

U n i source



ANNUAL REPORT 1995

ABOUT THE GROUP

- **Unisource is an independent pan-European provider of global telecommunication services and is recognised as one of the leading companies in the market. It provides seamless international services with a pan-European and global reach.**
- **Unisource offers its customers a single point of contact thus avoiding the inconvenience of dealing with various telecommunication providers in different countries.**
- **Unisource offers best-of-breed solutions in all key areas of international telecommunication facilities and services. Our activities fall into three areas:**
 - **the distribution of telecommunication services (local sales, customer support and operations);**
 - **the provision of services to corporate customers (data, voice and satellite) and to people on the move (mobile and cards);**
 - **the operation of networks for telecommunication providers and carriers (network management).**
- **PTT Telecom B.V. of the Netherlands, Telia AB of Sweden and Swiss PTT have joined Unisource to internationalise their business activities by providing new services to new markets.**
- **Telefónica de España S.A. will join Unisource as fourth and equal shareholder in the first half of 1996.**
- **Unisource in co-operation with AT&T provides international voice services to closed-user groups. A series of wider arrangements are under development between Unisource and AT&T to further expand the co-operation and scope.**
- **Unisource is leveraging on the combined resources of the shareholding companies, who also act as distributors in their home markets. In other markets, distribution takes place through joint ventures with other independent companies or via Unisource's own local operating companies.**
- **Unisource is a well-established company with international European-based blue-chip corporations among its customers. Some of these include leading companies such as Akzo Nobel, Hilti, Peugeot, Renault, Shell, Volvo, Winterthur.**
- **Unisource's net revenue amounted to NLG 1,316 million in 1995. Unisource employs 2,229 people and has operating companies in 16 European countries.**

Stockholm i juni 1996

Bästa kollega

Unisource-koncernens resultat för 1995 är klart och jag skickar dig här vår årsredovisning. 1995 var ur många aspekter ett händelserikt år. Under det gångna året gjorde Unisource stora investeringar för att stärka närvaron på den europeiska marknaden.

Vi har fokuserat på att vidareutveckla de internationella nätverken för data och telefoni samt att inleda samarbetsprojekt i bland annat Frankrike och Tyskland. Kostnaderna i samband med investeringarna har dock lett till att vi trots ökade intäkter redovisar ett negativt nettoresultat för 1995.

Här i Sverige redovisade vi för tredje året i rad ett positivt resultat. Vi klarade vårt budgetmål med god marginal. Det är många nya avtal och kunder som har bidragit till detta. Några affärer som är väl värda att nämna är den med STORA som gjordes redan 1994, men som verkligen har burit frukt under 1995. En annan är ramavtalet med WM-data och en tredje är kontraktet med Länsförsäkringar.

Under 1995 har vi i Sverige och Norden fortsatt att utveckla samarbetet mellan oss och Telia som distributör. Vi har kommit ett par steg på väg, men än återstår en del att göra innan vi har ett alltigenom välfungerande samarbete. På marknaden fortsätter vi att göra framsteg. Prognosen för 1996 tyder på att vi även i år klarar våra uppsatta mål.

Vi har en spännande höst framför oss. Till dess, trevlig sommar!

Med vänliga hälsningar



Thomas Svalstedt
VD
Unisource Business Networks Sverige AB

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It is with great pleasure I have signed this Unisource Annual Report 1995 as President. Although I recently took the responsibility, I have already had an extensive working relationship with Unisource for some time, both as part of the main decision bodies and as co-ordinator of the Telefónica team preparing for a full partnership in the venture.

My colleagues, Viesturs Vucins and Carl Göran Larson, Unisource's previous Presidents, have handed over a company that has earned full market recognition. This is a remarkable achievement, considering that Unisource was established in 1992. An internationally operating telecommunication group of companies, with more than 2,000 employees and with revenues of over NLG 1.3 billion, has been built to become one of the leaders in the pan-European market in only a three years time frame.

Francisco Ros
President Unisource N.V.

MISSION AND STRATEGY

Unisource is the first truly pan-European telecommunication company with a global reach.

Unisource regards Europe as one telecommunication market, where customers can enjoy the convenience and economies of global telecommunication through 'one-stop-shopping' and 'one-stop-billing': one point of contact and accountability, one contract, and one invoice routine.

At the same time, the Unisource strategy is firmly based on strong national distributors, well-connected with the local business culture and with the necessary networks and support resources.

Unisource aims to be a leading supplier of global telecommunication services to corporate customers and individuals based in Europe.

This will be achieved by:

- Consistently meeting and exceeding the customers' needs for value-for-money solutions better than the competitors;
- Providing a comprehensive range of high quality telecommunication services both inside and outside Europe;
- Offering customers a single point of contact and one contract for their telecommunication needs;
- Reaching critical mass via e.g. alliances and acquisitions;
- Organising activities in customer-oriented business operations;
- Creating a truly multinational organisation, working as one, with a culture and environment which attracts and retains the best people;
- Building up a healthy financial track record and creating shareholder value.

BUSINESS OPERATIONS

Unisource activities fall into three areas:

Participating in distribution in national markets to achieve a deeper and wider pan-European market presence, enabling Unisource to offer its customers truly seamless pan-European and global services and customer support from one point of contact in all major markets.

In the home markets of Unisource the shareholder companies act as distributors. SIRIS, a joint venture with Compagnie Générale des Eaux (CGE), is the distributor in France. In Germany, Communications Network International (CNI), which is a joint venture between Deutsche Bank and Mannesmann, act as distributor.

In other European markets, distribution is conducted directly by Unisource. In the USA, AT&T is the distributor of the voice services jointly developed by Unisource and AT&T.

Providing services for data communication, voice, satellite, messaging, outsourcing and other business services, catering to the needs of large and medium-sized corporate customers; providing personal services to people on the move, such as mobile and card services developed for the needs of frequent travellers, small companies and individual consumers.

This achievement has been accomplished under the challenging circumstances that the sector is living through as a result of liberalisation, internationalisation, technological innovation and more sophisticated customer requirements. These, however, are precisely the reasons that have led all of us to create and develop Unisource as a powerful tool needed to effectively compete in this new environment. In this respect we have our mission clearly in sight. That mission is to be fully established and to become highly respected as a leading communication company with a strong European emphasis, yet offering a full global reach and seamless services.

Unisource already has at its disposal a marketing network that spans Europe and is anchored throughout the world with partners such as AT&T, WorldPartners and Infonet as well as shareholders' own investments in different parts of the world. We have experts working on the forefront, keeping their finger on the pulse of the latest technological developments all over the globe. We can draw on our shareholders' experience and expertise, built up over decades. We have our local strongholds in co-operations with CGE, Mannesmann, Deutsche Bank and others, which have highly reputed capabilities; together, we have set up teams that have successfully catered to our customers' telecommunication requirements. Last but not least, we have an impressive list of customers, most of them household names.

These combined resources ensure that our business growth remains on track, as it did in 1995. When I look back, I am convinced that we have again made a number of top-class achievements which have brought us closer to the realisation of our mission.

The agreement with Telefónica to join Unisource as fourth and equal shareholder is an example of such an achievement. Fleshing out our partnership with AT&T and the preparations for the start of the future joint venture company Uniworld are equally important. Unisource has moved from a pioneering phase to a more mature operational phase.

As a result we have defined our aims and markets more precisely and regrouped our activities - all in order to get closer to our customers and offer them a more flexible and higher quality service.

Great efforts are necessary to win and retain a leadership position. Unisource has invested substantially in networks, services, organisation and customers in the past few years. On top of the existing and mature domestic data business Unisource has expanded into new activities: voice services, international calling cards and pan-European network services.

Unisource is investing in the future, and this is reflected in our financial statements. With this conviction I want to show the greatest respect for all our customers, shareholders, partners and employees. They have put Unisource on the international map as a highly respected company. I trust that we can count on the same commitment from all these parties for the coming tasks ahead of us.

Hoofddorp, April 25, 1996

Unisource has again made a number of top-class achievements which have brought us closer to the realisation of our mission: to become a leading Europe-based communication company with a global reach and seamless services.

LETTER FROM THE PRESIDENT

Unisource Business Networks supplies data network, message handling and outsourcing services to corporate customers and has customer support and service units in all major European markets. In the Unisource home markets, the Netherlands, Sweden and Switzerland, Unisource is also responsible for service development and network operation.

Unisource Voice Services offers International Virtual Private Network (IVPN) and other Closed User Group services.

Uniworld will in the future combine and provide all international data, business voice and message handling services to corporate customers in Europe.

Unisource Satellite Services provides solutions to supplement terrestrial infrastructures. Services include back-up and load-sharing at peak periods.

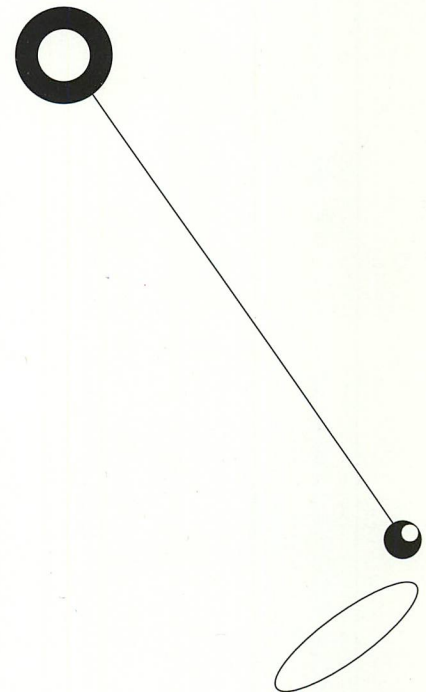
Unisource Mobile's core activity is to provide value-added personal communication services for business travellers and people on the move. It is developing value-added services and its retail activities are ancillary to the services provided.

Unisource Card Services offers personal and corporate post-paid card services. The card allows subscribers to make calls at a special price from countries in Europe to anywhere in the world and to receive bills for their calls at the home address. In addition, a pre-paid calling card was recently introduced. Other card-based services include voice mail and interpreter services.

