



Analysts' Meeting April 14, 1999

# Agenda

- **Tony Reis**      Highlights & Strategy
- **Dominik Koechlin**      Competition and Regulation
- **Heinz Karrer**      Customer focus
- **Calvin Grieder**      Product Houses
- **Jens Alder**      Networks and Personnel Reduction
- **Adrian Bult**      Millennium
- **David Schnell**      Financials
- **Tony Reis**      Conclusion



**Tony Reis**  
CEO

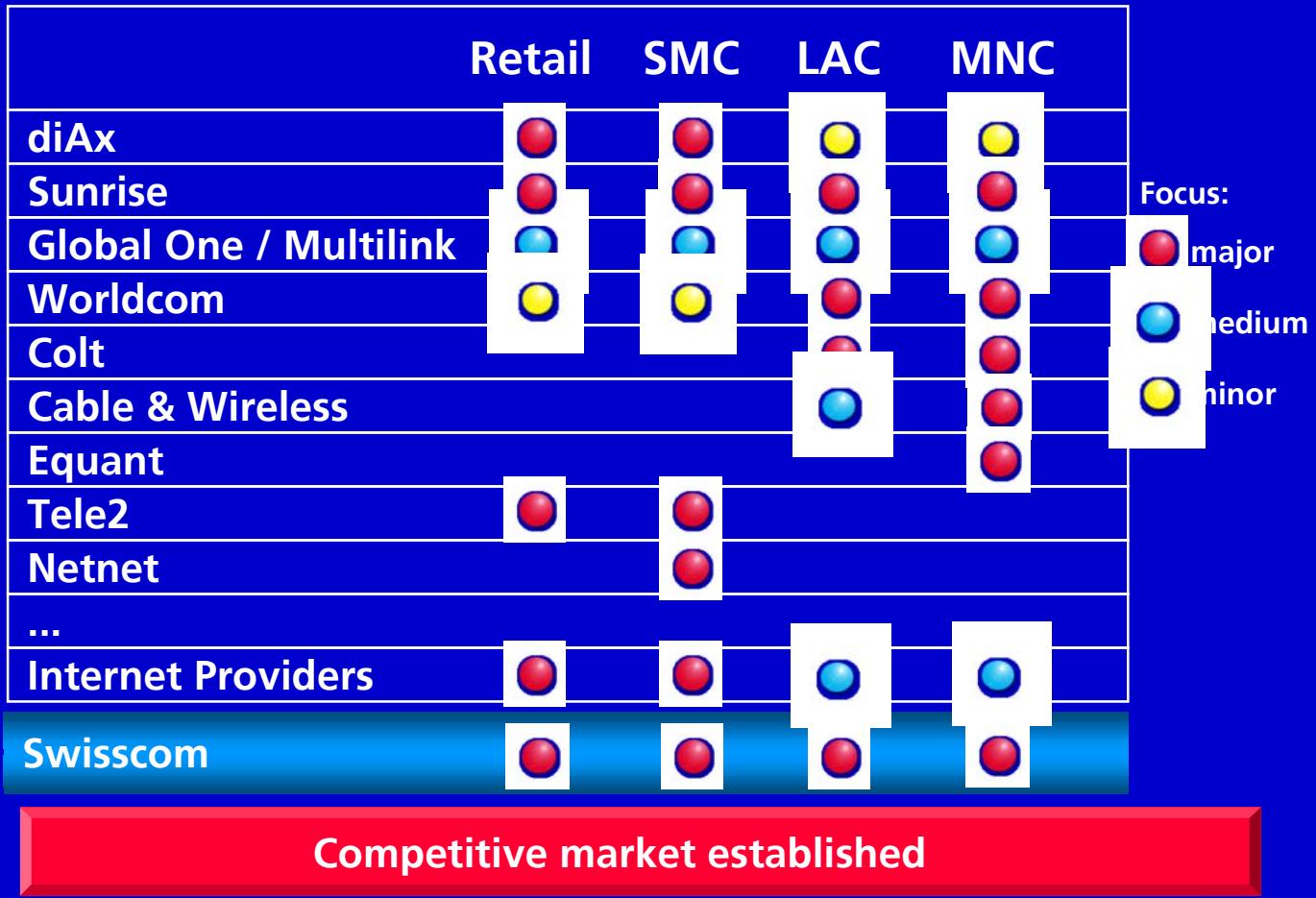
## Facts of the IPO

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- **5 October 1998: listing at SWX and NYSE**
- **25.4m shares of which 7.55m newly-issued**
- **CHF 8.6bn offering including 15% green-shoe**
- **34.5% free-float**
- **CHF 2.4bn net proceeds for Swisscom**
- **Threefold oversubscription**
- **Over 80% management and 50% employee participation**

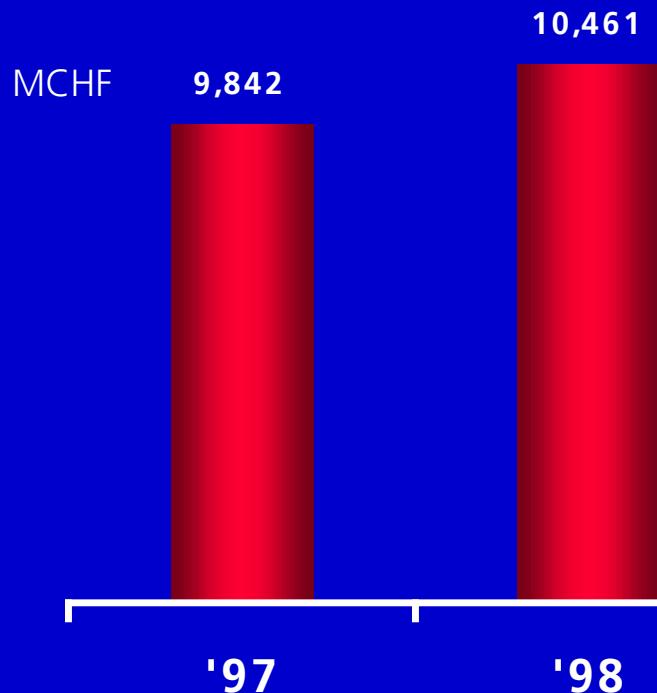
**Successful IPO despite difficult market conditions**

