do mundo. Uma rede com aumento crescente de digitalização (em 1993, atingiu 26% do sistema local e 70% do sistema interurbano); cabos submarinos convencionais e cabos submarinos de fibras ópticas (Unisur, Américas I e Columbus, em implantação e que vão interligar o Mercosul à Europa e Estados Unidos); e os dois satélites Brasilsat, com previsão de lançamento de mais dois em 1994 e 1995.

A Rede Nacional de Telecomunicações urbana e interurbana já conta com mais de 200 mil km de fibras ópticas instaladas. A previsão é instalar mais 2,7 milhões de km até o ano 2000. O Brasil foi o único país em desenvolvimento que conseguiu tecnologia própria para fabricação de fibras ópticas, graças ao trabalho realizado



no Centro de Pesquisa e Desenvolvimento-CPqD da TELEBRÁS.

O suporte ao tráfego de dados e imagens em altas velocidades está em contínua expansão, rumo a *Super Estrada Eletrônica*. Além da ligação com fibra óptica entre Rio de Janeiro e São Paulo, já em operação, começaram a ser implantados, em 1993, troncos ópticos, que vão chegar até Fortaleza, passando por todas as capitais nordestinas. A rede óptica atingirá, também, Belo Horizonte, Brasília e Goiânia. Para o Sul, irá até Porto Alegre, passando por Curitiba e Florianópolis. Terá 7.300 km de extensão, custará US\$ 700 milhões e estará operando integralmente até 1995.



## P E S Q U I S A E D E S E N V O L V I M E N T O

**A**través do Centro de Pesquisa e Desenvolvimento - CPqD, a TELEBRÁS realiza atividades de pesquisa, desenvolvimento e suporte tecnológico, propiciando ao Sistema condições de oferta de serviços, redes e produtos de telecomunicações, contribuindo para a capacitação tecnológica e industrial do país. O CPqD se destaca como centro de excelência em tecnologia, com um total de 231 marcas depositadas e 57 patentes concedidas, 12 no exterior, aprovadas nos Estados Unidos, Austrália, Itália, Canadá, Japão e pelo European Patents Office-EPO. Em 1993, foram assinados quatro acordos de cooperação tecnológica em nível nacional e sete internacionais, destacando-se os acordos na área de Rede Inteligente com o Centro Studi e Laboratori Telecomunicazione - CSELT, da Itália, e com a ALCATEL/Holanda. No final de 1993, estavam em vigor 18 acordos internacionais e 12 nacionais. O desenvolvimento na Plataforma Trópico, tecnologia desenvolvida pelo CPqD da TELEBRÁS, passou a prestar, em 1993, novos serviços na central, aumentando a capacidade de tráfego e situando a tecnologia Trópico no patamar das centrais de grande porte. A exemplo do que vem ocorrendo desde seu lançamento, a economia proporcionada pela tecnologia Trópico às empresas do Sistema TELEBRÁS tem sido crescente e contínua. Estudos realizados em 1993, considerando apenas os projetos de Pesquisa e Desenvolvimento atuais, indicam um ganho potencial anual superior a US\$ 2 bilhões para o Sistema TELEBRÁS.

As principais realizações do CPqD em 1993 foram as seguintes:

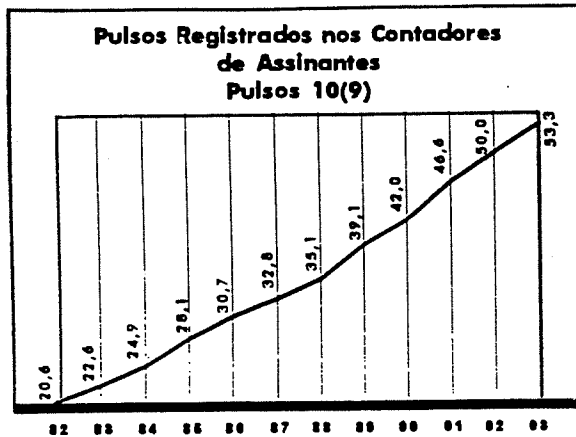
- Implantação em 16 operadoras do primeiro módulo do Sistema Automatizado de Gerência da Rede Externa-SAGRE, que compreende todas as técnicas de conversão de dados do Mapeamento Urbano Básico-MUB;
- Capacitação das operadoras Embratel, Telemig, Telesc e Telepar na Metodologia de Planejamento Estratégico do ambiente de operações, obtida nos conceitos de Reengenharia e Engenharia da Informação;
- Desenvolvimento da aplicação piloto de Metodologia de Planejamento Estratégico para Implantação de Gerência Integrada de Rede-G:R no Sistema TELEBRÁS;
- Conclusão do protótipo de amplificador óptico, que utiliza fibras dotadas com Érbio;
- Conclusão da documentação para transferência de tecnologia do Sistema de Supervisão de Cabos Ópticos para entrocamento;
- Conclusão do Sistema de Supervisão de Rede de Transmissão - SSX.



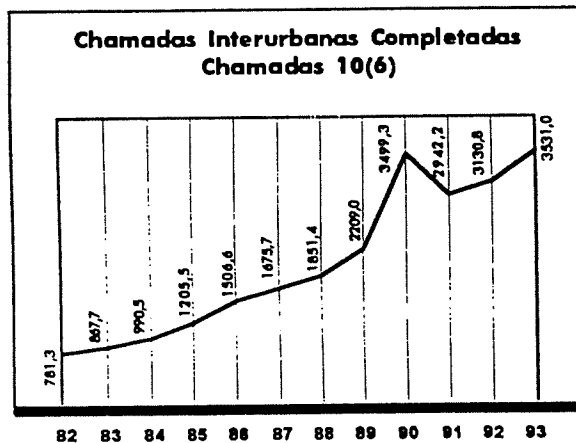


# DESEMPENHO OPERACIONAL

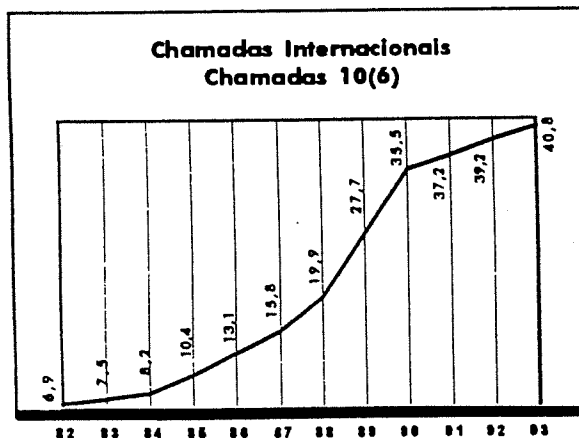
**N**o Serviço Local, a quantidade de Pulsos Registrados nos Contadores de Assinantes cresceu 6,7% em relação a 1992, totalizando 53,25 bilhões de pulsos.




O Tráfego Telefônico Interurbano registrou um total de 13,7 bilhões de minutos tarifados, crescendo 7,9% em relação ao ano anterior. As Chamadas Interurbanas cresceram 12,8% passando de 3,1 bilhões de minutos, em 1992, para 3,5 bilhões em 1993.



O Tráfego Telefônico Internacional de saída, medido em minutos, decresceu 2,2%, passando de 154 milhões, em 1992, para 151 milhões, em 1993, embora o número de chamadas tenha crescido 4,1%, passando de 39 para 41 milhões.



# Q U A L I D A D E

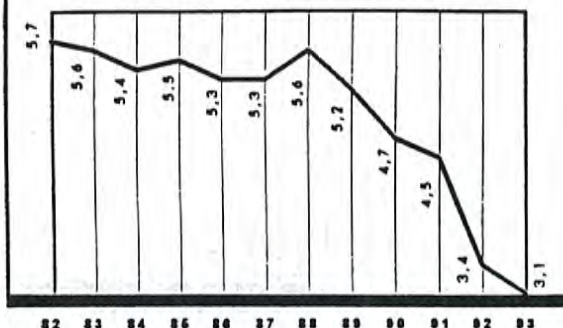

 ano de 1993 registrou, também, a continuidade da implementação do Programa de Qualidade e Produtividade na Holding e nas demais empresas do Sistema TELEBRÁS, visando a integração de todas as atividades na busca da satisfação total de seus clientes.

O índice global de Desempenho do Serviço Telefônico, que agrega vários indicadores de qualidade, evoluiu de 6,86, em 1992, para 7,97, em 1993 (10 é o maior valor da escala). A Taxa de Solicitação de Consertos por 100 acessos caiu de 3,4, em 1992, para 3,1, em 1993.

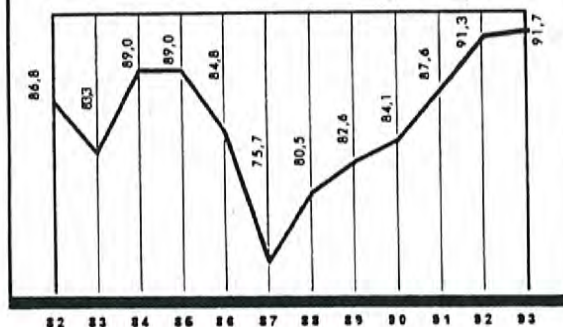
A Taxa de Atendimento de Reparação de Serviços que avalia a satisfação do usuário quanto à rapidez com que são atendidas as solicitações de consertos, subiu de 91% para 92%.

A Taxa de Chamadas Completadas DDD Terminado - relação percentual, no serviço DDD com bilhetagem automática, entre o número de chamadas DDD completadas e tarifadas, terminadas na Empresa, e o número total de chamadas DDD destinadas a Empresa, que atingiram o bilhetador também subiu de 47,6% para 50,3%.

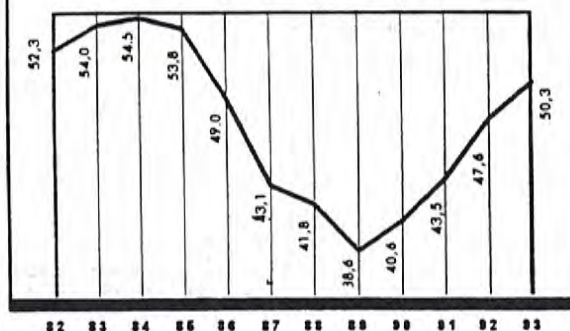
**Taxa de Solicitação Consertos P/ 100 Acessos de Telecomunicações**



**Taxa de Atendimento de Reparação de Serviços de Telecomunicações**



**Taxa de Chamadas Completadas DDD Terminado**

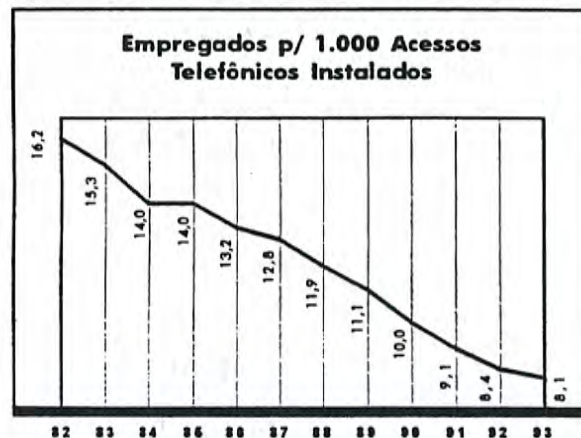
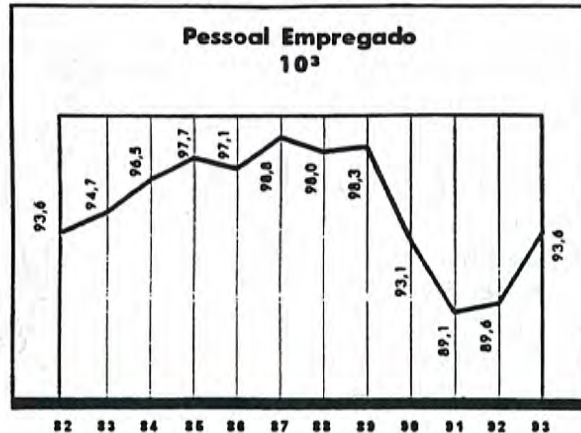


# RECURSOS HUMANOS

○ número de empregados por 1000 acessos continuou em redução não só em consequência da expansão da planta, mas particularmente em função dos ganhos de produtividade com a utilização de tecnologias avançadas, conjugada a medidas gerenciais, que envolveram a busca da qualidade total, o controle rigoroso de custos, e a otimização e racionalização dos recursos.

A soma desses fatores coloca o Sistema TELEBRÁS cada vez mais próximo dos padrões internacionais de produtividade. Em 1993, a relação empregados por 1.000 acessos atingiu o nível de 8,1 contra 8,4 em 1992.

A relação entre Despesas com Pessoal e a Receita de Exploração caiu de 26,9%, em 1992, para 23,4%, em 1993.



## CAPACITAÇÃO

**I**ntegram a estrutura do Sistema TELEBRÁS, o Centro Nacional de Treinamento-CNTr, e o Centro Regional de Treinamento-CRTr, responsáveis pela capacitação e atualização tecnológica dos recursos humanos. Pela excelência das instalações e pela qualidade dos projetos desenvolvidos, o CNTr, o CRTr, o CPqD e os Centros de Treinamento das operadoras foram selecionados pela *União Internacional de Telecomunicações-UIT* como *Centro Regional de Capacitação e Tecnologia em Telecomunicações*, especialmente para os países da América Latina e da África de língua portuguesa. Uma nova oportunidade de transferência



de capacitação tecnológica, programas e cursos para os países da América Latina, Caribe e África, e reconhecimento internacional da competência técnica e gerencial do Sistema TELEBRÁS.

## RECURSOS MATERIAIS



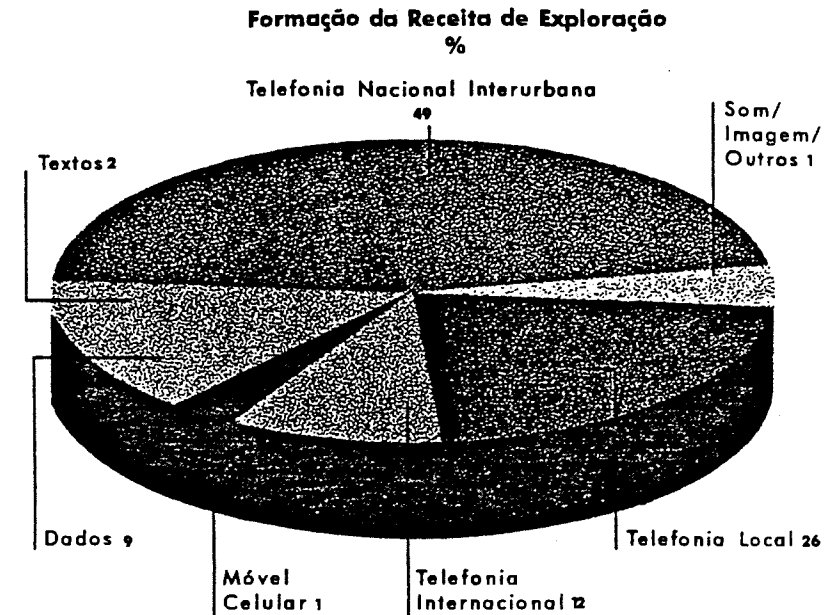
**○** *Sistema de Gerência de Materiais-SGM* - um sistema gerencial desenvolvido e implementado pela TELEBRÁS, e que permite a administração eficiente de compras, estoques e distribuição de materiais entre as operadoras - foi recomendado pelo Tribunal de Contas da União como modelo a ser adotado por todas as empresas estatais. Um dos módulos do SGM, o SIGMA-E, que administra o remanejamento de materiais excedentes entre as empresas do Sistema, proporcionou uma economia de US\$ 20 milhões no ano de 1993.

# DESEMPENHO ECONÔMICO

## FINANCEIRO

**E**m 1993, a Receita de Exploração, gerada através dos serviços prestados pelo Sistema TELEBRÁS, evoluiu 14% em relação a 1992, totalizando o equivalente a US\$ 5,1 bilhões, consequência do aumento da demanda por serviços de telecomunicações, da oferta de novos serviços, do crescimento do tráfego e do realinhamento tarifário ocorrido no primeiro semestre. A Receita Bruta, incluindo impostos, foi de US\$ 6,5 bilhões.

As Despesas de Exploração e as Despesas Operacionais Gerais caíram 2,6% em relação a 1992, principalmente por causa da redução nas provisões trabalhistas. As Depreciações e Amortizações cresceram 6,3% em função do crescimento no Ativo Permanente, ocorrendo decréscimo de sua participação em relação às Receitas de Exploração, 38% e 41%, em 1993 e 1992, respectivamente. A Taxa de Retorno de Capital Próprio Real cresceu de 2%, em 1992, para



8%, em 1993, e a Taxa do Lucro Líquido Operacional Ajustado cresceu de 7%, em 1992, para 18%, em 1993, resultante das ações gerenciais desenvolvidas no período. A TELEBRÁS é hoje a maior empresa do mundo em quantidade de acionistas, e é frequentemente citada pelos grandes

conglomerados financeiros do mundo entre as empresas que apresentam menor risco aos investidores. A democratização do capital, em mãos de 5,8 milhões de acionistas, decorre do fato de que a TELEBRÁS devolve, em ações, o valor alocado pelo usuário para acesso ao serviço.

**CAPITAL SOCIAL AUTORIZADO - CR\$ 400.000.000.000,00**

**CAPITAL SOCIAL SUBSCRITO - CR\$ 84.937.379.533,74**

**CAPITAL SOCIAL INTEGRALIZADO - CR\$ 84.937.379.533,74**

### COMPOSIÇÃO DO CAPITAL SOCIAL EM 31.12.93

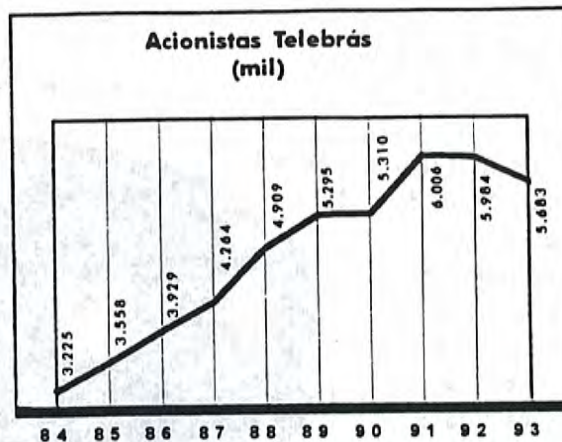
#### MAIORES ACIONISTAS

(em quantidade de ações)

ORDEN	AÇÕES ORDINÁRIAS (NOMINATIVAS)			AÇÕES PREFERENCIAIS (NOMINATIVAS)			TOTAL		%TOTAL
	ACIONISTA	QUANTIDADE	%ORD	ACIONISTA	QUANTIDADE	%PREF	ACIONISTA	QUANTIDADE	
01	UNIÃO FEDERAL	62.189.912.629	53,284	THE BANK OF N.Y.	29.045.922.143	17,257	UNIÃO FEDERAL	68.696.879.043	24,102
02	PREVI	1.764.354.255	1,512	PREVI	18.047.145.837	10,723	THE BANK OF N.Y.	29.045.922.143	10,191
03	SISTEL	1.590.686.593	1,363	F.M.I. EM ACS	7.000.000.000	4,159	PREVI	19.811.500.092	6,951
04	FDO PARTIC SOCIAL	1.144.165.858	0,980	UNIÃO FEDERAL	6.506.966.414	3,866	F.M.I. EM ACS	7.000.000.000	2,456
05	CONESUL	415.751.693	0,356	EMERGING MARKETS	4.881.690.600	2,900	SISTEL	6.396.783.750	2,244
06	CAPEF	402.866.867	0,345	SISTEL	4.806.097.157	2,855	EMERGING MARKETS	4.881.690.600	1,713
07	TEMPLETON	376.128.294	0,322	PETROS	2.382.370.703	1,415	PETROS	2.566.913.234	0,900
08	CENTRUS	344.299.001	0,295	EUROPACIFIC	2.198.664.000	1,306	EUROPACIFIC	2.198.664.000	0,771
09	VALIA F.V.R.DOCE	311.686.628	0,267	EVADIN IND AMAZ.	1.457.430.000	0,866	FUND. PART SOCIAL	1.782.377.254	0,625
10	OUTROS	48.173.408.447	41,275	OUTROS	91.984.239.079	54,652	OUTROS	142.644.056.082	50,046
	TOTAL	116.713.260.265	100,00	TOTAL	168.310.525.933	100,00	TOTAL	285.023.786.198	100,00

ESTÃO INCLUIDAS AS AÇÕES CUSTODIADAS NAS BOLSAS DE VALORES.

Prestar ao acionista o melhor atendimento possível, com informações precisas e imediatas sobre dividendos e valorização das ações, é uma preocupação fundamental da TELEBRÁS. A queda no número de acionistas nos últimos anos é, em sua maior parte, consequência da atuação dos que negociam diretamente com as pessoas que detêm pequenos lotes de ações. Como reciprocidade à confiança do investidor na administração da empresa, a TELEBRÁS deu continuidade às operações de captação de recursos no mercado interno, através do lançamento de debêntures, e no mercado internacional, através do lançamento de Yennotes, totalizando ambas US\$ 690 milhões, integralmente repassados às empresas do Sistema TELEBRÁS para aplicação na expansão e modernização da planta.



Não obstante a captação de recursos no mercado financeiro, o Grau de Endividamento foi reduzido de 38%, em 1992, para 29%, em 1993, consequência da antecipação do pagamento do Imposto de Renda permitida pela Lei 8.541/92. O decréscimo na participação das Despesas Financeiras, 25,6%, em

1993, contra 49%, em 1992, no lucro do negócio deveu-se à redução em um ponto percentual na Taxa de Juros vivenciada pelo Sistema e do seu aumento (US\$ 911 milhões, em 1993, e US\$ 325 milhões, em 1992).



# V A L O R A D I C I O N A D O

**A** Demonstração do Valor Adicionado, que informa a riqueza gerada pelas empresas do Sistema TELEBRÁS e sua correspondente destinação econômica, complementa a

Demonstração do Resultado e permite uma análise mais abrangente. A participação dos empregados e administradores (salários, encargos e benefícios sociais) caiu de 30,5%, em

1992, para 25,6%, em 1993. Os salários, excluídos os encargos e benefícios, corresponderam a 10,5% do Valor Adicionado.

## DEMONSTRAÇÃO DO VALOR ADICIONADO CORREÇÃO INTEGRAL - PREÇOS DE 31/12/93 (Em milhões de cruzeiros reais)

SEQ.	DISCRIMINAÇÃO	CONTROLADORA				CONSOLIDADO			
		1993		1992		1993		1992	
		VALOR	%	VALOR	%	VALOR	%	VALOR	%
01	RECEITAS	536.683	103,5	244.090	107,1	2.225.743	115,5	1.914.763	117,4
02	MATERIAIS, SERVIÇOS DE TERCEIROS E OUTROS	(18.130)	(3,5)	(16.143)	(7,1)	(298.476)	(15,5)	(283.811)	(17,4)
03	VALOR ADICIONADO	518.553	100	227.947	100	1.927.267	100	1.630.952	100
04	SALÁRIOS E ENCARGOS	17.804	3,4	14.591	6,4	492.760	25,6	496.893	30,5
05	GOVERNO (IMPOSTOS)	-	-	5.507	2,4	246.472	12,8	368.370	22,6
06	REMUNERAÇÃO DE CAPITAIS								
	-Acionistas	18.535	3,6	101.168	44,4	23.612	1,2	121.005	7,4
	-Capitais de Terceiros	-	-	-	-	75.931	3,9	52.539	3,2
07	EXCEDENTE RETIDO	482.214	93,0	106.681	46,8	1.088.492	56,5	592.145	36,3

A redução na participação do Governo decorreu da opção pela tributação incentivada do lucro inflacionário existente em 31 de dezembro de 1992 (Lei 8.541/92), pago antecipadamente em 1993,

resultando em acréscimo de CR\$ 283.991 milhões. A diminuição na remuneração dos capitais dos acionistas resultou da adoção, no cálculo dos dividendos, do disposto na Lei 6.404/76 e no Estatuto da

Empresa. O aumento do excedente retido, de 36,3%, em 1992, para 56,5%, em 1993, destinou-se a novos investimentos em expansão e modernização dos serviços.



## DEMONSTRAÇÃO DO FLUXO COM O GOVERNO

**A** Demonstração do Fluxo com o Governo evidencia o relacionamento entre o Sistema TELEBRÁS e o Governo, nos seus três níveis,

Federal, Estadual e Municipal. Apresentada no conceito econômico, ou seja, de acordo com o regime de competência, divide-se em dois

grupos: Recursos Aportados pelo Governo e Recursos Destinados ao Governo.

<b>RECURSOS APORTADOS PELO GOVERNO</b> (Em milhões de cruzeiros reais)			
SEQ.	DISCRIMINAÇÃO	CONTROLADORA	CONSOLIDADO
01	UNIÃO (02+03+...+06)	1.115	315.339
02	RECURSOS CAPITALIZÁVEIS	24	605
03	DOAÇÕES, SUBVENÇÕES P/ INVEST.	-	262
04	INCENTIVOS FISCAIS	-	12.061
05	IMP. RENDA - TRIBUTAÇÃO INCENTIVADA	-	283.991
06	OUTROS	(1) 1.091	18.420
07	ESTADOS (08+09)	-	2.464
08	RECURSOS CAPITALIZÁVEIS	-	2.282
09	DOAÇÕES, SUBVENÇÕES P/ INVEST.	-	182
10	MUNICÍPIOS (11+12)	-	667
11	RECURSOS CAPITALIZÁVEIS	-	448
12	DOAÇÕES, SUBVENÇÕES P/ INVEST.	-	219
13	TOTAL REC. APORTADOS (01+07+10)	1.115	318.470

<b>RECURSOS DESTINADOS AO GOVERNO</b> (Em milhões de cruzeiros reais)			
SEQ.	DISCRIMINAÇÃO	CONTROLADORA	CONSOLIDADO
14	UNIÃO (15+16+...+19+20)	7.022	207.707
15	IMPOSTO DE RENDA S/ LUCRO LÍQUIDO	-	35.774
16	PASEP E COFINS	355	51.176
17	CONTRIBUIÇÃO SOCIAL	30	16.074
18	INSS - CONTRIBUIÇÃO PATRONAL	2.168	83.724
19	DIVIDENDOS	4.469	11.287
20	OUTROS	-	9.672
21	ESTADOS (22+23+24)	5	430.129
22	ICMS	-	381.770
23	DIVIDENDOS	4	592
24	OUTROS	1	47.767
25	MUNICÍPIOS (26+27+28)	26	4.895
26	IMPOSTOS E CONTRIBUIÇÕES	22	4.177
27	DIVIDENDOS	4	137
28	OUTROS	-	581
29	TOTAL REC. DESTINADOS (14+21+25)	7.053	642.731
30	REC. DESTINADOS LÍQUIDOS (29-13)	5.938	324.261

(1) IMPOSTO DE RENDA A RECUPERAR (PREJUÍZO)

Em 1993, as empresas do Sistema TELEBRÁS utilizaram o benefício previsto no artigo 31 da lei 8.541/92, optando pela realização incentivada do Lucro Inflacionário e do saldo credor IPC x BTNF, que gerou

um ganho sobre o passivo de CR\$ 283.991 milhões, representado na rubrica Imposto de Renda - Tributação Incentivada. O total dos recursos destinados ao Governo representou 28,8% sobre as Receitas -

CR\$ 2.225.743 milhões, 30,5% sobre a Receita de Serviços de Telecomunicações - CR\$ 2.107.096 milhões, e 147,4% sobre o Lucro Líquido do exercício antes da participação minoritária - CR\$ 435.919 milhões.



## FORMAÇÃO DO LUCRO OPERACIONAL

TELEBRÁS HOLDING

<b>EQUIVALÊNCIA PATRIMONIAL</b>		<b>DESPESAS OPERACIONAIS</b>
459.305 84		36.336 7
88.266 36		31.453 13
<b>DIVIDENDOS</b>		<b>DEPRECIÇÃO</b>
37.155 7		5.317 1
77.243 31		5.284 2
<b>RECEITAS FINANCEIRAS</b>		<b>DESPESAS FINANCEIRAS</b>
44.416 8		7.073 1
78.378 32		2.495 1
<b>RECEITAS DE SERVIÇOS</b>		<b>LUCRO OPERACIONAL</b>
3.319 1		495.469 91
2.442 1		207.097 84
	<b>RECEITA OPERACIONAL</b>	
	544.195 100	
	246.329 100	

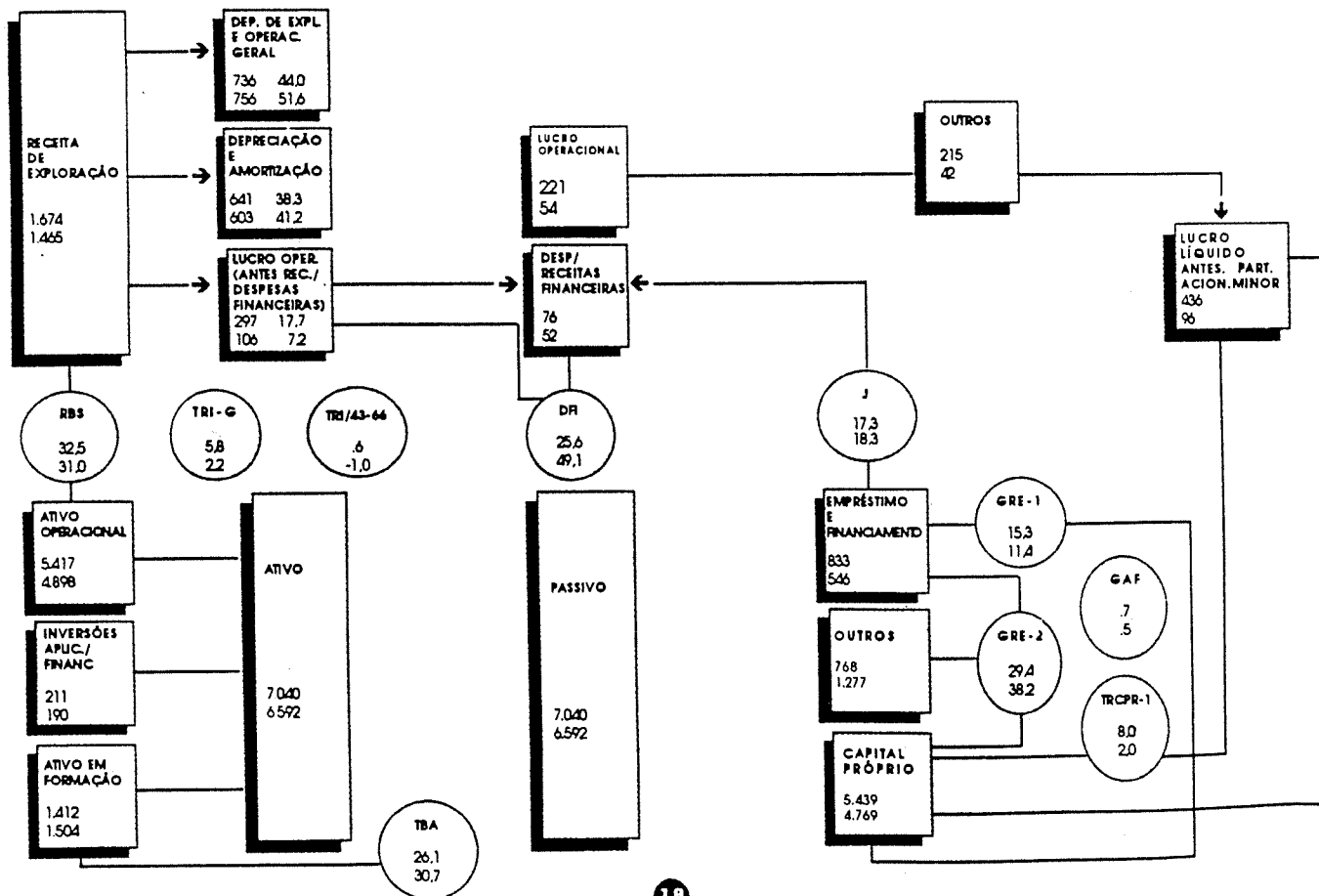
## FORMAÇÃO DO LUCRO LÍQUIDO DO EXERCÍCIO

<b>RESULTADO NÃO OPERACIONAL</b>	<b>LUCRO LÍQUIDO DO EXERCÍCIO</b>
-93 0	495.376 91
-3.116 -1	203.981 83
<b>LUCRO OPERACIONAL</b>	
495.469 91	
207.097 84	



## ARTICULAÇÃO SIMPLIFICADA DOS INDICADORES ECONÔMICO-FINANCEIROS EM MOEDA DE 31/12/93

SISTEMA TELEBRÁS

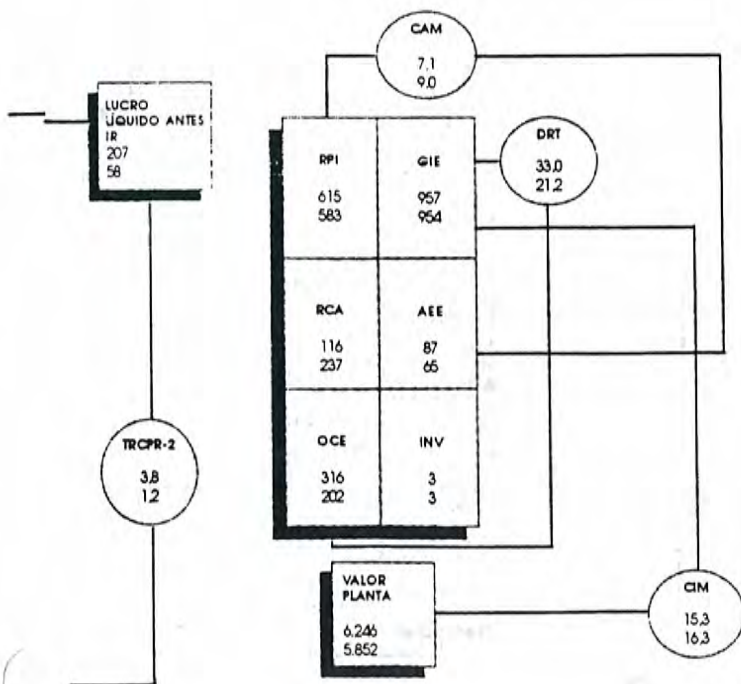


# FORMAÇÃO DO ACRESCIMO DO PATRIMÔNIO LÍQUIDO



## LEGENDA

- CAM** - Capacidade de Amortização
- CIM** - Crescimento do Imobilizado
- CCL** - Capital Circulante Líquido
- DFI** - Taxa de Despesas Financeiras
- DRT** - Dependência de Recursos de Terceiros
- GAF** - Grau de Alavancagem Financeira
- GIE** - Gastos com Investimento de Expansão
- GRE-1** - Grau de Endividamento de Empr. e Financiamento
- GRE-2** - Grau de Endividamento Total
- INV** - Investões Financeiras
- J** - Taxa de Juros Média
- OCE** - Operações de Crédito
- RBS** - Rotação dos Bens e Instalações em Serviço
- RCA** - Recursos Capitalizáveis
- RPI** - Recursos Próprios para Investimento
- TBA** - Taxa Bens em Andamento
- TRCPR** - Taxa de Retorno do Capital Próprio
- TRI/43-66** - Taxa de Remuneração do Investimento Port 43-66
- TRI/G** - Taxa de Retorno do Investimento / Gerencial



# EMPRESAS CONTROLADAS





DEMONSTRAÇÕES FINANCEIRAS

1993



TELEBRÁS

# PROPOSTA DA ADMINISTRAÇÃO PARA DESTINAÇÃO DO RESULTADO

Senhores Acionistas,

**E**m cumprimento aos dispositivos legais que regem a matéria, esta Administração propõe à Assembléia que a destinação do Lucro Líquido do Exercício de 1993, no valor de CR\$ 495.376.039.321,03 (quatrocentos e noventa e cinco bilhões, trezentos e setenta e seis milhões, trinta e nove mil, trezentos e vinte e um cruzeiros reais e três centavos) e da Realização da Reserva de Lucros a Realizar, constituída nos exercícios anteriores e lançada à conta de Lucros Acumulados, no total de CR\$ 74.140.088.696,35 (setenta e quatro bilhões, cento e quarenta milhões, oitenta e oito mil, seiscentos e noventa e seis cruzeiros reais e trinta e cinco centavos), seja a seguinte:

## - Reserva Legal

Na conformidade do Artigo 193, da Lei nº 6.404/76, torna-se necessária a destinação de 5% daquele lucro líquido à constituição da Reserva Legal no valor de CR\$ 24.768.801.966,05 (vinte e quatro bilhões, setecentos e sessenta e oito milhões, oitocentos e um mil, novecentos e sessenta e seis cruzeiros reais e cinco centavos).