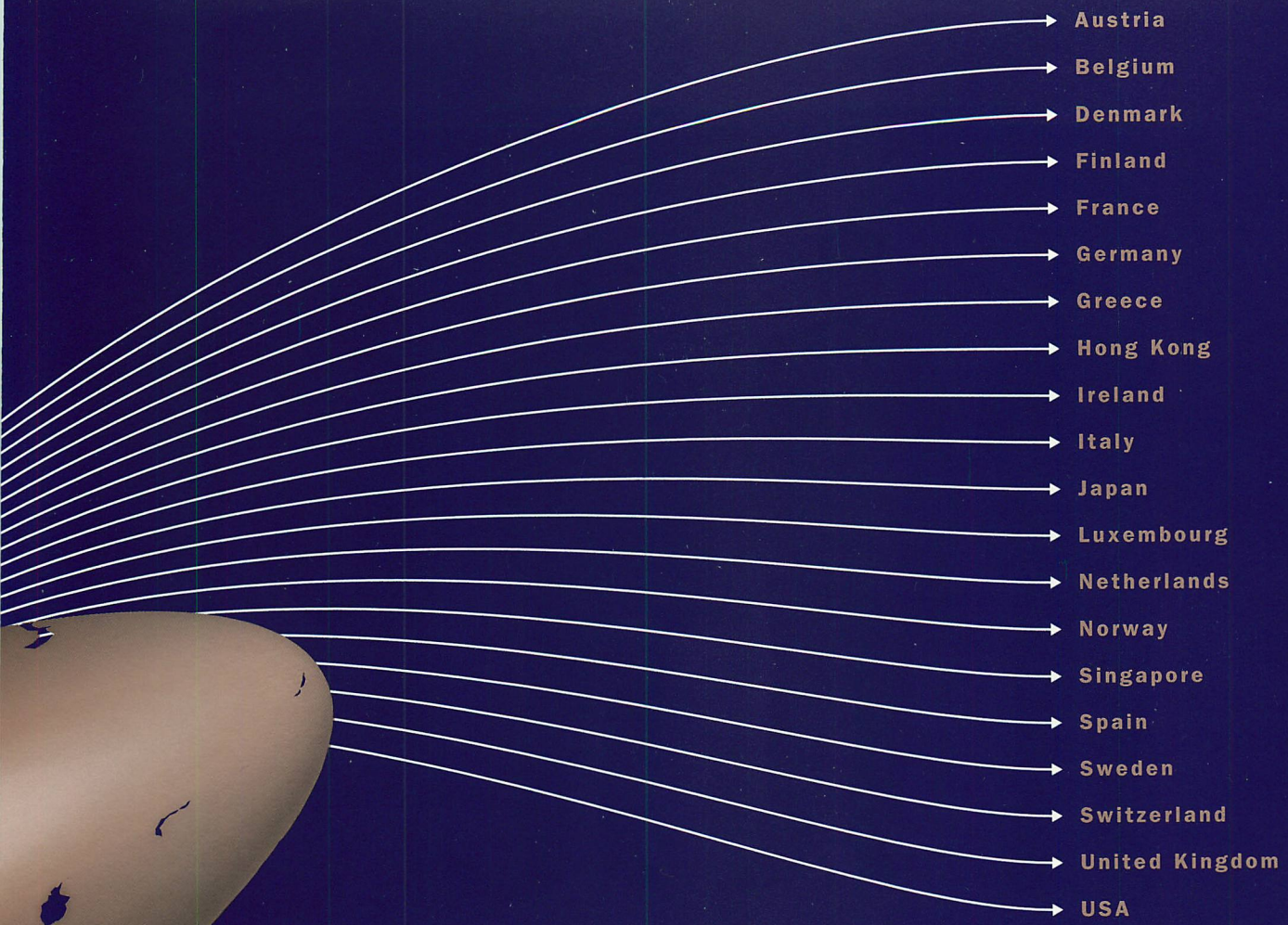
Operating networks consists of providing international network services to Unisource, its shareholder companies, and to other telecom operators.

Unisource Carrier Services is mandated to realise synergies in the international networks of the Unisource shareholders in order to reduce costs. It manages and co-ordinates the development of the shareholders' international networks, with the ultimate aim of extending them into a truly pan-European transmission network with global connectivity.

Additional to rationalisation of the shareholders' international network operations Unisource Carrier Services is offering switched transit to other network operators and other switched services to service providers.







GEOGRAPHICAL PRESENCE



*Supervisory Board members
from left to right:*

L. Berg •
B. Verwaayen •
F. Rosenberg •
S. Johansson •
A. Käser •
P. Smits •

During the year, the Board defined guidelines and reconfirmed the Mission Statement for the Unisource Group. Special emphasis was given to the description of the different levels in the value chain: distribution, service provision, and network operation. Each company in the Unisource Group now has distinct assignments and a clear-cut responsibility, while Unisource as a whole has achieved an organisational structure enabling effective cultivation of the market.

An agreement was reached for Telefónica to become the fourth full-fledged shareholder in Unisource N.V. effective May 31, 1996. With the addition of Telefónica, Unisource achieves a critical mass in its business that will enable success far into the future. We are convinced that this new relationship will be very productive and will also create business opportunities for Unisource between Europe and the Latin American markets.

Cooperation between Unisource and AT&T, which began with the signing of the EVUA agreement in 1994, deepened during the year, and the two companies notified the EU Commission how they intend to organise their collaborative efforts. We expect the Commission to grant its approval during 1996.

The Board would like to express its satisfaction regarding the manner in which Unisource has succeeded in positioning itself in the market. By winning a large number of reference customers and building up goodwill, the Company has attained a market presence unmatched by any other constellation in the European market. All indications show the cooperation with AT&T is perceived favorably by customers.

Unisource still finds itself in a formative phase, as reflected in its results, and has required additional, substantial capital contributions from the owners. We expect that no later than two years after the European market is deregulated in 1998, Unisource will report a profit and generate a surplus for its owners.

One precondition for this is for Unisource, following a period of strong expansion, to now focus on improving its cost-efficiency at the same time as it accelerates the pace of development of its pan-European network and the establishment of relationships with partners in national markets.

In 1995, the Board began taking measures aimed at boosting the business orientation of activities and awareness of costs in the Group. The Board intends to intensify such measures in 1996.

We are pleased to present the 1995 Annual Report of Unisource N.V. as prepared by the Management Board and approved by the Supervisory Board. The financial statements were audited by Coopers & Lybrand, whose report is included on page 50.

We recommend the shareholders to adopt these financial statements and allocate the 1995 results to Other Reserves. Pursuant to Article 30 of the Articles of Association, adoption of the financial statements will discharge the Management Board from all liability for the conduct of the Company's affairs and the Supervisory Board for their supervision and advisory duties.

The members of the Supervisory Board thank Carl Göran Larson, Joseph Nançoz and Gerard van Velzen, members resigning from the Board, for their commitment in carrying out their duties in 1995. We would also like to express our gratitude to Viesturs Vucins and Carl Göran Larson, former presidents of Unisource, for their dedication and tremendous efforts in launching the alliance.

Finally, we express our appreciation to personnel at all levels of the organisation who demonstrate the spirit of the alliance as they contribute to the progress of the Unisource Group.

Hoofddorp, April 25, 1996

L. Berg, *Chairman*

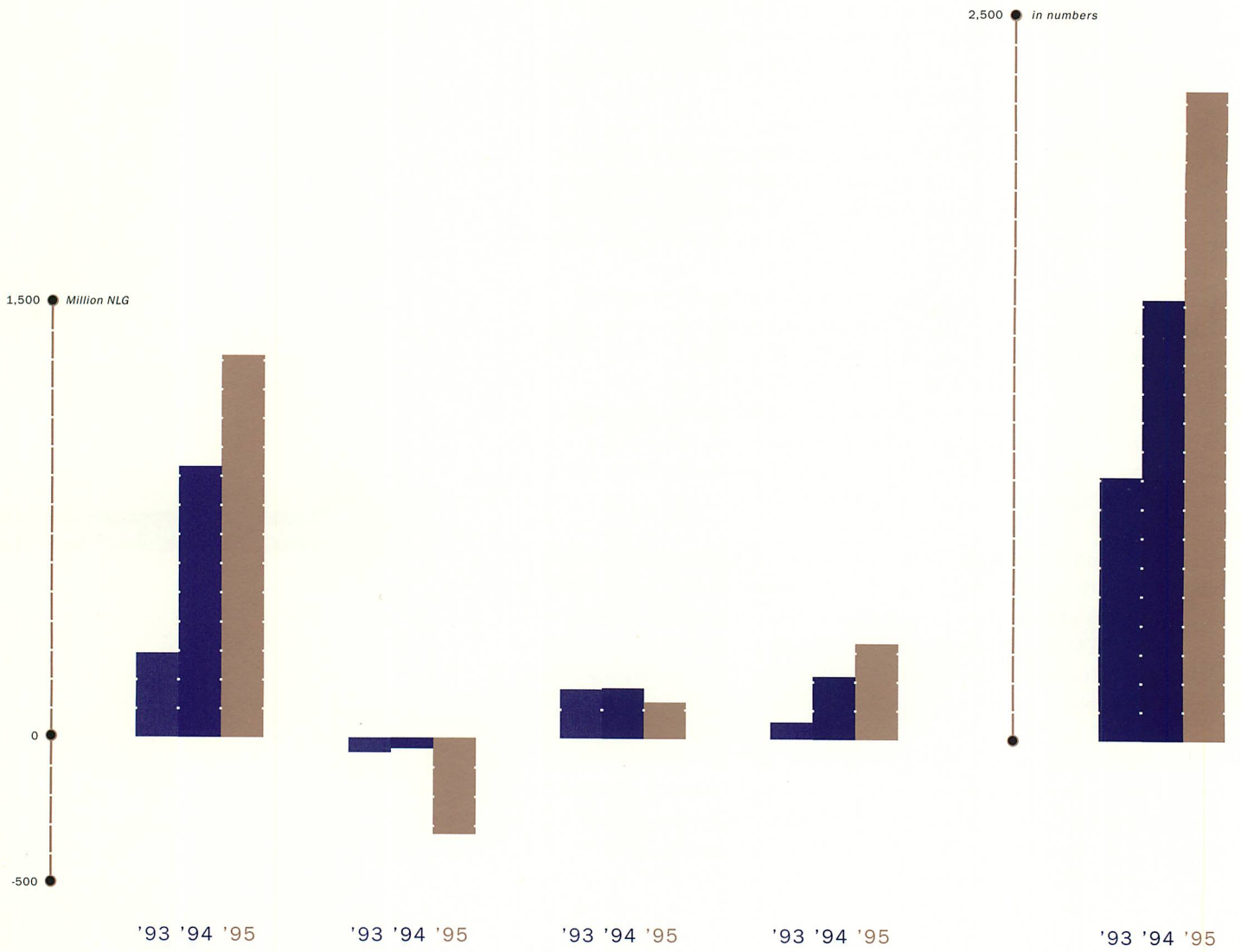
By winning a large number of reference customers and building up goodwill, the Company has attained a market presence unmatched by any other constellation in the European market.