# Main Competitors in Switzerland



# Financial Performance 1998

## Net Revenues



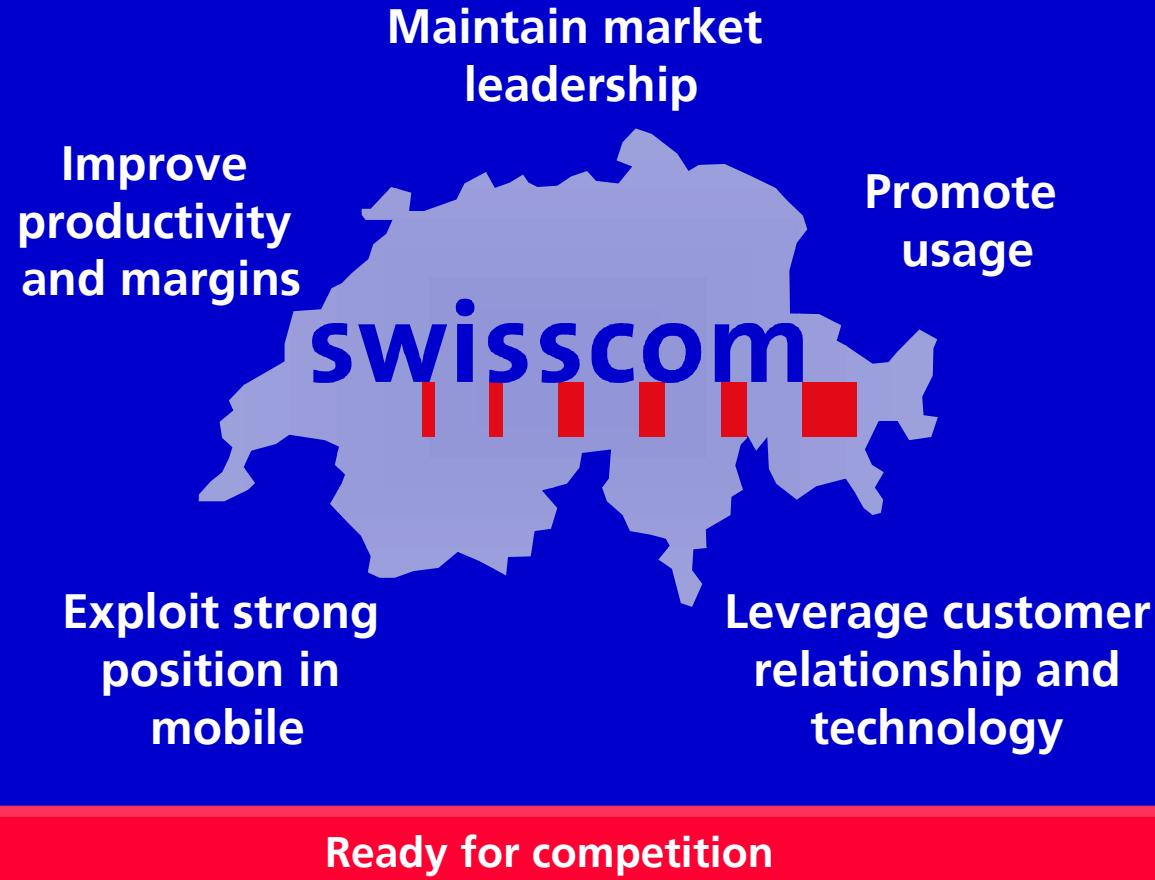
## MCHF '98

EBITDA	4,472 <sup>(1)</sup>
EBIT	2,851 <sup>(1)</sup>
NET INCOME	1,555

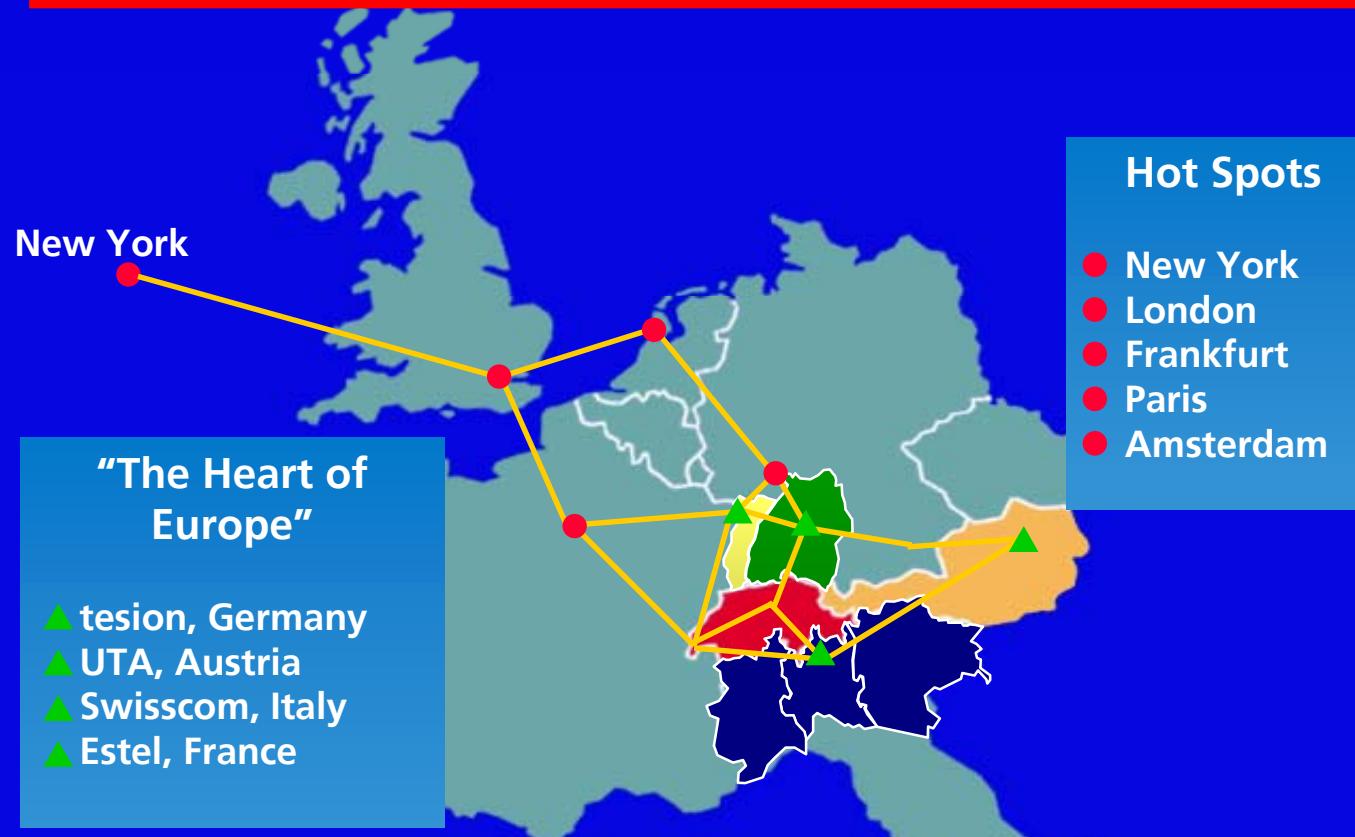
(1) Excluding restructuring charges

Successful year despite competition

# Domestic Market Strategy



# Connecting the Heart of Europe with Hot Spots

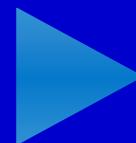


To be completed by end of 1999

# Refocusing International Participations

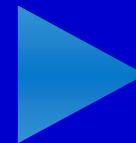
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SPT Telecom, a.s.



Increase value by management and technology transfer

Digi Swisscom Bhd  
Essar Cellphone



Withdrawal from holdings

Unisource



Assessment of various options

Critical evaluation of strategic fit

## **Repositioning our Services for International Customers**

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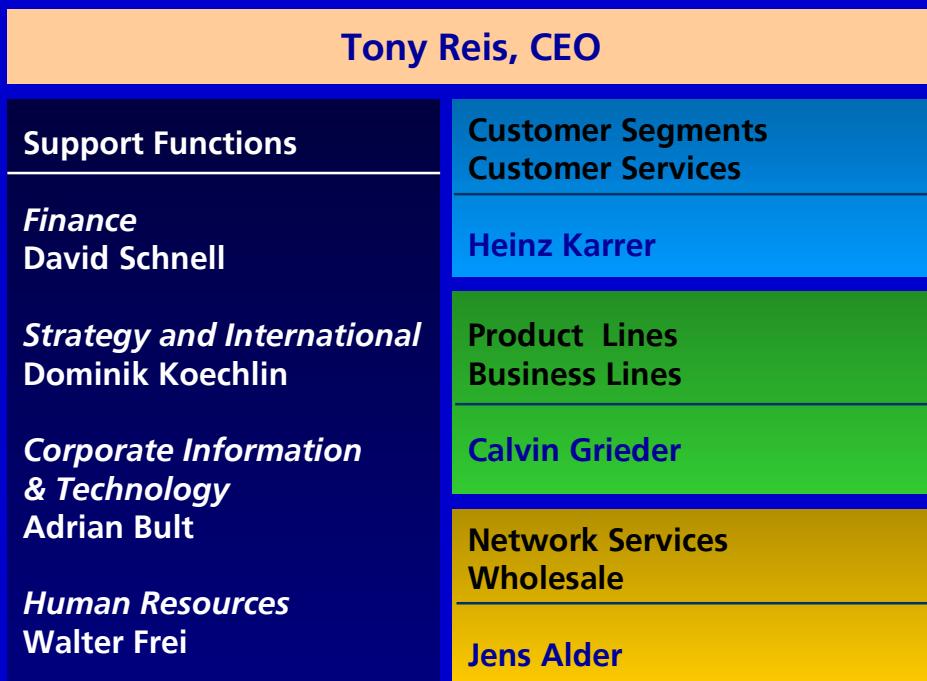
- Continue to serve MNCs, focusing on areas where we can add substantial value
- Supply a full range of services in Switzerland
- Complement services globally in partnerships with leading third parties
- Maintain and extend our leading position in the Swiss corporate market

**Committed to better services and a smooth migration**

# Enhanced Business Model



# Leadership by an experienced and incentivized Management Team



Enhanced customer focus



**Dominik Koechlin**  
**CSO**

## Regulatory environment

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- First year of experience with the regulatory bodies
- In general clear and transparent regulatory environment
- Major proceedings with competitors have been settled
- Regular contacts with BAKOM
- Ongoing regulatory issues are known and being addressed by BAKOM with Swisscom and its competitors

Clear and transparent regulatory environment

## **Ongoing regulation: Voice**

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- **Carrier preselection available for all customers from Q2 1999**
- **Number portability from Q1 2000 despite Millennium**
- **IC prices according to LRIC: Introduction for Q1 2000**
- **Re-numbering: Introduction of closed numbering plan on Q2 2001, despite resistance by consumer and user organizations**

## **Ongoing Regulation: Mobile**

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- Pending implementation of carrier selection (call by call)
- Number portability from 2000
- UMTS
  - Internationally: Starting date within EU: 2002
  - Nationally: Bidding process initiated by BAKOM: Q2 2000  
License to be issued by ComCom: end 2000

## Carrier Services: Interconnection

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- **26 interconnection agreements as at 31st Dec.'98**
- **Settlements of price disputes**
  - 18% price reduction in June '98,
  - 26% reduction in '99
- **Long-run incremental costing (LRIC) project as planned**

**Co-operative settlement of natural conflicts of interests**

## Other regulatory issues

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### **Revision of ordinances related to Telecommunications Act**