## II - Reserva de Lucros a Realizar

Na forma do Artigo 197, da mesma Lei, considerando a existência das condições ali preconizadas, propõe-se a constituição da Reserva de Lucros a Realizar no valor de CR\$ 470.607.237.354,98 (quatrocentos e setenta bilhões, seiscentos e sete milhões, duzentos e trinta e sete mil, trezentos e cinquenta e quatro cruzeiros reais e noventa e oito centavos).

## III - Dividendos

Atendendo ao disposto no Artigo 65 do Estatuto Social, no Artigo 202, incisos I, II e III da Lei nº 6.404/76, esta Administração propõe sejam pagos CR\$ 7.585.020.897,85 (sete bilhões, quinhentos e oitenta e cinco milhões, vinte mil, oitocentos e noventa e sete cruzeiros reais e oitenta e cinco centavos), aos possuidores de Ações Ordinárias Nominativas, e CR\$ 10.950.001.276,24 (dez bilhões, novecentos e cinquenta milhões, um mil, duzentos e setenta e seis cruzeiros reais e vinte e quatro centavos), aos possuidores de Ações Preferenciais Nominativas. Para ambos os tipos de ações, pagar-se-á CR\$ 0,065058 por ação de dividendos integrais.

As ações decorrentes de Conversões de Debêntures serão remuneradas pelo critério "pro rata" semestre, atribuindo-se dividendo integral (12/12) às ações resultantes das conversões efetivadas no primeiro semestre de 1993, e (6/12) às ações decorrentes das conversões efetivadas no segundo semestre do exercício de 1993.

## IV - Lucros Acumulados

Propõe, também, que o saldo remanescente do lucro líquido ajustado nos termos do Artigo 202 da Lei 6.404/76 no montante de CR\$ 55.605.066.522,26 (cinquenta e cinco bilhões, seiscentos e cinco milhões, sessenta e seis mil, quinhentos e vinte e dois cruzeiros reais e vinte e seis centavos), seja levado à conta de Lucros Acumulados para futuro aumento de capital, visando sua aplicação na modernização e expansão do sistema de telecomunicações.

Brasília (DF), 18 de março de 1994.

# BALANÇOS PATRIMONIAIS

31 de dezembro de 1993 e 1992  
(Em milhares de cruzeiros reais)

ATIVO	CONTROLADORA		CONSOLIDADO	
	Correção integral e legislação societária	Correção integral (em moeda de 31 de dezembro de 1993)	Correção integral e legislação societária	Correção integral (em moeda de 31 de dezembro de 1993)
	31/12/1993	31/12/1992	31/12/1993	31/12/1992
<b>Circulante</b>	<b>410.051.028</b>	<b>265.655.278</b>	<b>506.606.643</b>	<b>465.515.199</b>
<b>Disponibilidades</b>	<b>6.102.787</b>	<b>12.147.693</b>	<b>69.411.018</b>	<b>46.584.522</b>
Caixa e bancos	551.112	464.609	9.431.895	10.458.060
Aplicações com liquidez imediata	5.551.675	11.683.084	59.979.123	36.126.462
<b>Direitos realizáveis</b>	<b>403.944.629</b>	<b>253.496.633</b>	<b>432.114.622</b>	<b>415.152.021</b>
Contas a receber de serviços	61.622	21.601	283.430.982	223.263.133
Menos Prov p/ Créditos de liq. duvidosa	-	-	(5.240.191)	(2.009.162)
Créditos com empresas do Sistema Telebrás	400.002.087	251.456.810	-	-
Emprest compulsórios e aplic. financeiras	-	-	31.531.730	38.647.844
Valores a recuperar	2.036.454	1.859.720	100.727.773	139.689.979
Bens destinados a venda	-	-	641.233	10.621
Material de estoque de manutenção	117.733	80.529	10.176.744	8.261.021
Outros direitos realizáveis	1.726.733	77.973	10.846.351	7.288.585
<b>Despesas do período seguinte</b>	<b>3.612</b>	<b>10.952</b>	<b>5.081.003</b>	<b>3.778.656</b>
<b>Realizável a longo prazo</b>	<b>506.773.726</b>	<b>750.696.708</b>	<b>95.578.895</b>	<b>243.935.086</b>
Créditos com empresas do Sistema Telebrás	504.204.586	592.168.884	-	-
Emprest compulsório e aplic. financeiras	12.160	158.486.168	19.390.830	159.224.068
Imposto de renda/finsocial a recuperar	2.534.341	-	71.026.846	65.087.513
Outros direitos realizáveis	22.639	41.656	5.161.219	19.623.505
<b>Permanente</b>	<b>4.291.050.711</b>	<b>3.528.936.572</b>	<b>6.438.136.370</b>	<b>5.882.631.189</b>
<b>Investimentos</b>	<b>4.259.208.036</b>	<b>3.493.050.507</b>	<b>192.373.884</b>	<b>31.420.547</b>
<b>Imobilizado</b>	<b>31.842.675</b>	<b>35.886.065</b>	<b>5.441.239.998</b>	<b>5.144.498.517</b>
Bens e instalações em serviço	77.136.536	73.825.826	9.618.382.768	8.728.654.835
Menos Deprec e amortização acumuladas	(46.334.030)	(41.370.784)	(5.331.463.164)	(4.862.181.024)
Bens e instalações em andamento	1.040.169	3.431.023	1.154.320.394	1.278.024.706
<b>Diferido</b>	<b>-</b>	<b>-</b>	<b>804.522.488</b>	<b>706.712.125</b>
Juros sobre bens e instal em andamento	-	-	877.209.345	812.291.031
Despesas financeiras	-	-	219.110.696	155.637.465
Outros valores diferidos	-	-	41.873.623	38.771.771
Menos amortização acumulada	-	-	(333.671.176)	(299.988.142)
<b>Total do ativo</b>	<b>5.207.875.465</b>	<b>4.545.288.558</b>	<b>7.040.321.908</b>	<b>6.592.081.474</b>

# BALANÇOS PATRIMONIAIS

31 de dezembro de 1993 e 1992  
(Em milhares de cruzeiros reais)

PASSIVO	CONTROLADORA		CONSOLIDADO	
	Correção integral e legislação societária	Correção integral (em moeda de 31 de dezembro de 1993)	Correção integral e legislação societária	Correção Integral (em moeda de 31 de dezembro de 1993)
	31/12/1993	31/12/1992	31/12/1993	31/12/1992
<b>Circulante</b>	<b><u>310.833.879</u></b>	<b><u>240.016.581</u></b>	<b><u>842.208.597</u></b>	<b><u>765.448.740</u></b>
Pessoal, encargos e benefícios sociais	3 150 050	3 008 798	117.131.955	97.508.883
Fornecedores de materiais e serviços	1.185.602	1.093.495	91.354.250	90.511.752
Impostos, taxas e contribuições	27.932	2.621.198	104.392.152	158.960.443
Empréstimos e financiamentos	3.546.397	5.711.122	163.091.339	115.902.968
Debêntures	207.661.786	59.026.960	207.661.786	59.026.960
Títulos de renda	52.446.198	43.774.322	52.446.198	43.774.322
Obrigações com empresas do Sist. Telebrás	18.148.953	21.466.656	-	-
Consignações a favor de terceiros	233.114	1.754.531	22.722.836	24.859.145
Participação no resultado	24.213.683	101.558.017	34.540.772	122.217.751
Provisão para contingências	210.699	-	41.605.856	45.641.661
Outras obrigações	9.465	1.482	7.261.453	7.044.855
<b>Exigível a longo prazo</b>	<b><u>178.135.119</u></b>	<b><u>160.990.618</u></b>	<b><u>758.612.246</u></b>	<b><u>1.058.391.662</u></b>
Prov. p/ Fundo de Pensão e Benef. sociais	-	-	17.082.104	16.305.778
Impostos, taxas e contribuições	1.016.080	-	291.883.967	647.764.004
Empréstimos e financiamentos	3.165.896	4.334.179	235.633.054	170.356.684
Títulos de renda	173.953.143	156.656.439	173.953.143	156.656.439
Consignações a favor de terceiros	-	-	414.936	7.809.708
Provisão para contingências	-	-	18.958.984	45.018.635
Outras obrigações	-	-	20.686.058	14.480.414
<b>Resultado de exercícios futuros</b>	-	-	<b><u>2.364</u></b>	<b><u>5.262</u></b>
<b>Participação minoritária</b>	-	-	<b><u>720.007.205</u></b>	<b><u>623.769.089</u></b>
No capital de empresas controladas	-	-	487.261.791	398.693.506
Nas reservas e lucros de empresas controladas	-	-	232.745.414	225.075.583
<b>Patrimônio líquido e recursos capitalizáveis</b>	<b><u>4.718.906.467</u></b>	<b><u>4.144.281.359</u></b>	<b><u>4.719.491.496</u></b>	<b><u>4.144.466.721</u></b>
<b>Patrimônio líquido</b>	<b><u>4.575.132.371</u></b>	<b><u>3.971.798.857</u></b>	<b><u>4.575.132.371</u></b>	<b><u>3.971.798.857</u></b>
Capital social realizado	84.937.380	1.686.140.837	84.937.380	1.686.140.837
Correção monetária do capital realizado	1.737.256.714	-	1.737.256.714	-
Reservas de capital	399.576.039	407.336.644	399.576.039	407.336.644
Reservas de reavaliação	43.743.518	43.558.051	43.743.518	43.558.051
Reservas de lucros	1.693.860.634	1.272.624.684	1.693.860.634	1.272.624.684
Lucros acumulados	617.558.582	562.138.641	617.558.582	562.138.641
Menos: Ações em tesouraria	(1.800.496)	-	(1.800.496)	-
<b>Recursos capitalizáveis</b>	<b><u>143.774.096</u></b>	<b><u>172.482.502</u></b>	<b><u>144.359.125</u></b>	<b><u>172.667.864</u></b>
Recursos de autofinanciamento	128.427.069	154.941.964	128.849.243	154.927.398
Recursos ordinários da União	24.697	393	24.697	393
Outros recursos	15.322.330	17.540.145	15.485.185	17.740.073
<b>Total do passivo</b>	<b><u>5.207.875.465</u></b>	<b><u>4.545.288.558</u></b>	<b><u>7.040.321.908</u></b>	<b><u>6.592.081.474</u></b>



# DEMONSTRAÇÃO DO RESULTADO

Exercícios findos em  
31 de dezembro de 1993 e 1992  
(Em milhares de cruzeiros reais, exceto lucro por ação)

	CONTROLADORA		
	Legislação societária	Correção integral (Em moeda de 31 de dezembro de 1993)	
	1993	1993	1992
<b>Receitas (despesas) operacionais:</b>			
Ganho com investimentos em controladas	496.459.371	496.459.371	165.508.862
Despesas gerais e administrativas	(10.514.849)	(26.747.180)	(36.079.570)
Pesquisa e desenvolvimento	(6.303.081)	(14.220.976)	
Provisão para contingências	(210.699)	(210.699)	
Despesas financeiras	(1.587.140)	(7.073.337)	(2.494.602)
Receitas financeiras	7.630.325	44.415.910	78.378.354
Outras despesas operacionais	(145.769)	(472.956)	(658.540)
Outras receitas operacionais	1.405.016	3.318.523	2.442.045
<b>Lucro operacional</b>	<b><u>486.733.174</u></b>	<b><u>495.468.656</u></b>	<b><u>207.096.549</u></b>
<b>Receitas (despesas) não operacionais:</b>			
Ganho (perda) com investimento	(1.176.645)	(1.176.645)	205.528
Outras despesas não operacionais	(15.204)	(56.624)	(128.210)
Outras receitas não operacionais	15.838	82.137	50.112
	<b><u>(1.176.011)</u></b>	<b><u>(1.151.132)</u></b>	<b><u>127.430</u></b>
<b>Efeito inflacionário:</b>			
Saldo credor da correção monetária	36.078.094	-	-
Saldo devedor de variação monetária	(27.694.755)	-	-
	<b><u>8.383.339</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Resultado antes das deduções</b>	<b><u>493.940.502</u></b>	<b><u>494.317.524</u></b>	<b><u>207.223.979</u></b>
Provisão para imposto de renda	1.097.411	1.088.934	
Contribuição social	338.126	(30.419)	(3.242.849)
<b>Lucro líquido do exercício</b>	<b><u>495.376.039</u></b>	<b><u>495.376.039</u></b>	<b><u>203.981.130</u></b>
<b>Lucro por ação do capital social realizado no fim do exercício (CR\$ 1,00)</b>	<b><u>1,7380</u></b>	<b><u>1,7380</u></b>	<b><u>0,7386</u></b>

# DEMONSTRAÇÃO DO RESULTADO

Exercícios findos em  
31 de dezembro de 1993 e 1992  
(Em milhares de cruzeiros reais, exceto lucro por ação)

	CONSOLIDADO		
	Legislação societária	Correção integral (Em moeda de 31 de dezembro de 1993)	
	1993	1993	1992
<b>Receita operacional bruta:</b>			
Serviços de telecomunicações	808.437.381	2.107.096.054	1.843.312.234
<b>Dedução da receita bruta:</b>			
ICMS, PASEP e FINSOCIAL	(192.638.681)	(432.945.741)	(377.403.238)
<b>Receita operacional líquida:</b>	<b>615.798.700</b>	<b>1.674.150.313</b>	<b>1.465.908.996</b>
Custos dos serviços prestados	(285.985.260)	(915.329.564)	(814.096.448)
<b>Lucro Bruto</b>	<b>329.813.440</b>	<b>758.820.749</b>	<b>651.812.548</b>
<b>Receitas (despesas) operacionais</b>			
Comercialização dos serviços	(46.955.192)	(117.754.430)	(102.215.682)
Despesas gerais e administrativas	(109.669.876)	(311.488.013)	(299.147.540)
Pesquisa e desenvolvimento	(6.501.631)	(14.705.429)	-
Atualização comp. de aposentadoria	(15.659.252)	-	-
Atualização de provisões trabalhistas	(55.506.771)	-	-
Provisão para contingências	(61.913.265)	(21.121.597)	(85.164.367)
Despesas financeiras	(39.922.141)	(144.113.803)	(100.456.727)
Receitas financeiras	22.438.848	68.183.526	47.917.489
Outras despesas operacionais	(29.226.961)	(103.022.997)	(108.829.688)
Outras receitas operacionais	17.468.443	106.677.796	50.372.539
	<u>(325.447.798)</u>	<u>(537.344.947)</u>	<u>(597.523.976)</u>
<b>Lucro operacional</b>	<b>4.365.642</b>	<b>221.475.802</b>	<b>54.288.572</b>
<b>Receitas (despesas não operacionais):</b>			
Participação financeira de promitentes assinantes	86.249	469.329	963.146
Ganho (perda) com investimento	(1.176.645)	(1.176.645)	146.574
Outras despesas não operacionais	(12.690.863)	(26.537.896)	(14.978.562)
Outras receitas não operacionais	5.685.454	12.495.396	18.401.884
	<u>(8.095.805)</u>	<u>(14.749.816)</u>	<u>4.533.042</u>
<b>Efeito inflacionário:</b>			
Saldo credor da correção monetária	974.358.760	-	-
Saldo devedor de variação monetária	(560.126.722)	-	-
	<u>414.232.038</u>	-	-
<b>Lucro líquido do exercício antes das deduções</b>	<b>410.501.875</b>	<b>206.725.986</b>	<b>58.821.614</b>
Provisão para imposto de renda	33.749.257	248.217.418	48.632.703
Contribuição social	(5.381.336)	(16.073.608)	(10.837.224)
<b>Lucro líquido do exercício antes das participações</b>	<b>438.869.796</b>	<b>438.869.796</b>	<b>96.617.093</b>
Participação de empregados	(2.950.548)	(2.950.548)	(608.645)
Participação minoritária	(63.104.937)	(63.104.937)	(1.008.968)
<b>Lucro líquido do exercício</b>	<b>372.814.311</b>	<b>372.814.311</b>	<b>94.999.480</b>
<b>Lucro por ação do capital social realizado no fim do exercício (CR\$ 1,00)</b>	<b>1,3080</b>	<b>1,3080</b>	<b>0,3440</b>

# DEMONSTRAÇÃO DAS MUTAÇÕES

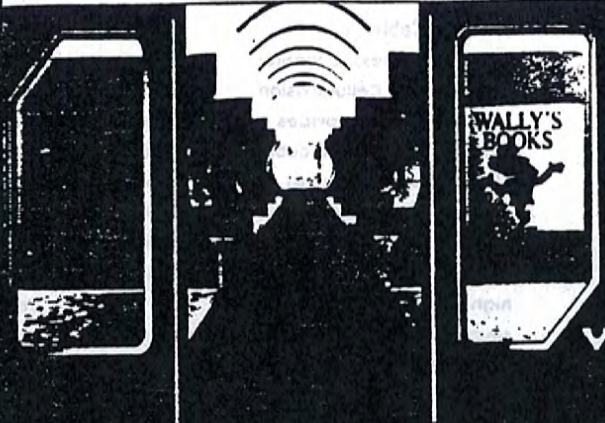
**Exercícios findos em 31 de dezembro de 1993**

**LEGISLAÇÃO**

	Capital Realizado Atualizado		Reservas de Capital			
	Capital Social Realizado	Correção monetária do Capital	Ágio na Subscrição de Ações	Doações e Subvenções para Investimento	Reserva Especial Lei 8200/91	Outras Reservas de Capital
<b>Saldos em 31 de dezembro de 1992</b>	<b><u>8.250.346</u></b>	<b><u>58.605.339</u></b>	<b><u>1.676.568</u></b>	<b><u>110</u></b>	<b><u>14.412.511</u></b>	<b><u>61.757</u></b>
Aumento de capital social						
Recursos de autofinanciamento	16.345.711		5.452.416			
Outros recursos capitalizáveis	133.157					
Reservas e lucros	60.208.166	(58.563.851)	(1.644.205)	(110)		
Ajustes de exercícios anteriores						97.296
Aquisições de ações próprias						
Reversão de reservas						
Realização reserva de reavaliação						
Correção monetária		1.737.215.226	26.587.601		349.079.729	3.852.366
Dividendos prescritos						
Ajuste da realização na reserva de reavaliação						
Lucro líquido do exercício						
Destinação proposta a AGO dos lucros						
Transferências para reservas						
Dividendos propostos						
<b>Saldo em 31 de dezembro de 1993</b>	<b><u>84.937.380</u></b>	<b><u>1.737.256.714</u></b>	<b><u>32.072.380</u></b>	<b><u>363.492.240</u></b>	<b><u>4.011.419</u></b>	

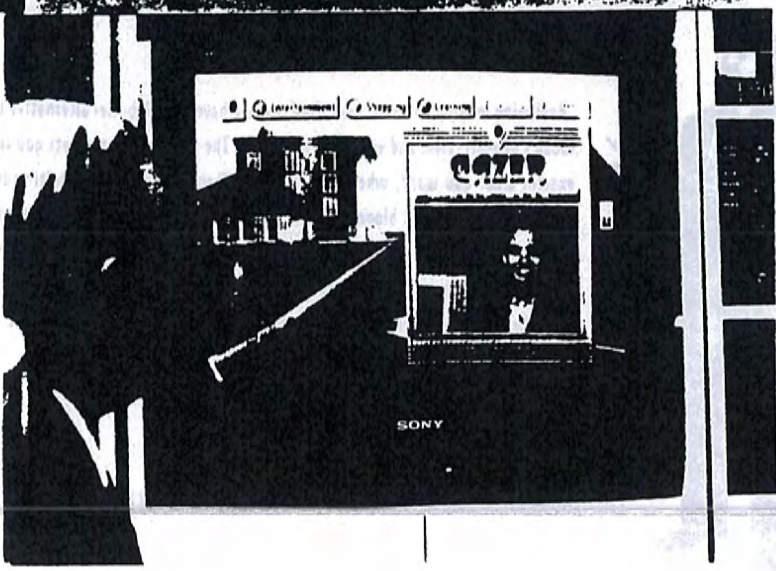


● Entertainment Shopping Learning Entertainment Assistance



# STARCAZER™

A BVS SERVICE





### Wireless Cable TV

Patented wireless technology offered by CellularVision of New York L.P. provides a wireless alternative to cable TV, with the potential to deliver up to 100 channels in the New York metropolitan area. Subscribers receive high-quality signals from a small receiver plate which

they attach near a window. With bandwidth comparable to that of optical fiber, this emerging technology has the potential to deliver interactive information, entertainment, and communications services. Bell Atlantic is a strategic partner of CellularVision of New York.

## BELL ATLANTIC VIDEO SERVICES WILL HELP VIDEO AND INFORMATION PROVIDERS

### VIDEO SERVICES.

In video and information services, we're applying the capabilities of our networks to develop and deliver the interactivity that will meet emerging customer demands for more choice, convenience, and control in the entertainment and information they consume.

That's why we're committed to entering the cable television business and to developing our unique STARGAZER™ system of interactive, on-demand video. In fact, we plan to step up our Stargazer system technical trial to a full market trial, which will include 1,000 customers in the

Washington, D.C., metropolitan area. And we recently dedicated a multimillion-dollar facility in Reston, Virginia, to support the creation and deployment of Stargazer programming and services.

Bell Atlantic, either alone or in partnership with other content providers, is committed to being first to market with brand-name products in these areas. There will be other publishers, programmers, advertisers, banks, retailers, and game companies joining us on our system either as our partners or our customers. More than 75 companies have already agreed to do so.

Educators, excited about higher levels of student interest

## CAN OFFER TELEPHONE SERVICE AND VIDEO PROGRAMMING IN THE SAME REGION.



"Beginning in 1994, customers will find that we have a much better alternative to today's pay-per-view and video rental options. The Stargazer system lets you see exactly what you want, when you want it. When the interactive multimedia business comes into full bloom in just a few years, our reliable operating system and user-friendly navigational software will make the Stargazer system our customers' first choice not only for movies, but for better ways to play games, shop pay bills, work from home, consult with other professionals, read the news, and learn from a distance."

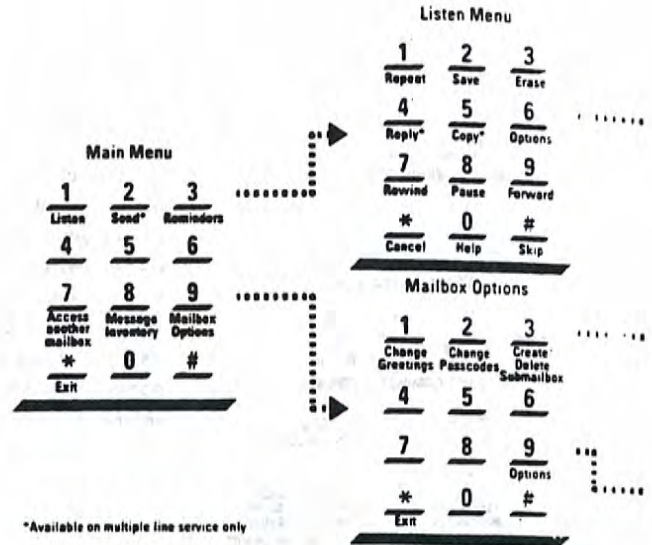
Stu Johnson  
Group President  
Bell Atlantic Large Business and Information Services

### Voice Messaging Services

Answer Call and Voice Mail do everything most answering machines do and more. They offer business and residential customers these additional productivity-enhancing features:

- Nothing to install
- Immune to power failures
- Takes messages while you're on the phone
- Indicates the time and date of the call

- Lets you retrieve your messages from any touch-tone phone
- Additional features for businesses:
- One-touch message reply
  - Message forwarding
  - Message forwarding to multiple people
  - Message Board service: you can record frequently requested information for callers or customers



THE COUNTRY'S LARGEST INSTALLED CENTREX BASE — MORE THAN 2 MILLION

addresses within the Bell Atlantic region:

- Switched Redirect, which allows customers to redirect call traffic to groups of preassigned alternate telephone numbers;
- Personal Line, our trial of a one-person, one-number, one phone, go-anywhere, portable phone service.

**WIRELESS.** Personal Line is a personal communications service (PCS) in trial in Pittsburgh that gives users the power to design their own communication agenda —

exactly how, when, and where they want to be in touch. Business people participating in our Pittsburgh trial said that Personal Line boosts their productivity by reducing "phone tag" and gives them a competitive advantage by helping them stay in touch with customers. For many users, the most important benefit is peace of mind, knowing they are accessible wherever and whenever they want to be. Due to positive customer response, Bell Atlantic extended the Pittsburgh trial for 12 months and is looking at the commercial roll-out of an improved PCS in 1994.

LARGE-BUSINESS AND ABOUT 1.2 MILLION SMALL-BUSINESS CUSTOMERS. • BELL

M  
I  
L  
E  
S  
T  
O  
N  
E  
S

In West Virginia, the Bell Atlantic network reaches 100 percent digital switching capability, making it one of the first state-wide local telephone companies in the nation to reach this milestone.

Digital switching enables the introduction of a host of new advanced telephone services, even better customer service, faster and clearer transmission, and lower maintenance costs.

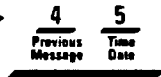
The Federal Communications Commission approves Bell Atlantic Carrier Services' tariffs for Facilities Management Service, which allows Bell Atlantic to manage the design, engineering, installation, and maintenance of customers' special access networks.



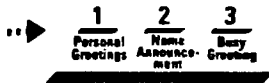
Bell Atlantic launches a technical trial of video-on-demand over its existing telephone network with some 300 Bell Atlantic employees, allowing participants to "dial up" a movie, network television show, or other

video service through their telephone and specify the time they wish to view it on their television sets. Users can watch a movie and make or receive phone calls over the same telephone line simultaneously.

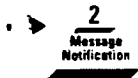
**Listen Options**



**Change Recordings**



**Change Options**



**Change Notifications**

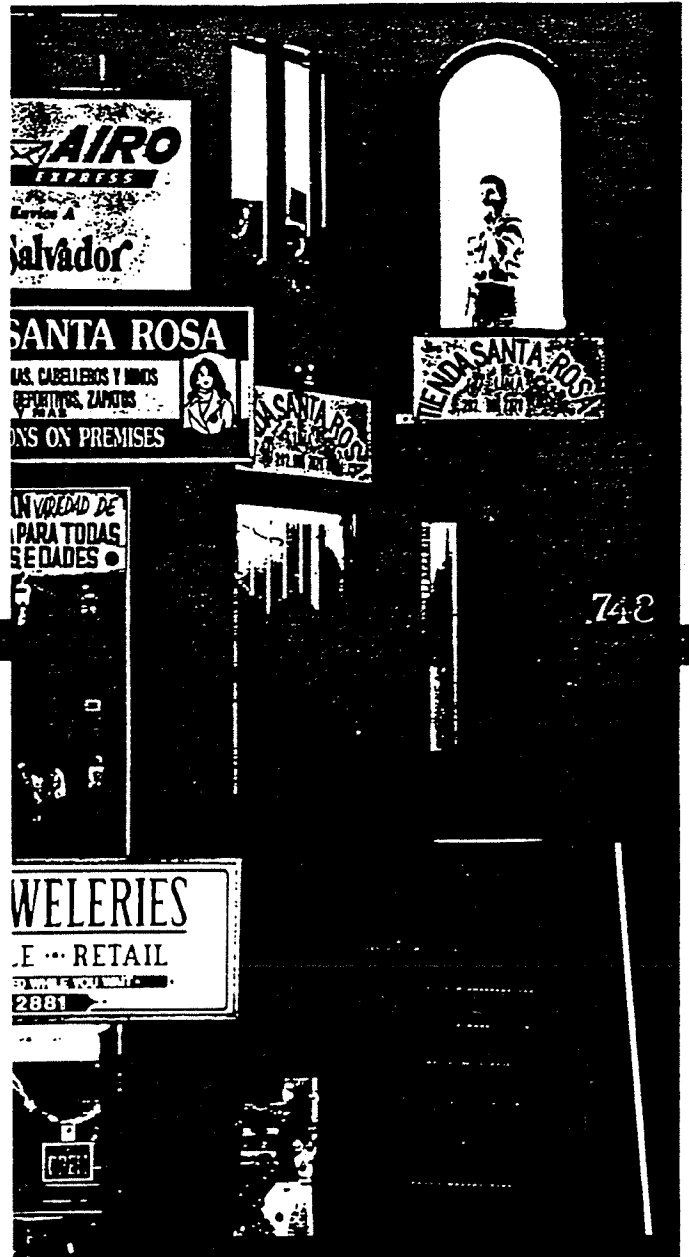


**Latino Services**

Meeting the individual needs of our customers is a hallmark of Bell Atlantic's service ethic. For example, we recently introduced Spanish voice instructions for residential customers using Answer Call, our popular voice messaging service.