REPORT OF THE SUPERVISORY BOARD



KEY FIGURES

Revenues	Net Result	Group Equity	Investments	Employees
294 • 933 • 1,316	-50 • -41 • -320	174 • 176 • 119	55 • 213 • 326	910 • 1,518 • 2,229



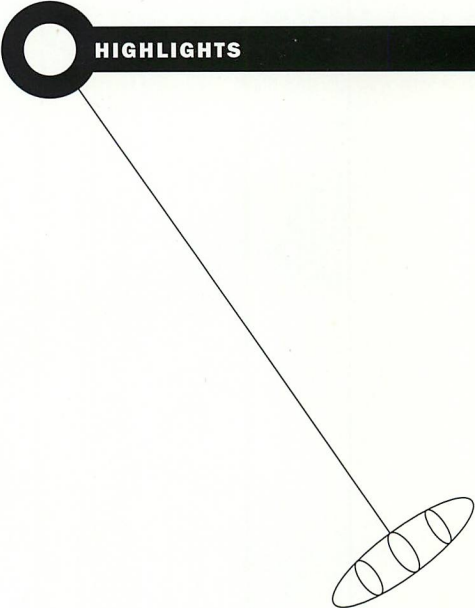
BENCHMARK ACHIEVEMENTS

Business

- The Unisource pan-European voice networks are up and running, the first significant customer projects have been installed and are operating successfully. New services were launched such as Virtual Network Services and a radical upgrading of its IVPN service has strengthened Unisource's operational base.
- The data communication business in the home markets produced an increase in revenues and sustained a competitive and profitable position.
- Unisource Carrier Services has taken off as a carrier's carrier. It was able to generate a substantial volume of transit traffic on behalf of the shareholders. Unisource Carrier Services successfully managed the international networks of the shareholder companies and routed their traffic.
- Unisource Card Services showed progress. A corporate card was introduced and contracts were signed with several new partners.
- The international customer base has increased substantially.
- Net revenues have again increased significantly with new activities accounting for a substantial share of the growth.
- Unisource is investing heavily in the future. Today's investments are laying the foundations for future profitability.
- Unisource has moved from a pioneering phase to a more mature and customer-driven operation.

Alliances, partnerships and acquisitions

- Telefónica will become a fourth and equal shareholder early in 1996 and will transfer its data and satellite activities to Unisource. This will lead to greater efficiency, the benefits of which will be passed on to our customers.
- Agreement was reached with AT&T on strengthening the co-operation.
- The establishment of SIRIS, in collaboration with partner CGE, has opened up the French market for Unisource.
- A Letter of Intent was signed with Deutsche Bank and Mannesmann, to co-operate through the joint venture company CNI, to penetrate the German market.
- The acquisition of TMG in Germany has given Unisource access to the German market for mobile services.
- Unisource was one of the founders of the Multimedia Services Affiliate Forum, set up to enable suppliers to agree to standards necessary to develop the market.

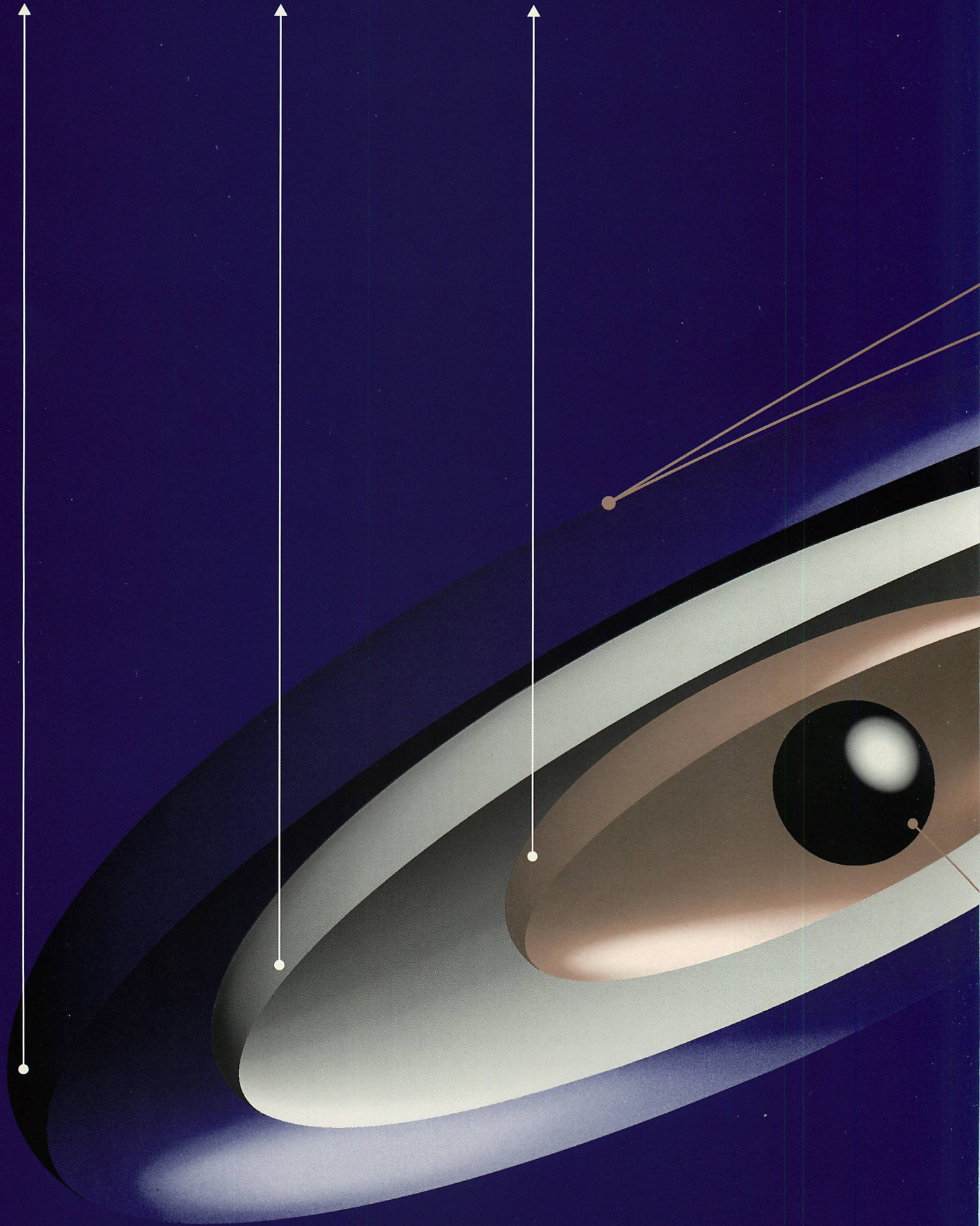


HIGHLIGHTS

Distributors /
Local Operators

Service Providers

Network Operator





PTT Telecom B.V.
Telia AB
Swiss PTT

GROUP STRUCTURE

Unisource N.V.



INTRODUCTION

1995 was a year of important strategic progress for Unisource. In a dynamic and highly competitive environment, Unisource again made significant strides towards achieving its goal of becoming a leading supplier of global telecommunication services to customers based in Europe by the end of the century.

Unisource was established in 1992 by PTT Telecom B.V. and Telia AB of Sweden in response to the internationalisation and pending liberalisation of the European telecommunication market. Swiss PTT subsequently joined the venture and an agreement has been reached with Telefónica de España S.A. to become Unisource's fourth and equal shareholder.

Unisource is unique, in that it is the first truly pan-European telecommunication company to offer seamless pan-European and global services. The national data communication activities, which the shareholders have brought into the venture, form a solid base for Unisource to expand on a pan-European scale. Last year saw significant advances in the integration of these operations.

The agreement reached with AT&T to form a partnership to provide telecommunication services was a strategic milestone. The planned joint venture, Uniworld, will be launched once the European Commission has given its approval.

Unisource made important strategic decisions on the geographical focus of its activities last year, identifying Europe's largest telecommunication markets in Germany, France, Italy and the United Kingdom as its major target.

Unisource also focused on the further expansion of the company, its organisation and technological capacity. Unisource is now moving from a pioneering to a more mature and customer-driven operational phase. Its first years in business were used to install its own pan-European telecommunication network and to build up a marketing organisation, which is represented across Europe through its own offices, its shareholder companies or through its strategic partnerships. In this way, Unisource has become the vehicle for European-based operations and European services with a global reach.

Although Unisource is still a very young company, it has already gained a strong position in the European market. Unisource made several major commercial breakthroughs in 1995, underscoring its position as one of the leading European telecommunication companies operating at the international level.

A crucial date for Unisource will be January 1, 1998, when the European telecommunication market is due to be fully liberalised. Unisource made major advances in preparing the company for that crucial moment during 1995. This requires significant investments.

Unisource is investing in the future. This is why substantial sums were allocated to the development of new activities in 1995. These activities are expected to return value to the shareholders by the turn of the century. In line with the expectations, and relative to 1994, 1995 ended with a satisfactory increase in revenues and with an increased consolidated negative result.

There is no doubt that Unisource is on track in terms of revenues and financial targets. In the development of its business, Unisource enjoys the full support of its shareholders.

Unisource is investing in the future. It is fully on track in terms of revenues and financial targets and enjoys the full support of its shareholders.



MARKET TRENDS

Markets, size and growth

Since the late 1980s basic telecommunications has been changing rapidly with the arrival of digitalisation, optical fibre replacing copper, and dedicated lines for data communication added to the infrastructure. Multimedia applications on a large scale are becoming viable and emerging technologies, such as ATM will enhance this. The most important drivers for these technology trends, apart from costs, are emerging customer needs, such as globalisation of business and the exploitation of information technology to restructure business, and market trends, such as the speed of development of Internet.

This combination, coupled with a regulatory environment in Europe, which will move to full liberalisation, is changing the industry. Information technology and telecommunications are merging to create a complex networked business system with an increasing number of players and roles, all interlinked to provide the solutions that customers are looking for. Despite this growing complexity, telecommunications will become a commodity business within a few years.

The volume of data, voice and video transmission is expected to grow rapidly until the end of the century. The European telecommunication market is large. Total spending on telecommunications in the European Union and EFTA countries amounts to NLG 250 billion, making it one of the biggest industry sectors in this region. The market comprises 380 million people, 20 million companies and many organisations in the public sector. The market is expected to grow by 7% annually up to the end of the century, bringing total spending on telecommunications to NLG 350 billion in the year 2000.