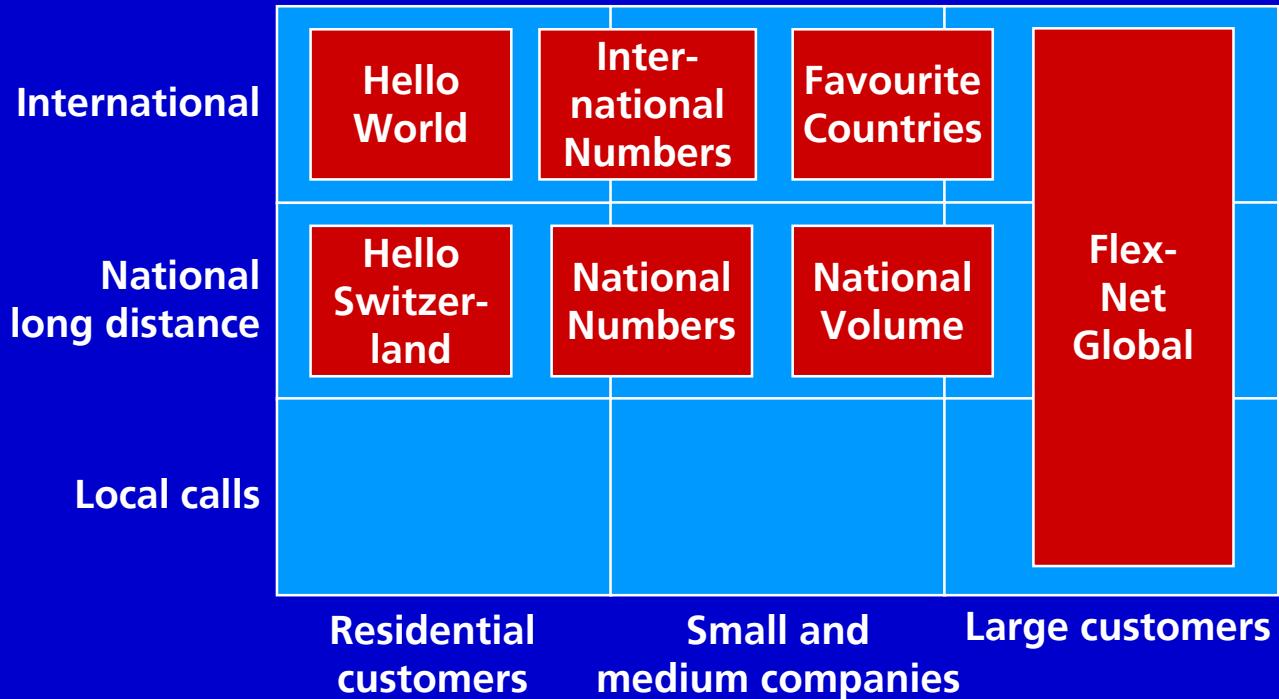
- EU review 99: revision of directives, first results 2nd half 1999
- Local loop unbundling: imminent international demand
- Internet: sector specific regulation expected soon
- E-Commerce: adaptation of special laws required
- Convergence: trend away from sector specific to competition regulation
- CATV: discussion within EU; legal action against DT in Germany could affect CH

In line with EU



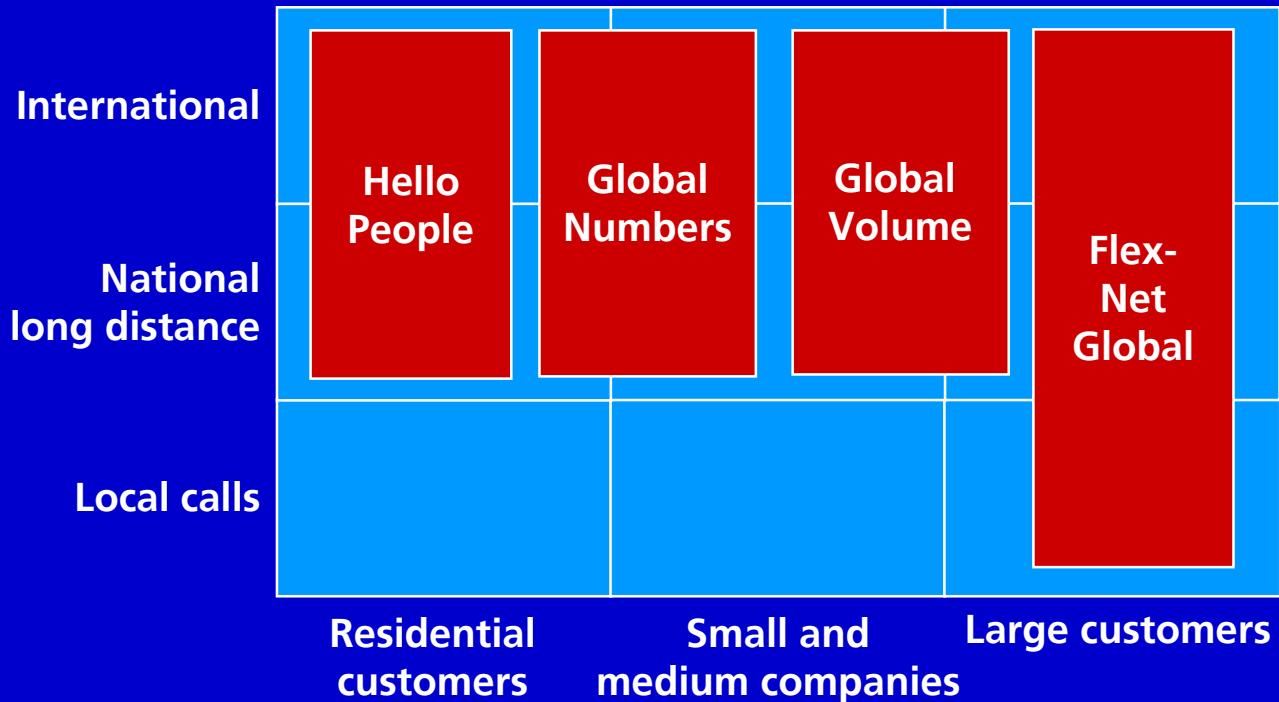
Heinz Karrer  
Marketing & Sales

# Pricing plans launched in 1998: Voice



Enhanced target pricing

# Since November 1998



Enhanced target pricing

## Pricing: Special offers

CATEGORIES	Volume in minutes	Number of calls	Revenue
Country days Portugal, Italy, Spain	+130%	+40%	+20%
Mother's day	+5%	+5%	-60%
Advent days	+30%	+20%	-30%

Note: All figures are approximations

Increase focus on offers for minorities

# Pricing in 1999

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## Voice

- Accelerated competition

- Cross-border traffic
- Adaptation of national tariff window
- FlexNet VPN
- International tariff reduction

## Data/Multimedia

- Change of market environment

- New subscription package (Highway)
- Free e-mail offer (Freemail)
- Free internet access (Freeway)

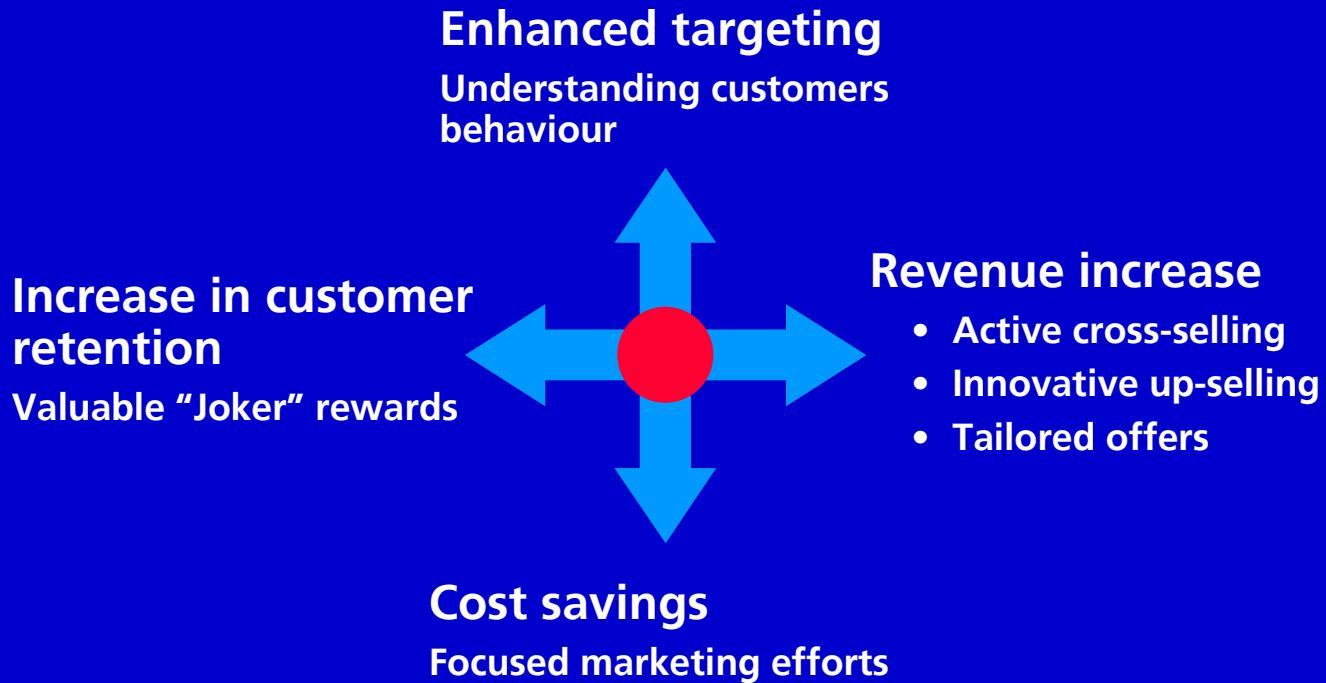
## Mobile

- New entrants

- New offer for residential customers
- High volume discounts for business customers