**LINES. • SERVING MORE THAN 18,000**

**IQ SERVICES.** In the landline network, demand for Bell Atlantic IQ Services continues its steady growth. Leading the way are our popular, equipment-free voice messaging services such as Answer Call and Voice Mail. New introductions include the Crit Call family of emergency notification services, which allows customers to alert up to five people with one call. More innovation is on the way, including a family of voice-activated calling features that will speed up and simplify routine communications considerably.



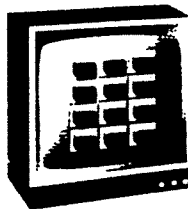
**ATLANTIC MOBILE OWNS OVER 35 MILLION POPS IN THE UNITED STATES.**



**Bell Atlantic Network Integration, Inc.**, established in 1992, along with Bell Atlantic-Maryland helps Loyola College in Maryland transform disparate local area networks and mainframe computers into a fully integrated network.

Loyola is one of the few schools in the U.S. to provide integrated voice, data, and video communication in every classroom and dormitory room, as well as integrated voice and data in faculty and administrative offices. What's more, both on- and off-campus students enjoy equal access to campus computers and outside networks and educational resources.

**Bell Atlantic wins its court challenge when the United States District Court in Alexandria, Virginia, declares unconstitutional a provision of 1984 Cable Act that bars Bell Atlantic from offering video programming**



**directly to subscribers in the same areas where it provides telephone service. As a result, Bell Atlantic now is the first regional Bell telephone company permitted to offer video programming within its service territory.**

Bell Atlantic accelerates full-service network deployment, planning to pass approximately 1 million homes by the end of 1995 and up to 1.5 million annually after that. By the end of the year 2000, Bell Atlantic will have passed as many as 8.5 million homes, out of the 11 million homes in its region.

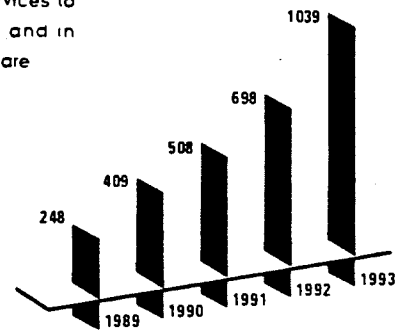




## Bell Atlantic Mobile Helps Keep You in Touch

Bell Atlantic Mobile, serving over one million cellular customers, offers a variety of cutting-edge services to keep you moving and in touch wherever you are.

Cellular Subscribers in Service (thousands)



THE END OF 1994. • ONE OF THE LARGEST CELLULAR COMPANIES, BELL ATLANTIC

**AIN.** The Bell Atlantic Advanced Intelligent Network (AIN) platform allows customized communication applications to be designed easily, quickly, and, eventually, by customers themselves. Bell Atlantic is the undisputed leader in AIN development; in fact, the service creation system was developed for Bell Atlantic.

We recently established a third-party developers' program that aims to have software designers write individually tailored AIN-based solutions for business customers. A memorandum of understanding with Novell Inc. was signed to explore opportunities to enable end users to cus-

tomize and change existing service features using Novell's AppWare development tools.

Possibilities might include features that forward or block incoming calls only at certain times of the day; a pass-through command that lets calls from pre-designated numbers sidestep the forwarding or blocking feature; and a call distribution system that routes certain incoming calls to voice mailboxes, fax machines, or computer modems.

Today's AIN-based applications are:

- Centrex Extend, which enables three- or four-digit extension dialing among customer offices at different

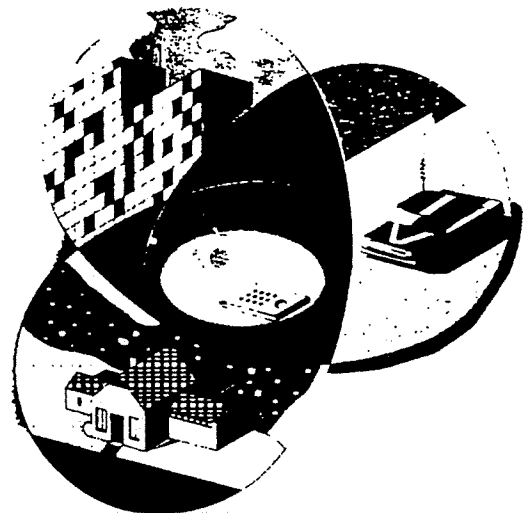
9 IN THE BELL ATLANTIC REGION, NINE OUT OF 10 USE BELL ATLANTIC YELLOW PAGES.

*A Fast-Packet Service which uses variable-length information containers, or 'frames,' and transmits them at speeds from 64 kilobits to 1.5 megabits per second.*

### Personal Line Service

Bell Atlantic's Personal Line Service combines the convenience of mobile communications with the intelligence of the Bell Atlantic network

to provide one-number/one-phone service. Callers dial just one number to reach you automatically wherever you are — at home, at work, or in your car. Plus, co-workers at the office can reach you simply by dialing your extension. Personal Line service marries the power of our Advanced Intelligent Network with the flexibility of wireless communications to deliver a variety of personalized services.



"There's a new generation of customer out there – a connected generation. Customers need services that make their lives more fulfilling, more productive, and simpler, too. And they want to have control over their communications and information. We see demand building up rapidly for services that satisfy these needs – from value-added calling features to PC interconnection to teleconferencing capabilities."

Bruce Gordon  
Group President  
Bell Atlantic Consumer and Small Business



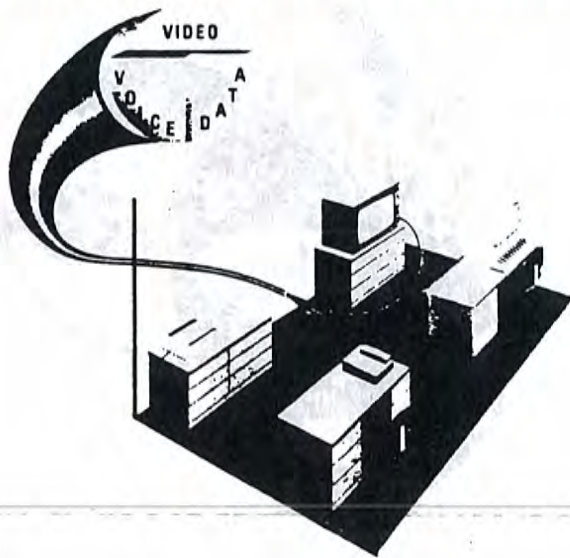
*Services in which data are bundled into bursts, or packets, and transmitted at high speeds.*

**BELL ATLANTIC WILL MEET THE NEED FOR ISDN FROM ANY CENTRAL OFFICE BEFORE**

simultaneous voice, data, and video applications. Already a world leader in the deployment of this technology, Bell Atlantic has announced the "ISDN Anywhere" initiative, in which we will be able to extend these capabilities to any Bell Atlantic central office by the end of 1994, subject to market demand and regulatory approvals. So if you need to link computers, to work from home with full connections to the office, to conduct video conferences, or to send photo-quality images over the same line you use to make your calls, just call us.

**FAST PACKET DATA SERVICES.** Let's say you need to interconnect local area networks and transmit data at high speeds without costly dedicated networks. In that case, Bell Atlantic **Fast Packet Services** are the way to go. These services are very well-suited to applications that require high bandwidth for relatively short periods, such as graphical software programs, image processing, and multimedia transmission. **Frame Relay** and switched multi-megabit data service (SMDS) are available in metropolitan areas across the Bell Atlantic region.

**MOBILE COVERS PORTIONS OF 15 STATES AND D.C. • OF THE 11 MILLION HOUSEHOLDS**



**ISDN**

Bell Atlantic's ISDN (integrated services digital network) services allow simultaneous voice, data, and video transmission over existing telephone lines. For example, customers can send and receive information at the computer, participate in a videoconference, and hold a normal telephone conversation all at once over the same ISDN line. ISDN allows small businesses to interconnect a variety of today's

computers and communication devices affordably and to communicate at a much greater speed than over conventional telephone lines. Before the end of 1994, subject to customer demand and regulatory approvals, Bell Atlantic intends to complete the roll-out of its ISDN Anywhere program, which can bring IntelliLine® ISDN services to any of our central offices in the Bell Atlantic region.

"The information superhighway is not a single pipeline that will be flipped on at some point in the future. It's an evolving system of many interconnected networks that exist today. At Bell Atlantic, we're using several landline and wireless network platforms to deliver full-service voice, video, data, and image capabilities. In a given area, the technology we choose is determined by customer needs. In any event, full-service networks built by Bell Atlantic will operate together seamlessly, to the point where technology is completely transparent to the user."

Larry Babbio  
Executive Vice President and Chief Operating Officer  
Bell Atlantic Corporation



*A range of radio frequencies that have been set aside for personal communications services.*

**THE POPULATION. • BARRON'S TERMS BELL ATLANTIC'S NETWORK "THE CADILLAC OF**

ston to full-service networking.

Bell Atlantic is committed to giving customers not only the latest in wireless capabilities, but also the widest possible coverage. With well over a million subscribers, and more than 80,000 square miles of cellular coverage in 15 states and the District of Columbia, Bell Atlantic Mobile is the largest cellular carrier on the East Coast and among the largest in the country. Our goal is to expand our wireless holdings to establish a national presence to serve your needs. One way we'll do that is by participating in the Federal government's upcoming PCS spectrum auction.

**PRODUCT AND SERVICE INNOVATION.**

**H**aving the best network technology, however, is only one part of the story. Customers are demanding far more than just connections and dial tone. You want products and services that give you more choice, convenience, and control in your daily lives.

**ISDN.** Some of these services are made possible by our integrated services digital network. ISDN expands the capabilities of existing telephone networks to handle

**CAR PHONES AND VOICE COMMUNICATION." • NEARLY 1.6 MILLION MILES OF FIBER.**

Bell Atlantic and U S WEST's Eurotel Cellular Service is launched with the first cellular call from Shirley Temple Black, U.S. ambassador to Czechoslovakia, in Prague to Rita Klimova, Czechoslovakian ambassador to the U.S., in Washington, D C

**The U.S. General Services Administration in Philadelphia selects Bell Atlantic's switched multi-megabit data service, the first SMDS purchase in the nation. SMDS enables various computer networks used by the GSA to communicate with one another.**



Bell Atlantic completes its merger with Metro Mobile CTS, Inc., making Bell Atlantic Mobile one of the largest wireless carriers in the United States, expanding its territory from the mid-Atlantic region into the northeast, southeast, and southwest

**Bell Atlantic International, with its partner Telecom Corporation of New Zealand Limited in a joint venture known as Pacific Star, enters the Australian telecom market with a five-year contract to manage the Queensland State Government communications network.**

Pittsburgh International Airport opens with a \$5 million, state-of-the-art communications system

provided by Bell Atlantic. The system features fiber optics and customer control capabilities and includes everything from special services for airport operations to the latest in public pay phones.

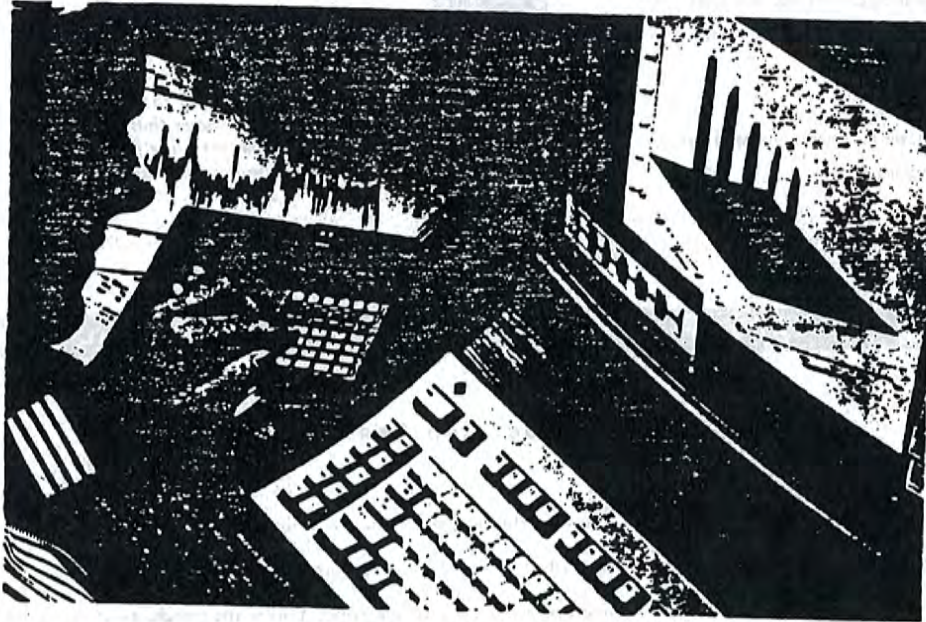


**1992**

## Electronic Warfare

▼ Our ERA subsidiary has designed a data fusion system that predicts activities of interest based on a model employing cognitive reasoning and expert decision-making tools.

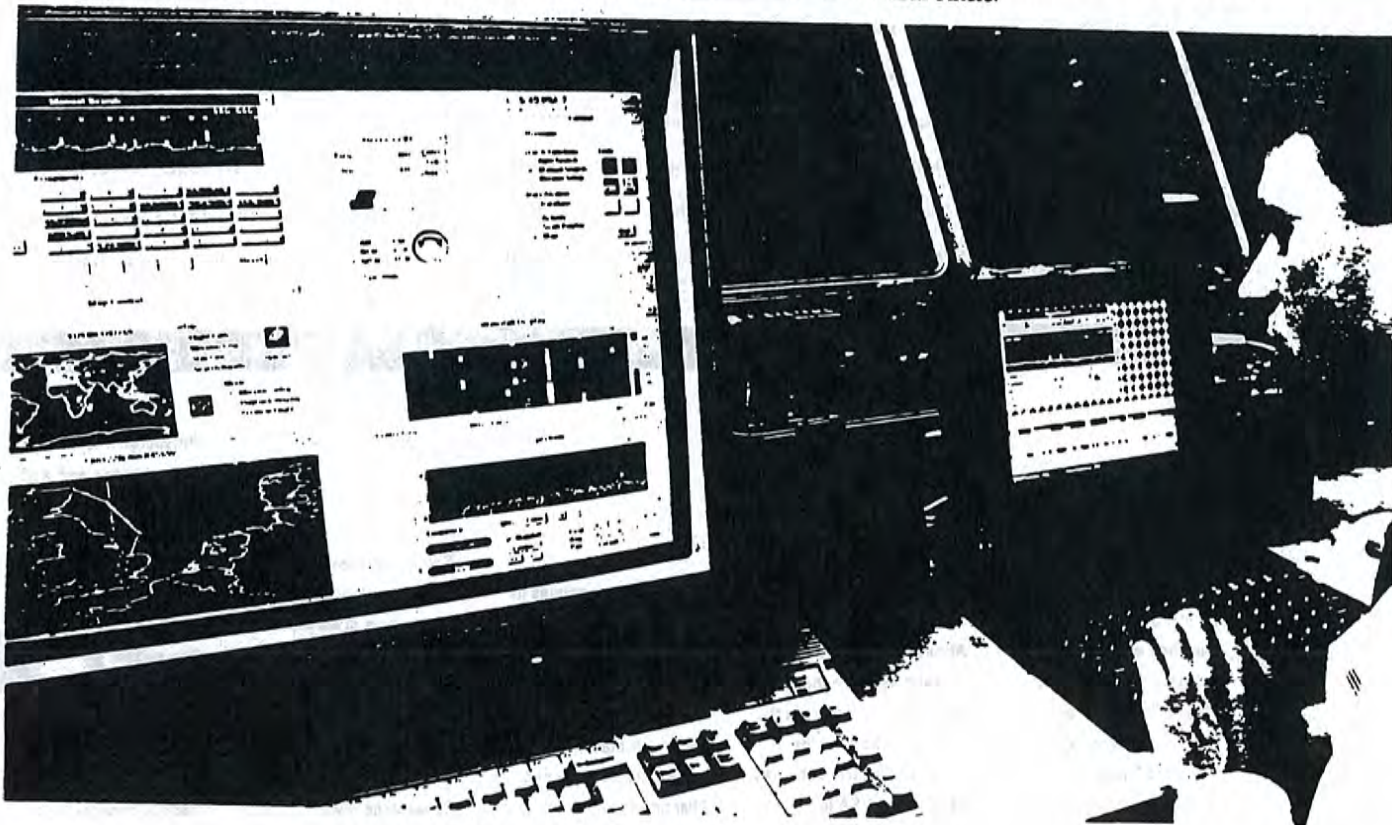
(Bottom) A rapid search and display environment that includes signal identification is the function of the Melpar Division's Spectrum Search and Survey System. Its uses include locating enemy communication signals, collecting high priority communications, identifying emitters and database storage—all within seconds.



The company has developed an advanced signal processing system which incorporates thousands of processors to execute over one million lines of software code. This system is the largest multiple processor/multiple instruction machine available within a particular mission area.

All parameters are easily changed by the user to satisfy emerging requirements. Functionality includes a very high probability of collection and direction finding for signals of interest.

The Situation Assessment Scenario Predictor, developed by E-Systems, identifies, tracks and predicts activities of interest based on a model of human situation assessment and expert decision making. Given a pattern of observables, the system infers possible ongoing hostile activities and predicts the types, times, locations, performers and indicators of significant events. This flexible multi-source data fusion system supports diverse applications including hostile threat alerting, collection and sensor management, identification of high-value targets, scenario generation and others.



## Information Processing

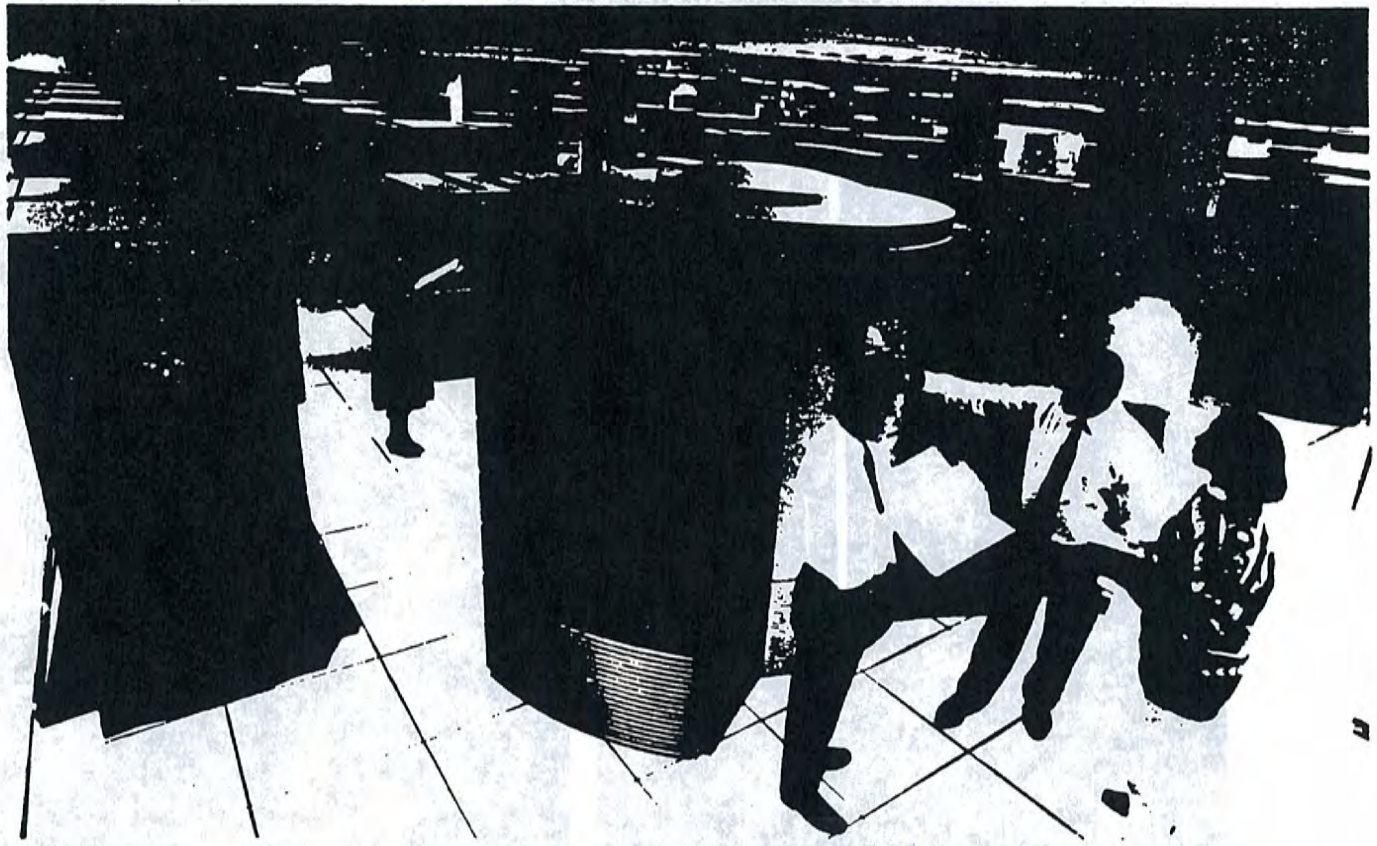
In two significant 1993 undertakings, E-Systems took a different business approach by offering solutions to our customers in anticipation of their needs.

E-Systems won a major data dissemination system contract after successfully demonstrating system effectiveness at various user sites. In a similar award, we persuaded our customer to replace a high-maintenance recorder component of a major system with a **smaller, more efficient** E-Systems-developed product. Both of these awards gave our customers more cost-effective solutions with rapid payoffs.

▼ In 1993, the Gariand Division succeeded in connecting four Cray C-90 super computers, each containing sixteen processors. Using the largest shared memory in the world, along with sophisticated software, the system is capable of crunching data at a peak rate of 64 gigaflops (one gigaflop equals one billion floating point logic operations per second).



◀ This advanced signal processing system incorporates thousands of processors executing over one million lines of software code. Designed at ERA, this is the largest processor in its mission area.



## **Command, Control, Communications and Intelligence**

A transportable, interoperable and self-contained signal intelligence system, Celtic provides readily reconfigurable components to support signal acquisition or a combination of signal acquisition and direction-finding modes of operation. Celtic is one of the fundamental building blocks in E-Systems pursuit to expand in the international marketplace.

The Multimission UHF Satcom Transceiver called MUST, a full duplex radio, combines state-of-the-art modem and transceiver functions into a single unit. As the smallest airborne, demand assured multiple access and interoperable radio available today, the MUST transceiver provides upgrades while simplifying existing communications systems.

E-Systems designed the Data Distribution System, a key element of the U.S. Navy's Cooperative Engagement Capability, which provides a highly

reliable, secure data communication link to distribute real-time sensor information for ship defense. Threat-tracking information is shared interactively between all ships and aircraft in the same battle group.

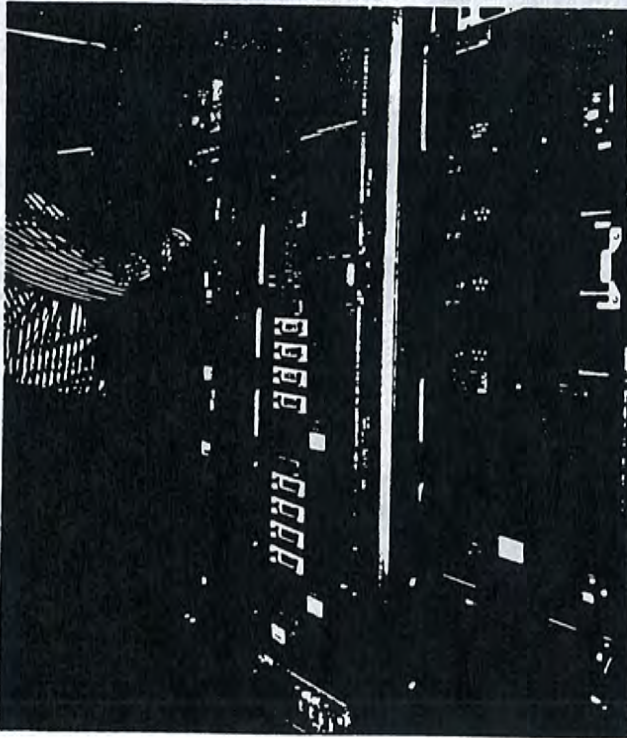
The company has developed a modular, tactical, deployable system capable of receiving, processing, exploiting and disseminating digital imagery from multiple sensor types and image sources.

The system provides intelligence reports to field commanders in an average of 15 minutes from receipt of the real-time imagery. Branches of the U. S. military are using this system in a joint collection effort.

E-Systems completed installation of the initial Survivable Communications Integration System into the Air Force's Space and Warning System Center. A major element of the Integrated Tactical Warning / Attack Assessment System, SCIS provides a vital tactical communications link to the U. S. Air Force Space Command.

▼ Celtic, an ERA subsidiary design, provides state-of-the-art signals intelligence intercept and collection with the flexibility to be packaged in self-contained transportable cases.

(Right) Developed by the ECI Division, the Multimission UHF Satcom Transceiver, is an advanced full-duplex radio, combining state-of-the-art modem and transceiver functions into a single unit.



support equipment for the U. S. military anywhere in the world.

Operating from 17 fixed sites and additional remote sites, E-Systems maintains a fleet of 150 aircraft for the U. S. Customs Service. These aircraft are equipped with sophisticated airborne avionics sensor systems including downward and forward-looking infrared sensors.

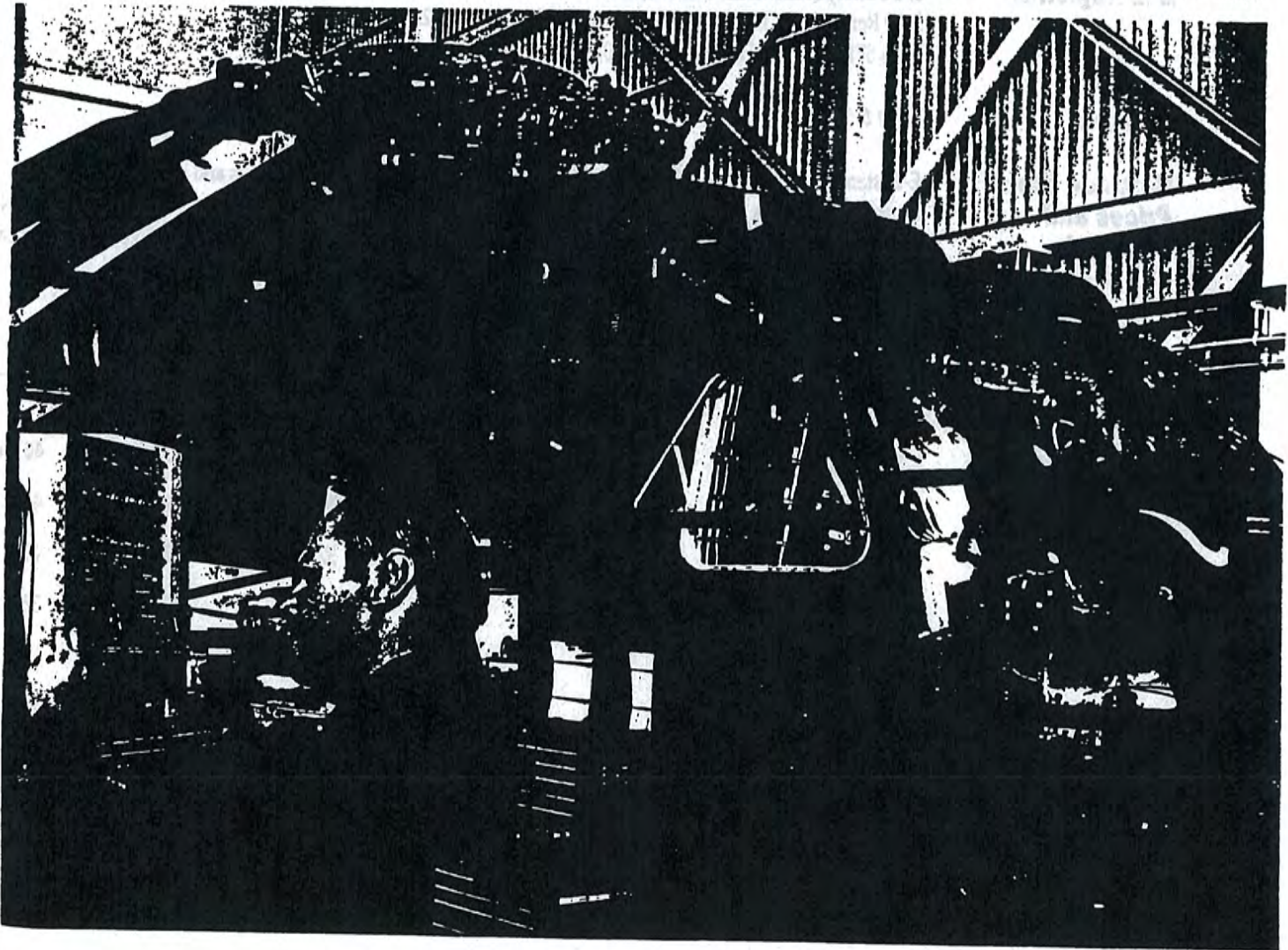
For NASA Ames Research Center, the company will design and install modifications to reconfigure aircraft for research missions in spacecraft sensor development, earth resources assessment, environmental experiments and aeronautical flight systems research.



◀ Sero-Air technicians convert crash-damaged AH-64 Apache aircraft into specialized maintenance trainers.

▼ Sero-Air technicians modify CH-53 aircraft for various special operations forces.

(Inset) In one of several repair and modification efforts, a Sero-Air Contract Field Team mechanic modifies a KC-135 tanker aircraft.



# Common Stock Prices and Dividends

## Annual Meeting

The annual meeting of shareholders of E-Systems, Inc. will be held at the Corporate Headquarters, 6250 LBJ Freeway, Dallas, Texas on Wednesday, April 27, 1994, at 10:00 a.m. Admission is by authorization card only.

## Form 10-K Report

A copy of the company's annual report to the Securities and Exchange Commission on Form 10-K will be available to interested shareholders upon written request to:  
Corporate Secretary, E-Systems, Inc., P.O. Box 660248, Dallas, Texas 75266-0248.

## Stock Listings

New York Stock Exchange  
London Stock Exchange

## Stock Exchange Symbol

ESY

## Transfer Agent and Registrar

Society National Bank  
c/o Society Shareholder Services, Inc.  
3200 Renaissance Tower, 1201 Elm Street, Dallas, Texas 75270  
(214) 871-8844, Toll Free Number (800) 527-7844, FAX Number (214) 712-3592

## Auditors

Ernst & Young

## Common Stock Prices and Dividends

E-Systems common stock is listed on the New York and London Stock Exchanges and principally traded on those markets. The table below shows the high and low closing prices of E-Systems common stock on the New York Stock Exchange, as reported in the Wall Street Journal, and the cash dividends declared per share for each quarter during the past two years.