Germany, France, Italy and the United Kingdom are the major national markets in Europe, accounting for 70% of telecommunication spending. The home countries of Unisource - the Netherlands, Sweden, Switzerland and Spain - account for 13% of total European market volume.

The market for VSAT-satellite services grew satisfactorily in 1995. It became clear that European business is now embracing VSAT-satellite solutions for their communication needs. Other significant trends on the customer side are that customers will require services with broader band-width for multimedia rather than simple data, and that one-stop-shopping and totally integrated solutions will be of key importance to customers rather than simple capacity. Finally, customers are seeking much wider geographical connections, with South America, Africa and Asia growing in importance.

On the Western European mobile telephony market, cellular telephone subscribers are increasing at a rate of about 60% per year (reaching approximately 19 million subscribers in December 1995). The average European penetration level is about 5%, up from 3% in 1994.

This rapid growth is being driven by the shift from analogue to digital cellular services, leading to increased capacity and the possibility of roaming. Falling cellular terminal prices make the services more accessible to a larger population. Increased competition puts a downward pressure on tariffs for communications and creates a dynamic marketplace.

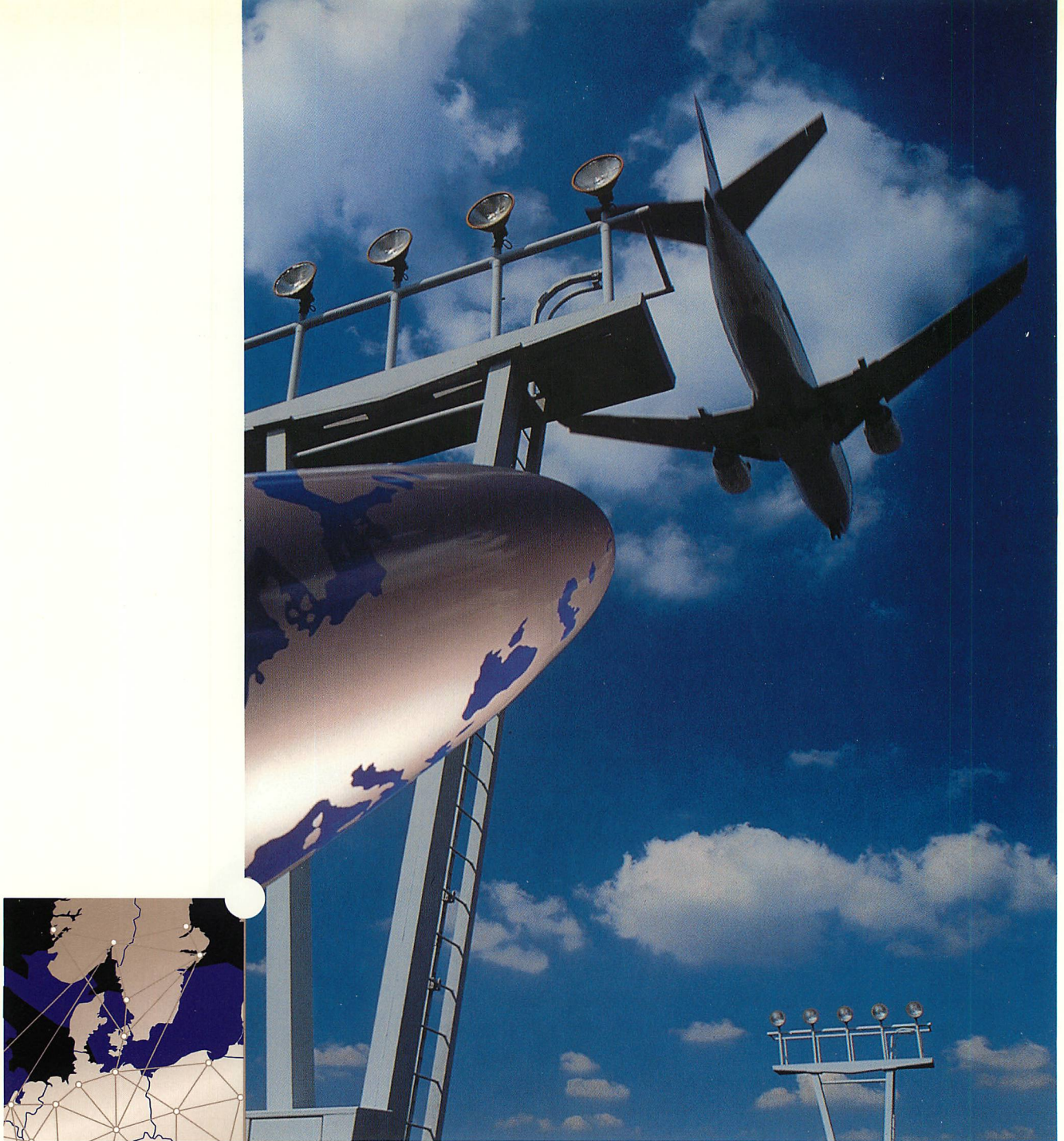
The calling card services market faced strong competition from cards offered by the traditional national telecommunication operators in 1995. This is a result of their competitive rates on calls to and from home countries. In addition, in some particular markets, small players have emerged who are aggressively marketing their new products.

The liberalisation of the European telecommunication market

At present the European telecommunication industry is still dominated by traditional national telecom operators. This will change when the market becomes deregulated in 1998. Numerous new suppliers can already be observed entering the market, either alone or in an alliance with existing providers, lured by the market's size and projected growth.

New technologies, emerging customer needs, globalisation of business and regulatory environment in Europe that is moving to full liberalisation, is changing the industry.





The opportunities offered by liberalisation have positively influenced the evolution of the legislative environment in 1995. Telecommunications is seen by most European authorities as an important sector. European industry has come to accept telecommunications as a way to bring down costs and increase efficiency. Furthermore, the business sector is investing heavily in state-of-the-art communication services to strengthen its competitive position. The liberalised European telecommunication market will be one of the foundations under the European Union, guaranteeing future economic growth.

This resulted in new legislation and the implementation of legislation designed to deregulate the telecommunication sector in Germany, France and the Netherlands among other countries. At the heart of the Unisource strategy is the desire to put the liberalisation process to proper use. Indeed, more than that, Unisource aims to play a leading role in opening up the telecommunication sector for the benefit of the users of these services.

DEVELOPMENTS AND PROGRESS

Introduction

Unisource strengthened its reputation as a leading player among a growing number of multinational companies in 1995. This was evidenced by the flow of new customers to Unisource as well as by independent market studies.

The company is leaving the pioneering phase. Networks have been installed and the necessary technology acquired. At the same time, steps have been taken towards expanding and strengthening the mature business brought into Unisource by its shareholder companies and to start up new activities.

Business activities

As in 1994, Unisource made substantial efforts and investments in expanding its international network capabilities last year. In particular, Unisource Carrier Services set up various traffic handling activities. Major advances were also made towards the creation of Unisource Carrier Services' pan-European network.

The largest revenue generators in 1995 were, as expected, the Unisource Business Network companies in the home markets. Their business developed in line with targets. Further advances were made towards integrating and boosting efficiency of the activities, that the shareholders have contributed to Unisource.

Together with AT&T, Unisource worked hard and successfully last year on the benchmark contract with EVUA (European Virtual Private Network Users' Association), which was acquired in 1994. EVUA, comprising some 40 very large multinational companies, is pre-empting European deregulation with a legitimate formula to plan and buy voice and other telecommunication services its members need, without delay.

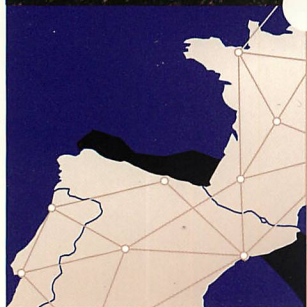
The EVUA pilot project - an IVPN service for Closed User Groups, launched successfully in 1994 - progressed into an extended service operation in 1995. Unisource and AT&T introduced their new full-feature Virtual Network Services (VNS) last autumn. VNS has all the advantages of a private network, yet uses public network facilities. It is a practical solution which provides a complete end-to-end service. Several supplementary orders have been received and new customers won, due to the existing users' satisfaction with VNS.

Another important development in 1995 was Unisource's non-exclusive interconnection agreement with Infonet Services Corporation. This arrangement allows Unisource to offer improved global data services to European customers. Unisource can leverage on the Infonet World Network to extend the global reach of its European customers to 165 countries. In turn, it permits Infonet to offer the Unisource pan-European network to its customers outside Europe, who require dense in-country coverage on the European continent.

Unisource also co-operates with AT&T in WorldPartners Company. Since 1994, Unisource has held a 20% stake in WorldPartners Company and is the exclusive marketeer of its WorldSource services and support portfolio in continental Europe. In addition to the partners AT&T, KDD of

● Unisource aims to play a leading role in liberalising the telecommunication market for the benefit of the users of these services.





Japan, Singapore Telecom and Unisource, WorldPartners has members such as Telstra of Australia, Unitel of Canada, PLDT of the Philippines, Korea Telecom, Hong Kong Telecom and Telecom New Zealand International.

Unisource is one of the founders of the Multimedia Services Affiliate Forum, set up to enable suppliers to agree on the standards necessary to develop the market. This affiliate programme is in line with Unisource's strategy to offer and deliver leading-edge services with a high value-added content to the market. The programme will form a solid base for co-operation between suppliers providing in the areas of these leading-edge services.

As a first result, Unisource signed a Memorandum Of Understanding with the American software company Lotus under which the Unisource networks will be used on a non-exclusive basis, as a platform for providing business-to-business application services.

Unisource Satellite Services strengthened its position by introducing services for all types of voice and data applications. Other major steps included the launch of an ISDN service via satellite to extend customers' video conferencing reach, and the founding of a group of distributors to exploit market opportunities in Eastern Europe. In addition, Unisource Satellite Services is working closely with the Austrian PTT on service provision.

Presently, Europe is in the final stage of allocating GSM licences. Unisource Mobile has explored several of these license opportunities and has made license bids in Belgium and Ireland; both bids were unsuccessful. New business opportunities for Unisource Mobile are offered by the planned frequency allocation throughout Europe. The regulators are currently investigating the possibility of granting licences for access to the radio-based local loop, as a serious attempt to break up the monopoly control of the local loop.