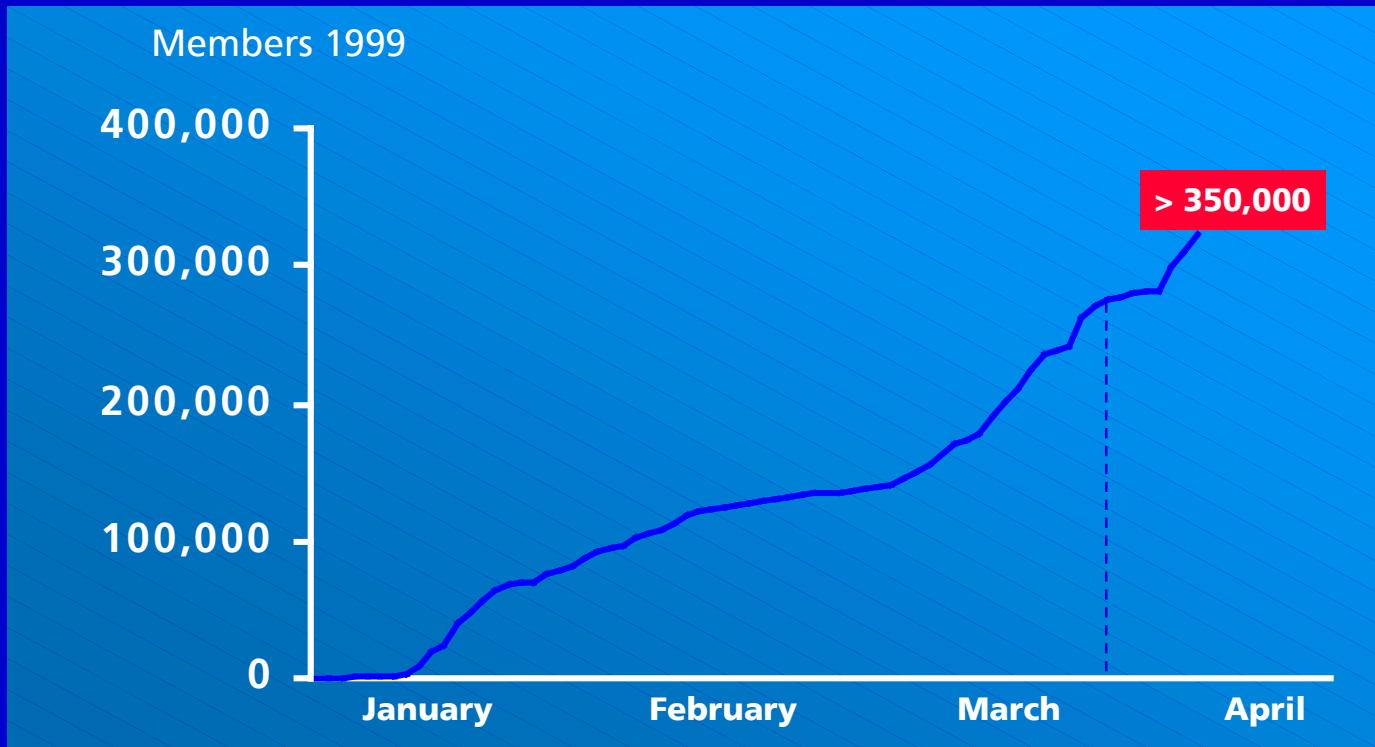
Differentiated pricing in a competitive market

# Goals of "Joker"



Powerful marketing tool in mass market

## Customer response and reactions



"Joker" successfully launched

## **Enhanced customer focus**

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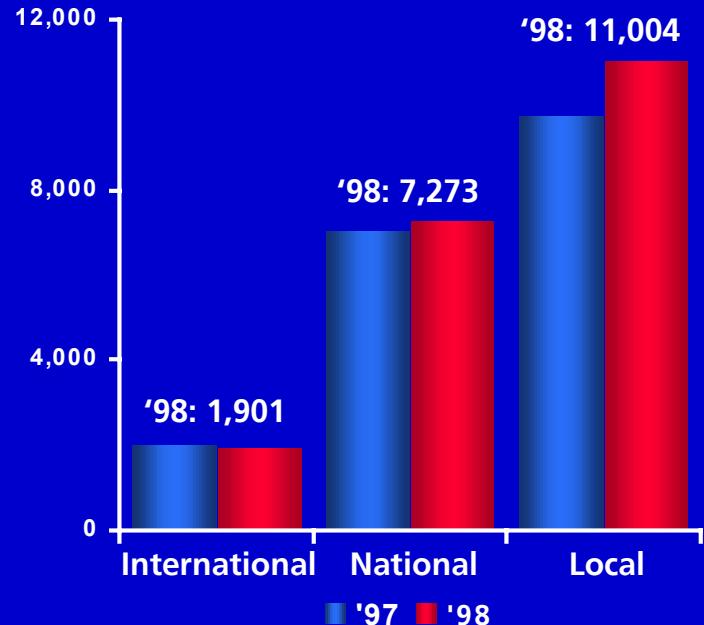
- Innovative pricing
- Target marketing
- Brand development
- Loyalty measures



**Calvin Grieder  
Product Houses**

# Voice: Growing volume in 1998

Minutes in millions



**International outgoing traffic  
(incl. payphones)**

Volume decrease in 1998 of -2.9% (vs '97)

**National long distance traffic  
(incl. payphones, fixed-to-mobile  
traffic)**

Volume increase in 1998 of +3.4% (vs '97)

**Local area traffic (incl. payphones) <sup>(1)</sup>**

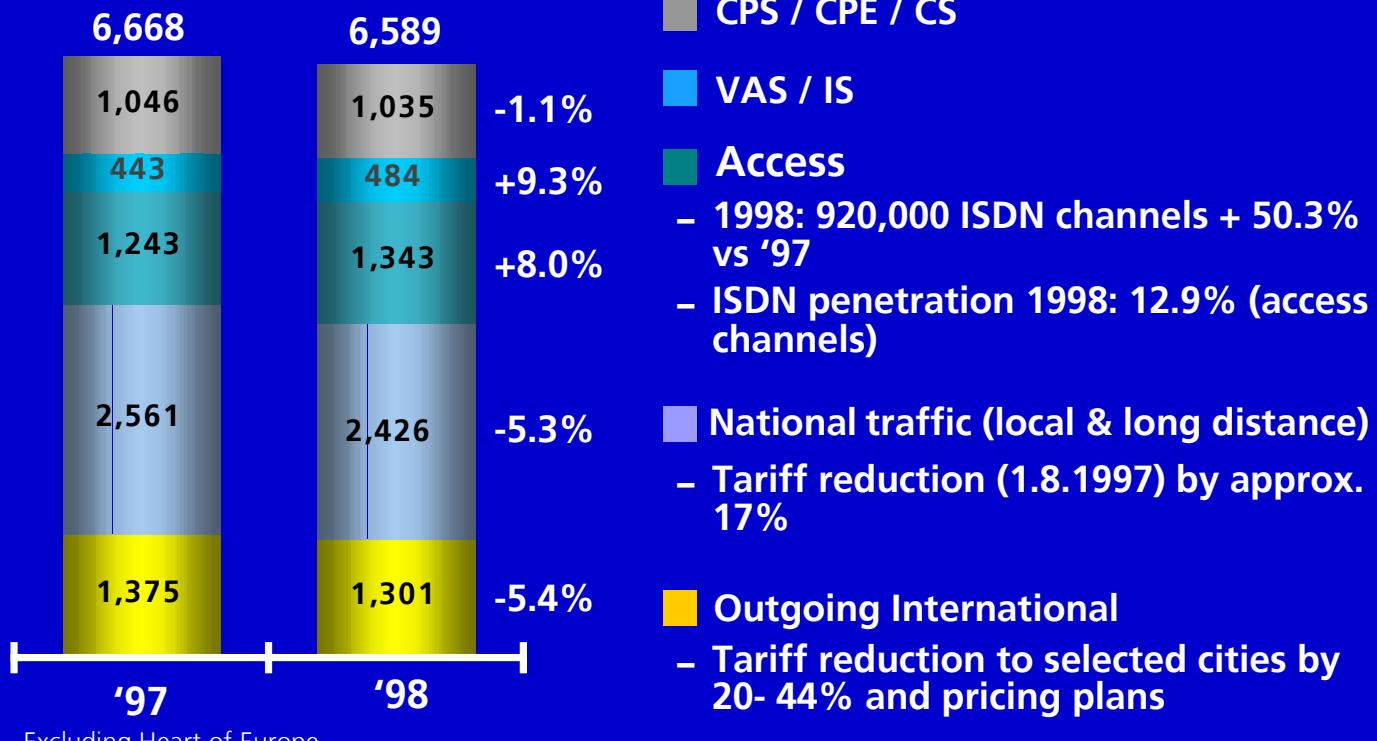
Volume increase in 1998 of +12.9% (vs '97)

(1) Excluding Internet traffic (0840,0842)

**Successful defense of market share**

# Voice: Revenue in 1998

MCHF



Retaining revenue despite falling tariffs

## **Voice: Activities in 1999**

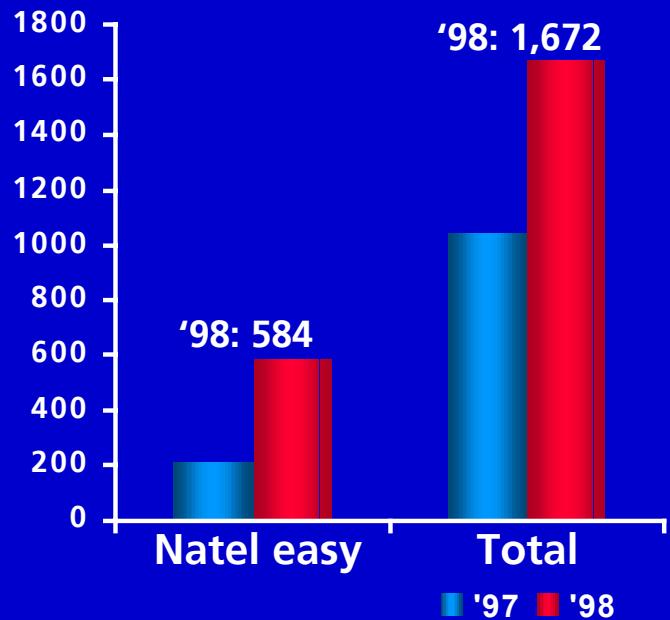
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- **Value added services**
  - Dual mode
  - FlexNet VPN
- **Convergence products**
  - Integration of MessageBox in Combox
  - Fixed/mobile combined billing
  - Centrex combined with mobile