Quarter	1st	2nd	3rd	4th
<i>Stock Prices:</i>				
1993 High	44 1/4	43	48 7/8	46 1/4
Low	36 1/4	39 5/8	41 3/4	41 5/8
1992 High	38	37 1/8	37 5/8	41 1/4
Low	31 1/2	31 5/8	32	35 3/4
<i>Dividends Declared:</i>				
1993	\$ .275	\$ .275	\$ .275	\$ .275
1992	\$ .25	\$ .25	\$ .25	\$ .25



## Directors and Officers



*Gabriel, Bitonti, Hoffmann, Kling, Buehring, Keiffer, Tacke, Neff, Griffis, Lawson*

### Board of Directors

**E. GENE KEIFFER**  
Chairman, E-Systems, Inc.

**JAMES A. BITONTI**  
Chairman of the Board and  
Chief Executive Officer  
BITCO International  
Retired IBM Corporation Executive

**E. FRED BUEHRING**  
Retired E-Systems, Inc. Executive

**CHARLES A. GABRIEL**  
General, USAF (Ret)  
Former Chief of Staff, USAF

**DR. LEVAN GRIFFIS \***  
Professor Emeritus  
Southern Methodist University  
Independent Consultant

**MARTIN R. HOFFMANN**  
Attorney at Law  
Senior Visiting Fellow,  
Center for Technology Policy  
and Industrial Development,  
Massachusetts Institute of Technology

**S. LEE KLING**  
Chairman,  
Kling Rechter & Co.  
St. Louis, Missouri

**A. LOWELL LAWSON**  
Chief Executive Officer  
and President

**FRANCINE I. NEFF**  
Vice President NETS, Inc.  
(Investment Firm)  
Albuquerque, New Mexico

**DAVID R. TACKE**  
Retired E-Systems, Inc. Executive  
Rancher and Investor

\* deceased 12/22/93

### Corporate Officers

**E. GENE KEIFFER**  
Chairman of the Board

**A. LOWELL LAWSON**  
Chief Executive Officer  
and President

**BRIAN D. CULLEN**  
Senior Vice President

**DR. TERRY W. HEIL**  
Senior Vice President

**PETER A. MARINO**  
Senior Vice President

**DR. J. ROBERT COLLINS**  
Vice President,  
Strategic Planning and  
Development

**JAMES W. CROWLEY**  
Vice President, Secretary  
and General Counsel

**ARTHUR E. HOBBS**  
Vice President,  
Corporate Relations and  
Administration

**JAMES W. POPE**  
Vice President,  
Finance and Chief Financial  
Officer

**JAMES J. REILLY**  
Vice President,  
Financial Operations

**HARRY L. THURMON**  
Vice President,  
New Business Development

**MARSHALL D. WILLIAMSON**  
Vice President  
and General Manager,  
Garland Division

# Results By Quarter

(In Millions except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>1993</b>					
Sales	\$ 531.4	\$ 533.5	\$ 508.6	\$ 523.6	\$ 2,097.1
Income before tax	40.9	44.8	46.1	48.5	180.3
Net income	27.4	30.0	32.6	31.9	121.9
Earnings per share	.81	.89	.95	.93	3.58
<b>1992</b>					
Sales	\$ 497.2	\$ 486.2	\$ 556.6	\$ 554.9	\$ 2,094.9
Income before the effect of change in accounting principle	\$ 27.5	\$ 29.5	\$ 31.3	\$ 32.0	\$ 120.3
Effect of change in accounting principle:					
On each quarter	(2.8)	(2.9)	(2.8)	(2.8)	(11.3)
Cumulative on January 1	(178.5)	—	—	—	(178.5)
Net income (loss)	\$ (153.8)	\$ 26.6	\$ 28.5	\$ 29.2	\$ (69.5)
Earnings per share before the effect of a change in accounting principle	\$ .84	\$ .90	\$ .95	\$ .96	\$ 3.65
Effect of change in accounting principle:					
On each quarter	(.09)	(.08)	(.09)	(.08)	(.34)
Cumulative on January 1	.75	.82	.86	.88	3.31
Earnings (loss) per share	\$ (4.67)	\$ .82	\$ .86	\$ .88	\$ (2.11)

In the fourth quarter of 1992, the company elected early adoption of Financial Accounting Standards Board (FASB) Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (See Note J of Consolidated Financial Statements). The adoption of FASB Statement No. 106 was accounted for as a change in accounting principle, the cumulative effect of which was calculated as of January 1, 1992.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional comments relating to results of operations for quarters.

## Five-Year Summary of Operations and Financial Condition

(In Thousands except per share data) - Year ended December 31, 1993

<b>Summary of Operations</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>	<b>1990</b>	<b>1989</b>
Net sales	\$2,097,114	\$ 2,094,913	\$ 1,991,284	\$ 1,810,172	\$ 1,626,434
Operating costs and expenses	<u>1,916,458</u>	<u>1,924,177</u>	<u>1,824,238</u>	<u>1,663,939</u>	<u>1,501,780</u>
Profit from continuing operations	180,656	170,736	167,046	146,233	124,654
Other income (expense) - net	5,830	(600)	264	879	4,121
Interest expense	<u>(6,211)</u>	<u>(7,664)</u>	<u>(8,559)</u>	<u>(10,515)</u>	<u>(10,226)</u>
Income from continuing operations before federal income taxes and the cumulative effect of a change in accounting principle	180,275	162,472	158,751	136,597	118,549
Federal income taxes	<u>58,409</u>	<u>53,453</u>	<u>49,213</u>	<u>42,345</u>	<u>35,565</u>
Income from continuing operations before the cumulative effect of a change in accounting principle	121,866	109,019	109,538	94,252	82,984
Loss from discontinued operations	—	—	—	(8,632)	—
Income before cumulative effect of a change in accounting principle	121,866	109,019	109,538	85,620	82,984
Cumulative effect of a change in accounting principle	—	(178,510)	—	—	—
Net income (loss)	<u>\$ 121,866</u>	<u>\$ (69,491)</u>	<u>\$ 109,538</u>	<u>\$ 85,620</u>	<u>\$ 82,984</u>
Earnings (loss) per share:					
Continuing operations	\$ 3.58	\$ 3.31	\$ 3.35	\$ 3.02	\$ 2.65
Discontinued operations	—	—	—	(28)	—
Cumulative effect of a change in accounting principle	—	(5.42)	—	—	—
<b>Total</b>	<u>\$ 3.58</u>	<u>\$ (2.11)</u>	<u>\$ 3.35</u>	<u>\$ 2.74</u>	<u>\$ 2.65</u>
Cash dividends declared per common share	<u>\$ 1.10</u>	<u>\$ 1.00</u>	<u>\$ .75</u>	<u>\$ .75</u>	<u>\$ .50</u>

### Year-End Financial Position

Bookings	\$1,910,532	\$ 1,905,319	\$ 2,013,431	\$ 1,791,724	\$ 1,887,410
Backlog	\$2,133,041	\$ 2,319,623	\$ 2,509,217	\$ 2,487,070	\$ 2,505,518
Current ratio	4.44	3.01	3.51	3.12	3.27
Total assets	\$1,279,173	\$ 1,253,573	\$ 1,075,441	\$ 967,178	\$ 866,215
Long-term debt	\$ 7,873	\$ 34,119	\$ 84,897	\$ 118,706	\$ 91,133
Total debt	\$ 33,129	\$ 103,920	\$ 90,462	\$ 127,671	\$ 110,022
Stockholders' equity at year-end	\$ 769,996	\$ 660,000	\$ 750,063	\$ 625,960	\$ 561,126
Total debt to equity ratio	.04	.16	.12	.20	.20
Return on average stockholders' equity	17.0%	(9.9%)	15.9%	14.5%	15.8%
Employees at year-end	16,703	18,590	18,622	18,435	17,920
Stockholders of record at year-end	10,097	10,810	11,228	12,035	12,054
Year-end closing stock price	43 <sup>3</sup> / <sub>8</sub>	41 <sup>1</sup> / <sub>8</sub>	37 <sup>7</sup> / <sub>8</sub>	34 <sup>3</sup> / <sub>8</sub>	30 <sup>7</sup> / <sub>8</sub>

## Report of Ernst & Young, Independent Auditors

**Stockholders and  
Board of Directors  
E-Systems, Inc.**

We have audited the consolidated balance sheets of E-Systems, Inc. and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of E-Systems, Inc. and subsidiaries at December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Note J to the consolidated financial statements, in 1992 the company changed its method of accounting for retiree health care and life insurance benefits in accordance with FASB Statement No. 106.

*Ernst & Young*

Dallas, Texas  
January 27, 1994

Financial information by product category (in thousands) is summarized as follows:

1993	Unaudited		Net Sales	Income Before Tax	Assets	Depreciation and Amortization	Capital Expenditures
	Bookings	Backlog					
Reconnaissance and Surveillance	\$ 996,875	\$1,176,951	\$1,259,651	\$ 110,611	\$ 648,277	\$ 33,710	\$ 33,085
Command, Control and Communications	332,127	382,758	330,695	26,511	155,319	7,496	6,631
Navigation and Controls	42,076	162,814	122,675	20,387	47,786	4,928	3,941
Aircraft Maintenance & Modification and Other Services	539,454	410,518	384,093	23,147	177,907	5,748	7,985
<b>Total for Operating Segments</b>	<b>1,910,532</b>	<b>2,133,041</b>	<b>2,097,114</b>	<b>180,656</b>	<b>1,029,289</b>	<b>51,882</b>	<b>51,641</b>
Corporate Interest expense				5,830	249,884	2,976	441
				(6,211)			
<b>Consolidated Total</b>	<b>\$1,910,532</b>	<b>\$2,133,041</b>	<b>\$2,097,114</b>	<b>\$ 180,275</b>	<b>\$1,279,173</b>	<b>\$ 54,858</b>	<b>\$ 52,082</b>
<b>1992</b>							
Reconnaissance and Surveillance	\$1,144,397	\$1,439,727	\$1,379,019	\$ 114,339	\$ 664,773	\$ 34,889	\$ 70,571
Command, Control and Communications	295,975	381,326	303,397	22,108	144,102	7,985	10,611
Navigation and Controls	163,307	243,413	94,586	16,263	50,737	4,253	3,351
Aircraft Maintenance & Modification and Other Services	301,640	255,157	317,911	18,026	154,069	3,905	5,531
<b>Total for Operating Segments</b>	<b>1,905,319</b>	<b>2,319,623</b>	<b>2,094,913</b>	<b>170,736</b>	<b>1,013,681</b>	<b>51,032</b>	<b>90,071</b>
Corporate Interest expense				(600)	239,892	2,551	91
				(7,664)			
<b>Consolidated Total</b>	<b>\$1,905,319</b>	<b>\$2,319,623</b>	<b>\$2,094,913</b>	<b>\$ 162,472</b>	<b>\$1,253,573</b>	<b>\$ 53,583</b>	<b>\$ 90,991</b>
<b>1991</b>							
Reconnaissance and Surveillance	\$1,237,724	\$1,674,349	\$1,290,399	\$ 108,639	\$ 631,404	\$ 33,981	\$ 38,731
Command, Control and Communications	356,377	388,748	315,457	19,338	161,256	8,540	4,601
Navigation and Controls	101,269	174,692	95,854	15,788	37,573	2,716	3,991
Aircraft Maintenance & Modification and Other Services	318,061	271,428	289,574	23,281	103,380	3,979	4,861
<b>Total for Operating Segments</b>	<b>2,013,431</b>	<b>2,509,217</b>	<b>1,991,284</b>	<b>167,046</b>	<b>933,613</b>	<b>49,216</b>	<b>52,191</b>
Corporate Interest expense				264	141,828	1,862	511
				(8,559)			
<b>Consolidated Total</b>	<b>\$2,013,431</b>	<b>\$2,509,217</b>	<b>\$1,991,284</b>	<b>\$ 158,751</b>	<b>\$1,075,441</b>	<b>\$ 51,078</b>	<b>\$ 52,702</b>

### Note K — Commitments and Contingencies

Changes to procurement regulations in recent years, as well as the Government's drive against "fraud, waste and abuse" in defense procurement systems have increased the complexity and cost of doing business with the Government. Some of these changes have redefined the ability to recover various standard business costs which the Government will not allow, in whole or in part, as the cost of doing business on Government contracts. Other legal and regulatory practices have increased the number of auditors, inspectors general and investigators to the point that the company, like every other major Government contractor, is the constant subject of audits, investigations and inquiries concerning various aspects of its business practices. One pending investigation resulted in subpoenas by the Government for a large number of documents, and government interviews of a large number of current and former employees. The company believes that this investigation, which has been ongoing for over three years, is currently dormant. The company is unaware that the investigation produced credible evidence of material wrongdoing by it or its employees and, therefore, believes that charges or claims will not be brought against it or its employees arising from this investigation.

The company regards charges of violation of government procurement regulations as extremely serious and recognizes that such charges could have a material adverse effect on the company. If the company is determined to be in noncompliance with any of the applicable laws and regulations, the possibility exists of penalties and debarment or suspension from receiving additional Government contracts.

The company is involved in other disagreements which are in the ordinary course of the company's business activities that are not expected to have a material adverse effect on the company's financial position. In addition, the company is involved in certain environmental matters with governmental agencies, and pending or threatened lawsuits and claims by current and former employees alleging variously age, race, sex, and disability discrimination or retaliatory discharge.

Management believes that the impact of the above matters, if any, on the company's financial condition will not be material.

### Note L — Operations by Product Category

The company has four significant product segments. The Reconnaissance and Surveillance category includes strategic systems for intelligence, reconnaissance and surveillance applications and tactical systems relating to electronic countermeasures and jamming and deception devices. The Command, Control and Communications category includes communications equipment and command and control systems which process data for ready analysis and decision making. In the Navigation and Controls category, automatic control products for aircraft, missile steering and tracking systems, and aircraft navigation aids are developed and manufactured. The company provides maintenance, repair and modification services for aircraft of all types and other maintenance services through its Aircraft Maintenance and Modification and Other

Services category. Product category information is reported herein by product type since each category involves several divisions. There are no sales between product categories.

Identifiable assets by product category include both assets specifically identified with those operations and an allocable share of jointly used assets. Corporate assets consist primarily of cash, deferred federal income taxes, miscellaneous receivables, investments and fixed assets.

Sales to the United States Government from all categories amounted to \$1,865,069,000, \$1,867,043,000, and \$1,774,288,000, in 1993, 1992 and 1991, respectively.

(In Thousands)

		1993	1992	1991
International sales which are primarily export sales to foreign governments and from all categories are summarized by geographic area as follows:	Middle East	\$ 63,610	\$ 68,309	\$ 53,605
	Europe	76,722	77,129	100,407
	Australia and Pacific	19,436	22,921	1,268
	Other regions	18,990	12,371	19,963
		<u>\$ 178,758</u>	<u>\$ 180,730</u>	<u>\$ 175,243</u>

## Note J — Retiree Health Care and Life Insurance Benefits

The company also provides certain health care and life insurance benefits for its retired employees. Employees retiring from the company between the ages of 55 and 65 with at least 10 years of service or who age vest under the E-Systems, Inc. Salaried Retirement Plan are eligible for these benefits. Election to participate must be made as of the date of retirement, and the retiree may elect to cover qualifying dependents. If the retiree elects no medical coverage, it may not be added at a later date.

Prior to 1992, the costs for providing retiree health care and life insurance benefits were recognized as an expense as claims were paid. In 1992, the company began to recognize the projected future cost of providing postretirement benefits, such as health care and life insurance, as an expense during the employee's vesting service. Upon implementation of this change, the company immediately recognized the January 1, 1992 accumulated postretirement benefit obligation (APBO) of \$270.5 million.

A summary of the components of net periodic retiree health care and life insurance benefits cost follows:

(In Thousands)	1993	1992	1991
Service cost	\$ 6,546	\$ 6,962	
Interest cost	21,068	21,931	
Actual return on plan assets	(1,930)	—	
Net amortization and deferral	1,275	—	
Net periodic postretirement benefits cost	<u>\$26,959</u>	<u>\$ 28,893</u>	<u>\$ 9,500</u>

The cost shown in 1992 for retiree health care and life insurance benefits is \$16,856,000 higher than it would have been had the change in accounting not been made in 1992. Annual costs for 1991 are not restated.

The company has begun contributing to a Voluntary Employees' Beneficiary Association trust and a 401(h) trust that will be used to partially fund health care benefits for retirees. The company is funding benefits to the extent contributions are tax-deductible, which under current legislation is limited. In general, retiree health care benefits are paid as covered expenses are incurred. Plan assets consist of listed mutual funds, and the expected long-term rate of return on plan assets is 9 percent. The following table sets forth the

funded status and amounts recognized in the Consolidated Balance Sheets for the company's retiree health care and life insurance plans:

(In Thousands)	1993	1992
Discount Rate	7.45%	8.25%
Accumulated postretirement benefit obligation (APBO):		
Retirees	\$ 164,354	\$ 176,869
Fully eligible active employees	15,137	19,165
Active employees not yet eligible	86,655	77,204
Less fair value of plan assets	(13,614)	—
Excess of APBO over assets	<u>252,532</u>	<u>273,238</u>
Unrecognized prior service cost	13,383	—
Unrecognized net gain	<u>24,880</u>	<u>14,089</u>
Accrued retiree health care and life insurance benefits liability included in Consolidated Balance Sheet	<u>\$ 290,795</u>	<u>\$ 287,327</u>

The health care cost trend rates, used to calculate both net periodic cost and the APBO, are as follows:

Year Ending December 31	Cost Trend Rates
1994	10.0%
1995-1999	8.0%
2000 and beyond	6.0%

Increasing the assumed health care cost trend rates by one percentage point in each year would increase the APBO as of December 31, 1993 by \$22,428,000 and the net periodic benefit cost for the year ended December 31, 1993 by \$2,516,000.

In November 1992, the Financial Accounting Standards Board issued Statement No. 112, "Employers Accounting for Postemployment Benefits." This statement is effective for fiscal years beginning after December 15, 1993. The company plans to adopt the Statement in 1994, and it is not expected to have a material impact on the company's financial position or results of operations.

The company has established a trust to fund the payment of pension benefits under the SERP. Trust assets totalled \$42,134,000 and \$38,497,000 at December 31, 1993 and 1992, respectively, and are included in Deferred Charges and Other in the Consolidated Balance Sheets. The assets of the Trust are invested at the discretion of the outside trustee, and at December 31, 1993, consisted primarily of listed common stock, convertible securities, and fixed-income investments. Marketable equity securities held by the Trust are carried at the lower of aggregate cost or market. Income and expenses of the Trust are included in the company's consolidated income and expenses. At December 31, 1993, the outside trustee estimates the market value of the trust assets to be \$46,119,000. The Trust became irrevocable in 1988 subject only to the claims of creditors in the event of insolvency of the company.

In May 1993 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective for fiscal years beginning after December 15, 1993. The company plans to adopt the Statement in 1994, and it is not expected to have a material impact on the company's financial position or results of operations.

The company has an Employee Stock Ownership Plan (ESOP) which includes substantially all employees. The ESOP provides for

voluntary annual contributions by the company in amounts determined by the Board of Directors. The contributions may be in cash, common stock, securities or other property. The annual contributions are to be at least sufficient to discharge any current obligations of the Employee Stock Ownership Trust. The Employee Stock Ownership Trust borrows funds at various times to purchase common stock of the company for subsequent distribution to the employees over a defined period in accordance with the Employee Stock Ownership Plan. The repayment of the loans is guaranteed by the company; however, at December 31, 1993 and 1992, there were no such obligations outstanding. Contributions to the Trust for 1993, 1992, and 1991 were \$11,709,000, \$13,045,000, and \$12,072,000, respectively.

Three of the company's subsidiaries sponsor separate 401K savings plans. The plans provide for voluntary annual contributions by the company at the discretion of management. The company contributed \$4,202,000, \$2,480,000, and \$2,217,000 to the plans in 1993, 1992, and 1991, respectively.

During 1987, the Board of Directors approved a retirement policy for its outside directors which provides for post retirement remuneration and death benefits. The expense of the plan is being amortized over the anticipated remaining terms of the directors.



The following table sets forth the funded status and amounts recognized in the Consolidated Balance Sheets for the company's defined benefit pension plans, excluding the SERP:

(In Thousands)	1993		1992	
	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits
Actuarial present value of benefit obligations:				
Vested benefit obligation	\$ (68,428)	\$ (446,254)	\$ (58,614)	\$ (341,175)
Accumulated benefit obligation	\$ (76,626)	\$ (497,263)	\$ (64,319)	\$ (391,107)
Projected benefit obligation	\$ (81,133)	\$ (644,950)	\$ (64,319)	\$ (515,318)
Plan assets at fair value	60,122	501,410	60,740	466,537
Plan assets less than projected benefit obligation	(21,011)	(143,540)	(3,579)	(48,781)
Unrecognized net loss	25,186	258,796	16,580	163,292
Prior service cost (credit) not yet recognized in net periodic pension cost	13,506	(1,556)	7,187	3,433
Unrecognized net asset at January 1, 1986, net of amortization	(9,202)	(77,211)	(10,517)	(88,086)
Adjustment required to recognize minimum liability	(24,982)	—	(13,250)	—
(Accrued) Prepaid Pension Cost	\$ (16,503)	\$ 36,489	\$ (3,579)	\$ 29,858

Approximately 52 percent of the defined benefit plans' assets at December 31, 1993 are invested in mutual funds, commercial paper, common stocks, and other assets, and 48 percent of the plans' assets are invested in real estate. The market value of the common stock of the company held by the plans was \$63,960,000 at December 31, 1993.

The company also sponsors a Supplemental Executive Retirement Program (SERP), which is a nonqualified plan that provides certain officers with defined pension benefits in excess of limits imposed by federal tax laws. The following table sets forth the funded status and amounts recognized in the Consolidated Balance Sheets for the company's SERP:

(In Thousands)	1993	1992
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$ (17,767)	\$ (15,693)
Accumulated benefit obligation	\$ (22,515)	\$ (18,809)
Projected benefit obligation	\$ (25,449)	\$ (20,492)
Unrecognized net loss	8,578	5,440
Prior service cost not yet recognized in net periodic pension cost	318	65
Unrecognized net obligation at January 1, 1986, net of amortization	2,512	2,871
Adjustment required to recognize minimum liability	(8,474)	(6,693)
Net pension liability of the SERP	\$ (22,515)	\$ (18,809)

### Note H — Lease Commitments

Certain plant facilities are leased under agreements expiring at various dates through 2017. Substantially all of the leases for plant facilities may be renewed for up to seven years after the initial term of the lease. The capitalized value of leases amounted to \$17,461,000 and \$25,568,000 at December 31, 1993 and 1992, respectively, and net book value amounted to approximately \$9,765,000 and \$11,352,000 at December 31, 1993 and 1992, respectively.

Lease expense on plant facilities, machinery, and equipment amounted to \$18,890,000, \$22,616,000, and \$24,015,000 in 1993, 1992, and 1991, respectively.

Future minimum payments as of December 31, 1993 under the capital leases and noncancelable operating leases with initial or remaining terms of one year or more follow:

(In Thousands)	Capital Leases	Operating Leases
1994	\$ 1,597	\$ 18,184
1995	1,342	14,919
1996	1,200	13,141
1997	1,233	10,894
1998	1,165	9,327
Thereafter	4,788	48,169
Total minimum lease payments	11,325	\$ 114,634
Amounts representing interest	(3,197)	
Present value of net minimum lease payments	<u>\$ 8,128</u>	

### Note I — Employee Benefits

The company has several noncontributory defined benefit pension plans covering substantially all employees. Plans covering salaried and non-union employees provide pension benefits that are based on the highest consecutive 60 months of an employee's compensation. Plans covering employees governed by collective bargaining agreements generally provide pension benefits of stated amounts for each year of service and provide for supplemental benefits for employees who retire with 20 years of service before

age 62. The company's funding policy for all plans is to make annual contributions generally equal to the amounts accrued for pension expense, up to the maximum amount that can be deducted for federal income tax purposes.

A summary of the components of net periodic expense for the company's defined benefit plans and SERP follows:

(In Thousands)	1993	1992	1991
Service cost - benefits earned during this period	\$ 31,985	\$ 29,655	\$ 25,690
Interest cost on projected benefit obligation	48,762	44,015	38,763
Actual return on plan assets	(19,027)	(8,135)	(38,130)
Net amortization and deferral	(29,634)	(42,644)	(19,396)
Net periodic pension expense	<u>\$ 32,086</u>	<u>\$ 22,891</u>	<u>\$ 6,927</u>

Assumptions used in the accounting for the plans were as follows:

Weighted-average discount rate	7.45%	8.25%	8.5%
Rates of increase in compensation levels - defined benefit plans	5.75%	5.75%	6.0%
Rates of increase in compensation levels - SERP	7.0%	7.0%	7.0%
Expected long-term rate of return on assets	10.0%	10.0%	10.0%

## Note F — Accrued Liabilities

(In Thousands)

	1993	1992
Accrued liabilities include the following:		
Compensation	\$ 25,162	\$ 24,833
Advances from customers	1,088	10,966
Insurance	8,559	12,097
Taxes, other than income	8,511	9,134
Dividends	9,269	8,153
Other accrued items	20,906	17,193
	<u>\$ 73,495</u>	<u>\$ 82,376</u>

## Note G — Stockholders Equity

At December 31, 1993, there were 50,000,000 authorized shares of common stock and 185,000 shares of authorized but undesignated preferred stock, par value \$20.

prices equal to, greater than or less than market value at the date of grant and for terms not to exceed ten years. The options outstanding under the plans expire at various dates through 2003.

Stock option plans, which include both "nonqualified" and incentive stock options, provide for options to be granted to key employees at

Information on stock options is summarized as follows:

	1993			1992			1991		
	Number of Shares	Prices Per Share	Aggregate Option Prices	Number of Shares	Prices Per Share	Aggregate Option Prices	Number of Shares	Prices Per Share	Aggregate Option Prices
Options outstanding at beginning of year	3,133,152	\$24.75 to \$40.25	\$ 99,670,400	3,629,432	\$18.00 to \$40.25	\$114,403,800	3,908,855	\$10.38 to \$40.25	\$118,979,500
Options granted	869,050	39.94 to 46.13	37,698,400	51,000	32.00 to 37.32	1,854,500	1,097,050	24.94 to 39.88	36,865,000
Options exercised	(1,336,949)	24.75 to 40.25	(41,568,000)	(498,546)	18.00 to 34.63	(15,038,700)	(1,271,537)	11.32 to 35.75	(38,204,600)
Options expired or cancelled	(15,363)	24.75 to 34.00	(552,500)	(48,734)	24.75 to 34.00	(1,549,200)	(104,936)	10.38 to 38.88	(3,236,100)
Options outstanding at end of year	<u>2,649,890*</u>	<u>\$24.75 to \$46.13</u>	<u>\$ 95,248,300</u>	<u>3,133,152</u>	<u>\$24.75 to \$40.25</u>	<u>\$ 99,670,400</u>	<u>3,629,432</u>	<u>\$18.00 to \$40.25</u>	<u>\$114,403,800</u>
Shares reserved for future options	<u>123,888*</u>								
Shares exercisable at December 31, 1993	<u>1,334,169</u>								

\*Total common shares reserved for exercise of stock options at December 31, 1993 were 2,773,778.

## Note E — Income Taxes

During 1992, the company adopted FASB Statement No. 109 "Accounting for Income Taxes." The adoption had no material

impact on the company's financial statements. A reconciliation of the provision for taxes on income to the U.S. statutory rate follows:

(In Thousands)	1993		1992		1991	
Federal income tax	\$ 63,096	35%	\$ 55,240	34%	\$ 53,975	34%
ESOP dividends	(1,695)	(1)	(1,512)	(1)	(1,168)	(1)
Tax return settlements	(1,532)	(1)	—	—	(2,839)	(2)
Effect of tax rate change on net deferred tax assets	(1,857)	(1)	—	—	—	—
Other	397	—	(275)	—	(755)	—
	<u>\$ 58,409</u>	<u>32%</u>	<u>\$ 53,453</u>	<u>33%</u>	<u>\$ 49,213</u>	<u>31%</u>

Deferred income taxes result primarily from the use of accelerated methods of depreciation for tax purposes, pension income not currently taxable and safe harbor leasing transactions offset by accrued employee and retiree benefits which are not deductible until paid.

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities at December 31, 1993 and 1992 are as follows:

Assets	1993	1992
Retiree health care benefits	\$103,077	\$ 97,691
Supplemental executive retirement plan	7,569	6,753
Pension plan minimum liabilities	7,571	3,340
Other	5,954	7,411
Gross Deferred Tax Assets	<u>\$124,171</u>	<u>\$ 115,195</u>
<i>Liabilities</i>		
Depreciation	\$ 21,489	\$ 20,313
Pension	13,778	13,384
Safe harbor lease	7,963	8,184
Other	13,592	14,582
Gross Deferred Tax Liabilities	<u>\$ 56,822</u>	<u>\$ 56,463</u>
Net Asset	<u>\$ 67,349</u>	<u>\$ 58,732</u>

A valuation allowance has not been recorded for the deferred federal income tax benefits as the company believes it will generate sufficient taxable income in the future to realize all of the recorded benefits.

Included in operating costs and expenses are state income taxes of \$6,688,000, \$6,575,000, and \$2,700,000 in 1993, 1992, and 1991, respectively.

The company made federal income tax payments in 1993, 1992, and 1991, respectively, of \$55,450,000, \$62,027,000, and \$43,250,000.

## Note D — Debt

The company's long-term debt at December 31 is summarized as follows:

(In Thousands)

	1993	1992
\$50 million Senior Notes, interest at 8.95 percent, due August 1993	\$ —	\$ 50,000
\$24 million ESOP line of credit, at 78 percent of the bank's prime rate or 91% of the bank's certificate of deposit rate at the company's option due December 1994	24,000	24,000
Other	1,994	2,262
Total	<u>25,994</u>	<u>76,262</u>
Less current maturities	25,256	50,268
	<u>\$ 738</u>	<u>\$ 25,994</u>

As of December 31, 1993, the maturities of long-term debt were as follows:

1994	\$ 25,256
1995	—
1996	381
1997	357

The company has two lines of credit dated October 21, 1992, with total credit available of \$250 million. One credit agreement in the amount of \$150 million terminates October 19, 1995, and the other agreement in the amount of \$100 million terminates October 14, 1994 and contains a provision for a one-year extension. These agreements, with a group of eight banks, provide for a floating interest rate based upon competitive bids from the member banks and repayment terms negotiated at the time of each borrowing. The credit agreement in the amount of \$150 million provides for a facility fee of .15 percent of the committed amount, and the credit agreement in the amount of \$100 million provides for a facility fee of .125 percent of the committed amount. The company had no borrowings under either line in 1993.

The company has total lines of credit available under short-term borrowing agreements of \$100 million of which none and \$19,533,000 were borrowed at December 31, 1993 and 1992, respectively. The lines of credit provide for interest at each bank's offered rate at the date of the advance.

Borrowings under the ESOP line of credit were used to purchase the company's common stock for contribution to the company's Employee Stock Ownership Plan.

The company's various debt agreements require, among other things, that the company maintain a specified current ratio, debt to equity ratio, and tangible net worth. Under the most restrictive of these covenants, the company has unrestricted retained earnings of \$169,996,000 at December 31, 1993.

The company made interest payments in 1993, 1992, and 1991, respectively, of \$7,027,000, \$6,817,000, and \$7,880,000.

### Note B — Receivables

Accounts Receivable and Unreimbursed Costs and Fees Under Cost-Plus-Fee Contracts by major classification are as follows:

(In Thousands)	1993	1992	(In Thousands)	1993	1992
<b>Accounts Receivable Billed:</b>			<b>Unreimbursed Costs and Fees</b>		
U.S. Government	\$ 54,305	\$ 70,976	Under Cost-Plus-Fee Contracts		
Commercial and International	20,169	9,479	to the U.S. Government:		
Other	9,790	10,432	Billed	\$ 91,872	\$ 71,601
Accrued recoverable costs and			Accrued costs and fees		
profits (primarily U.S.			(including fee retentions		
Government)	342,140	340,965	of \$7,756 and \$7,896,		
Total	<u>\$426,404</u>	<u>\$431,852</u>	respectively)	115,647	114,470
			Total	<u>\$207,519</u>	<u>\$ 186,071</u>

Accrued recoverable costs and profits and accrued costs and fees under customer contracts represent revenue earned under the percentage-of-completion method but not yet billable under the terms of the contracts. These amounts are billable based on the terms of the contract which include shipments of the product, achievement of milestones or completion of the contract. Substan-

tially all of the accrued recoverable costs and profits and accrued costs and fees at December 31, 1993 are to be billed during 1994.

Offset against accrued recoverable costs and profits are unliquidated progress payments of \$470,604,000 for 1993 and \$549,950,000 for 1992.

### Note C — Fixed-Price Contracts

Cost elements included in Fixed-Price Contracts in Progress are as follows:

(In Thousands)	1993	1992
<b>Production costs consisting of material, labor, and overhead:</b>		
Currently in process	\$ 31,002	\$ 47,452
Produced in advance of contractual coverage	497	1,715
Claim recovery recorded	10,984	9,903
General and administrative costs	12,161	12,576
	<u>\$ 54,644</u>	<u>\$ 71,646</u>

Substantially all of the costs incurred in advance of negotiated contracts at December 31, 1993 are expected to receive firm contractual coverage in 1994.

## Note A — Significant Accounting Policies

**Principles of Consolidation** — The accounts of all subsidiaries have been included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated.

**Revenue and Profit Determination** — Sales and costs of sales (including general and administrative expenses) on fixed-price contracts are generally recorded when units are delivered, based on the profit rates anticipated on the contracts at completion. Sales and costs of sales on long-term, small quantity, high unit value fixed-price contracts, and sales (costs and fees) on cost reimbursable contracts are recorded under the percentage-of-completion method of accounting as costs (including general and administrative expenses) are incurred. Profits expected to be realized on contracts are based on estimates of total sales value and costs at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts and adjustments to profits resulting from such revisions are made cumulative to the date of change. Amounts in excess of agreed upon contract price for customer-caused delays, errors in specification and design, unapproved change orders or other causes of unanticipated additional costs are recognized in contract value if it is probable that the claim will result in additional revenue and the amount can be reasonably estimated (See Note C). Losses on contracts are recorded in full as they are identified.