To differentiate Unisource Mobile from other operators as a pan-European player in the cellular business, services and service packages are being designed to attract and retain customers with international needs, primarily multinational corporations and international business travellers. As the use of mobile phones spreads into other market segments, there will be a demand for new types of value-added services, and Unisource Mobile will develop services to meet these demands.

Already introduced on the market is the Unisource EuroCare service, a pan-European help-desk that provides detailed information on mobile networks throughout Europe, e.g. information on operators, call charges and coverage in cities, regions or countries.

Unisource Mobile acquired GEAB Teleshop AB of Sweden, a national mobile telephone retail chain, in 1994. GEAB's full-year results were consolidated in 1995 for the first time. The results failed to meet expectations as GEAB had to contend with a slowdown in the growth rate of the Swedish mobile market in 1995.

Last year Unisource Mobile strengthened its position in the field of mobile telephone services distribution through the acquisition of a 80% stake in mobile service provider TMG in Germany. Germany is by far the largest market for mobile telephony in Europe.

For Unisource Card Services, 1995 was a productive year. The company's approach to strategic partnerships for the distribution of calling cards to end-users has proven successful and two new products have been launched.

Co-operation agreements were reached with KLM, Carlson-Wagonlit, Generale Bank, DTC (Deutscher Touring Automobil Club) and Talkline, allowing Unisource to target frequent travellers through its partners' distribution channels.

The Unisource Corporate Calling Card was introduced in November, offering additional features to international companies in the field of expense management and billing. Some leading international companies joined the list of Unisource customers. Also, the International Telephone Card was launched. This is a promotional prepaid card that can be used for worldwide calling and promotional messages, giving hot-line access to outlets of the company distributing the cards.

Unisource strengthened its reputation as a leading player. This was evidenced by the flow of new customers to the Company.





ALLIANCES

Introduction

Unisource will have to make a major stride forward to enjoy the full benefits of the opportunities a liberalised market will offer in 1998. To make a flying start, partners are needed, partners who provide network capacity, state-of-the-art services and local distribution channels. Unisource made good progress in this direction in 1995.

Telefónica

A crucial development has been the agreement with Telefónica to join Unisource as a fourth and equal shareholder. Telefónica will transfer its data communication operation and its satellite services to Unisource. The European Commission has been notified of Telefónica's partnership in Unisource, and an approval is expected during 1996.

With the arrival of Telefónica, Unisource will have achieved its targeted strategic spread in Europe. There are few European Union member states that do not border the home country of one of its four shareholder companies.

Co-operation with AT&T

Last year's Joint Venture Agreement with AT&T was a milestone in the development of Unisource. The partnership will form the basis of a new company, Uniworld, providing data and business voice services throughout Europe. Unisource will have a 60% stake in Uniworld, AT&T 40%. Uniworld's headquarters will be in Hoofddorp, the Netherlands.

Approval of the European Commission is expected in the course of 1996.

The partners aim to combine their European international voice, data, and messaging services in Uniworld, making it a full provider of an integrated package of long-distance and international services. Uniworld will target multinational companies operating in Europe and will offer customers improved access to North America and Asia, one-stop-shopping for seamless services, customer care and in-country network depth, in line with customer requirements. AT&T will sell the Uniworld services in the USA.

The partnership with AT&T has given the market a clear signal that Unisource is dedicated to serving the business services market and that Unisource and AT&T have together developed a strong relationship.

Other alliances

Two other major achievements of similar strategic importance for Unisource were realised in 1995, in France and Germany, the highest volume markets in Europe.

Through the creation of SIRIS, Unisource has established a secure foothold in the French telecommunication market. SIRIS was founded early in 1995 as a joint venture between Unisource and Compagnie Générale des Eaux (CGE), the third largest private French company and a local leader in cable TV and mobile telecommunications.

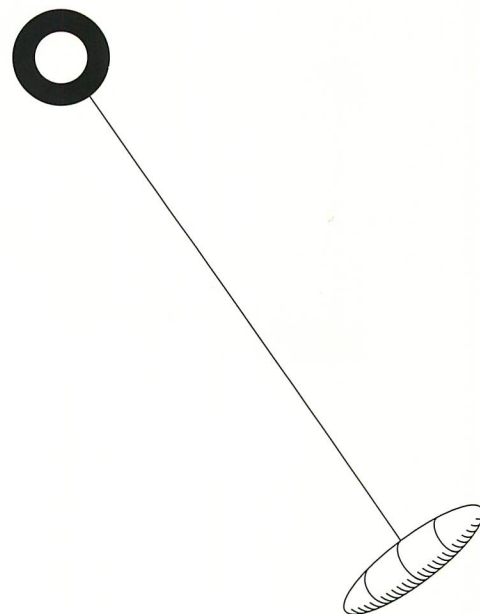
SIRIS aims to become the second major supplier in the French telecommunication market after France Telecom. SIRIS has a strategic lead on competitors because - depending on the customers' needs - it can provide national services and expertise in the French telecommunication market, while meeting all their Europe-wide and worldwide networking needs through its connections with Unisource, WorldPartners Company and the future Uniworld.

SIRIS' technical infrastructure covers most of France and as from the start of 1996, SIRIS is offering corporate voice and data services throughout the whole country. In just a few months, SIRIS has shown its principal customers - French multinationals - that it is already an important new supplier in France. It has attracted several major new customers.

Meanwhile, the Letter of Intent with Communications Network International (CNI) is a potential vehicle that, when formalised, will enable Unisource to penetrate the German market. CNI is a joint venture between Deutsche Bank and Mannesmann. CNI principally supplies national voice, data and video transmission services for large corporate customers in Germany.

Through CNI, Unisource will gain access to the second largest distribution network in Germany after Deutsche Telekom. Hence, the agreement with CNI has the same strategic importance as the alliance with SIRIS.

The agreement with SITA was terminated, due to differences in strategic orientation.





PERSONNEL AND ORGANISATION

Unisource had 2,229 employees at the end of 1995, 711 more than a year earlier. They represented over 25 nationalities. The growth in personnel corresponds to the company's growth in net revenues and business operations.

Unisource is a dynamic young company. Since its establishment in 1992, much attention has been focused on building up the organisation, integrating and expanding the activities contributed by the shareholder companies and developing new activities.

Developing our business activities at the present pace can only be achieved through business processes which are flexible and responsive to the fast-changing and highly competitive environment. Unisource shall be a market-driven organisation with much of the responsibility and accountability close to where the business is created: the customers and the marketplace. The fine-tuning of the organisation to adapt to the needs of the customer and marketplace is a continuous and dynamic process.

FINANCIAL PERFORMANCE

Unisource Group net revenues increased by more than 40% to NLG 1,316 million from NLG 933 million in 1994. The increase was realised by growth in both the domestic and the international data services business, in combination with the full year results of GEAB and the results of TMG as per the date of acquisition of the 80% stake in this German mobile service provider.

The net loss of the Unisource Group for 1995 amounted to NLG 320 million, up from a net loss of NLG 41 million in 1994. The increase is in almost equal parts attributable to the start-up of the voice and mobile activities and the further expansion of the international data business.

Unisource continued to invest in the development of its voice and data networks. The level of investment in fixed assets amounted to NLG 326 million, up 53% on the previous year, reflecting the company's commitment to provide customers with state-of-the-art technology and services. Depreciation and amortisation amounted to NLG 164 million.

Total assets increased to NLG 1,023 million at December 31, 1995 (1994: NLG 746 million).

The net cash flow deficit amounted to NLG 469 million and was mainly financed through equity contributions by the three shareholders for an amount of NLG 300 million. Loans increased by NLG 191 million to NLG 321 million, of which NLG 98 million were bank loans. Credit facilities with banks were raised to a level of NLG 550 million at the end of 1995.

PROSPECTS AND RECENT DEVELOPMENTS

A Memorandum of Understanding (MoU) will be signed and announced in the first half of 1996 with AT&T about a substantially increased co-operation on the pan-European market. The pan-European businesses of the two companies will be integrated into two independent companies. One company will provide development and marketing of international services. Increased penetration and management of sales and distribution activities in the main markets (Germany, France, Italy and the United Kingdom), will be handled by a separate investment company. Negotiations to reach a final agreement are continuing and management is being appointed to establish the new companies.

On May 31, 1996 it is anticipated that Telefónica will become the fourth and equal shareholder of Unisource. In exchange of the Unisource shares, Telefónica will contribute its domestic data and satellite business to Unisource. As per the same date, the Unisource shareholders are expected to make an equity contribution.

The fine-tuning of the organisation to adapt to the needs of the customer and marketplace is a continuous and dynamic process.





After a successful completion of the notification procedures with the European Commission in 1996, the Uniworld joint venture with AT&T will become operational in all aspects and the national data and satellite services of Telefónica will be integrated into Unisource.

In an increasingly competitive environment one of the prime objectives of Unisource for 1996 is to retain its position as the leading supplier in the home markets. Growth in all its activities is expected with a clear focus on maximising economies of scale in 1996.

Unisource is heading towards an enduring and profitable future, in spite of a brief and loss-making past. Given the pace at which the market and technology is developing, and the rapid emancipation of our customers, who are using telecommunications to improve their competitiveness, it is difficult to make a robust long-term financial forecast.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in NLG '000, unless otherwise indicated)

1 GENERAL

Group Structure

Unisource N.V. ("the Company") is a joint venture between:

- PTT Telecom B.V., The Hague (33 $\frac{1}{3}$ %)
- Telia AB, Stockholm, (33 $\frac{1}{3}$ %)
- Swiss PTT, Bern (33 $\frac{1}{3}$ %)

The Company was incorporated on April 24, 1992 and has its statutory seat in Hoofddorp, the Netherlands. The Company is the ultimate parent company of the Unisource Group ("the Group"). The Group consists of the Company and its subsidiaries which are listed on page 51.

Activities

The activities of the Group concern the supply of national and international telecommunication services, which consists of Business and Personal Services, Distribution and Network Operations. A substantial portion of the transactions is related with shareholders' businesses, where generally supplies are covered by regulated price models, and services are distributed through the shareholders to business customers under competitive market prices. The shareholders have confirmed continuing financial support which facilitates the preparation of the financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements of the Group reflect the financial statements of Unisource N.V. and its subsidiaries. Group companies, which are subsidiaries that form an organisation and economic entity with the Company and in which the Company has a dominant controlling interest, are fully consolidated. The minority participating interests in group equity and its results of operations are disclosed separately.

For joint ventures, in which the Company does not have a dominant controlling interest, the principle of proportional

consolidation is applied to the balance sheet and the statement of income of the Joint Venture applying Unisource accounting policies.