**Initiatives for new growth opportunities**

# Mobile subscribers 1998

000s subscribers

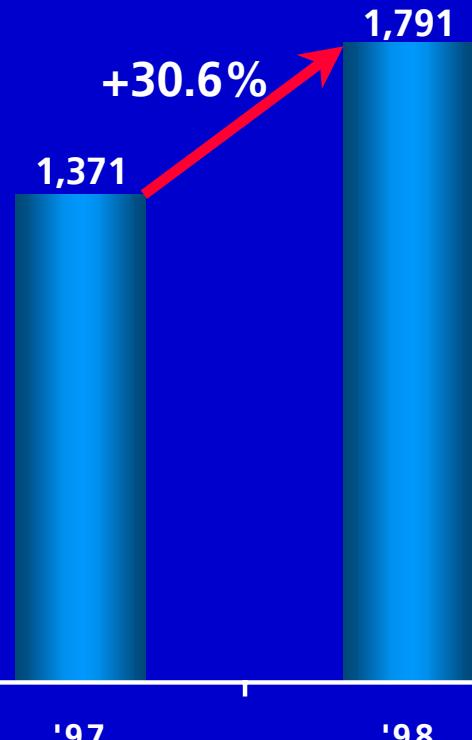


- Increased mobile penetration 1998: 23.4% (1997: 14.7%)
- Total Natel subscriber growth rate of +60.1% in 1998
- Natel easy subscriber growth of +178.5% in 1998
- Strong position in mass market

Taking advantage of the booming market

## Mobile revenue 1998

MCHF



	'97	'98	change
<b>Total monthly ARPU</b>	120	97	-19.2 %
<b>Monthly ARPU Natel swiss and international</b>	128	121	-5.5 %

'97

'98

Exploit strong position in mobile

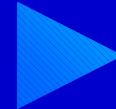
# Mobile opportunities

Strong position in mass market with prepaid technology



- Migration rate Natel easy to Natel swiss/int'l: 25%

Attractive value added services



- SMS +556% (2.99 vs 2.98)
- Java compatible SIM-card

International mobile solutions



- International service provision
- 165 roaming agmts ('98): +45

Investing in network



- Secure capacity
- Expand coverage

Future growth despite competition

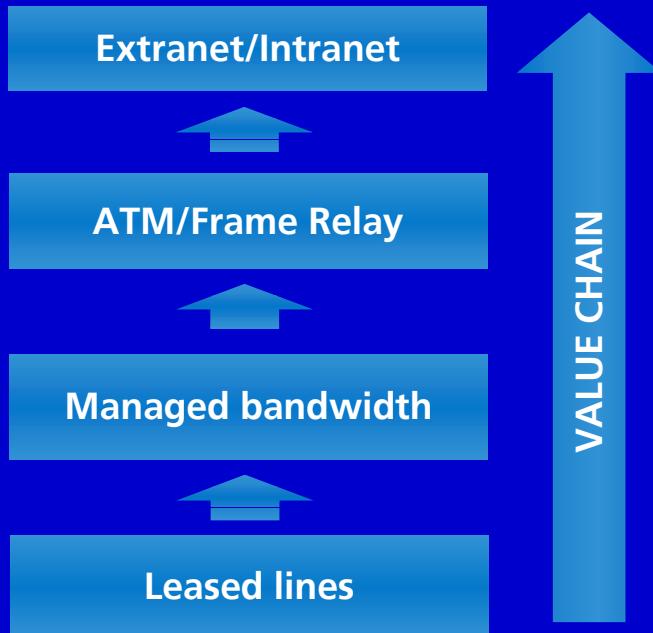
# Data and Multimedia: Refocus and rebuild

MCHF

REVENUES	'97	'98	change
Managed Network Services	706	680	-3.7%
Corporate Communications Solutions	65	110	+69.2%
Multimedia and content	53	111	+109.4%
<b>Total</b>	<b>824</b>	<b>901</b>	<b>+9.3%</b>

Growth through higher value services

# Development to higher bandwidth

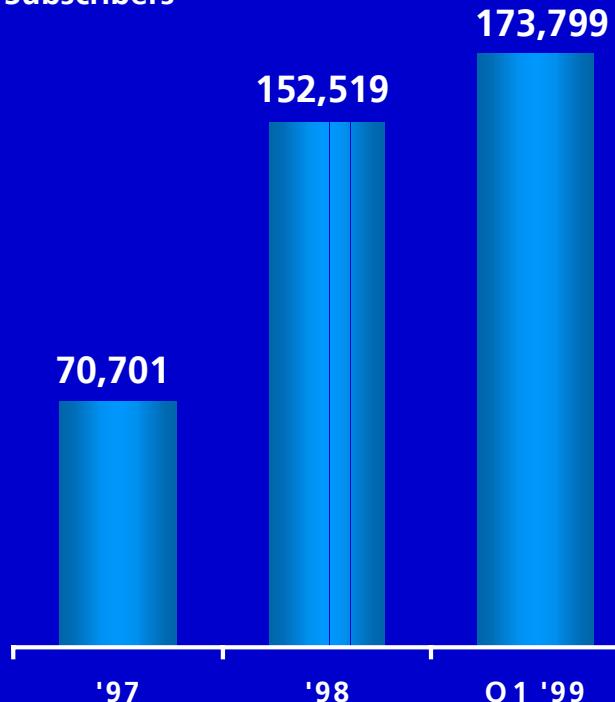


- Next generation IP platform to be fully operational by year-end
- Total number of ports more than doubled to 3,914 in '98
- Number of national managed leased lines increased by +47.4% to 6,535 in '98
- Increasing competition

Successful shift to higher value services

# The Blue Window: Continuous strong growth

Subscribers



- “Freemail”
- “Freeway”
- “Highway”
- E-commerce

We remain the market leader



**Jens Alder**  
**Networks and Wholesale**

# Network Services: Market-driven Capex

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Clear Capex  
Responsibilities

- New organization with clear capex responsibilities
- Service delivery including network expansion
- Capability building and resource allocation
- Tight investment portfolio management 1999

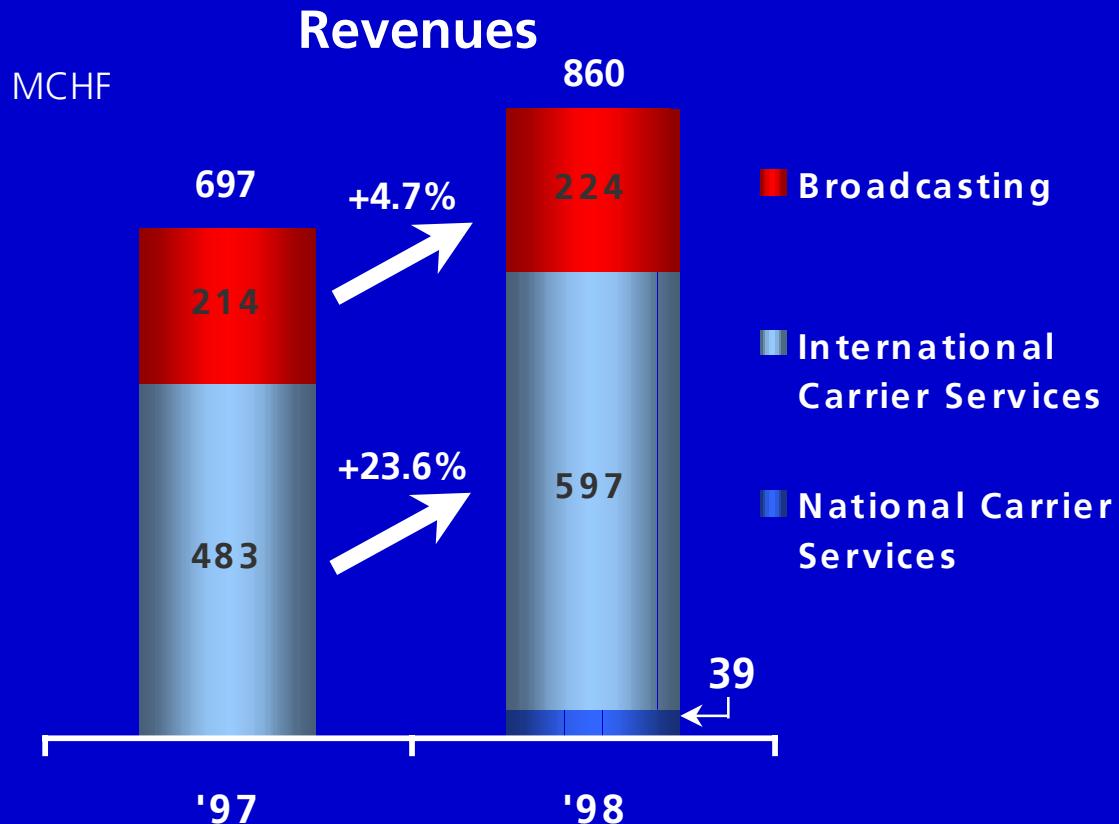
Success in  
reducing Capex

- 1998 investments 547 MCHF from a budget of 952 MCHF
- 781 MCHF investments planned for 1999