**Fixed-Price contracts and Raw Materials** — Costs incurred in advance of contractual coverage receive an allocated portion of general and administrative expenses and are valued at the lower of cost incurred or market. Raw materials and purchased parts are valued at average cost not in excess of market.

**Property, Plant and Equipment** — Property, plant, and equipment are stated at cost. Capitalized leases are recorded at the present value of the net fixed minimum lease commitments (See Note H). Provisions for depreciation are computed on both accelerated and straight-line methods using rates calculated to amortize the cost of the assets over their estimated useful lives and include amortization of capitalized leases. Leasehold improvements are amortized over the life of the lease and renewal options which are expected to be exercised. The company's policy is to remove the amounts related to fully-depreciated assets from the financial records.

**Earnings Per Share** — Earnings per share are computed based on the sum of the average outstanding common shares and common equivalent shares (1993 - 34,041,000; 1992 - 32,941,000; 1991 - 32,723,000). Common equivalent shares assume the exercise of all dilutive stock options. Primary and fully diluted earnings per share are essentially the same.

**Statement of Cash Flows** — The company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Costs in Excess of Net Assets Acquired** — The costs in excess of net assets acquired (goodwill) are being amortized using the straight-line method over a period of 20 to 40 years. Accumulated amortization was \$6,557,000 and \$4,580,000 at December 31, 1993 and 1992, respectively.

**Financial Instruments and Risk Concentration** — Financial instruments which potentially subject the company to concentrations of credit risk consist of cash equivalents, billed accounts receivable, and unreimbursed costs and fees under cost-plus-fee contracts. The company's cash equivalents consist principally of U.S. Government securities and Eurodollar accounts with high credit quality financial institutions. Generally, the investments mature within 90 days and therefore are subject to minimal risk. Billed accounts receivable and unreimbursed costs and fees under cost-plus-fee contracts result primarily from contracts with the U.S. Government or prime contractors with the U.S. Government and some international customers (principally governments). Contracts involving the U.S. Government do not require collateral or other security. The company conducts ongoing credit evaluations of domestic non-U.S. Government customers and generally does not require collateral or other security from these customers. The company generally requires international customers to furnish letters of credit or make advance payments in amounts sufficient to limit the company's credit risk to a minimal level. Historically, the company has not incurred any significant credit-related losses.

**Reclassifications** — Certain prior year amounts have been reclassified to conform to the current year presentation.

# Statements of Consolidated Stockholders' Equity - E-Systems, Inc. and Subsidiaries

(Dollars In Thousands except share data) - Three years ended December 31, 1993

	Common Stock		Additional Capital	Retained Earnings
	Shares	Amount		
Balance January 1, 1991	31,204,931	\$ 31,205	\$ 86,955	\$ 507,800
Net income				109,538
Exercise of stock options, net of stock tendered (including tax benefit of \$4,129)	1,212,219	1,212	38,466	
Adjustment for minimum pension liability (net of tax benefit of \$502)				(968)
Cash dividends on common stock (\$.75 per share)				(24,145)
Balance December 31, 1991	32,417,150	32,417	125,421	592,225
Net loss				(69,491)
Exercise of stock options, net of stock tendered (including tax benefit of \$1,501)	474,965	475	15,217	
Adjustment for minimum pension liability (net of tax benefit of \$1,910)				(3,708)
Cash dividends on common stock (\$1.00 per share)				(32,556)
Balance December 31, 1992	32,892,115	32,892	140,638	486,470
Net income				121,866
Exercise of stock options, net of stock tendered (including tax benefit of \$5,850)	992,682	993	31,662	
Adjustment for minimum pension liability (net of tax benefit of \$4,133)				(7,676)
Cash dividends on common stock (\$1.10 per share)				(36,849)
Balance December 31, 1993	<u>33,884,797</u>	<u>\$ 33,885</u>	<u>\$ 172,300</u>	<u>\$ 563,811</u>

See notes to consolidated financial statements.



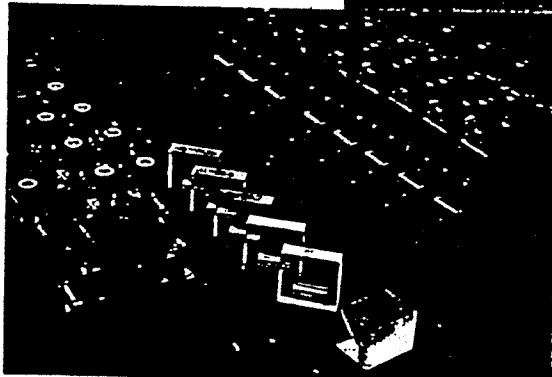
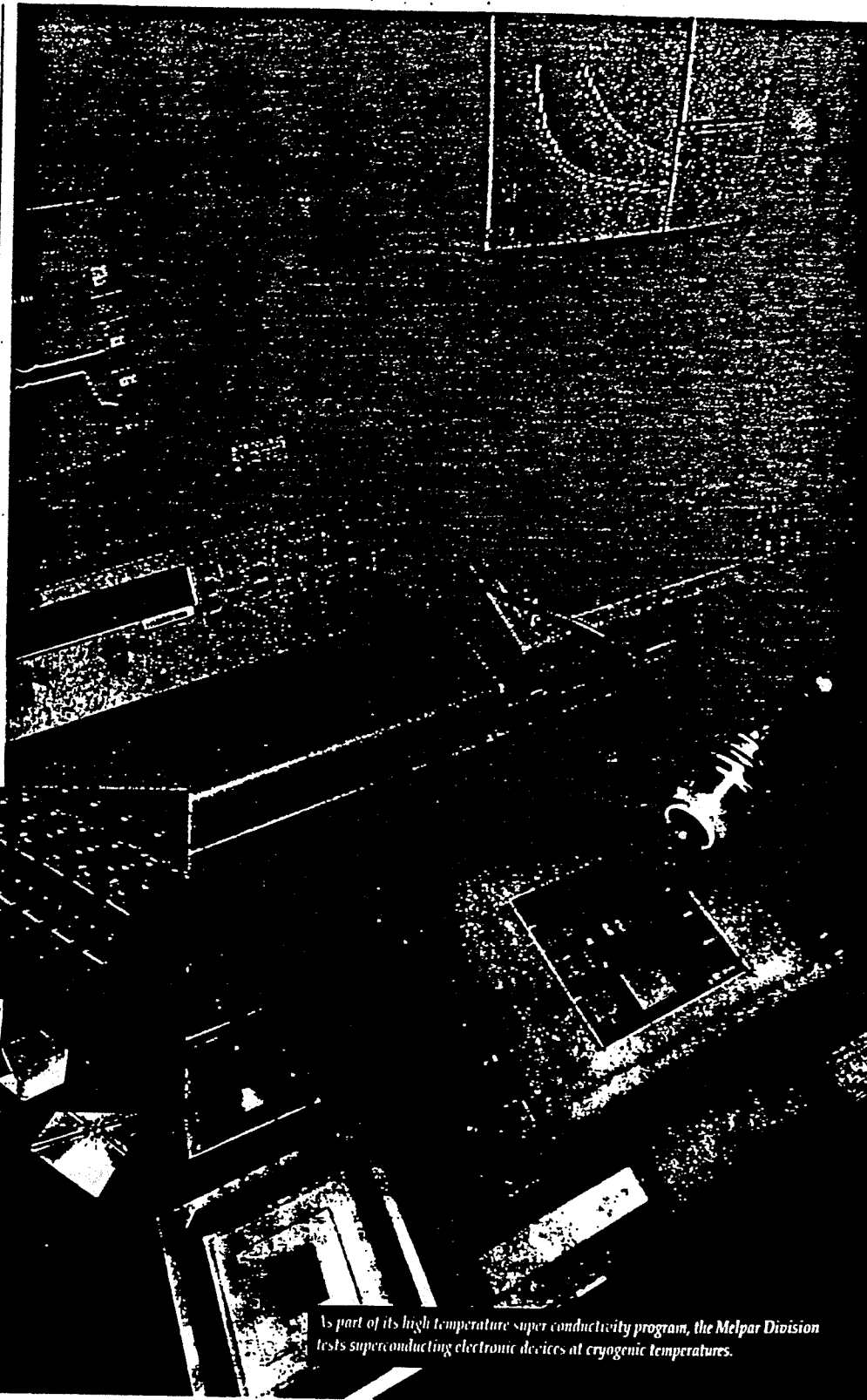
# Statements of Consolidated Cash Flows - E-Systems, Inc. and Subsidiaries

(In Thousands) - Three years ended December 31, 1993

		1993	1992	1991
<b>Cash Flows From Operating Activities</b>	Net Income (Loss)	\$121,866	\$(69,491)	\$ 109,538
	Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
	Cumulative effect of a change in accounting principle	—	178,510	—
	Depreciation and amortization	54,858	53,583	51,078
	(Benefit) provision for deferred income taxes	(4,484)	2,187	(3,123)
	Gain on sale of investment securities	(2,205)	(453)	(626)
	Changes in operating assets and liabilities, net of effects from purchase of Advanced Video Products, Inc. in 1992:			
	Decrease (increase) in accounts receivable	84,794	20,813	(127,851)
	Increase in unreimbursed costs and fees under cost-plus-fee contracts	(21,448)	(30,505)	(15,565)
	Decrease in fixed-price contracts in progress	17,002	5,340	52,474
	(Decrease) increase in progress and advance payments	(91,600)	(47,050)	17,810
	(Increase) decrease in prepaid pension costs	(6,631)	8,995	2,053
	(Decrease) increase in accounts payable	(25,223)	16,937	2,402
	(Decrease) increase in accrued liabilities	(9,596)	(16,318)	5,891
	(Decrease) increase in other assets and liabilities	(21,520)	502	806
	<b>Net Cash Provided By Operating Activities</b>	<b>95,813</b>	<b>123,050</b>	<b>94,887</b>
<b>Cash Flows From Investing Activities</b>	Purchases of property, plant and equipment	(52,063)	(90,837)	(52,120)
	Proceeds from disposals of property, plant and equipment	942	992	712
	Purchase of Advanced Video Products, Inc., net of cash acquired	—	(9,959)	—
	<b>Net Cash Used in Investing Activities</b>	<b>(51,121)</b>	<b>(99,804)</b>	<b>(51,408)</b>
<b>Cash Flows From Financing Activities</b>	Net (payments) borrowings under short-term line-of-credit agreements	(19,533)	19,533	(4,039)
	Principal payments on long-term debt and installment lease obligations	(51,693)	(8,855)	(33,843)
	Proceeds from exercise of stock options	32,655	15,692	39,678
	Dividends paid	(35,723)	(30,445)	(23,916)
	<b>Net Cash Used in Financing Activities</b>	<b>(74,294)</b>	<b>(4,075)</b>	<b>(22,120)</b>
	<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(29,602)</b>	<b>19,171</b>	<b>21,359</b>
	Cash and cash equivalents at beginning of year	62,240	43,069	21,710
	<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 32,638</b>	<b>\$ 62,240</b>	<b>\$ 43,069</b>

See notes to consolidated financial statements.

**Applying advanced technologies for creative solutions is E-Systems strongest trademark. By making strategic investments in research and development, the company has continued to create new technologies ... Ideas that have led to solutions for our traditional customers and new commercial products. The innovations of today are paving the way for the future.**



**▲ This optical digital-to-analog converter provides direct digital control for 12-bit resolution of light intensity. Designed by the Garland Division, it is suitable for optical recording applications and utilizes solid state laser diode technology to provide a more maintainable and highly reliable light modulation system.**

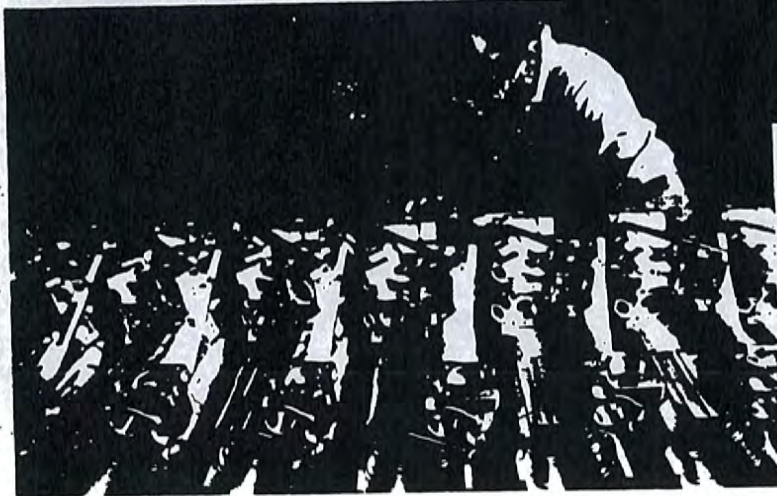
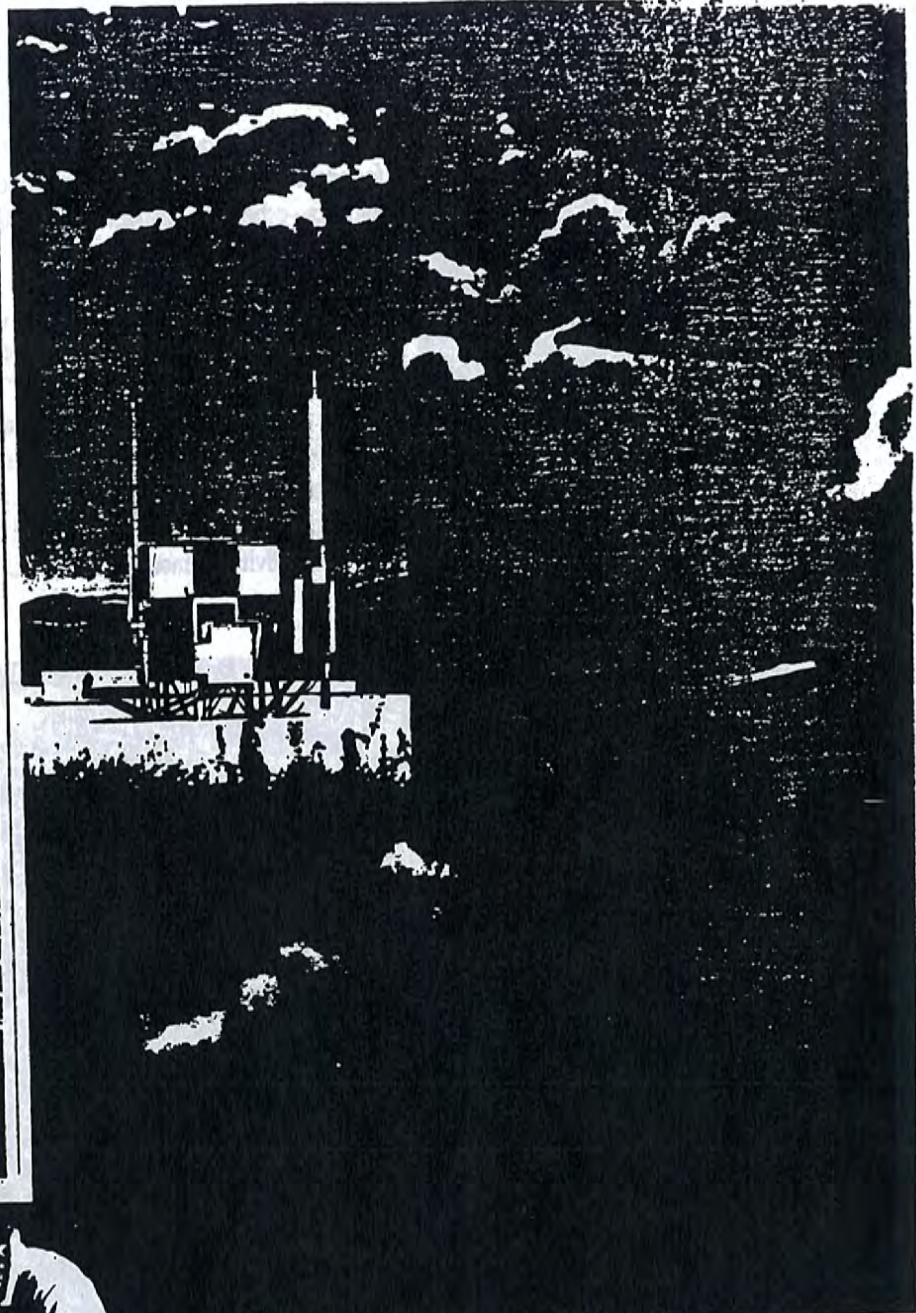
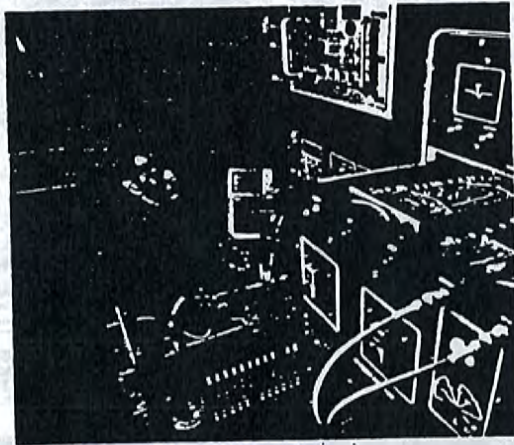
**As part of its high temperature super conductivity program, the Melpar Division tests superconducting electronic devices at cryogenic temperatures.**

## Flight Control Systems

E-Systems won a significant award for the development and fabrication of an integrated motor/valve for use in an aircraft vent drive system. Two integrated modules are used on each aircraft to provide controlled input power thereby improving aircraft stability during high angles of attack. This new product has potential sales for both U. S. and international defense customers.

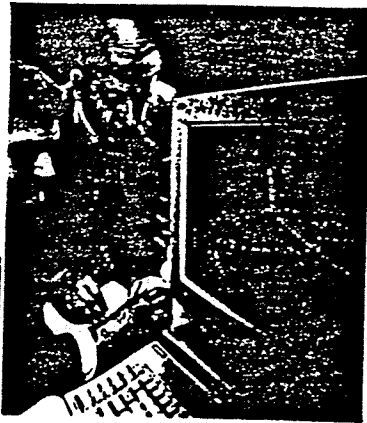
The company received a three-year production contract for ground spoiler actuator assemblies for the C-5B military transport. The E-Systems assembly transfers mechanical inputs from the manual or automatic flight control subsystems into hydraulic actuator retract or extend position.

▼ Over the past 20 years, E-Systems Montek Division has delivered approximately 800 Tactical Air Navigation systems to the U.S. military, 26 foreign countries and 31 other users. NASA uses this system as a navigation aid for its space shuttle program.



▲ Precision distance measuring equipment, developed at Montek, provides an aircraft with range information, both to the touchdown point during the approach and to the runway end after landing.

◀ The Montek Division fabricates and assembles flight and ground spoiler actuators using Statistical Process Control. Gathering data in real time prevents process variation and ensures high parts quality.



▲ The Melpar Division uses finite element computer models of aircraft to analyze radio frequency distribution which optimizes electronic systems design.

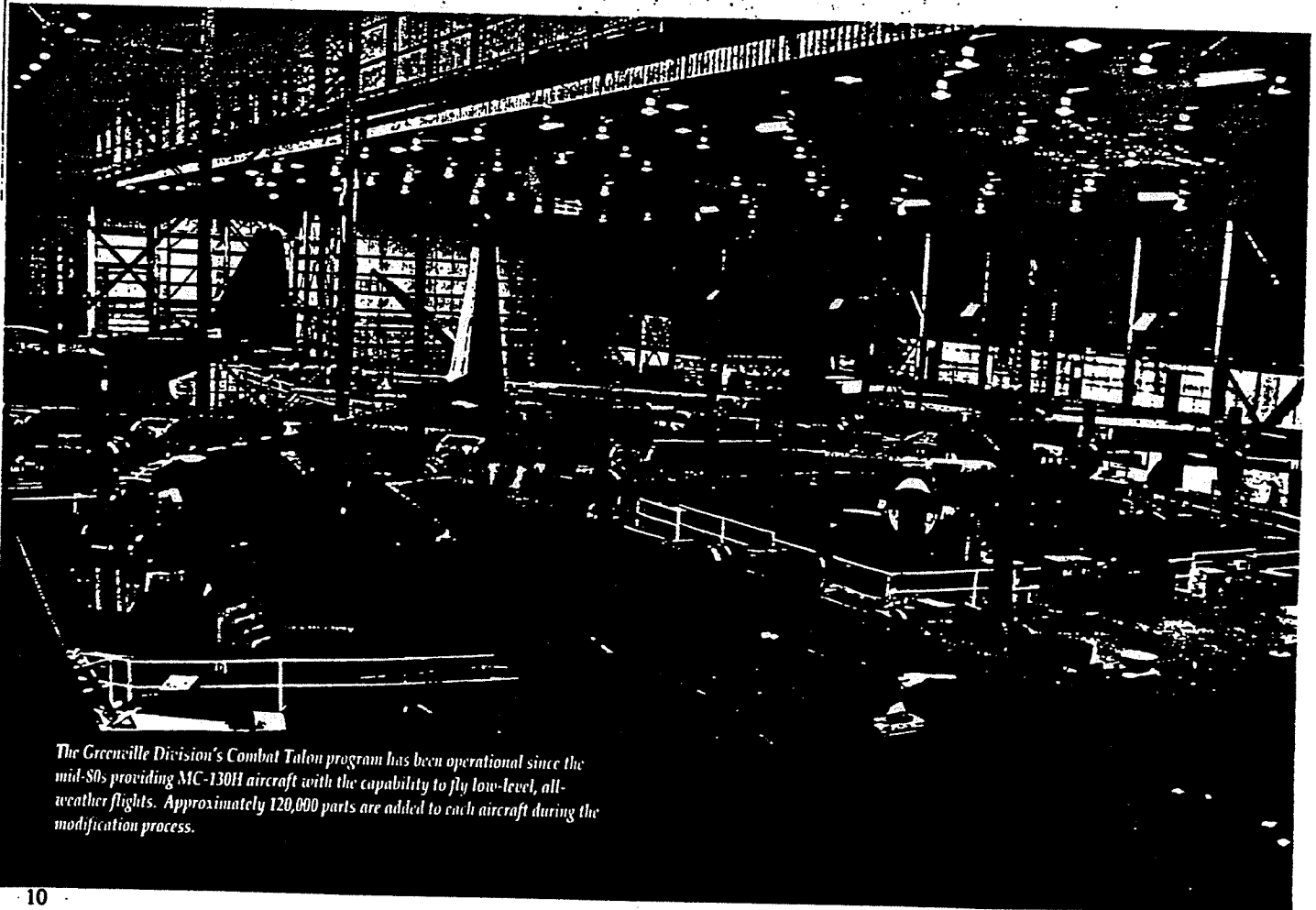
## Modification, Maintenance and Logistics

E-Systems was awarded numerous major contracts for operations and maintenance, modification and logistics—other core business areas for the corporation.

An E-Systems/Lockheed Aircraft team was selected to provide worldwide technical and logistics support for the U. S. Air Force fleet of KC-10 aircraft used for inflight refueling and cargo transport. E-Systems on-line computerized inventory management system supports materiel procurement, inventory control and specialized repair and overhaul activity for more than 10,000 line items.

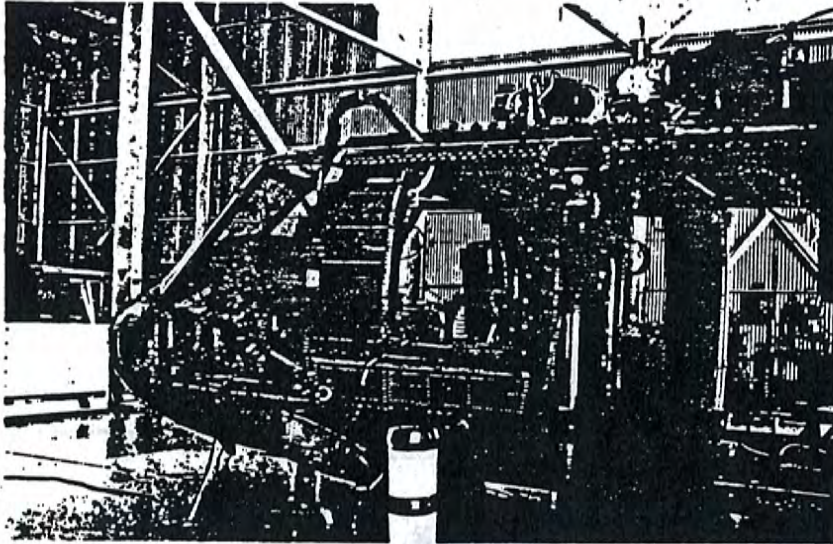
The company also provides base support to four major U. S. Army commands. Equivalent to maintaining the infrastructure, utilities and services of a large city, primary functions will include facility engineering, utility systems operation and repair, equipment and vehicle maintenance, audiovisual services, supply and inventory control, housing management, transportation and various administrative efforts.

In other areas of maintenance, E-Systems technicians in Lexington, Kentucky, convert crash-damaged Apache helicopters into training devices as part of an innovative and cost-effective training technique. The company also provides Contract Field Teams on call to modify, maintain or repair aircraft, watercraft, vehicles and heavy

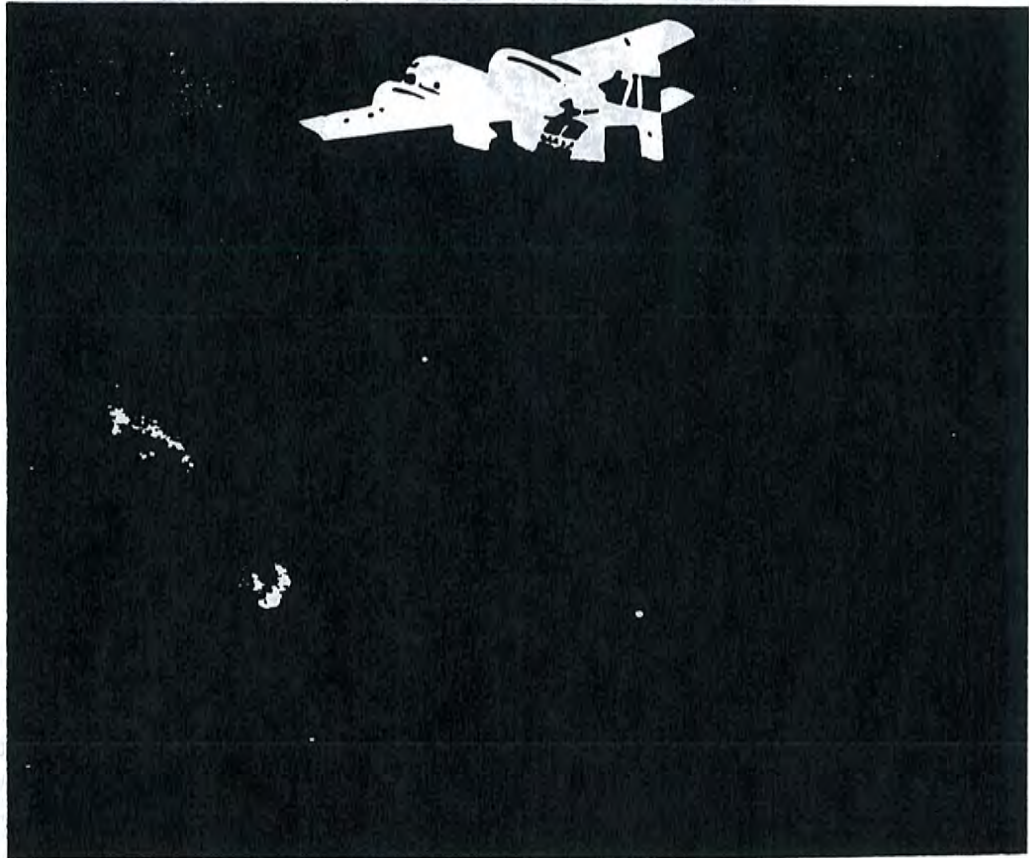


The Greenville Division's Combat Talon program has been operational since the mid-80s providing MC-130H aircraft with the capability to fly low-level, all-weather flights. Approximately 120,000 parts are added to each aircraft during the modification process.

▼ Sero-Air maintains and provides logistics support for more than 20 types of aircraft for the U.S. Customs Service.

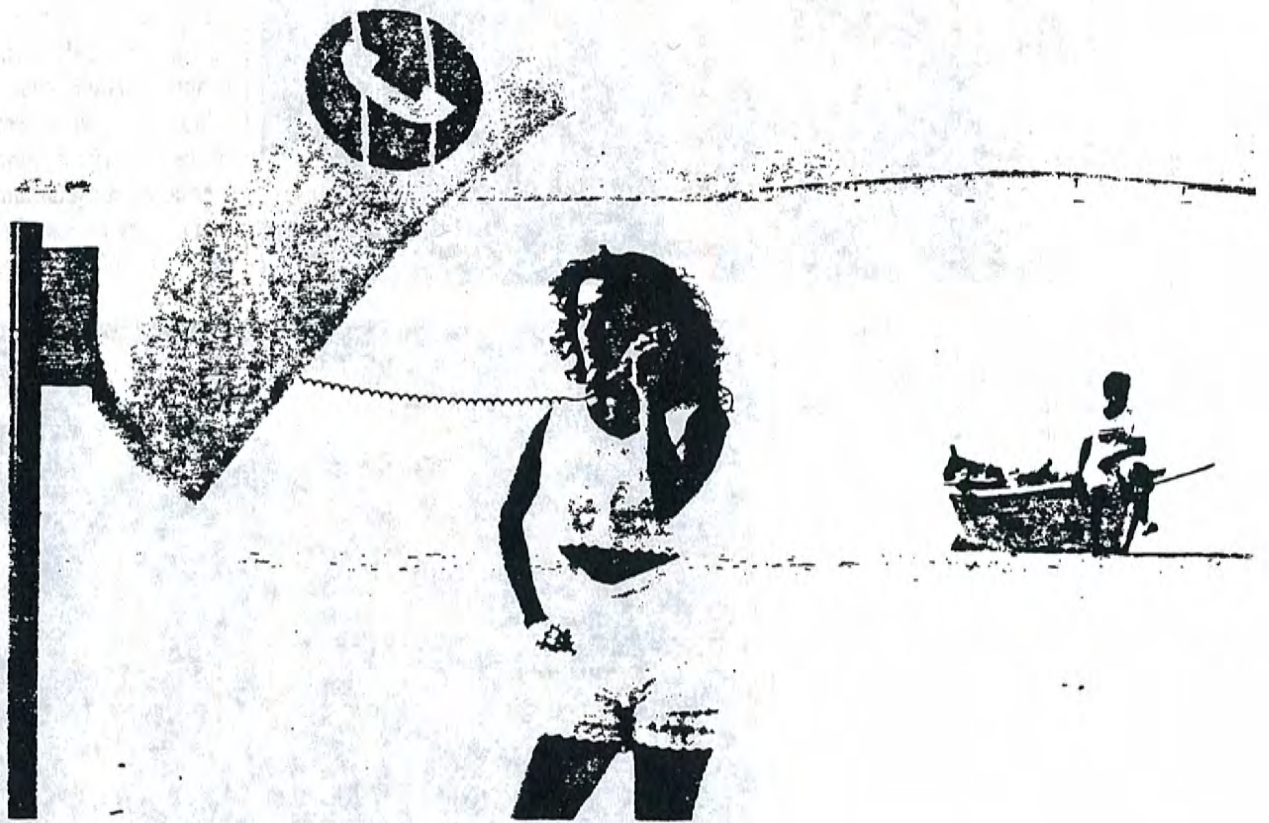


► Sero-Air personnel fly and maintain 31 aerial observation and fire-suppression aircraft from numerous geographically-dispersed sites for rapid response to woodland wildfires in California.



E-Systems employees battled flames throughout California during the fire season in support of the Department of Forestry program. The company provides both pilots and mechanics to furnish fire suppression assistance and fleet maintenance. During last fall's firestorm spawned by hot, dry Santa Ana winds, E-Systems employees worked around the clock to help suppress the flames.

In support of the U.S. Special Operations Command, E-Systems supplies maintenance, repair, logistics, systems engineering and modification services for Army, Air Force and Navy helicopters, avionics systems and communications equipment. This past year, we also performed systems integration to engineer and configure a proof-of-principle UH-60Q medical evacuation helicopter capable of performing both military and civilian rescue missions. Equivalent to the care of a civilian emergency room, this helicopter allows for significant life-sustaining capability and is being evaluated as the U.S. Army's air ambulance of the future.