Subsidiaries, in which the company acquired an interest during the course of the financial year are consolidated in the financial statements from the date on which the interest was acquired under Unisource accounting principles. The accounting principles and the principle for determining results apply to the balance sheet and the statement of income of the Group included in the consolidation. All significant intercompany balances and transactions are eliminated in consolidation.

Goodwill represents the excess of the purchase price over the fair value of the net assets of the business acquired as determined under Unisource accounting policies and is directly charged against Group equity, when it becomes due and payable.

Foreign Currency Translation

• Transactions and balances in foreign currencies:

Transactions in foreign currencies are converted at exchange rates approximating the rates prevailing at transaction date. Foreign currency assets and liabilities are translated at the exchange rates prevailing at balance sheet date. Currency exposures that are hedged with forward contracts are stated at the forward rate. Resulting exchange differences are included in the statement of income.

• Investments in Group companies:

Assets and liabilities of the Company's foreign subsidiaries are translated into Dutch Guilders for consolidation purposes using the exchange rates prevailing at balance sheet date. The statements of income of these subsidiaries are translated at the average rates of exchange for the year.

The resulting exchange differences are accounted for as cumulative translation adjustment under Group equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 1995

	1995	1994
<i>NLG '000</i>		
Cash at January 1	24,097	23,292
Operating Result	(295,336)	(33,807)
Depreciation and Amortisation	163,875	109,135
Other Items	(1,390)	(17,264)
Financial Expenses	(6,496)	(4,663)
Change in Working Capital	44,800	47,624
Change in Provisions	(10,282)	5,224
Cash Flow from Operating Activities	(104,829)	106,249
Investing Activities		
Capital Expenditure	(326,283)	(212,828)
Net Proceeds of Disinvestments	13,499	71,479
Newly acquired Subsidiaries and Investments	(29,867)	(39,469)
Cash Flow from Investing Activities	(342,651)	(180,818)
Net Cash Flow from Operations	(447,480)	(74,569)
Servicing of Financing Activities		
Interest received	7,660	4,632
Interest paid	(29,071)	(7,182)
Cash Flow from Servicing of Financing Activities	(21,411)	(2,550)
Net Cash Flow before Financing Activities	(468,891)	(77,119)
Financing Activities		
Changes in Equity	300,000	0
Changes in Debt	183,343	77,924
Cash Flow from Financing Activities	483,343	77,924
Cash at December 31	38,549	24,097

The notes on pages 34 to 41 form an integral part
of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

for the year ended December 31, 1995

		1995	1994
<i>NLG '000</i>			
Net Revenues	(14)	1,315,934	932,579
Operating Expenses			
Direct Cost		975,413	551,529
Employee Expenses	(15)	286,492	168,582
Depreciation and Amortisation		163,875	109,135
Other Operating Expenses		185,490	137,140
Total Operating Expenses		1,611,270	966,386
Operating Result		(295,336)	(33,807)
Financial Income and Expense	(16)	(22,967)	(2,383)
Result before Taxation		(318,303)	(36,190)
Taxation on Income	(17)	(31)	(4,882)
		(318,334)	(41,072)
Result of Participations	(18)	(1,183)	0
Minority Interest	(19)	(219)	0
Net Result		(319,736)	(41,072)

The notes on pages 34 to 41 form an integral part
of these consolidated financial statements

		1995	1994
Group Equity	⑨	118,944	176,078
Minority Interest	⑩	443	0
Provisions	⑪	49,132	53,363
Long-term Liabilities	⑫	5,894	6,474
Current Liabilities	⑬	<u>848,853</u>	<u>510,544</u>
Total Equity and Liabilities		<u>1,023,266</u>	<u>746,459</u>

The notes on pages 34 to 41 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET

as at December 31, 1995

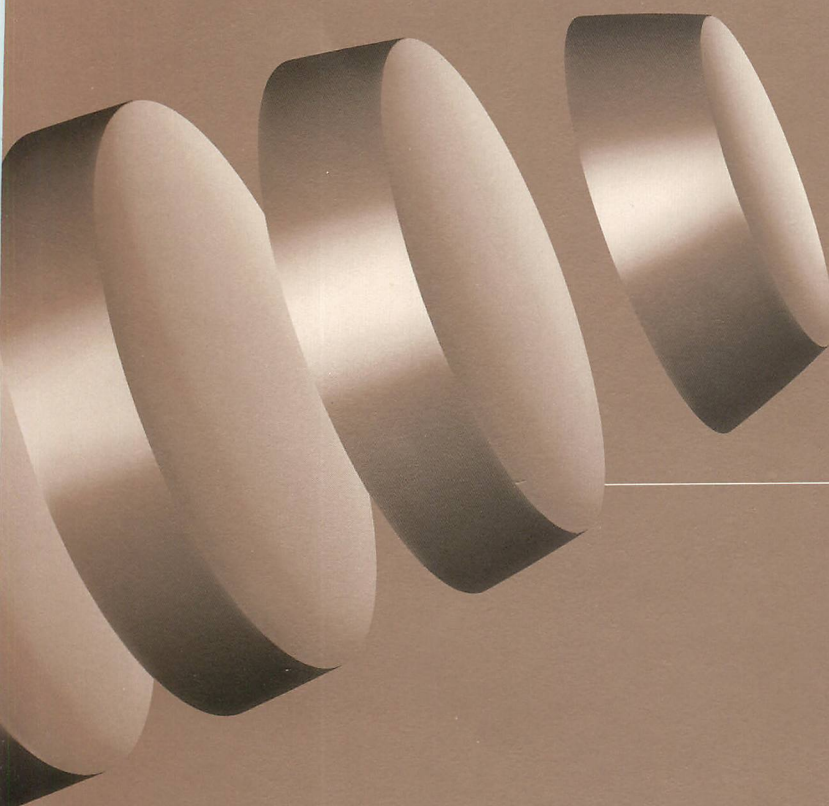
(after proposed appropriation of net result)

NLG '000

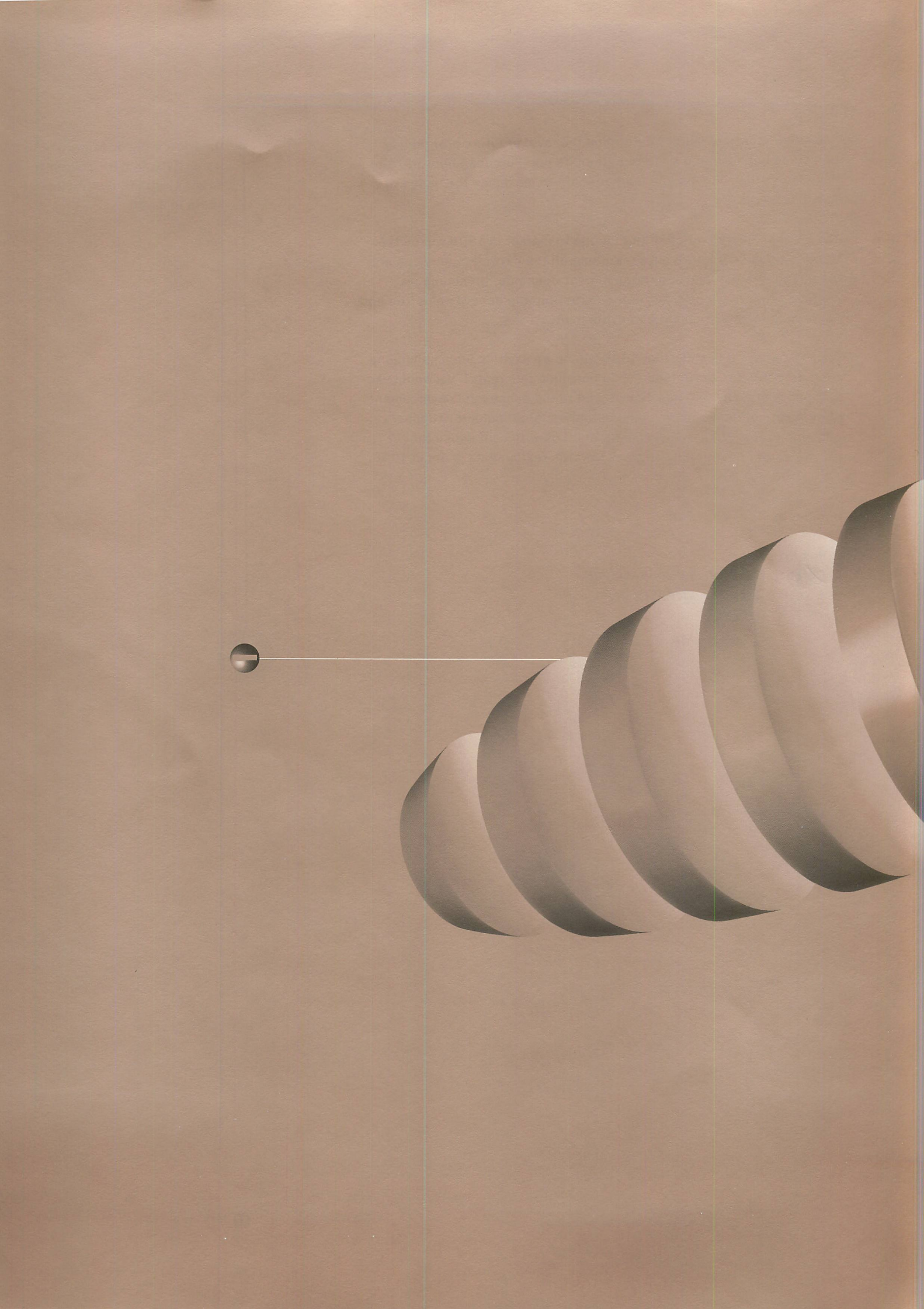
	1995	1994
Fixed Assets		
Intangible Fixed Assets	③ 1,041	1,233
Tangible Fixed Assets	④ 527,273	378,118
Financial Fixed Assets	⑤ 4,310	4,232
Total Fixed Assets	532,624	383,583
Current Assets		
Inventories	⑥ 34,729	38,306
Receivables	⑦ 417,364	300,473
Cash	⑧ 38,549	24,097
Total Current Assets	490,642	362,876
Total Assets	1.023,266	746,459

The notes on pages 34 to 41 form an integral part
of these consolidated financial statements

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FINANCIAL STATEMENTS



A number of critical factors determine the level of future profitability. Unisource must expand and strengthen its pan-European network, and increase traffic volumes and market share to maximise the usage of these networks.