Next generation  
IP networks

- Heavy investment in the rollout of a broadband IP network starting in 1999

# Carrier Services



## Wholesale

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- **New Wholesale unit operational**
- **Consolidation of national and international activities**
  - national interconnection
  - international hubbing and transit
- **Switchless Wholesale build-up on plan**

New focus on growth business

## Swisscom Personnel Reduction

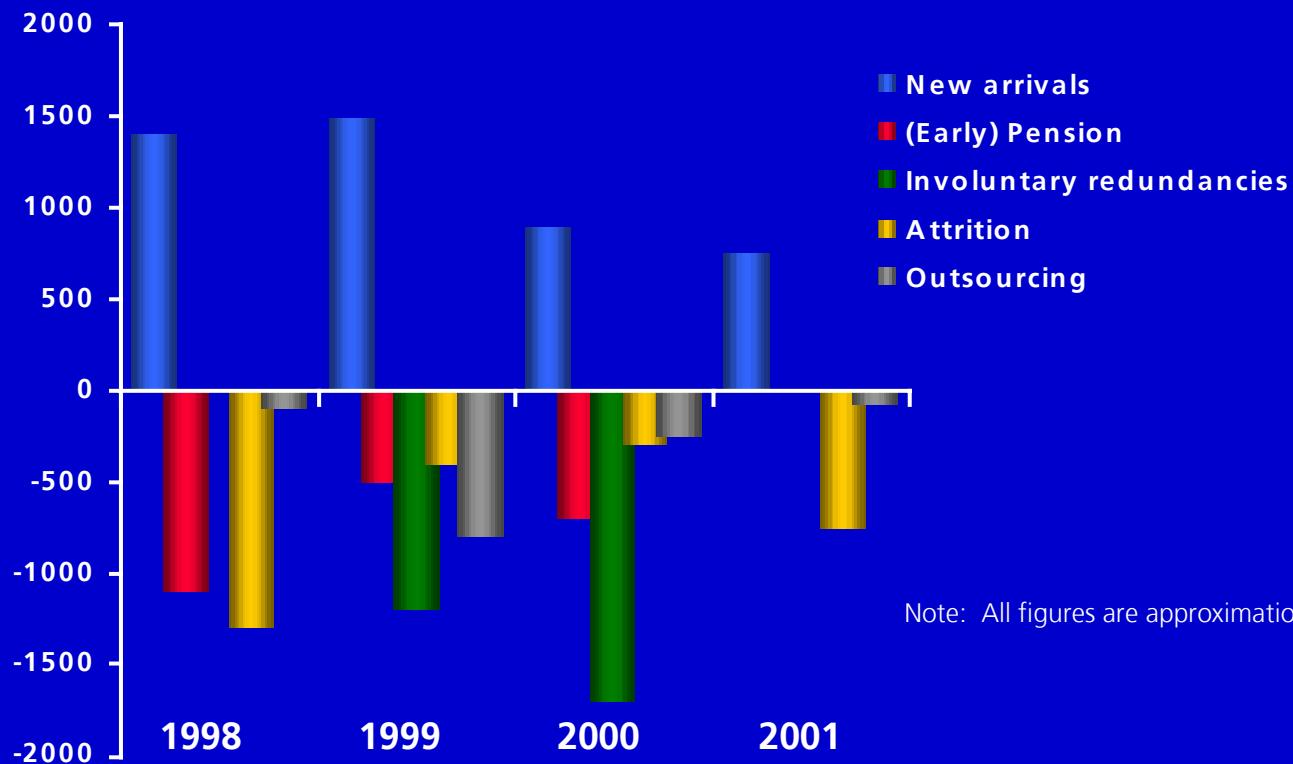
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### Action taken:

- **First involuntary redundancies end 1998**
- **Several rationalization projects underway**
- **Creation of project "Perspektiv"**
  - **Goal: Reduce personnel costs and minimize involuntary redundancies**
  - **Vision: Create new perspectives for redundant personnel**
  - **Significant restructuring charges expected in 1999**

Realistic, balanced package under negotiation

# Swisscom Personnel Reduction



Committed programme to reduce headcount by > 4000



**Adrian Bult**  
**CIO**

Analysts'-Meeting 14.4.99

# Millennium

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2000.K.  
swisscom

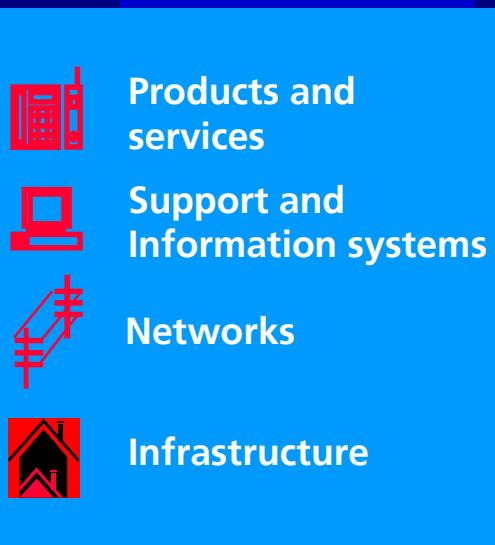
The logo consists of the text "2000.K." in a large, bold, sans-serif font. The letter "K" is split vertically, with the left half in white and the right half in red. Below this, the word "swisscom" is written in a smaller, white, sans-serif font. A series of five red vertical bars of decreasing height are positioned to the right of "swisscom".

# Initial situation

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## Supplier portfolio

- 2000 "objects"
- 950 products
- 120 services

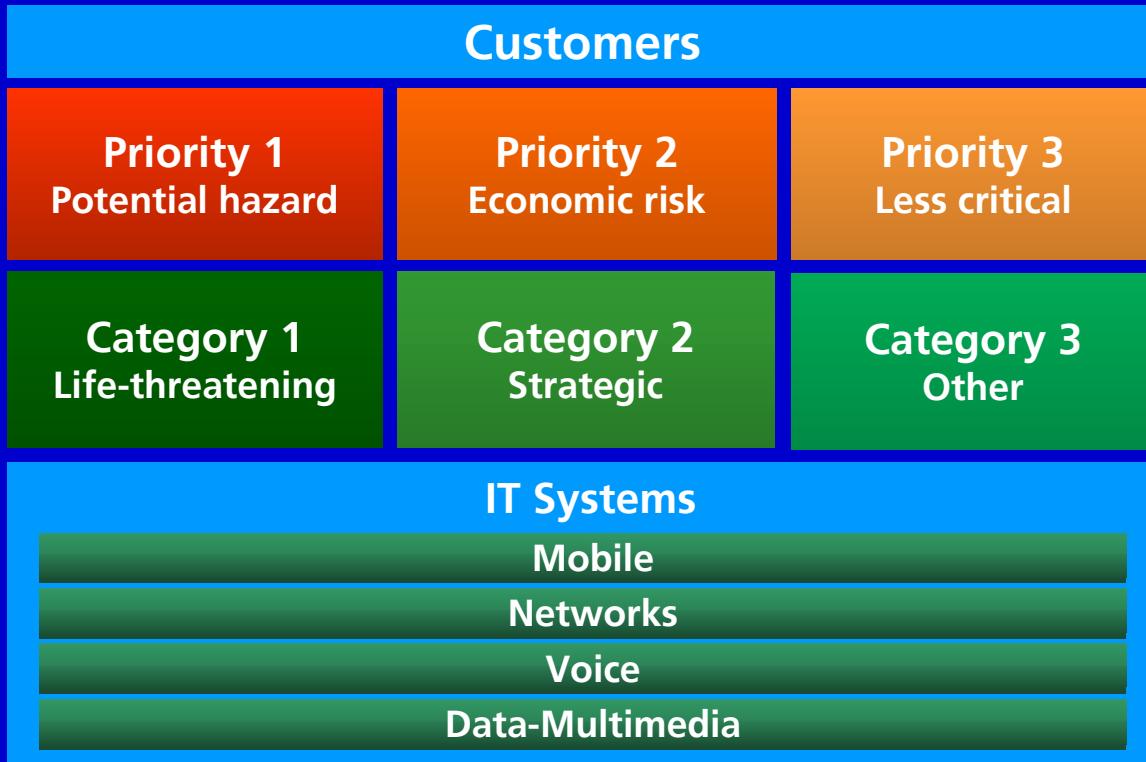


## Market / customers

- >3,000,000 customers
- >65,000 SMC customers
- >2,750 major customers
- >4,500 "blue light" customers