## OPERATING COMPANIES

Upon the incorporation of the independent telephone companies, the state operating companies made efforts to expand the telephone plant in order to offer services of quality and quantity compatible with the socioeconomic and cultural reality in their areas of action.

In addition to the exploitation of local services, the operating companies have intrastate and data communication

transmission networks and have started the implementation of cellular mobile telephony systems, which are already operating in the cities of Rio de Janeiro and Brasília.

With 8.9 million installed terminals and 231 thousand public telephones in operation, they meet the needs of 14,250 localities in the whole national territory.

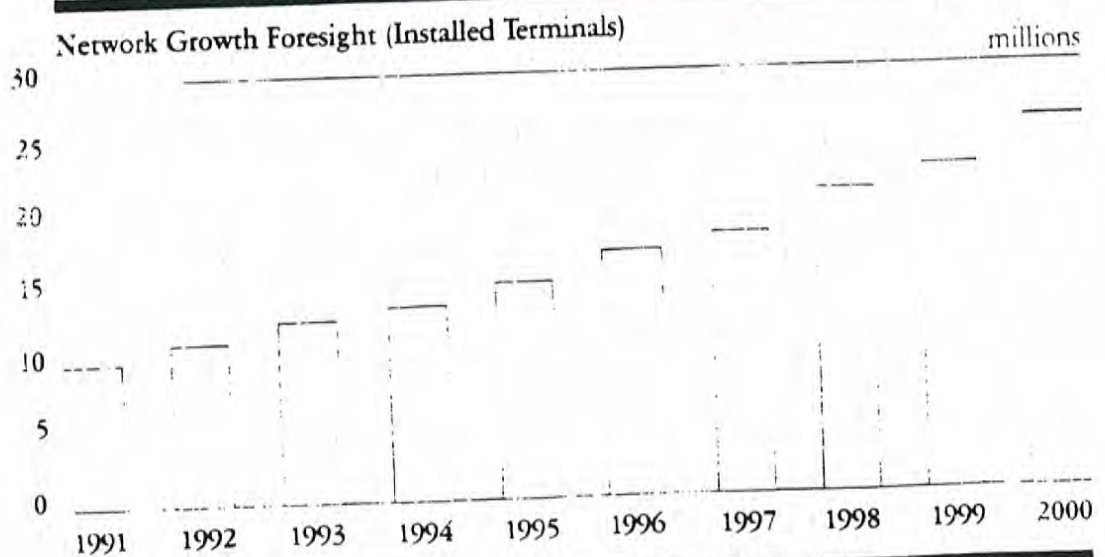
Located in Brasília, Federal District, where the Brazilian Government concentrates its major activities, TELEBRÁS has 1500 employees, including the ones in the Research and Development Center in the City of Campinas, State of São Paulo, and the ones in the Training Centers in Brasília and Recife, State of Pernambuco.

TELEBRÁS, linked to the Ministry of Infrastructure, through the National Secretariat of Communications, is the holding company of a total of 27 State operating companies plus one company responsible for the long distance services — EMBRATEL.

TELEBRÁS is an open capital company, the actions of which have a remarkable presence in the stock exchanges, and has one of the largest number of shareholders in the world — approximately 6.5 millions. Although the Union holds its capital stock control, the government participation in its total capital is 33%.

With annual investments in the order of 3.0 billion dollars and a consolidated bank debt amounting to less than two of its monthly billings, the TELEBRÁS System has achieved in 1990 a 9.7% remuneration rate from investments.

ERRATUM — In the title "The Holding Company — Telebrás" the second graph should be read as shown below.

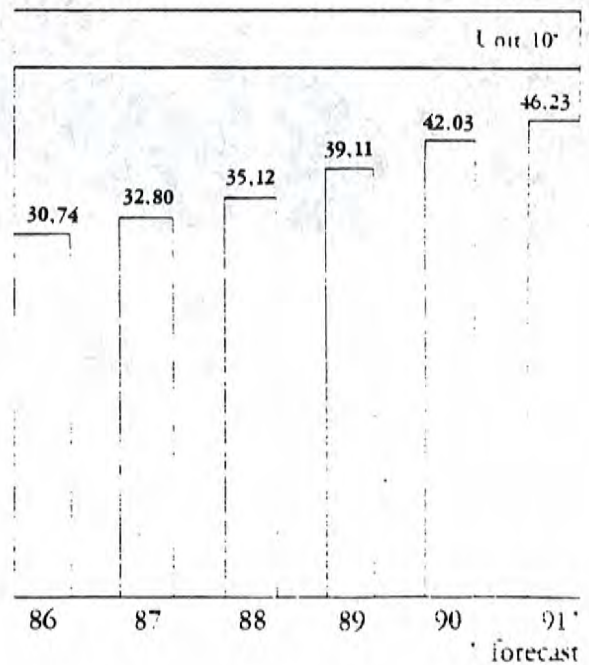


To contrast with the long distance telephony which showed a good level of services rendering, the urban telephony was becoming, in the beginning of the 70's, more and more obsolete in terms of quality and quantity, and a real hindrance to the expansion and integration of the national telecommunications system.

To solve that problem, Law 5792 of July 11, 1972 authorized the establishment of a joint public and private stock corporation — Telecomunicações Brasileiras S.A. — TELEBRÁS — to:

- plan the national telecommunications;
- obtain the financial resources required to the implementation and expansion of the telecommunications services;
- manage the capital stock participation of the Federal Government in the concessionaires of public telecommunications services;
- promote, through subsidiary or controlled companies, the implantation and exploitation of the public telecommunications services.

Total Calls



As a policy for the services' exploitation, TELEBRÁS established in each State of the Federation one subsidiary or controlled company and promoted the incorporation of the existing telephone companies through the acquisition of their assets or of their capital stock control.



underdevelopment.

The communications, with their different forms and modes, constitute an instrument indispensable to the evolution of the society in the political, economic, and social fields, being, then, an essential recourse to meet the needs and interests both motivating and derived from such evolution.

Within such context, the formulation

of policies and strategies for the development of the Brazilian telecommunications has contemplated not only the use of advanced technology — that allows a high degree of technological modernization — but also a reduction in the regional differences as a means to promote the effective national integration.

At the beginning of the 60's, the telecommunications services in the country were facing a serious crisis due to several factors, such as:

- the lack of a telecommunications structure consonant to the new and growing expectations from the industrialized society that was emerging in an accelerated way in Brazil;
- the breakdown of the granting power in its several stages, favoring the proliferation of inexpressive concessionaires;
- the lack of economic and technological resources; and
- the inexistence of inspection of the services rendered.

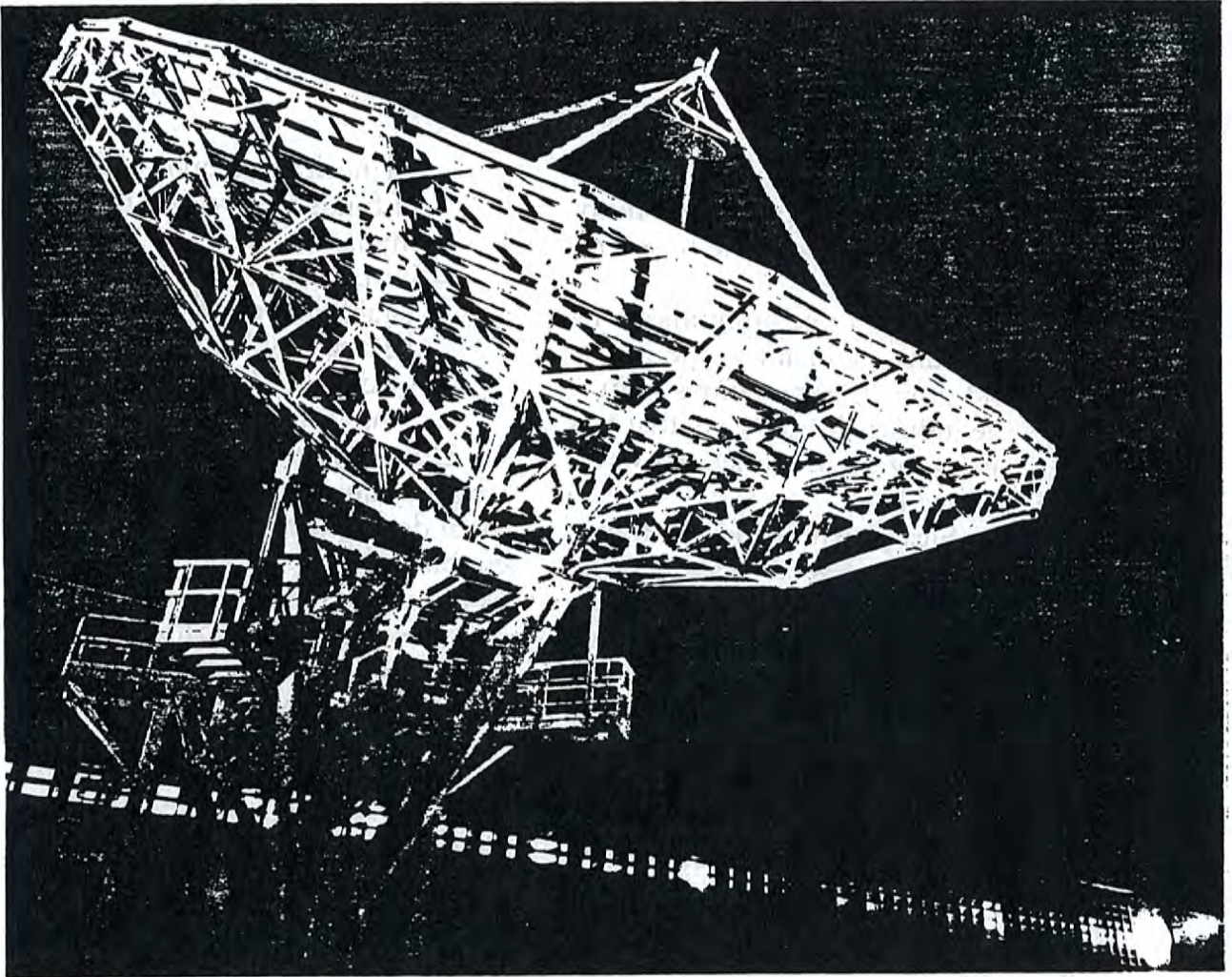
Within such setting, Law 4117 of August 27, 1962 approved the Brazilian Code of telecommunications, a real historic milestone for the telecommunications in Brazil. The Code is responsible for the emergence of a structure with emphasis:

- on the definition of policies, directives and competences;
- on the standardization, planning and control of the telecommunications;
- on the conception of telecommunications services;
- on the definition of the means that would compose the national telecommunications system;

- on the determination of the sources of funds required for the system's implantation;
- on the authorization for the establishment of EMBRATEL to be responsible for the exploitation of domestic and international long distance services.

Due to the growing importance of the telecommunications to the economic and social development of the country, it was established in 1967 the Ministry of Communications, which concentrated its activities in the coordination, supervision and control of the telecommunications, radiobroadcasting and postal services.

With the advent of the Collor Government in March 1990, and the administrative reforms originated therefrom, the definitions of policies and directives for the communications, transportation, mines and energy segments were concentrated in only one Ministry, the Ministry of Infrastructure, with the extinction of the Ministry of Communications.



## THE SOCIAL AND ECONOMIC SCENERY

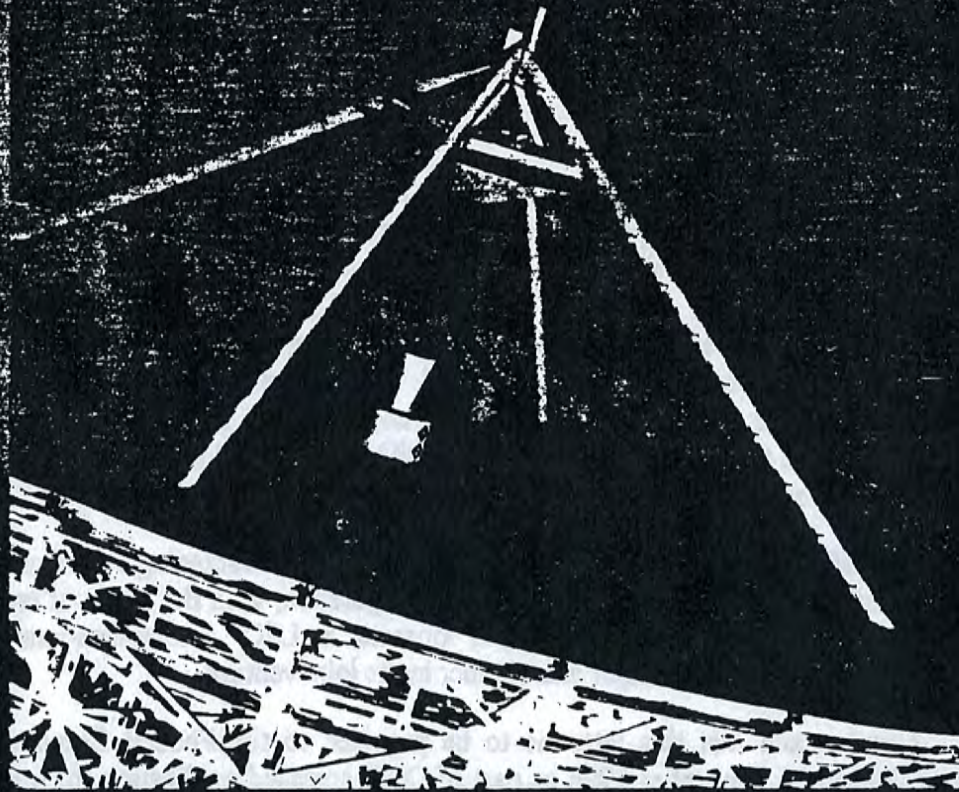
With a territorial extension of 8.5 million square kilometers and a population of nearly 150 million inhabitants, Brazil has regions with the most diverse geographic, economic and social and cultural characteristics.

Two different realities live together in the country. In one of them a specific

segment of the society participates directly in the productive activities which have a greater social and economic impact, revealing characteristics similar to the ones of the more developed societies. In the other one, and expressive segment of the population strikes to overcome the severe limitations of the

# Telebrás

---



## Telecommunications in Brazil

CT.4100/088/94

Mr. Bruce Kraselsky, Chairman  
Constellation Communications, Inc.  
10530 Rosehaven Street, Suite 410  
Fairfax, Virginia 22030  
USA

Brasilia, November 10, 1994

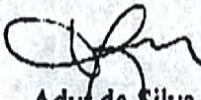
Dear Mr. Kraselsky

Telecomunicações Brasileiras S.A. - TELEBRÁS, through its 28 operating companies, is the primary supplier of public telecommunications services in Brazil. It owns more than 90 percent of all public exchanges and the nationwide network of local telephone lines. Through one of its subsidiaries TELEBRÁS owns and operates 100 percent of the public interstate and international telephone transmission facilities in Brazil. TELEBRÁS also provides telephone-related services such as telex and telegraph transmission, cellular mobile telephone service and videotext and data communications. TELEBRÁS is the third largest company in Brazil based on total assets of more than US\$ 21 billion at December 31, 1993.

TELEBRÁS has entered into a Memorandum of Understanding with Constellation Communications, Inc. - CCI and Bell Atlantic Corporation, with the intent of creating an international joint venture to own and operate a LEO communications system. TELEBRÁS intends to be a major shareholder in the joint venture.

I understand that this letter is to be provided to the Federal Communications Commission on 16 November 1994 as part of CCI's amended application for a license to operate this LEO system in the United States.

Sincerely,

  
Ady da Silva  
President and CEO

TELECOMUNICAÇÕES BRASILEIRAS S.A. - TELEBRÁS

CT.4100/088/94

Mr. Bruce Kraselsky, Chairman  
Constellation Communications, Inc.  
10530 Rosehaven Street, Suite 410  
Fairfax, Virginia 22030  
USA

Brasília, November 10, 1994

Dear Mr. Kraselsky

Telecomunicações Brasileiras S.A. - TELEBRÁS, through its 28 operating companies, is the primary supplier of public telecommunications services in Brazil. It owns more than 90 percent of all public exchanges and the nationwide network of local telephone lines. Through one of its subsidiaries TELEBRÁS owns and operates 100 percent of the public interstate and international telephone transmission facilities in Brazil. TELEBRÁS also provides telephone-related services such as telex and telegraph transmission, cellular mobile telephone service and videotext and data communications. TELEBRÁS is the third largest company in Brazil based on total assets of more than US\$ 21 billion at December 31, 1993.

TELEBRÁS has entered into a Memorandum of Understanding with Constellation Communications, Inc. - CCI and Bell Atlantic Corporation, with the intent of creating an international joint venture to own and operate a LEO communications system. TELEBRÁS intends to be a major shareholder in the joint venture.

I understand that this letter is to be provided to the Federal Communications Commission on 16 November 1994 as part of CCI's amended application for a license to operate this LEO system in the United States.

Sincerely,



Adyr da Silva  
President and CEO

## MENSAGEM DA ADMINISTRAÇÃO

**D**uas ações fundamentais marcaram a atuação do Sistema TELEBRÁS no ano de 1993, além das prioridades permanentes de modernização e expansão da Rede Nacional de Telecomunicações: a busca da universalização do atendimento, ampliando o programa de democratização do acesso aos serviços de telecomunicações, e o lançamento da TELEBRÁS como empresa de consultoria internacional e de prestação de serviços ao mercado externo.

Um grande esforço foi dispendido para expandir o atendimento às famílias brasileiras de renda mais baixa, através do desenvolvimento de tecnologias que possibilitam redução substancial no custo de acesso à rede e da oferta de novos serviços, que permitem a um número cada vez maior de brasileiros utilizar as telecomunicações.

A eficiência e a qualidade dos serviços prestados pela TELEBRÁS e sua capacidade gerencial receberam reconhecimento internacional. Em 1993 a TELEBRÁS ganhou concorrência para prestar consultoria na área de qualidade de serviços à Companhia Húngara de Telecomunicações, da qual participaram empresas da Inglaterra, Canadá, Finlândia, Dinamarca e da própria Hungria.

Para o Sistema TELEBRÁS, portanto, o ano de 1993 consolidou dois compromissos. Primeiro, o de ampliar as condições de atendimento ao usuário de renda mais baixa e ao usuário rural, sem prejuízo para os segmentos de mercado hoje plenamente atendidos. Segundo, competir no mercado internacional - nova fonte de recursos externos para investimentos na modernização, expansão e popularização dos serviços de telecomunicações no Brasil - transferindo para outros países suas conquistas tecnológicas e sua capacitação em especificar, projetar, implantar e gerenciar o maior Sistema de Telecomunicações do Hemisfério Sul e a 11ª planta telefônica do mundo.



# S U M Á R I O

Mensagem da Administração	3
Expansão e Modernização	4
Tecnologia	8
Pesquisa e Desenvolvimento	9
Desempenho Operacional	10
Qualidade Total	11
Recursos Humanos	12
Capacitação	13
Recursos Materiais	13
Desempenho <sup>3</sup> Econômico - Financeiro	14
Valor Adicionado	16
Demonstração do Fluxo com o Governo	17
Empresas Controladas	20

# C O N S E L H O D E A D M I N I S T R A Ç Ã O

JORGE DE MORAES JARDIM FILHO  
Presidente do Conselho de Administração

DJALMA BASTOS DE MORAIS  
Conselheiro de Administração

REGINALDO OSCAR DE CASTRO  
Conselheiro de Administração

LEIVI ABULEAC  
Conselheiro de Administração

DILSON GABRIEL DOS SANTOS  
Conselheiro de Administração

## D I R E T O R I A E X E C U T I V A

ADYR DA SILVA  
Presidente da Empresa e Conselheiro de Administração

ROBERTO NUNES DE MIRANDA  
Vice-Presidente da Empresa

ACYR PITANGA SEIXAS FILHO  
Diretor de Planejamento e Engenharia

PAULO EDUARDO TASSANO SIGAUD  
Diretor de Administração

PAULO POSPISSIL MOUTINHO  
Diretor de Pesquisa e Desenvolvimento

FLÁVIO HAMILTON DA LUZ BUSCH  
Diretor Econômico-Financeiro e de Relações com o Mercado

EUGENIO CONCEIÇÃO BAROBOSKIN  
Contador CRC SP 82058 T DF

JUAREZ MARTINHO QUADROS DO NASCIMENTO  
Diretor de Coordenação de Operações e Serviços

ROGÉRIO ALBERTO BENTO  
Gerente do Departamento de Contabilidade e  
Planejamento Econômico-Financeiro



# RELATÓRIO ANUAL

---

1993



ST/1111

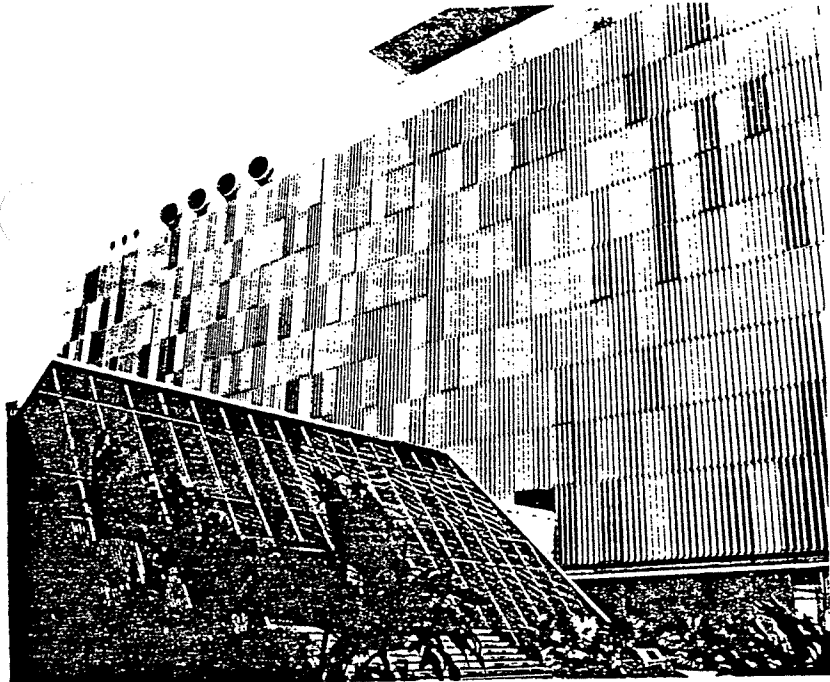


**TELEBRÁS**



**MINISTÉRIO  
DA INFRA-ESTRUTURA**

Telecomunicações Brasileiras S.A. — TELEBRÁS  
Departamento de Comunicação Social  
Setor de Autarquias Sul, Quadra 6, Bloco "E", 10º andar  
70313 — BRASÍLIA-DF  
Telephones: (061) 215-2403 — 215-2433  
Telex: (061) 2073 — Fax: (061) 215-2618



the information, the technology.

As a consequence, it is necessary to give new strength to the existing structures, giving them better conditions to act in a competitive environment and integrated to the world economy.

Conscious of such reality, the Ministry of Infrastructure, through TELEBRÁS, is making efforts to use instruments of the deregulation policy of the Federal Government, in order to implement a new business model for the TELEBRÁS System.

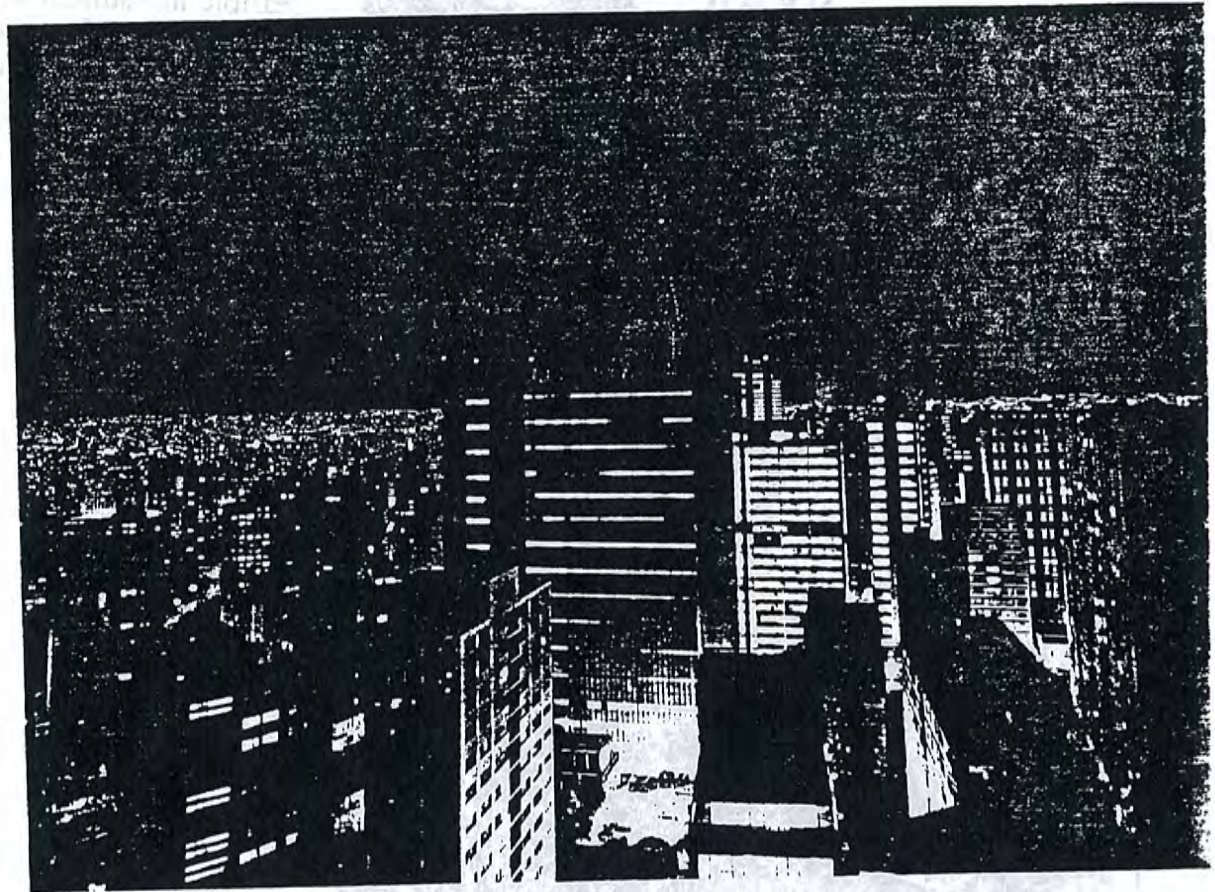
Such model, based in a process of permanent creativity, tries to conciliate the state monopoly, preconized in the Federal Constitution, with the commitments assumed to the users, the search of the forefront technology and the partnership of the private capital.

ons  
'ed

er.  
ng  
d  
s  
S

ne

ntly



## THE PRESENT SCENERY

### Liberalization, modernization and competition

Among the major challenges to be faced by the TELEBRÁS System, stands out the challenge of renewing the model of exploitation of the Brazilian telecommunications.

Such challenge assumes unique characteristics when the present scenery is taken into account, for the speed of

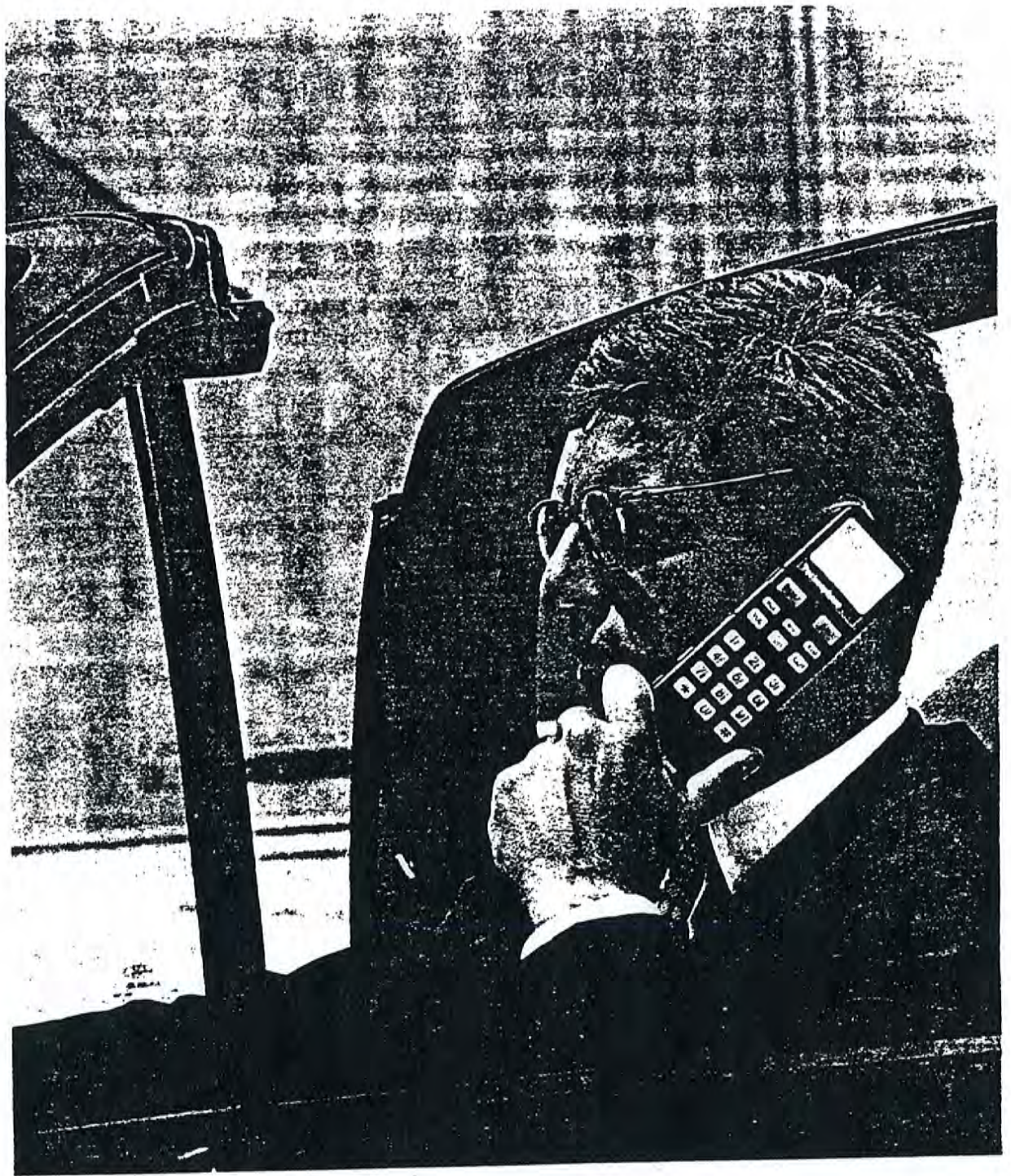
the scientific and technological changes implies in new responsibilities and commitments.

These are changes that denote a period of time of accelerated transition from the modern society — of the engine — to the pós-modern society — of the immaterial products, as the knowledge

to the users. Consequently, new functions are established and new values are added to the basic functions of telecommunications — the information transmission from one point to another.

New services and facilities are being developed. New facts, as the eventual participation of the private enterprises — in association with the TELEBRÁS System — in the exploration of the telecommunications services, shall set feasible investment alternatives for the implantation of new services and the expansion of the services being presently rendered.





## THE SERVICES

The telecommunications networks offer more facilities and options besides the reliable information transmission.

Based on such premise the TELEBRÁS System is reviewing its pattern for the rendering of services in order to meet the brazilian society's needs, within the context of fast changes occuring in Brazil.

Therefore, in addition to the basic

added services.

In the rendering of the basic services, the telecommunications networks continue to perform their traditional function, making that the users' messages (voice, data, texts, image) flow through the network and reach their destination with no alteration.