The planned liberalisation of the European market in 1998 will be the key to Unisource's future success. Once all the networks, services and organisation are in place, and the market opens up, Unisource is confident that it will be fully geared-up to reap the benefits of a free and borderless telecommunication environment.

From the above it is clear that 1996 will be an exciting and challenging year, as 1995 was for Unisource. To conclude this report, we would like to thank everybody who has contributed to the successful development of all facets of our company: our customers, shareholders, suppliers and employees. Their achievements instil us with confidence that Unisource will remain fully on track towards realising its goals in 1996.

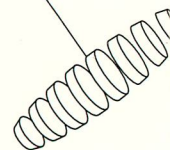
Hoofddorp, April 25, 1996

F. Ros President

A. Borsboom Executive Vice-President

V. J. Vucins Executive Vice-President

Unisource expects growth in all its activities with a clear focus on maximising economies of scale in 1996.



Intangible Fixed Assets

Intangible fixed assets are stated at cost less accumulated amortisation or lower realisable value. Amortisation is calculated on a straight-line basis over the estimated remaining useful lives of the related assets.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation or lower realisable value. Depreciation is calculated on a straight-line basis over the estimated remaining useful lives of the related assets. The cost of developing and implementing internal and product-oriented computer software is capitalised as part of the related tangible fixed assets.

Financial Fixed Assets

Non-consolidated investments are stated at net asset value.

Inventories

Inventories, including work-in-progress, are stated at the lower of cost or market value. Cost comprises purchase price, all direct costs and related indirect costs and is determined principally on a first-in, first-out basis. A provision for inactive, obsolete or slow moving items has been made, where considered necessary.

Receivables

Receivables are stated at face value less an allowance for doubtful accounts, where considered necessary.

Provisions

• Pension benefits:

The provision for pension benefits relates to the accumulated benefit obligation. Pension plans are determined on the basis of an actuarial valuation.

• Deferred tax liabilities:

Provisions for income taxes are based on income and expenses recorded in accordance with the Group accounting policies as shown in the financial statements. Deferred income tax results

from differences in timing between income for financial accounting purposes and for tax purposes. Deferred income taxes are stated at face value based on the prevailing tax rate.

• Reorganisation and restructuring provision:

The provision for reorganisation and restructuring is based on the costs and expenses to be incurred for reorganisation and restructuring for the Unisource Group.

Other Assets and Liabilities

Other assets and liabilities are stated at face value unless otherwise indicated.

Operating Results

Net revenues represent the realisable value of services rendered and products and systems delivered.

Revenues from services are recorded on the basis of volume of traffic processed and contracted fees. Revenues from sales of products and systems are recognised upon performance of contractual obligations, which is generally upon installation or shipment. Revenues from rentals and other services are recognised proportionately over the contract period or when these services are performed. Revenues are stated net of discounts and exclusive of VAT. Costs and expenses are recognised, when incurred.

Taxation on Income

Taxation on income is computed by applying the relevant tax rate to the result of the financial year, taking into account temporary differences between profit calculations for financial statement purposes and those for tax purposes. These differences are included in the charge for income tax for the year.

Comparison with the Previous Year

Certain reclassifications in the financial statements were made in 1995. The comparative figures have been adjusted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 INTANGIBLE FIXED ASSETS

	cost of concessions, licences and rights	other intangible fixed assets	total
Gross Book Value			
Opening Balance	1,321	70	1,391
Additions	298	4	302
Disinvestments and other movements	(540)	0	(540)
Newly acquired subsidiaries	1,238	0	1,238
Translation differences	33	1	34
Closing Balance	<u>2,350</u>	<u>75</u>	<u>2,425</u>
Accumulated Amortisation			
Opening Balance	134	24	158
Additions	380	16	396
Disinvestments and other movements	(51)	0	(51)
Newly acquired subsidiaries	879	0	879
Translation differences	2	0	2
Closing Balance	<u>1,344</u>	<u>40</u>	<u>1,384</u>
Net Book Value	<u>1,006</u>	<u>35</u>	<u>1,041</u>
Amortisation rates	<u>20 - 25%</u>	<u>20 - 25%</u>	

“Newly acquired subsidiaries” represents the value of the intangible fixed assets, which were contributed to the Group as part of the acquisition of new subsidiaries.

4 TANGIBLE FIXED ASSETS

	telecommu- nication equipment	equipment under construction	office related fixed assets	total
Gross Book Value				
Opening Balance	417,102	40,334	66,674	524,110
Additions	244,783	7,130	69,527	321,440
Disinvestments and other movements	14,268	(39,714)	(5,625)	(31,071)
Newly acquired subsidiaries	6,302	0	1,430	7,732
Translation differences	<u>10,160</u>	<u>(75)</u>	<u>653</u>	<u>10,738</u>
Closing Balance	<u>692,615</u>	<u>7,675</u>	<u>132,659</u>	<u>832,949</u>
Accumulated Depreciation				
Opening Balance	130,064	0	15,928	145,992
Additions	134,542	0	28,937	163,479
Disinvestments and other movements	(6,981)	0	(6,837)	(13,818)
Newly acquired subsidiaries	2,059	0	488	2,547
Translation differences	<u>6,879</u>	<u>0</u>	<u>597</u>	<u>7,476</u>
Closing Balance	<u>266,563</u>	<u>0</u>	<u>39,113</u>	<u>305,676</u>
Net Book Value	<u>426,052</u>	<u>7,675</u>	<u>93,546</u>	<u>527,273</u>
Depreciation rates	<u>20 - 25%</u>	<u>0%</u>	<u>20 - 25%</u>	

“Newly acquired subsidiaries” represents the value of the tangible fixed assets, which were contributed to the Group as part of the acquisition of new subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 FINANCIAL FIXED ASSETS

	non consolidated investments	other	total
Opening Book Value	3,422	810	4,232
Acquisitions	1,214	296	1,510
Share in net result	(1,183)	0	(1,183)
Translation differences	(249)	0	(249)
Closing Book Value	<u>3,204</u>	<u>1,106</u>	<u>4,310</u>

6 INVENTORIES

	1995	1994
Finished goods	33,877	34,292
Work in progress	852	4,014
	<u>34,729</u>	<u>38,306</u>

7 RECEIVABLES

Trade receivables	198,008	187,150
Other receivables	31,485	810
Prepayments and accrued income	123,672	93,613
Taxation	64,199	18,900
	<u>417,364</u>	<u>300,473</u>

“Trade receivables” includes an amount of NLG 139.7 million (1994: NLG 150.3 million) from shareholders, being distributors.

8 CASH

Cash balances as at December 31, 1995 were at the full disposal of the Group.

9 **GROUP EQUITY**

	issued share capital	share premium	cumulative translation adjustment	other reserves	total
Balance as at January 1, 1995	69,000	262,421	(4,147)	(151,196)	176,078
Movements 1995					
Issue of shares and share premium	0	300,000	0	0	300,000
Write-off goodwill	0	0	0	(35,534)	(35,534)
1995 result	0	0	0	(319,736)	(319,736)
Translation adjustment	0	0	(1,864)	0	(1,864)
Balance as at December 31, 1995	<u>69,000</u>	<u>562,421</u>	<u>(6,011)</u>	<u>(506,466)</u>	<u>118,944</u>

The authorised share capital consists of 300,000 shares, each with a nominal value of NLG 1,000 of which 69,000 have been issued and fully paid.

The increase in share premium of Unisource N.V. has been contributed by the shareholders (NLG 100 million each).

10 **MINORITY INTEREST**

"Minority Interest" represents 20% of the Net Asset Value of Telefunk Mobildienste GmbH (TMG) as acquired for 80% as at July 1, 1995.

11 **PROVISIONS**

	1995	1994
Pension benefits	2,832	1,885
Deferred tax liabilities	138	827
Reorganisation and restructuring	30,953	14,305
Other provisions	<u>15,209</u>	<u>36,346</u>
	<u>49,132</u>	<u>53,363</u>

"Other provisions" substantially represents provisions for costs in respect of certain contracts.

No provisions are considered long-term (1994: NLG 21.7 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 LONG-TERM LIABILITIES

All "Long-term liabilities" mature within five years. The amount includes NLG 5.3 million (1994: NLG 5.3 million) shareholder loans.

13 CURRENT LIABILITIES

	1995	1994
Bank overdraft and short term loans	315,564	124,570
Trade payables	311,742	203,470
Taxes and social security	51,715	26,662
Pension liabilities	1,496	1,281
Other liabilities	12,206	9,558
Accruals and deferred income	<u>156,130</u>	<u>145,003</u>
	<u>848,853</u>	<u>510,544</u>

"Current liabilities" includes amounts due to shareholders for "Bank overdraft and short-term loans" NLG 41.0 million (1994: NLG 38.9 million) and for "Trade payables" NLG 169.0 million (1994: NLG 115.6 million).

"Bank overdrafts and short-term loans" includes a loan from Telefónica de España S.A. for NLG 177.1 million and bank overdrafts and loans for NLG 97.5 million.

14 NET REVENUES

During 1995 the Group operated in business and personal services, distribution and network operations, generating revenues almost entirely in Western Europe. More than 50% of revenues and related costs have been generated via shareholders. These act, in their home countries, as distributors to end-users (which are mainly international and multinational companies) and as suppliers for services to the Group.

15 EMPLOYEE EXPENSES

	1995	1994
Salaries and wages	190,710	120,700
Social securities	26,204	17,055
Pension charges	14,053	8,882
Other employee expenses	<u>55,525</u>	<u>21,945</u>
	<u>286,492</u>	<u>168,582</u>

During the year the Group employed on average 1732 persons (1994: 1180 persons).

16 FINANCIAL INCOME AND EXPENSE

“Financial income and expense” includes an amount of NLG 7.7 million interest income (1994: NLG 4.6 million) and an amount of NLG 29.1 million interest expense (1994: NLG 7.2 million).

17 TAXATION ON INCOME

The income tax charge relates to foreign income taxes.

18 RESULT OF PARTICIPATIONS

“Result of participations” relates to results incurred in the investment in WorldPartners Company.

19 MINORITY INTEREST

“Minority interest” relates to results incurred in the 20% minority interest owned by third party in Telefunk Mobildienste GmbH (TMG).

20 COMMITMENTS NOT INCLUDED IN BALANCE SHEET AND CONTINGENT LIABILITIES

Lease Commitments

Lease instalments payable in the forthcoming years, under lease contracts entered into by the companies of the Group, amount to NLG 35.2 million and have expiry dates ranging from 1996 to 2000 (expiring within one year: NLG 11.0 million; between two and five years: NLG 24.2 million).