Offering solutions for the customer

# Categories and priorities



Segmentation to meet customer needs

# Implementation

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## Proactive measures

Target: Recognize and eliminate existing Y2K problems

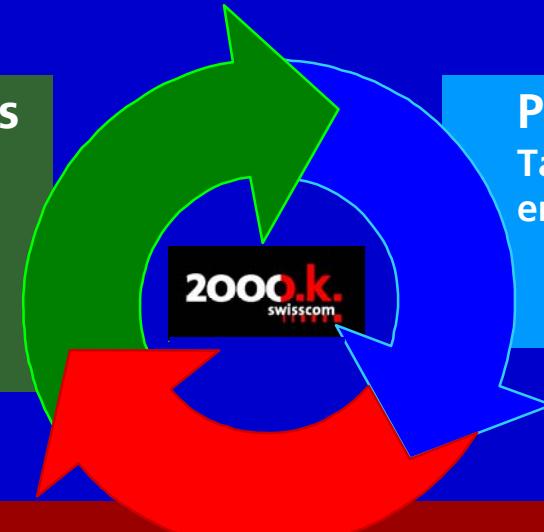
## Prevention

Target: Offer stable environment

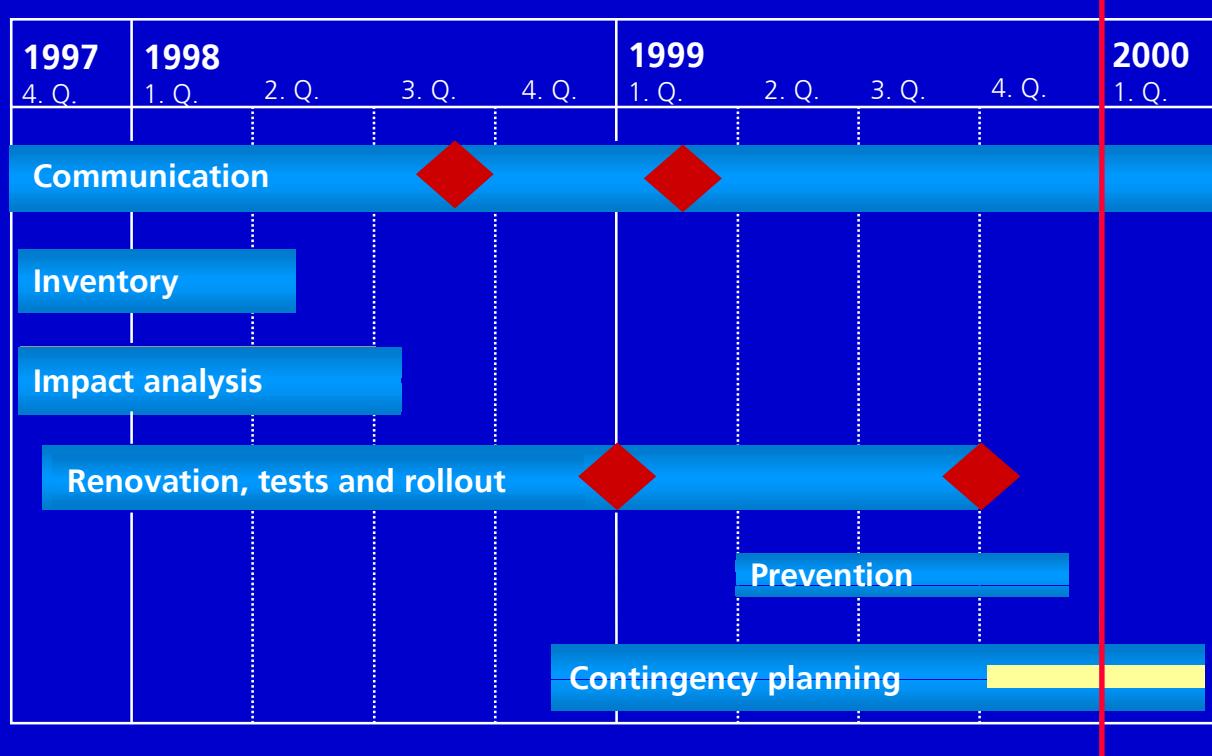
## Contingency planning

Target: Be prepared to deal with unforeseen challenges

Ongoing planning and implementation



# Time schedule



Ready to face the challenge

## Expenses

	Actual 1998	Estimated 1999 / 2000	Total
Millennium Expenses			
MCHF	53	197	250

Lower expenses than anticipated

- Conservative assumptions originally
- Y2K compliance guarantees by major suppliers
- New Network systems releases
- Migration of services Y2K compliant platforms

Significant expenses planned for 1999

- Renovation of customer equipment
- Workplace 2000
- Cluster-test of backbone network
- Contingency planning

Focus on quality and execution

## Next steps

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- **Test of contingency organization**
- **Ongoing Y2K-compliance requests**
- **Cluster-test of basis-network**
- **Test of Swisscom public switched telephone network**
- **Proactive information and support of customers with life-saving tasks, major and large accounts**
- **Network tests with other international carriers**



**David J. Schnell  
CFO**

# Key figures

MCHF	1997	1998	98/97
<b>Net revenues</b>	<b>9,842</b>	<b>10,461</b>	<b>6.3%</b>
<b>Operating expenses <sup>(1)</sup></b>	<b>6,340</b>	<b>6,098</b>	<b>-3.8%</b>
<b>EBITDA <sup>(1)</sup></b>	<b>3,779</b>	<b>4,472</b>	<b>18.3%</b>
as % of net revenues	38.4%	42.7%	
<b>EBIT <sup>(1)</sup></b>	<b>2,040</b>	<b>2,851</b>	<b>39.8%</b>
as % of net revenues	20.7%	27.3%	
<b>Net (loss) income from continuing operations</b>	<b>(304)</b>	<b>2,074</b>	
Loss from discontinued operations	(111)	(519)	
<b>Net (loss) income</b>	<b>(415)</b>	<b>1,555</b>	
<b>(Loss) earnings per share</b>	<b>(6.29)</b>	<b>22.91</b>	

(1) before restructuring charges (1997: CHF 1'726; 1998: CHF-50)

Strong improvement in results

# Net revenues

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MCHF	1997	1998	98/97
Access	1,243	1,343	8.0%
National traffic revenue	2,561	2,426	-5.3%
Outgoing international traffic revenue	1,375	1,301	-5.4%
Value-added and information services	443	484	9.3%
Customer premises equipment	1,046	1,035	-1.1%
<b>Fixed-line voice telephony</b>	<b>6,668</b>	<b>6,589</b>	<b>-1.2%</b>
<b>Mobile telecommunication services</b>	<b>1,371</b>	<b>1,791</b>	<b>30.6%</b>
<b>Data and multimedia services</b>	<b>824</b>	<b>901</b>	<b>9.3%</b>
<b>Carrier Services</b>	<b>697</b>	<b>860</b>	<b>23.4%</b>
<b>Other revenues</b>	<b>282</b>	<b>320</b>	<b>13.5%</b>
<b>Total net revenues</b>	<b>9,842</b>	<b>10,461</b>	<b>6.3%</b>

Despite competition strong revenue growth

## Goods and services purchased

MCHF	1997	1998	98/97
Raw material and supplies	300	165	-45.0%
Customer premises equipment for resale	392	329	-16.1%
International traffic fees	673	713	5.9%
Services purchased	301	382	26.9%
<b>Total goods and services purchased</b>	<b>1,666</b>	<b>1,589</b>	<b>-4.6%</b>
as % of net revenues	16.9%	15.2%	

**Tougher purchasing policy implemented**

## Personnel expenses

MCHF	1997	1998	98/97
Salaries and wages	1,877	2,017	7.5%
Social security expenses and pension cost	426	436	2.3%
Other personnel expenses	281	104	-63.0%
<b>Total personnel expenses</b>	<b>2,584</b>	<b>2,557</b>	<b>-1.0%</b>
as % of net revenues	26.3%	24.4%	
Average number of FTEs	22,145	22,069	-0.3%
Number of FTEs at end of period	22,170	21,946	-1.0%

Committed to reduce personnel

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## Other operating expenses

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MCHF	1997	1998	98/97
Rent	137	132	-3.6%
Repairs and maintenance	577	286	-50.4%
Loss on disposal of fixed assets (net)	227	41	-81.9%
Energy	81	82	1.2%
Insurance	29	15	-48.3%
EDP	460	323	-29.8%
Advertising and promotion	88	226	156.8%
General and administration	176	219	24.4%
Stamp tax on incorporation	-	221	
Miscellaneous operating expenses	315	407	29.2%
<b>Total other operating expenses</b>	<b>2,090</b>	<b>1,952</b>	<b>-6.6%</b>
as % of net revenues	21.2%	18.7%	

# Net income from continuing operations

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MCHF	1997	1998
<b>EBITDA</b>	<b>3,779</b>	<b>4,472</b>
Depreciation and amortization	1,739	1,621
Restructuring charges	1,726	(50)
<b>Operating income (EBIT)</b>	<b>314</b>	<b>2,901</b>
Financial expense	(428)	(407)
Financial income	25	93
<b>(Loss) income before income taxes and equity in net loss of affiliated companies</b>	<b>(89)</b>	<b>2,587</b>
Income tax expense	(1)	(319)
<b>(Loss) income before equity in net loss of affiliated companies</b>	<b>(90)</b>	<b>2,268</b>
Equity in net loss of affiliated companies	(214)	(212)
Minority interest	-	18
<b>Net (loss) income from continuing operations</b>	<b>(304)</b>	<b>2,074</b>

## Investments in affiliated companies

MCHF	1997	1998
Share in net loss <sup>(1)</sup>	(168)	(208)
Goodwill amortization <sup>(1)</sup>	(46)	(4)
<b>Equity in net loss from affiliates <sup>(1)</sup></b>	<b>(214)</b>	<b>(212)</b>
 <u>Balance Sheet</u>		
Equity in affiliates	935	744 <sup>(1)</sup>
Goodwill	237	5 <sup>(1)</sup>
<b>Total investments in affiliates</b>	<b>1,172</b>	<b>749</b>