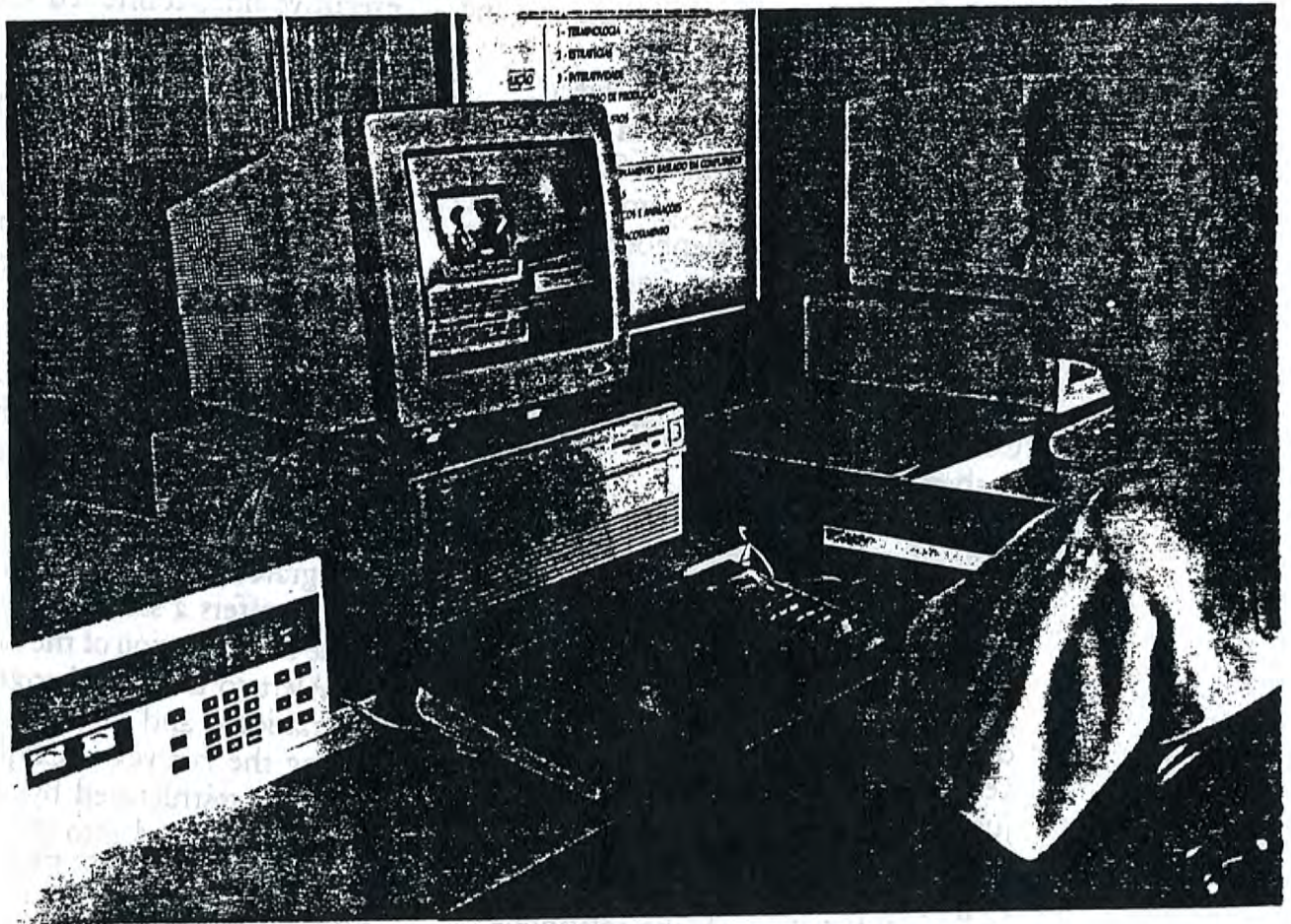
With the value added services, new

equipped with a telecommunications system similar to the one existing at the operating companies, thus enabling the training in conditions very close to the real situation of work.

It is installed in a built area of

23,300 square meters, with facilities appropriate for the training, lodging and leisure of the trainee, thus forming an environment favorable to the social integration and the progress of the trainees.





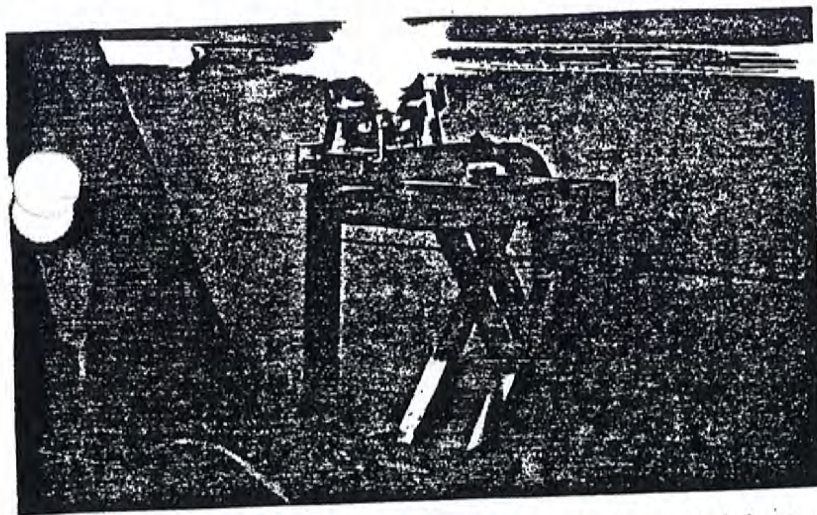
## HUMAN RESOURCES CAPACITATION

One of the main factors that have contributed to the success of the TELEBRÁS System was the implementation of a policy of investments in the professional training and in the personnel qualification.

The training infrastructure of TELEBRÁS consists of a National Training

States of Pernambuco and São Paulo, and Local Centers in the operating companies of the TELEBRÁS System.

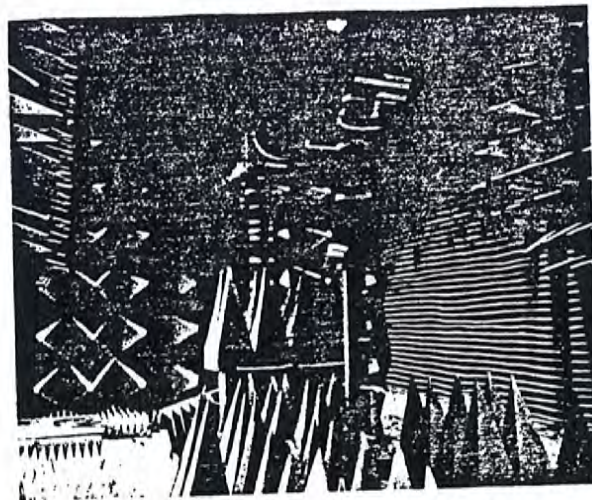
Such centers develop on a permanent basis programs for the technical, administrative and management qualification of human resources, aiming at the efficient operation and expansion



networks, components and materials and product technology.

Among the completed projects, transferred to the industry and successfully installed in the TELEBRÁS System, emphasis should be given to: TRÓPICO R (Small Size Digital Telephone Exchange); MCP (Digital Multiplex Equipment); ELO (Optical Line Equipment); Optical Fiber; COMPAC (Packet Switching Exchange for Data Communication) and CETEX (Telex Exchange).

It has recently completed the first stage of its most important project in the area of telephone switching exchanges. "Tropico-RA" Telephone Exchange, time division stored program controlled (SPC), which puts Brazil in the forefront of digital switching. The first operating version of such Telephone Exchange has just started operating in the City of Brasília. It will offer to the user, in two stages, a series of supplementary services — scheduled through the telephone set itself, to wit: short dialling, direct line,



executive line, controlled blocking, automatic transfer, alarm clock, agenda, consultation, etc.

Eighteen applied research projects and 35 development projects are in progress at the Center, engaging 1435 persons, 515 of which belong to the Center and 920 to the industries, operating companies, universities and foundations.

Two expressive projects in progress are: THE CARD PAY PHONE, of inductive technology, which will replace the conventional public telephones, and INTELITEL, known as the intelligent telephone, terminal of the ISDN (Integrated Services Digital Network) which offers a series of facilities, such as the identification of the calling number.

Alert to the fast changes occurred in the national and international sceneries during the last years, CPqD is being presently restructured by actions more and more turned into the operating companies of the TELEBRÁS System, with emphasis to the development of systems and the rendering of services.

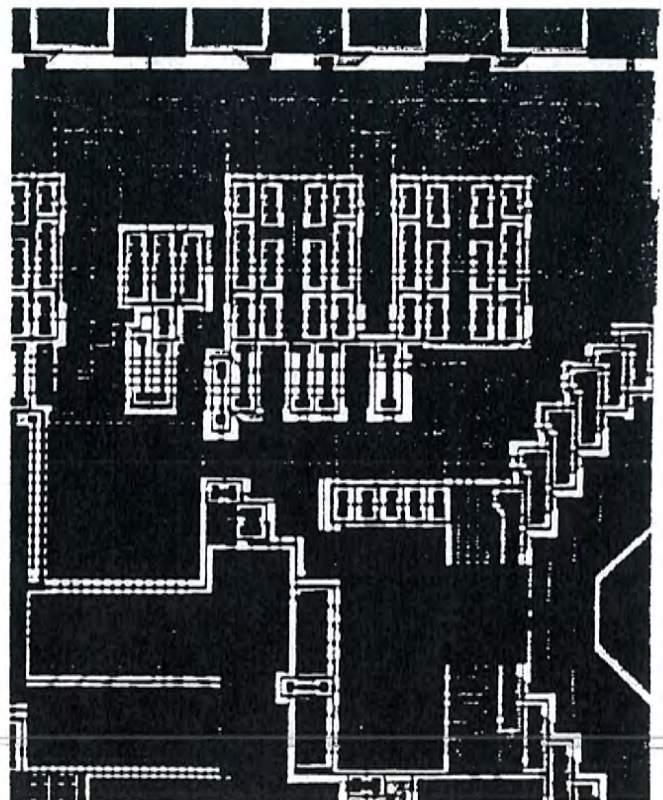
## THE RESEARCH & DEVELOPMENT CENTER — CPqD

The Research and Development Center (CPqD), a TELEBRÁS unit, was established in 1976 with the purpose of generating its own technology to be applied in the National Telecommunications System.

It is installed in the city of Campinas, State of São Paulo, in an area of 360 thousand square meters, with almost 60 thousand square meters of built area.

Adjusted to the political and economic environment at the time, CPqD initiated its activities giving priority to the research and the technological development.

Until December, 1990 it transferred to 70 industries near 77 products generated thereby in the areas of digital transmission.

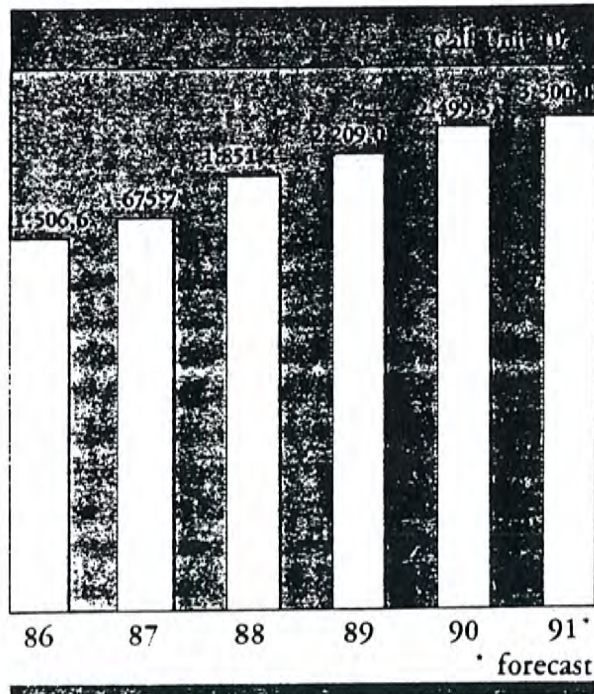


terrestrial links — including optical fibers — three submarine cables linking Brazil to Europe and to North America and two domestic satellites, Brasilsat I and II, and also participates in the INTELSAT

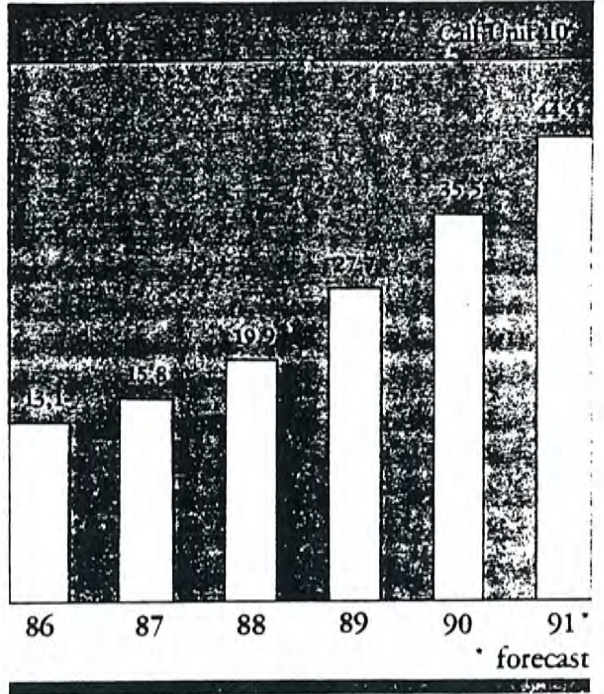
consortium.

It operates in all national territory with a staff of 11,428 employees distributed among operating districts organized by area of geographic operation.

**Domestic Long-Distance Calls**



**International Long-Distance Calls**



## EMBRATEL

EMBRATEL was established in 1965 as a public company responsible for the exploitation of the interstate and international long distance telecommunications services.

With the establishment of the Ministry of Communications in 1967, EMBRATEL became linked to it and five years later was changed into a joint public and private stock corporation, subsidiary of TELEBRÁS, that holds 91 % of its capital.

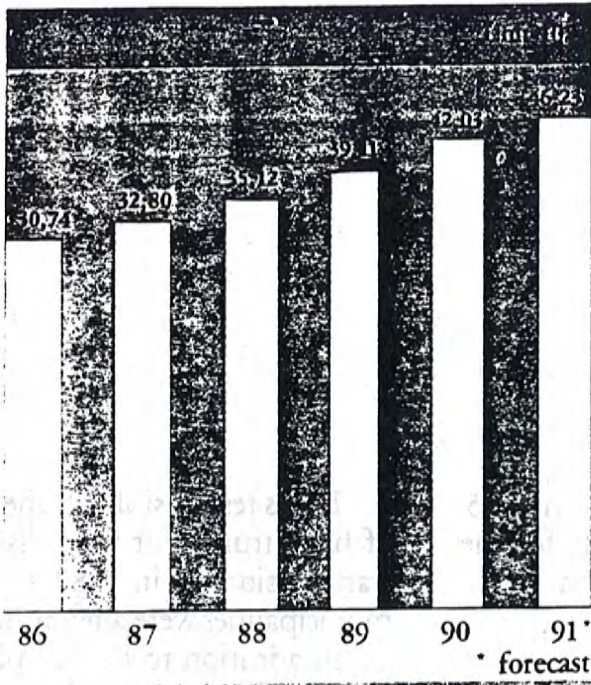
It was responsible for the implantation of basic trunks for long distance transmission — in 1982 all Brazilian municipalities were already interconnected.

In addition to the telephony services, EMBRATEL operates the national Telex network, maritime mobile service stations, TV centers' network, data communication services and national and international transit switching stations.

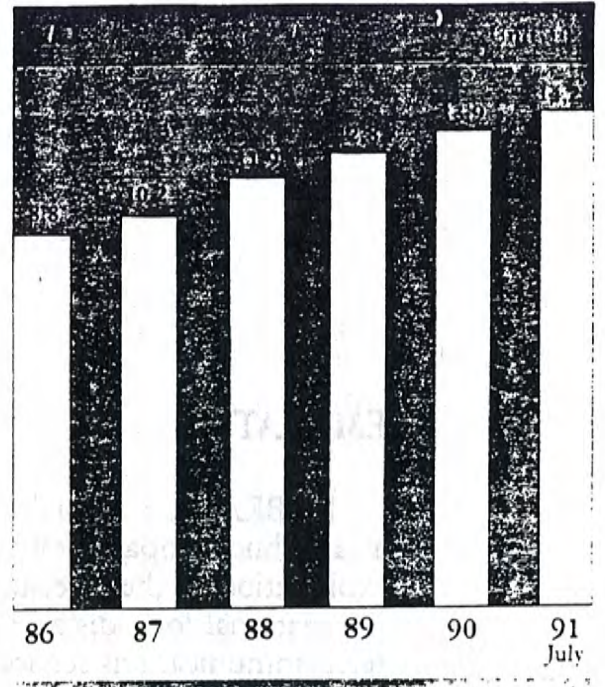
It utilizes as transmission means



### Local Calls



### Localities With Service



### The Stargazer System

As this prototype demonstration shows, your TV or PC will eventually become a virtual office, classroom, shopping mall, arcade, video store, newsstand, library, and more. Bell Atlantic intends to be first to market with a wide variety of easy-to-use interactive services, while cre-

ating opportunities for other content providers to follow suit. We also intend to develop a user-friendly, point-and-click navigation system for accessing these services, along with branded operating software that will set the industry standard.



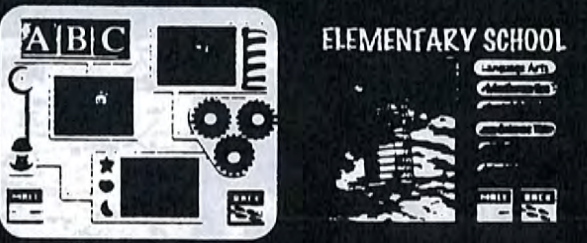
Entertainment Shopping Learning Directory Assistance



ADDRESS A \$329 BILLION MARKET. • THE FIRST REGIONAL BELL COMPANY THAT



SERVING CUSTOMERS HAS BECOME A PRIVILEGE EARNED IN THE MARKETPLACE.



Bell Atlantic is the first regional Bell telephone company in the United States permitted to offer video programming and telephone service in the same territory. We're dedicated to bringing cable customers in our region more choice along with the same great service they're used to getting from Bell Atlantic

*Services that allow customers to enter information in multiple formats and receive a response.*

and parental involvement in education, are among the most anxious to participate in interactive multimedia.

Two-way remote classroom learning, access to remote text and video libraries, and the development of multimedia databases will create a true classroom without walls, in which the world will be at the student's fingertips. Given the availability of digitized animation, graphics, and video, terms papers will take on new meaning — far beyond the traditional "10-pages-typed-double-spaced."

Bell Atlantic believes so strongly in the educating power of multimedia services that we've pledged to connect every public primary and secondary school in our region free-of-

"Want to buy the latest exercise video?"

Click.

Learn about fractal geometry?

Click.

Order a pizza or check out discount airfares?

Click.

Check a file at work, get your kid's homework assignment, review last week's news, express your views on a human rights issue?

Click, click, click, click."

Ray Smith  
1993





**TVS AND COMPUTERS WILL BE VIRTUAL CLASSROOMS, NEWSSTANDS, SHOPPING MALLS,**

charge to our full-service networks as we build them.

For professionals, too, information sharing will take on new dimensions. Interactive multimedia will allow colleagues in far-flung locations not only to view images simultaneously, but even to create and modify them while they see and speak to one another.

In health care, Bell Atlantic has demonstrated "telemedicine" technology that allows physicians to consult specialists in remote locations by teleconference, simultaneously reviewing medical images, reading lab reports, or researching medical journals as they confer with patients.

**FREEDOM.**

**W**ithout a doubt, full-service networks promise to vastly improve how we live and work, creating competitive advantage for American businesses and expanded influence for educational, medical, and other institutions. At the federal level, building these networks has become a national priority. A consensus is emerging among lawmakers and the Clinton administration that outdated laws and regulations that keep companies like Bell Atlantic from participating fully in this effort must be eliminated. And at the

**NOLOGY IN THE REGION. • BELL ATLANTIC'S REGION IS HOME TO 80 OF THE FORTUNE**

**Telemedicine**

Bell Atlantic's telemedicine solution enables two-way audio and video communication between patients and physicians and between primary-care doctors and specialists.

In addition, cost-effective remote examinations over the digital network are possible

using a complete line of diagnostic instruments.

Telemedicine promises to make health care more productive and less costly by letting patients and doctors take care of routine matters without time-consuming office visits, allowing specialists to spread their expertise over a broader geographic

area, and enabling professionals to continue their education without traveling.

The Bell Atlantic solution is in place at the Milton S. Hershey Medical Center in Hershey, Pennsylvania, where doctors like Alan M. Adelman, M.D., M.S. (right), Director of Research in Family & Community

Medicine at Penn State College of Medicine, can consult with colleagues in other locations while they simultaneously view high-resolution digital images. This system is part of the Commonwealth of Pennsylvania's HealthNet initiative to bring quality health care to rural areas

### Project Explore

At Christopher Columbus Middle School in Union City, New Jersey, students regularly create multimedia publications and reports using spreadsheet, word processing, graphics, and audio programs. Thanks to a public/private partnership involving Bell Atlantic, municipal government, and the school district, personal computers were installed in

the school and the homes of students and teachers, allowing students, parents, and teachers to communicate with one another on a regular basis, even outside normal school hours. Through our Basic Education Connection initiative, we will connect all public K-12 schools in our region to the full-service network.

"Imagine . . . that a child in the most remote rural area or in the poorest urban district could connect herself, via the common-carrier network, to a personalized tutoring machine equipped with artificial intelligence and attached to vast libraries of databases — an infinitely knowledgeable, infinitely patient teacher, unaffected by mountains or dirt roads or poverty."

Ray Smith  
1989

## ARCADES • BELL ATLANTIC SPENDS OVER \$2 BILLION PER YEAR ON NETWORK TECH-

state level, we have achieved considerable business freedom in the last few years to be competitive in our pricing and to design service packages that give you exactly what you want — and nothing less.

Service to our customers, does not stop at state, regional, or even national borders. Bell Atlantic is in many overseas countries, including the United Kingdom, Italy, the Czech Republic, Slovakia, Australia, and New Zealand. Our investment in Telecom Corporation of New Zealand has

paid off handsomely: the stock in that company has more than doubled since we took the company public a few years ago. We also are part owners of Grupo Iusacell, S.A. de C.V., Mexico's second largest telecommunications company. Iusacell's cellular network reaches two-thirds of Mexico's population, and the company plans to use non-cellular radio spectrum to provide local telephone service to a country where there is a huge, unfulfilled demand. What's more, Iusacell is well-positioned to compete in the long-distance business when Mexico opens that market to full competition in 1996.

## 500 INDUSTRIAL COMPANIES AND 80 OF THE FORTUNE 500 SERVICE COMPANIES.



### Wireless Service in Mexico

With an investment of up to \$1.04 billion ultimately to acquire a 42 percent to 46 percent economic interest in Grupo Iusacell, S.A. de C.V., Bell Atlantic is leveraging its communication competency in Mexico to help

meet the huge and growing demand for telecommunications service. Iusacell is Mexico's second-largest telecommunications company, with cellular systems reaching over two-thirds of Mexico's 89 million POPs.





"Bell Atlantic is leading the effort to achieve necessary public policy change. We were the first regional company to enter the information services business because we alone took on the AT&T Consent Decree restriction that kept us out of that business. By successfully challenging the 1984 Cable Act, we became the first regional company allowed into video programming within our telephone service territory. As barriers continue to fall, we look forward to the day when we can enter the long-distance communication business."

Jim Cullen  
President  
Bell Atlantic Corporation

**BELL ATLANTIC WILL OWN 42 PERCENT TO 46 PERCENT OF MEXICO'S SECOND LARGEST**

Wherever you find Bell Atlantic, our mission is the same — to be the provider of choice for communications, information, and entertainment. We want customers in Prague to find the same high-quality service customers find in Philadelphia.

In the years since the break-up of the Bell System, serving customers has become a privilege earned in the marketplace, not a right assigned in the halls of government. Over the past decade, the challenge for companies like ours has

been to completely re-tool our philosophies, our strategies, and our operations around customer needs.

At Bell Atlantic, we've met that challenge, and we're building the competencies necessary to meet the needs of a rapidly changing and converging marketplace. Supported by our core strengths and unique flexibility, we've set our sights on nothing short of world-class performance — by any standard.

**TELEPHONE COMPANY. • 1993 GROWTH RATE OF 49% FOR CELLULAR SUBSCRIBERS**

**M  
I  
L  
E  
S  
T  
O  
N  
E  
S**

A consortium including Bell Atlantic is awarded a license to provide 900 GSM cellular service in Italy, the world's sixth largest economy. Bell Atlantic is the second-largest shareholder in the Omnitel-Pronto Italia group, of which Olivetti also is a shareholder.



Bell Atlantic's Digital Production Center, a multi-million dollar center in Reston, Virginia, opens in July to house the facilities to create, produce, and package programs for delivery of interactive multi-media television and personal computer-based services. The first generation of services will



include movies, television programs, documentaries, and video health care information. The center will support Bell Atlantic's Stargazer™ service and provide ongoing research and development.

Bell Atlantic Mobile begins to provide service within Washington's Metro subway, the first cellular service in an American subway. Riders can make cellular calls without interruption.

Pending state regulatory approvals, Bell Atlantic will provide ISDN to all of its 1,400 local switching offices, making advanced technology available to all customers in its region.

Bell Atlantic and STET, the Italian telecommunications company, sign agreements to bring interactive multimedia services to Italy using Bell Atlantic's Stargazer platform, its first use outside the United States.

## INVESTOR INFORMATION

FINANCIAL HIGHLIGHTS	1993	1992	1991	1990	1989
<i>(Dollars in Millions, Except Per Share Amounts)</i>					
<b>FOR THE YEAR</b>					
Operating revenues	\$12,990.2	\$12,718.4 <sup>a</sup>	\$12,552.1 <sup>a</sup>	\$12,547.4 <sup>a</sup>	\$11,594.7 <sup>a</sup>
Operating income	\$ 2,797.6	\$ 2,506.2	\$ 2,525.3	\$ 2,614.3	\$ 2,007.8
Income before extraordinary item and cumulative effect of changes in accounting principles	\$ 1,481.6	\$ 1,382.2	\$ 1,229.9	\$ 1,230.5	\$ 1,023.9
Net income (loss)	\$ 1,403.4	\$ 1,340.6	\$ (324.4) <sup>b</sup>	\$ 1,230.5	\$ 1,023.9
<b>PER COMMON SHARE</b>					
Income before extraordinary item and cumulative effect of changes in accounting principles	\$ 3.39	\$ 3.23	\$ 2.91	\$ 2.92	\$ 2.38
Net income (loss)	\$ 3.22	\$ 3.13	\$ (.72) <sup>b</sup>	\$ 2.92	\$ 2.38
Cash dividends declared	\$ 2.68	\$ 2.60	\$ 2.52	\$ 2.36	\$ 2.20
<b>AT YEAR END</b>					
Total assets	\$29,544.2	\$28,099.5	\$28,305.8	\$28,391.8	\$26,603.6
Long-term debt	\$ 7,206.2	\$ 7,348.2	\$ 7,984.0	\$ 8,928.5	\$ 8,243.9
Debt ratio	54.6%	56.3%	59.5%	57.5%	54.2%
Shareowners' investment	\$ 8,224.4	\$ 7,816.3	\$ 7,367.6	\$ 8,531.5	\$ 8,423.0
Book value per common share	\$18.85	\$18.00	\$17.12	\$19.96	\$19.64
Number of employees	73,600	71,400	76,900	82,700	80,000
Network access lines (in thousands)	18,645	18,181	17,750	17,484	17,056
<b>OTHER DATA</b>					
Return on average common equity	17.3%	17.4%	(4.4)%	14.4%	11.3%
Additions to plant, property, and equipment	\$ 2,519.0	\$ 2,546.8	\$ 2,644.1	\$ 2,692.1	\$ 2,720.9

<sup>a</sup> Certain amounts have been reclassified to conform to 1993 classifications.

<sup>b</sup> Includes the transition effect of change in accounting for post-retirement benefits other than pensions, net of tax.

### CORPORATE HEADQUARTERS

Bell Atlantic Corporation  
1717 Arch Street  
Philadelphia, PA 19103  
(215) 963-6000

### SHAREOWNER SERVICES

Shareowners with questions regarding your Bell Atlantic account (dividend payments, transfer requirements, address corrections, dividend reinvestment, or other shareowner account information) should call Bell Atlantic's transfer agent, the Bank of New York, at: (800) 631-2355.

Shareowners holding stock in street name accounts who wish to receive Bell Atlantic quarterly reports may contact: Bell Atlantic Shareowner Services, 31st Floor, 1717 Arch Street, Philadelphia, PA 19103.

### INVESTOR RELATIONS

Copies of the company's Annual Report on Form 10-K filed with the Securities and Exchange Commission can be obtained, without charge, by contacting: Bell Atlantic Investor Relations, 31st Floor, 1717 Arch Street, Philadelphia, PA 19103.

Security analysts, institutional investors, and portfolio managers with questions should call Investor Relations at: (215) 963-6333.

### STOCK MARKET AND DIVIDEND INFORMATION

Bell Atlantic is listed in some newspaper stock tables under "BellAtl" and its ticker symbol is "BEL." Bell Atlantic common stock is traded on the New York, Philadelphia, Chicago, Boston, Pacific, London, Zurich, Geneva, Basel, and Frankfurt stock exchanges. Dividends on common stock are payable quarterly, upon authorization by the Board of Directors. Based on the current schedule, the expected payment dates are the first business days of February, May, August, and November. As of December 31, 1993, Bell Atlantic had 1,026,371 shareowners of record.

High and low stock prices, as reported on the Composite Tape, and dividend data are as follows:

	Market Price		Cash Dividend Declared
	High	Low	
1994:			
First Quarter	\$59-5/8	\$51	\$ 69
1993:			
First Quarter	\$56-3/4	\$49-5/8	\$ 67
Second Quarter	59-1/8	50-3/4	67
Third Quarter	64-7/8	55-5/8	67
Fourth Quarter	69-1/8	57	67

**NETWORK SERVICES**

**Telephone**

**Bell Atlantic—New Jersey, Inc.**  
(201) 649-9900

**Bell Atlantic—Pennsylvania, Inc.**  
(215) 466-9900

**Bell Atlantic—Delaware, Inc.**  
(302) 571-1571

**Bell Atlantic—Maryland, Inc.**  
(410) 539-9900

**Bell Atlantic—Virginia, Inc.**  
(804) 225-6300

**Bell Atlantic—West Virginia, Inc.**  
(304) 343-9911

**Bell Atlantic—Washington, D.C., Inc.**  
(202) 392-9900

Premier providers of advanced voice and data communications, ranging from local telephone service, directory publishing, and public telephones to high-speed data networks, sophisticated network management tools, carrier services, and video transport.

**Bell Atlantic Large Business Services**  
(800) 846-1200, ext. 100

**Bell Atlantic Small Business Services**  
(800) THE-CALL

**Bell Atlantic Carrier Services**  
4th Floor  
1320 North Court House Road  
Arlington, VA 22201  
(800) 999-1210

**Bell Atlantic Federal Systems**  
(202) 484-9800

**Bell Atlantic Public and Operator Services**  
8300 Professional Place  
Landover, MD 20785  
(301) 794-3900

**Bell Atlantic Consumer Services**  
(800) 870-0000 — *within the Bell Atlantic region*  
(800) 338-3571 — *outside the Bell Atlantic region*

Distinguishing ourselves as a high-tech, high-touch company, Consumer Services provides state-of-the-art communications and information products and services for the home.

**Bell Atlantic Voice Messaging**  
(800) 321-7176 — *Answer Call sales (residential)*  
(800) 843-2255 — *Voice Mail sales (business)*  
(800) 352-1021 — *Help Line*

**Bell Atlantic® IQ® Services Information Line**  
(800) 234-2340

**Bell Atlantic Video-on-Demand and Project Explore**  
(800) 937-3291 — *for sales*  
(800) 999-3292 — *for service*

**Video Programming**

**Bell Atlantic Video Services Company**  
8th Floor  
1320 North Court House Road  
Arlington, VA 22201  
(703) 974-6668

Obtains and provides video programming and develops new video information technology platforms and products.

**Directory**

**Bell Atlantic Directory Services**  
10th Floor  
6701 Democracy Boulevard  
Bethesda, MD 20817  
(301) 493-3000

**Bell Atlantic Directory Graphics, Inc.**  
Valley Forge Corporate Center  
2500 Monroe Boulevard  
P.O. Box 80050  
Valley Forge, PA 19484-0050  
(610) 650-5000

Provides region-wide electronic photocomposition, complete graphic services, and database-management services for directory advertising businesses. The company also provides multimedia production services, such as CD-ROM.

**Bell Atlantic Yellow Pages — New Jersey**  
National Telephone Directory Company (NTD)  
3 Executive Drive  
P.O. Box 6765  
Somerset, NJ 08875-6765  
(800) NJB-BELL  
(201) 761-8111

Provider of professional advertising sales and service for Yellow Pages directories in Bell Atlantic-New Jersey's market as its only authorized local sales agency.