Capital Commitments

As of balance sheet date, telecommunication and other equipment were on order for an amount of NLG 8.1 million, of which NLG 7.1 million has been included as assets under construction. The remaining NLG 1.0 million has not been included in the balance sheet.

Guarantees

The Company has issued guarantees to financial institutions in the amount of NLG 1.7 million.

Compliance with national and international laws

Unisource is acting in a number of rapidly changing business areas, governed by changing regulations on both national and international levels. Furthermore new companies are being set up in different countries, having their own local regulations. The Company actively pursues compliance, to the best of its knowledge, with such laws and regulations.

CORPORATE BALANCE SHEET

as at December 31, 1995

(after proposed appropriation of net result)

NLG '000

	1995	1994
Fixed Assets		
Tangible Fixed Assets	② 2,488	3,281
Financial Fixed Assets	③ 15,178	86,374
Total Fixed Assets	17,666	89,655
Current Assets		
Receivables	④ 52,248	21,341
Group Companies	⑤ 737,413	221,098
Cash	⑥ 448	10,064
Total Current Assets	790,109	252,503
Total Assets	807,775	342,158

The notes on pages 45 to 48 form an integral part
of these corporate financial statements

		1995	1994
Shareholders' Equity	⑦	118,944	176,078
Provisions	⑧	24,514	11,401
Current Liabilities	⑨	<u>664,317</u>	<u>154,679</u>
Total Equity and Liabilities		<u>807,775</u>	<u>342,158</u>

The notes on pages 45 to 48 form an integral part of these corporate financial statements

CORPORATE STATEMENT OF INCOME*for the year ended December 31, 1995*

	1995	1994
<i>NLG '000</i>		
Result from Investments in Group Companies after Taxation	(304,301)	(52,029)
Other Results after Taxation	<u>(15,435)</u>	<u>10,957</u>
Net Result	<u>(319,736)</u>	<u>(41,072)</u>

The notes on pages 45 to 48 form an integral part
of these corporate financial statements

NOTES TO CORPORATE FINANCIAL STATEMENTS

(all amounts in NLG '000, unless otherwise indicated)

1 GENERAL

The significant accounting policies are summarised in note 2 of the consolidated financial statements. This note forms an integral part of the Corporate financial statements.

In respect of the Corporate financial statements, the option to prepare a summarised statement of income according to article 402, Book 2, Title 9 of the Dutch Civil Code has been applied.

2 TANGIBLE FIXED ASSETS

"Tangible fixed assets" concern office equipment and leasehold improvements. Net investments amounted to NLG 5.4 million and the depreciation charge amounted to NLG 2.9 million.

3 FINANCIAL FIXED ASSETS

Investments in Group companies

Opening Book Value

Changes

	1995	1994
Opening Book Value	<u>86,374</u>	<u>55,328</u>
Acquisitions and additions	328,728	115,808
Goodwill	(35,534)	(32,791)
Translation adjustments	(1,864)	58
Share in net result	(304,301)	(52,029)
Dividends received	<u>(58,225)</u>	<u>0</u>
	<u>(71,196)</u>	<u>31,046</u>
Closing Book Value	<u>15,178</u>	<u>86,374</u>

The investments in Group companies are stated at net asset value. Group companies are listed on page 51.

NOTES TO CORPORATE FINANCIAL STATEMENTS

4 RECEIVABLES

	1995	1994
Trade receivables	11,197	20,484
Other receivables	27,452	857
Taxation	<u>13,599</u>	<u>0</u>
	<u>52,248</u>	<u>21,341</u>

"Trade receivables" includes an amount of NLG 6.6 million to be received from shareholders.

5 GROUP COMPANIES

"Group companies" includes an amount of NLG 722.1 million, which has been provided as loans to Group companies under the conditions of scheduled repayment dates and interest charges.

6 CASH

Cash balances at December 31, 1995 were at the full disposal of the Company.

7 SHAREHOLDERS' EQUITY

Reference is made to note 9 of the Consolidated financial statements.

8 PROVISIONS

	1995	1994
Pension benefits	300	607
Reorganisation and restructuring	<u>24,214</u>	<u>10,794</u>
	<u>24,514</u>	<u>11,401</u>

9 **CURRENT LIABILITIES**

	1995	1994
Bank overdraft and short term loans	245,767	81,500
Trade payables	6,598	5,030
Payables to Group companies and shareholders	402,624	59,872
Taxes and social security	235	1,373
Other liabilities	<u>9,093</u>	<u>6,904</u>
	<u>664,317</u>	<u>154,679</u>

“Bank overdraft and short-term loans” includes a loan from Telefónica de España S.A. for NLG 177.1 million.

10 **EMPLOYEE EXPENSES**

Salaries and wages	10,489	6,967
Social securities	117	244
Pension charges	868	1,014
Other employee expenses	<u>7,618</u>	<u>4,056</u>
	<u>19,092</u>	<u>12,281</u>

The average number of employees during 1995 was 59 persons (1994: 48 persons).

11 **COMMITMENTS NOT INCLUDED IN BALANCE SHEET AND CONTINGENT LIABILITIES**

Lease Commitments

Lease instalments payable within one year, under non-cancellable lease contracts amount to NLG 2.6 million.

Capital Commitments

There are no capital commitments at balance sheet date.

Guarantees

The Company has issued guarantees to subsidiaries and financial institutions in the amount of NLG 13.5 million.

Compliance with national and international laws

Unisource is acting in a number of rapidly changing business areas, governed by changing regulations on both national and international levels. Furthermore, new companies are being set up in different countries, having their own local regulations. The Company actively pursues compliance, to the best of its knowledge, with such laws and regulations.

NOTES TO CORPORATE FINANCIAL STATEMENTS

12

MANAGEMENT BOARD AND SUPERVISORY BOARD UNISOURCE N.V.

The following persons were members of the Management Board at December 31, 1995:

C.G. Larson (President & Chief Executive Officer)
A. Borsboom (Executive Vice President & Chief Financial Officer)
V.J. Vucins (Executive Vice President & Director Business Services)

The following persons were members of the Supervisory Board at December 31, 1995:

L. Berg (Chairman)
S. Johansson
A. Käser
F. Rosenberg
P. Smits
B. Verwaayen

During 1995 the number of Board members was reduced from 9 members to 6 members.

The members of the Management Board received remuneration totalling NLG 2,782,000 (1994: NLG 2,234,000) during the year. The members of the Supervisory Board did not receive remuneration during 1995 (1994: NLG 480,000).

Hoofddorp, April 25, 1996

F. Ros
President

A. Borsboom
Executive Vice-President

V.J. Vucins
Executive Vice-President

Appropriation of Results according to Articles of Association

Article 31 of the Articles of Association is as follows:

“The result is at the disposal of the general meeting of shareholders. Any distribution of profits may be made only and insofar as the net assets exceed the paid-in and called-up part of the capital plus the reserves which must be maintained by virtue of law”.

Proposed Appropriation of Results

The Management Board proposes to allocate the 1995 negative result of NLG 319,736,000 to Other Reserves. This proposal has been reflected in the financial statements in anticipation of the approval of this proposal by the general meeting of shareholders.

Events subsequent to the Balance Sheet Date

Following significant events arising subsequent to the balance sheet date may have an effect on the Group's capital structure and equity:

- the Shareholders of Unisource N.V. have signed a Joint Venture and Shareholders Agreement with Telefónica de España S.A. (Telefónica), for the entrance of Telefónica as the fourth and equal shareholder in Unisource N.V.. This agreement is still subject to the approval by the European Commission.
- Unisource N.V. and AT&T Corporation have agreed to broaden the co-operation between the two parties on the pan-European market.



Introduction

We have audited the financial statements on pages 30 to 48 of Unisource N.V., Hoofddorp. 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 audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. 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 audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 1995 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirement included in Part 9, book 2 of the Netherlands Civil Code.

**AUDITORS' REPORT**

Amsterdam, April 25, 1996
Coopers & Lybrand

List of Group Companies and Non-Consolidated Investments

as at December 31, 1995

UNISOURCE N.V.

Subsidiaries of Unisource N.V.:

- Unisource Business Networks B.V., Hoofddorp
 - Subsidiaries of Unisource Business Networks B.V.:*
 - Unisource Business Networks Nederland B.V., The Hague
 - Unisource Network Partners B.V., Rotterdam
 - Unisource Network Partners Inc., Atlanta
 - Unisource Business Networks Sverige AB, Stockholm
 - Unisource Business Networks España S.A., Madrid
 - Unisource Business Networks Belgium N.V., Brussels
 - Unisource Business Networks Luxembourg Sarl, Luxembourg
 - Unisource France S.A., Paris
 - Unisource Business Networks Italia S.p.A., Milan
 - Unisource Business Networks Deutschland GmbH, Frankfurt
 - Unisource Business Networks Finland Oy, Helsinki
 - Unisource Business Networks Danmark A/S, Copenhagen
 - Unisource Business Networks Norge A/S, Oslo
 - Unisource Holding UK Ltd, London
 - Unisource Business Networks UK Ltd, London
 - Unisource USA Inc., Wilmington, Delaware
 - Unisource WPC Inc., Wilmington, Delaware
- WorldPartners Company, New Providence, Delaware (20%)
 - Unisource Business Services USA Inc., Wilmington, Delaware
- SIRIS S.A.S., Paris (49.99%)
- Unisource AG, Zurich
- Unisource Business Networks (Schweiz) AG, Bern
- Unisource Telecom Sverige AB, Stockholm
- Unisource Satellite Services B.V., Hoofddorp
 - Subsidiary of Unisource Satellite Services B.V.:*
 - Unisource Satellite Services AB, Stockholm
- Itema AG, Zurich
- Telefunk Mobildienste GmbH, Stockstadt (80%)
- Unisource Mobile AB, Stockholm
 - Subsidiaries of Unisource Mobile AB:*
 - GEAB AB, Stockholm
 - GEAB Teleshop AB, Stockholm
 - GEAB Netto Tele AB, Stockholm
 - GEAB Telekonsult AB, Stockholm
- Unisource Pan-European Services B.V., Hoofddorp
- GEAB Norge A/S, Oslo
- Unisource Card Services B.V., Hoofddorp
- Unisource Card Services AG, Zurich
- Unisource Carrier Services AG, Zurich
- Peoples Telecom Company Ltd, Hong Kong (22%)

- Directly owned
- Non-consolidated Investments
- Proportional Consolidation



GROUP COMPANIES



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