(1) Excluding Sterling Cellular and Digi

Losses to decrease in the future

# Divestiture of Sterling Cellular and Digi

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## MCHF

Actual losses and write off of remaining equity and goodwill	(344)
Additional loss in connection with discontinuation of operations	(180)
Realization of cumulative translation adjustments	(116)
Tax benefit	121
<b>Total loss from discontinued operations</b>	<b>(519)</b>

**Focus on the "Heart of Europe"**

## Capital expenditures

MCHF	1997	1998	98/97
Capital expenditures			
Fixed-line networks	1,246	547	-56.1%
Mobile networks	248	276	11.3%
Buildings	334	118	-64.7%
Other	546	364	-33.3%
<b>Total</b>	<b>2,374</b>	<b>1,305</b>	<b>-45.0%</b>

Strictly market-driven capital expenditures

# Consolidated cash flow

MCHF	1997	1998
<b>Net cash provided by operating activities</b>	<b>1,335</b> <sup>(1)</sup>	<b>3,574</b> <sup>(2)</sup>
Capital expenditures	(2,374)	(1,305)
Purchases of subsidiaries and investments in affiliated companies	(219)	(170)
Other investing activities	116	136
<b>Net cash used in investing activities</b>	<b>(2,477)</b>	<b>(1,339)</b>
<b>Free Cash-Flow</b>	<b>(1,142)</b>	<b>2,235</b>
<b>Net cash provided by (used in) financing activities</b>	<b>713</b>	<b>(732)</b> <sup>(3)</sup>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(429)</b>	<b>1,503</b>
<b>Cash and cash equivalents at end of period</b>	<b>256</b>	<b>1,759</b>

(1) including special contribution to pension fund of MCHF 2,100

(2) including special contribution to pension fund of MCHF 589

(3) including net proceeds of MCHF 2,433 from the IPO

# Financing structure

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MCHF	12/'97	12/'98
Short-term debt	1,178	1,225
Long-term debt	6,200	4,245
Finance leases	449	556
<b>Interest bearing debt</b>	<b>7,827</b>	<b>6,026</b>
less: cash, cash equivalents and securities	307	1,787
<b>Net debt excluding pension liability</b>	<b>7,520</b>	<b>4,239</b>
Pension liability	2,227	1,851
incl. curtailment benefits	1,206	768

## Dividend and number of shares

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### Dividend

<b>Gross dividend per share for 1998</b>	<b>CHF 11</b>
<b>Payment date of 1998 dividend</b>	<b>4 June 1999</b>
<b>Future target payout ratio</b>	<b>approx. 50% of net income</b>

### Number of shares

<b>Number of shares at 31.12.98</b>	<b>73,550,000</b>
<b>Average number of shares</b>	<b>67,887,500</b>
<b>Nominal value</b>	<b>CHF 25</b>



**Tony Reis**  
CEO

## Conclusion

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- **Maintain market leadership**
- **Marketing of new products and services based on our technological know-how and existing customer relations**
- **Reducing costs and raising productivity**
- **Focussing international strategy**
- **Quick implementation of enhanced business model**

# Backup Slides

# Voice: Access services

	'97	'98	change
<b>Access revenue (MCHF)</b>	1,243	1,343	+8.0%
<b>Access channels<sup>(1)</sup> (in thousands)</b>			
<b>PSTN<sup>(2)</sup></b>	<b>4,076</b>	<b>3,883</b>	<b>-4.7%</b>
<b>ISDN<sup>(3)</sup></b>			
Basic access channels	402	650	+61.7%
Primary access channels	210	270	+28.6%
<b>Total ISDN</b>	<b>612</b>	<b>920</b>	<b>+50.3%</b>
<b>Total access channels</b>	<b>4,688</b>	<b>4,803</b>	<b>+2.5%</b>
Residential	3,483	3,758	+7.9%
Business	1,205	1,045	-13.3%
<b>Total access channels</b>	<b>4,688</b>	<b>4,803</b>	<b>+2.5%</b>
<b>Penetration<sup>(1)(4)</sup></b>			
PSTN lines	57.3	54.3	-5.2%
ISDN channels	8.6	12.9	+50.0%
<b>Total penetration rate</b>	<b>65.9</b>	<b>67.2</b>	<b>+2.0%</b>

(1) Based on lines in service, including courtesy, service lines and payphones

(2) Each PSTN line provides one access channel

(3) ISDN lines expressed in equivalent numbers of access channels. A basic ISDN line provides two access channels and primary ISDN line provides 30 access channels

(4) Number of lines of channels per 100 inhabitants

# Voice: National traffic revenue

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(MCHF)	'97	'98	change
Local area	833	649	-22.1%
National long distance <sup>(1)</sup>	1,559	1,625	+4.2%
Public payphones <sup>(2)</sup>	169	152	-10.1%
<b>Total National</b>	<b>2,561</b>	<b>2,426</b>	<b>-5.3%</b>

(1) Includes traffic to other networks (fixed-to-mobile calls and calls from the fixed network to private user network and certain data services). Does not include calls to Swisscom's toll-free, cost-shared and premium rate telephone number services for business customers or to Swisscom's information services

(2) Revenue from calls made from Swisscom-operated public payphones, whether local, national long distance or international

## Voice: Outgoing international traffic by destination <sup>(1)</sup>

	'97	'98	change
Germany	477	511	+7.1%
France	344	357	+3.8%
Italy	292	273	-6.5%
United Kingdom	119	122	+2.5%
Austria	88	105	+19.3%
United States	97	99	+2.1%
Portugal	72	71	-1.4%
Spain	71	71	
Yugoslavia	50	58	+16.0%
Netherlands	52	55	+5.8%
Rest of the world	502	536	+6.8%
<b>Total outgoing international traffic</b>	<b>2,164</b>	<b>2,258</b>	<b>+4.3%</b>

(1) Minutes of outgoing international traffic as determined for international settlement purposes. Includes outgoing international traffic originating from Switzerland from mobile telephones.

## Voice: Value-added and information services

### REVENUES

	'97	'98	change
(MCHF)			
Voice value-added services	275	300	+9.1%
Information services	168	184	+9.5%
<b>Total</b>	<b>443</b>	<b>484</b>	<b>+9.3%</b>

(millions of minutes)

**Business Numbers traffic** <sup>(1)</sup> 569 1,492 +162.2%

(1) Management estimates

## Voice revenue: CPS/CPE/CS

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(MCHF)	'97	'98	change
Sales	249	273	+9.6%
Rental and customer services	797	762	-4.4%
<b>Total</b>	<b>1,046</b>	<b>1,035</b>	<b>-1.1%</b>

## Mobile telecommunications revenue

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(MCHF)	'97	'98	change
Digital mobile telephony	1,028	1,616	+57.2%
Analog mobile telephony	292	124	-57.5%
Paging, satellite and other mobile telecommunications services	51	51	
<b>Total revenue</b>	<b>1,371</b>	<b>1,791</b>	<b>+30.6%</b>

## Mobile customers

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	<b>'97</b>	<b>'98</b>	<b>change</b>
Natel D international	244,400	397,868	+62.8%
Natel D swiss <sup>(1)</sup>	437,076	648,830	+48.4%
Natel D easy	209,745	584,133	+178.5%
<b>Natel D</b>	<b>891,221</b>	<b>1,630,831</b>	<b>+83.0%</b>
<b>Natel C</b>	<b>153,158</b>	<b>41,469</b>	<b>-72.9%</b>
<b>Total mobile customers</b>	<b>1,044,379</b>	<b>1,672,300</b>	<b>+60.1%</b>
<b>Mobile penetration <sup>(2)</sup></b>	<b>14.7</b>	<b>23.4</b>	

(1) Includes Natel city for 1997, which was phased out in that year  
(2) Number of mobile customers per 100 habitants

# Data and multimedia: Managed network services

(MCHF)	'97	'98	change
<b>Revenue:</b>			
Leased lines, including managed leased lines	493	487	-1.2 %
Data transmission and other	213	193	-9.4 %
<b>Total managed network services</b>	<b>706</b>	<b>680</b>	<b>-3.7 %</b>
<b>Number of leased lines (period end):</b>			
National leased lines	36,326	39,291	+8.2 %
International leased lines <sup>(1)</sup>	1,570	1,408	-10.3 %
Managed leased lines	4,434	6,535	47.4 %
<b>Total leased lines</b>	<b>42,330</b>	<b>47,234</b>	<b>11.6 %</b>

(1) Includes international leased lines offered through Swisscom's carrier services business.

# Carrier Services: Incoming international traffic by point of origination <sup>(1)</sup>

	'97	'98	change
Germany	418	435	+4.1%
France	284	269	-5.3%
Italy	195	205	+5.1%
United States	196	187	-4.6%
United Kingdom	131	131	
Austria	64	75	+17.2%
Spain	48	46	-4.2%
Netherlands	42	52	+23.8%
Portugal	19	22	+15.8%
Yugoslavia	19	19	
Rest of the world	307	339	+10..4%
<b>Incoming international traffic</b>	<b>1,723</b>	<b>1,779</b>	<b>+3.3%</b>

(1) Minutes of incoming traffic terminated in Switzerland as determined for international settlement purposes

## Tax calculation

MCHF	1998
Income before income taxes and equity in net loss of affiliated companies	2,587
Weighted average statutory tax rate	25%
Income tax expense at the weighted average statutory tax rate	647
Reduction in income taxes resulting from:	
Deferred tax asset recorded on incorporation	(230)
Other	(98)
<b>Income tax expense</b>	<b>319</b>

**Effective tax rate of 12.3%**