**Bell Atlantic Yellow Pages — Pennsylvania and Delaware**  
Penn-Del Directory Company  
Glenview Corporate Center  
3050 Tillman Drive  
Bensalem, PA 19020-0811  
(215) 244-9400  
(800) 258-9498 — *Allentown*  
(800) 631-4400 — *Bensalem*  
(800) 334-1788 — *Brandywine*  
(800) 654-6330 — *Harrisburg*  
(800) 621-9100 — *Monroeville*  
(800) 551-5826 — *Wilkes-Barre*

Provider of professional advertising sales and service for Yellow Pages directories in Bell Atlantic-Pennsylvania's and Bell Atlantic-Delaware's markets as their only authorized local sales agency.

**Bell Atlantic Yellow Pages — Maryland, Virginia, West Virginia, and Washington, D.C.**  
Chesapeake Directory Sales Company (CDSC)  
Suite 800  
6404 Ivy Lane  
Greenbelt, MD 20770  
(301) 220-5000

Provider of professional advertising sales and service for Yellow Pages directories in Bell Atlantic telephone companies' southern markets as their only authorized local sales agency.

**Other**

**Bell Atlantic Network Integration, Inc.**  
Suite 200  
50 East Swedesford Road  
Frazer, PA 19355  
(610) 993-6500

Provides unbiased complex network design and infrastructure solutions, including network architecture planning and design, implementation and project management, product procurement, and support for enterprisewide environments.

**Bell Atlantic TeleProducts Corp.**

Suite 150, West Building  
50 East Swedesford Road  
Frazer, PA 19355  
(800) 221-0068

A leading distributor of Caller ID equipment; sells a wide range of fax machines and telephone products to the residential, work-at-home, and small business markets.

**Bell Atlantic Professional Services, Inc.**

CN5302 104 Carnegie Center Princeton, NJ 08543 (800) 327-8412	Suite 550 8180 Greensboro Drive McLean, VA 22102 (800) 333-1213
--	--

Provides education and technical training courseware/services (Princeton), temporary projects staffing and program management (McLean) services tailored to the specific needs of telecommunications companies and information providers.

**Bell Atlantic Meridian Systems**

105 Carnegie Center  
Princeton, NJ 08540  
(800) 843-8100

Sells and services customer premises equipment primarily in the mid-Atlantic region. (Partnership between Bell Atlantic and Northern Telecom Inc.)

**ENTERPRISES INTERNATIONAL****Bell Atlantic International, Inc.**

5th Floor  
1310 North Court House Road  
Arlington, VA 22201  
(703) 875-8800

**Wireless Communications****Bell Atlantic Mobile**

180 Washington Valley Road  
Bedminster, NJ 07921  
(800) 255-BELL

A leader in cellular mobile communications, provides cellular service and markets mobile communications equipment in the northeast, mid-Atlantic, southeast, and southwest. Also offers a wide range of paging equipment and services.

**Bell Atlantic Paging, Inc.**

1719A Route 10  
Parsippany, NJ 07054  
(800) 525-1134

**Bell Atlantic Personal Communications, Inc.**

Coordinates and advances Bell Atlantic's activities for PCS-related technologies and services.

**Grupo Iusacell, S.A. de C.V.**

011-525-104-4100

Mexico's second largest telecommunications company with cellular properties covering two-thirds of the country's population, including Mexico City, the world's largest city. Bell Atlantic currently owns a 23 percent interest and will purchase an additional stake during 1994, increasing its economic interest to between 42 percent and 46 percent.

**EuroTel Cellular Service**

011-422-2421-1968

Provides cellular service in the Czech Republic and Slovakia, including Prague, Bratislava, and Brno. (A joint venture of Bell Atlantic, U S WEST, and the Czech Republic and Slovakia.)

**Omintel-Pronto Italia**

This consortium was awarded the second cellular license in Italy, the sixth largest economy in the world. (Bell Atlantic holds the second largest interest in the consortium.)

**Business Systems****Bell Atlantic Business Systems Services, Inc.**

50 East Swedesford Road  
Frazer, PA 19355  
(800) 777-8800

The world's leading independent computer service organization, providing computer maintenance, software support, disaster recovery services, and consulting services for more than 640 brands of computer equipment.

**Bell Atlantic Business Systems International, Inc.**

Holds Bell Atlantic's interest in the joint ventures between Bell Atlantic Business Systems International and International Computers Limited (ICL) and Fujitsu Australia Limited, leading European and Asian information technology companies. These joint ventures provide computer maintenance services in western Europe and Australia.

**Sodalía S.p.A.**

A joint venture in Italy with STET to develop and deliver telecommunications operations support software to telecom and information services providers.

**Telecommunications and Other****Telecom Corporation of New Zealand Limited**

011-644-382-3333

New Zealand's principal supplier of domestic and international telecommunications services, including cellular, mobile, and directory services. (Bell Atlantic and Ameritech jointly hold a 49 percent interest.)

**Sky Network Television Limited**

011-649-579-9999

Provides multi-channel pay television services in New Zealand, using three UHF channels for movies, sports, and news programming. (Bell Atlantic, Ameritech, Tele-Communications, Inc., and Time Warner Cable Group hold a joint 51 percent interest.)

**FINANCIAL, REAL ESTATE, AND OTHER****Pacific Atlantic Systems Leasing, Inc.**

(602) 494-8200

A joint venture managing the existing computer leasing portfolios of Bell Atlantic Systems Leasing International, Inc., and PacifiCorp Capital, Inc.

**Bell Atlantic Properties, Inc.**

34th Floor  
1717 Arch Street  
Philadelphia, PA 19103  
(215) 587-4200

Engaged in real estate investment and management, primarily in support of Bell Atlantic's core businesses.

**Vision Energy Resources, Inc.**

(800) 472-2660

Liquefied petroleum gas distribution business, acquired as part of a merger with Metro Mobile.

**BELL ATLANTIC CORPORATION  
BOARD OF DIRECTORS**

**William W. Adams**  
*Chairman of the Board  
Armstrong World Industries, Inc.*

**Thomas E. Bolger**  
*Chairman of the Executive Committee  
of the Board of Directors  
Bell Atlantic Corporation*

**Frank C. Carlucci**  
*Chairman  
The Carlyle Group*

**William G. Copeland**  
*Chairman of the Board  
Providentmutual Holding Company*

**James H. Gilliam, Jr.**  
*Executive Vice President and General  
Counsel  
Beneficial Corporation*

**Thomas H. Kean**  
*President  
Drew University  
Former Governor of New Jersey*

**John C. Marous, Jr.**  
*Retired Chairman  
Westinghouse Electric Corporation*

**John F. Maypole**  
*Managing Partner  
Peach State Real Estate Holding  
Company*

**Thomas H. O'Brien**  
*Chairman and Chief Executive Officer  
PNC Bank Corp.*

**Rozanne L. Ridgway**  
*Co-Chair  
The Atlantic Council of the United  
States*

**Raymond W. Smith**  
*Chairman of the Board and Chief  
Executive Officer  
Bell Atlantic Corporation*

**Shirley Young**  
*Vice President, Consumer Market  
Development  
General Motors Corporation*

**EXECUTIVE OFFICERS**

**Raymond W. Smith**  
*Chairman of the Board and Chief  
Executive Officer*

**James G. Cullen**  
*President*

**Lawrence T. Babbio, Jr.**  
*Executive Vice President and Chief  
Operating Officer*

**William O. Albertini**  
*Vice President and Chief Financial  
Officer*

**Joseph T. Ambrozio**  
*Vice President-Strategic Planning*

**P. Alan Bulliner**  
*Vice President-Corporate Secretary and  
Counsel*

**Barbara L. Connor**  
*Vice President-Finance,  
Controller, and Treasurer*

**Charles W. Crist**  
*Vice President-Human Resources*

**John F. Gamba**  
*Senior Vice President-Corporate and  
Human Resources*

**Bruce S. Gordon**  
*Group President-Consumer and Small  
Business Services  
Bell Atlantic Network Services, Inc.*

**Stuart C. Johnson**  
*Group President  
Large Business and Information  
Services  
Bell Atlantic Network Services, Inc.*

**Edward H. Sproat**  
*Group President  
Network Operations  
Bell Atlantic Network Services, Inc.*

**Robert M. Valentini**  
*President and Chief Executive Officer  
Bell Atlantic-Pennsylvania, Inc.*

**James R. Young**  
*Vice President and General Counsel*

**TELEPHONE COMPANY  
PRESIDENTS AND CHIEF  
EXECUTIVE OFFICERS**

**Carolyn S. Burger**  
*Bell Atlantic-Delaware, Inc.*

**Frederick D. D'Alessio**  
*Bell Atlantic-Maryland, Inc.*

**William M. Freeman**  
*Bell Atlantic-Washington, D.C., Inc.*

**Alfred C. Koeppe**  
*Bell Atlantic-New Jersey, Inc.*

**David E. Lowe**  
*Bell Atlantic-West Virginia, Inc.*

**Hugh R. Stallard**  
*Bell Atlantic-Virginia, Inc.*

**Robert M. Valentini**  
*Bell Atlantic-Pennsylvania, Inc.*

**BELL ATLANTIC ENTERPRISES  
INTERNATIONAL, INC.,  
AND SUBSIDIARIES**

**James H. Brenneman**  
*Vice President-Operations and  
Planning  
Bell Atlantic Enterprises International,  
Inc.*

**Edgar L. Brown, Jr.**  
*President and Chief Executive Officer  
Bell Atlantic International, Inc.*

**Julia A. Dobson**  
*President and Chief Financial Officer  
Bell Atlantic Business Systems  
International, Inc.*

**H. Eugene Greer**  
*President and Chief Operating Officer  
Bell Atlantic Business Systems Services,  
Inc.*

**Benjamin L. Scott**  
*President  
Bell Atlantic International Wireless*

**Dennis F. Strigl**  
*President and Chief Executive Officer  
Bell Atlantic Mobile*

11/10/2011

Design: Warkuhz Design Associates





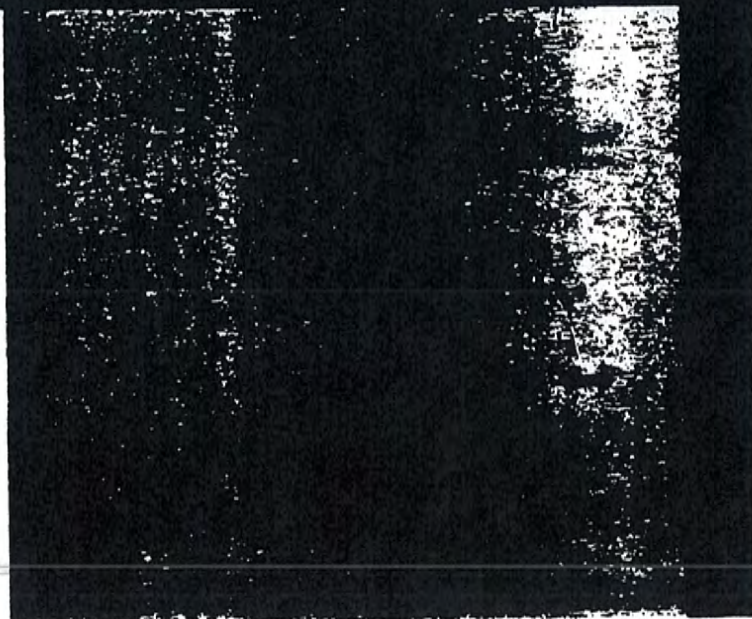


AT BELL ATLANTIC WE USE THREE SIMPLE WORDS TO DESCRIBE WHAT ALL OUR NEW

SERVICES WILL MEAN FOR OUR CUSTOMERS: CHOICE. CONVENIENCE. CONTROL.

 **Bell Atlantic**  
THE BELL SYSTEM OF COMMUNICATION

Bell Atlantic Corporation  
1717 Arch Street  
Philadelphia, PA 19103  
(215) 963-6000



---

**Government and  
International  
Operations**

WASHINGTON, D.C. \*  
1901 North Moore Street,  
Suite 609  
Arlington, Virginia 22209-1772  
(703) 524-2310  
TELEX: 89-2577  
Fax: (703) 524-5575

BOSTON, MASSACHUSETTS  
10 Mall Road, Suite 245  
Burlington, Massachusetts 01803  
(617) 229-0400  
Fax: (617) 229-0404

DAYTON, OHIO  
Wright Point Office Building  
5100 Springfield Pike, Suite 305  
Dayton, Ohio 45431-1263  
(513) 254-8464  
Fax: (513) 254-0302

FT. MONMOUTH, NEW JERSEY  
766 Shrewsbury Avenue  
Tinton Falls, New Jersey 07724  
(908) 747-3101  
Fax: (908) 747-2758

HAMPTON, VIRGINIA  
1919 Commerce Drive, Suite 460  
Hampton, Virginia 23666  
(804) 825-1973  
Fax: (804) 825-1951

HUNTSVILLE, ALABAMA  
4910 University Square  
Suite 1A  
Huntsville, Alabama 35816  
(205) 895-9500  
Fax: (205) 895-9428

OKLAHOMA CITY, OKLAHOMA  
1380 S. Douglas Blvd, Suite 101  
Midwest City, Oklahoma 73130  
(405) 737-7610  
Fax: (405) 737-7045

SAN DIEGO, CALIFORNIA  
7676 Hazard Center Drive  
Suite 500  
San Diego, California 92108  
(619) 497-2545  
Fax: 497-2626

BRUSSELS, BELGIUM  
Chaussee de la Hulpe 164  
1170 — Brussels, Belgium  
(322) 672-2320  
Fax: (322) 672-9511

DUBAI, UNITED ARAB EMIRATES  
Dubai World Trade Centre  
Suite 720  
P.O. Box 9204  
(971) 437-3712  
(971-4) 306-4711  
Fax: (971) 437-3493  
(971-4) 303-493

HONG KONG  
Apartment 1733, Tower 4  
Hong Kong Parkview  
88 Tai Tam Reservoir Road  
Hong Kong  
(852) 812-3505  
Fax: (852) 812-3505

SINGAPORE  
Level 36  
Hong Leong Building  
16 Raffles Quay  
Singapore 0104  
65 322 8569  
Fax: 65 241 8247

## **Corporate Headquarters**

**E-SYSTEMS, INC.**  
6250 LBJ Freeway,  
Dallas, Texas 75240  
P.O. Box 660248  
Dallas, Texas 75266-0248  
(214) 661-1000  
TELEX: 70-3365  
Fax: (214) 661-8508

## **Divisions and Subsidiaries**

**ECI DIVISION**  
P.O. Box 12248  
St. Petersburg, Florida  
33733-2248  
(813) 381-2000  
Fax: (813) 343-1295

**MELPAR DIVISION**  
7700 Arlington Boulevard  
Falls Church, Virginia  
22046-1572  
(703) 560-5000  
Fax: (703) 280-4627

**E-SYSTEMS MEDICAL  
TECHNOLOGY SYSTEMS**  
P.O. Box 660023  
Dallas, Texas 76266-0023  
(214) 272-0515  
Fax: (214) 272-5533

**GARLAND DIVISION**  
P.O. Box 660023  
Dallas, Texas 75266-0023  
(214) 272-0515  
TELEX: 73-2306  
Fax: (214) 272-8144

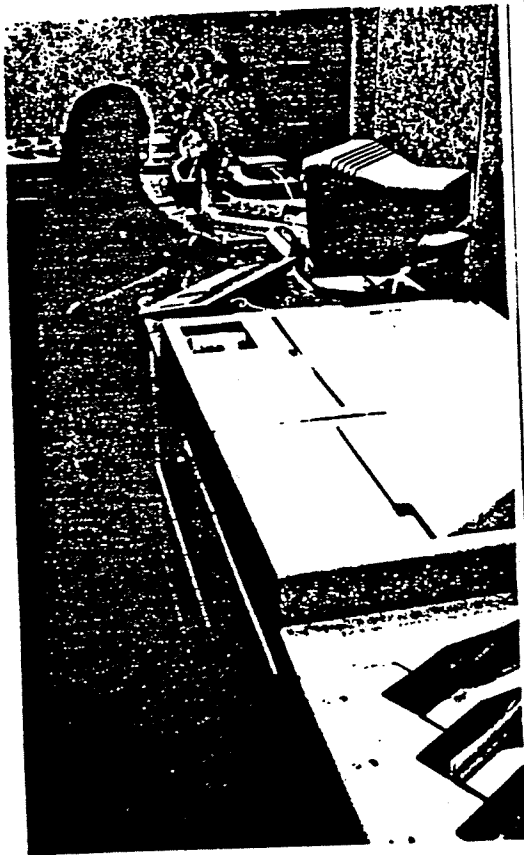
**MONTEK DIVISION**  
2268 South 3270 West  
Salt Lake City, Utah 84119-1193  
(801) 973-4300  
TELEX: 168201  
Fax: (801) 974-7581

**HRB SYSTEMS, INC.**  
300 North Science Park Road  
P.O. Box 60  
State College, Pennsylvania  
16804-0060  
(814) 238-4311  
Fax: (814) 234-7720

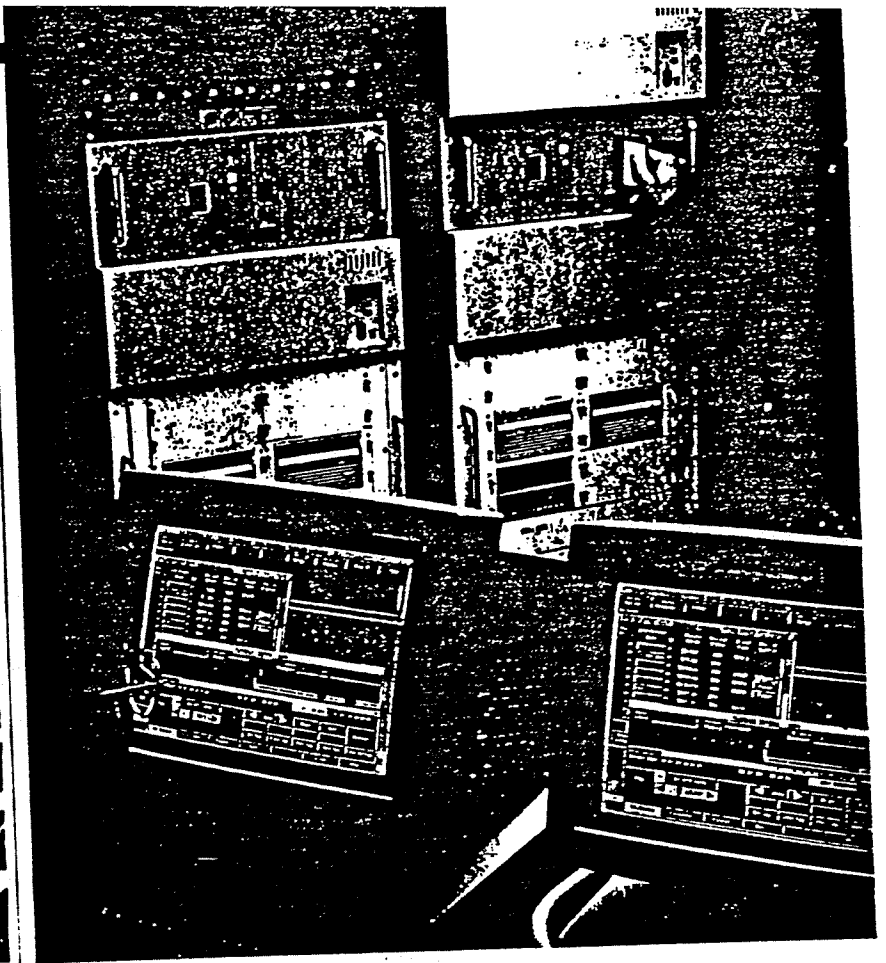
**GREENVILLE DIVISION**  
P.O. Box 6056  
Greenville, Texas 75403-6056  
(903) 455-3450  
TELEX: 6829260  
Fax: (903) 457-4413

**ENGINEERING RESEARCH  
ASSOCIATES, INC.**  
1595 Springhill Road  
Vienna, Virginia 22182-2235  
(703) 734-8800  
Fax: (703) 734-8862

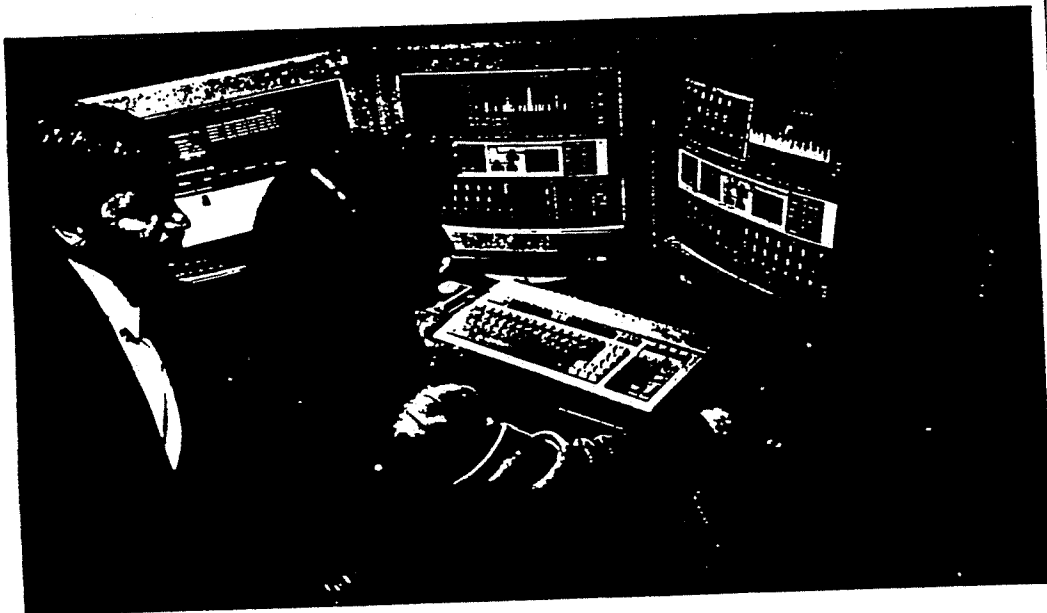
**SERV-AIR, INC.**  
P.O. Box 6669  
Greenville, Texas 75403-6669  
(903) 454-2000  
TELEX: 163334  
Fax: (903) 454-0332



▲ The Greenville Division won a contract with the Department of Education for creation and operation of the National Student Loan Data System.



▲ The Melpar Division developed a Digital Multimedia Workstation specifically configured for intelligence information storage and processing. Both U. S. and international law enforcement agencies have purchased DMW systems to process voice, data and imagery intelligence.



◀ Virtual Channel Architecture is an off-the-shelf standards-based architecture which provides a distributed real-time infrastructure for signal intelligence processing. Garland Division designers have created an innovative graphics interface and set of distributed software modules built around a common functionality call library. An operator can build, deploy and control a processing chain of hardware and software elements to exploit signals of interest.



## Transportation

During 1993, E-Systems was awarded a \$70.5 million contract to modify four Learjet Model 60 aircraft and a Challenger 601-3R for the Federal Aviation Administration. This is the first phase of a four-year \$400 million program to upgrade their flight inspection fleet.

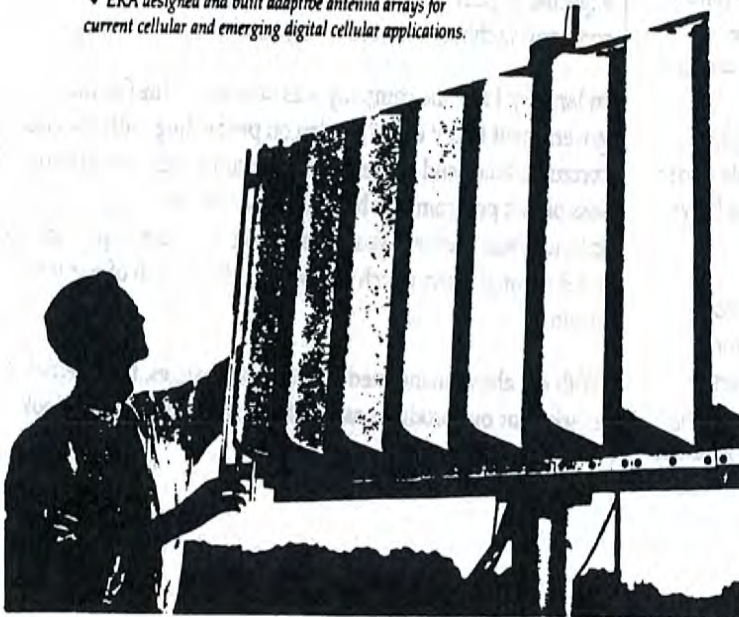
Harnessing surveillance technology developed for the Department of Defense, E-Systems has created a product to provide non-disruptive means to detect traffic incidents and estimate traffic volume and flow. The system, developed in part from a government grant, is designed to reduce congestion on America's highways and is expected to become part of the national intelligent vehicle highway plan.

Another product aimed at the transportation industry is AccuTrans. Using existing technology, E-Systems has developed a real-time system to provide fleet managers with location and status of mass transit vehicles.

▲ Defense technology is the basis for the Greenville Division's AccuTrans which provides vehicle location and status to managers of large transportation systems for use in both public and private sectors. AccuTrans will help eliminate the problem of lost buses, stranded passengers, etc.

► Greenville Division technology helps ensure air safety throughout the United States. Modifications to FAA aircraft allows accurate testing of civilian airport navigational equipment such as instrument landing systems, microwave landing systems, distance measuring equipment and radar systems.

▼ ERA designed and built adaptive antenna arrays for current cellular and emerging digital cellular applications.



**Sources of liquidity and capital resources** - Net working capital increased \$83 million from the prior year-end to \$581 million. Net cash provided by operating activities was \$96 million for 1993 compared to \$123 million for 1992. This change was primarily due to collections of accounts receivable. Cash and cash equivalents at the beginning of the year and funds provided by operations were used to finance capital expenditures of \$52 million, pay dividends of \$36 million and payoff \$52 million in long-term debt and installment lease obligations.

The ratio of total debt to equity was .04 at December 31, 1993 which is down from the total debt to equity ratio of .16 at December 31, 1992. This decrease is due to the \$50 million payoff of the five year, fixed rate Senior Notes in August 1993.

The ratio of current assets to current liabilities was 4.4 at December 31, 1993 compared to 3.0 at December 31, 1992. Excluding the effect of adoption of Statement of Financial Accounting Standards (SFAS) No. 106 in 1992, return on equity increased from 15 percent in 1992 to 17 percent in 1993.

The Government recently reduced the progress payment rate on fixed-price contracts from 85 percent to 75 percent. This change will increase requirements for working capital. Current financing agreements provide lines of credit up to \$350 million of which \$24 million was borrowed at December 31, 1993. Management believes these lines of credit and internally generated funds will be more than adequate to meet increased working capital requirements, capital expansion projects, dividend payments to shareholders and satisfy payment of the company's maturing debt obligations.

In the first quarter of 1993, the company made the decision to fund a portion of the recurring costs associated with retiree health care benefits. To do so, the company established a 401(h) account, which is a part of the E-Systems Salaried Retirement Plan, and a 501(c)(9) trust known as a voluntary employees' beneficiary association (VEBA). Funding the retiree health care costs will make them allowable under government contracts and deductible under Internal Revenue Service regulations, thereby, minimizing future profit impact.

**Business Environment** - The ongoing and dramatic geopolitical changes occurring in the United States and throughout the world continue to result in changes in the requirements and priorities established by Congress and the administration. Defense spending continues to decline with FY 1994 authorization at \$262 billion and an administration target of \$200 billion by the end of the decade. The

total intelligence budget is expected to remain approximately flat over the next several years. Our customer environment is also changing with a continuing re-evaluation of roles and missions, pressure to reduce spending and a push to combine common functions within the various departments and agencies.

There continues to be a large number of political and military pressure points throughout the world. The two currently dominating are the Bosnian conflict in Eastern Europe and the uncertainty that exists in the former Soviet Union. The number and diversity of conflicts or potential conflicts, coupled with decreasing forces, makes the intelligence function more important than ever. The company believes there will be a continuing need for precision weapon systems, expert command and control capabilities, and the collection and distribution of precise and timely intelligence information. As a leader in the design, development, deployment and operation of sophisticated information-oriented collection, analysis, monitoring and dissemination systems, the company is well-positioned to respond to these needs.

We are also applying our technical and business strengths to markets which are outside our traditional business. This is evidenced by contract awards from the Department of Education for the development and operation of the national data base for student loans and grants and the FAA for the flight inspection aircraft program. The total value of this FAA contract including options exercisable through FY 1996 is approximately \$400 million. These programs combined with increasing market acceptance of our EMASS® information storage and retrieval products and our continuing push into medical image processing and information are expected to provide a larger non-traditional business base for the company within the next several years.

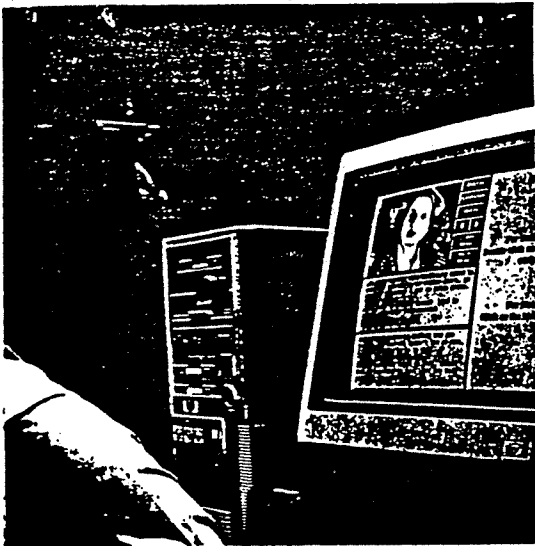
In January 1993, the company was notified by the German government that it does not plan on proceeding with the GAFECs reconnaissance and surveillance program at this time. Though the loss of this program will have an impact on the company's short-term international business goals, we believe there are opportunities in the international arena which will sustain the growth of our international business.

With the above mentioned geopolitical changes, the international market for our products and systems is taking on a new look.



## Seismic Electronics

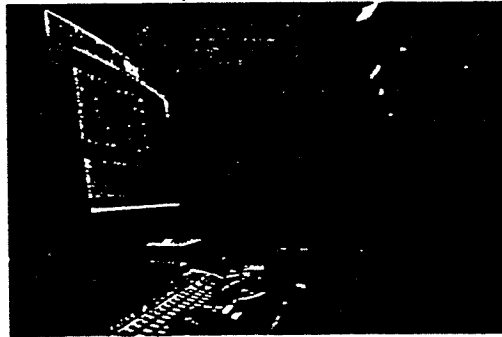
Hailed as a "critical technology" by the oil industry, the cross-well seismic technology being developed by E-Systems is a sounding tool to map the earth's underground strata. Seismic signals are generated in one well, then sent to others up to 3,000 feet away at depths to 20,000 feet. The tool introduces much greater non-destructive energy for cross-well seismology applications and can revolutionize the science of oil exploration and recovery. This development evolved from our expertise in electro-hydraulic technology.



## Language Processing

Using automated information processing, E-Systems multi-language optical character recognition system applies language processing and image pattern recognition techniques to automatically retrieve, sort, distinguish and categorize documents and other texts.

E-Systems has turned watching award-winning films into a language learning experience. With our interactive Language Dynamics system, users view films in foreign languages to learn conversational usage. The system allows viewers to pause and study words or entire passages with on-screen explanations, providing an economical and self-paced method of learning.



(Far left) Award-winning films, CD-ROM technology and the user's own computer combine to improve language skills in HRB Systems Language Dynamics instruction system. Available in several languages, the multi-media, interactive system allows users to pause foreign language films to study words or entire passages and provides economical, self-paced learning.

◀ Optical character recognition is one aspect of Automated Information Processing, a specialty of HRB Systems. AIP applies language processing and image pattern recognition techniques to automatically retrieve, sort, recognize and categorize documents and other texts.

▼ This Vista Flite Net configuration is a Garland Division-developed product created to enhance weather and flight information functions for all air flight service stations. The system utilizes a PC based, open architecture and LAN configuration and replaces five racks of custom designed equipment with two racks of off-the-shelf components thereby lowering cost and development time.





***E-Systems is not the status quo.***

***We are confident about our future. E-Systems has the technological capability, the financial strength and the people to meet our growth objectives.***

***With a solid base of defense customers and a growing list of commercial endeavors, E-Systems will continue to be a pacesetter in advanced technology and creative systems design. Working smarter and harder, we will strengthen our hold through innovation, acquisitions and strategic agreements while continuing to focus on superior performance and support for all our customers.***

