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Mobile · Broadband · Media · International Service

4904 (TWSE)

Proposed Acquisition of NCIC

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June 25, 2010

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Mobile



Broadband



Media



International Service

Agenda

- ▶ **I. Transaction**
- II. Transaction Rationale and Synergy**
- III. NCIC Overview**

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Transaction Highlight

- **FET to acquire 100% of the shares of NCIC via YCIC that it does not already own through a tender offer**
 - ▶ **FET currently owns 26.74% of NCIC**
- **Combination with NCIC will strengthen FET's position in the Taiwan telecom market**
 - ▶ **Strengthen the capabilities to provide a complete service portfolio**
 - ▶ **Simplify corporate structure**
 - ▶ **Operational and financial synergies**
- **Transaction to be EPS accretive from 2011 onwards**
 - ▶ **EPS neutral in 2010**
- **Far Eastern Group fully supports the transaction**

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Transaction Detail

- Tender offer vehicle: YCIC (100% subsidiary of FET)
- Acquisition cost per NCIC share: **NT\$10.93**
 - ▶ 10% premium to book value per share of **NT\$9.94** as at the end of 2009
- Maximum funding need: **NT\$20.8 bn**

		Maximum Tendered (73.26%)	Minimum Tendered (15.00%)
Funding Sources	Tender Offer at NT\$10.93 per share	NT\$20.8 bn	NT\$4.3 bn
	YCIC Capital Increase (FET cash subscription)	NT\$15.0 bn	
	FET Loan to YCIC	NT\$5.8 bn	---

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Tender Offer Timeline

- Tender Offer: from **June 28, 2010** to **Aug 16, 2010**
(Could be extended by 30 days)
- Settlement Date: **Aug 23, 2010**

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Agenda

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▶ II. *Transaction Rationale and Synergy*

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Transaction Rationale

A Complete Integrated Service Portfolio

- ▶ **Combination of resources and capabilities**
- ▶ **Integrated communication and information service offerings**

Simplify Corporate Structure

- ▶ **Greater user experience**
- ▶ **Streamline decision making and stakeholder interest**

Operational and Financial Synergies

- ▶ **Substantial cost synergies from network, marketing and administrative functions**
- ▶ **Consolidated EBITDA to increase approximately average 10% on an annual basis**

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Transaction Synergy

Strategic Synergy

- Strengthen the position as a fully integrated service provider
- Catch the future trend of wireless access based services, cloud computing, the Internet of Things (IOT)

Revenue Synergy

- Revenue generating from broadened product offerings in enterprise segment, broadband, IDD and ICT

Operational Synergy

- Savings in backhaul and transport network
- Optimized customer-oriented product bundling with IDD, IDC and cloud services

Capex Synergy

- No duplicated capex in transmission and IDC

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Financial Impact Assuming Full Merger

- **EPS neutral in 2010 and EPS accretive afterward**
 - ▶ 2011 is the first full year of consolidation
- Consolidated Service revenue and EBITDA to increase approximately average 15% and 10% on an annual basis

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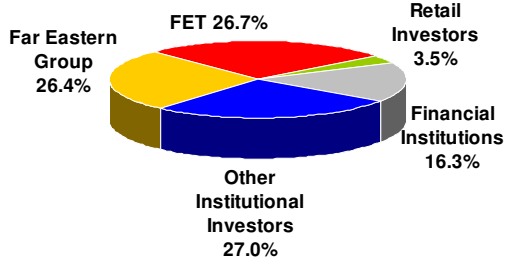
NCIC Milestones

- 2000 ■ Established as one of the 3 major private fixed-line operators in Taiwan
- 2001 ■ Become one of the 2 fixed-line operators in Taiwan to operate submarine cable
- 2006 ■ The first fixed line operator to provide 070 IP telephony service
- 2008 ■ Integrated into Far Eastern Group Telecom Sector with Far EastOne and Digital United (Seednet)
- 2009 ■ Fully acquired Digital United (Seednet)

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NCIC Company Profile

Shareholder's Structure



Capital Structure

- Cash, cash equivalents, and liquid financial assets: More than **NT\$11bn**
- Land, real estate, and telecom equipment: Net value⁽¹⁾ of **NT\$17bn**
- Debt free company

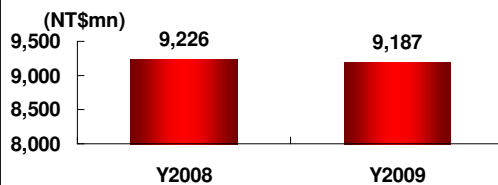
Note: (1) Net Value = Asset Value of Land, Real Estate, and Telecom Equipment - Accumulated Depreciation
Source: company data as at the end of 2009

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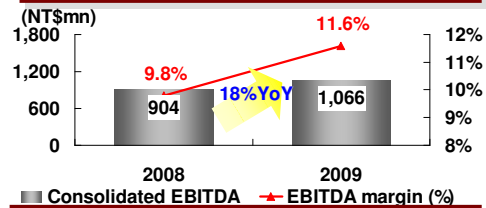
NCIC Operational Performance

Increasing Profitability

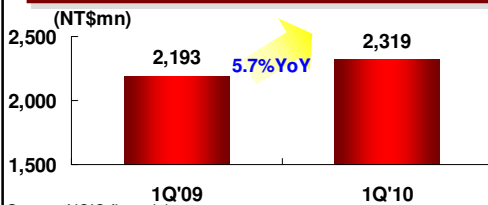
Revenue (Y2008 vs. Y2009)



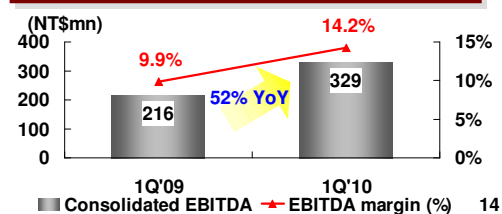
EBITDA (Y2008 vs. Y2009)



Revenue (1Q'09 vs. 1Q'10)

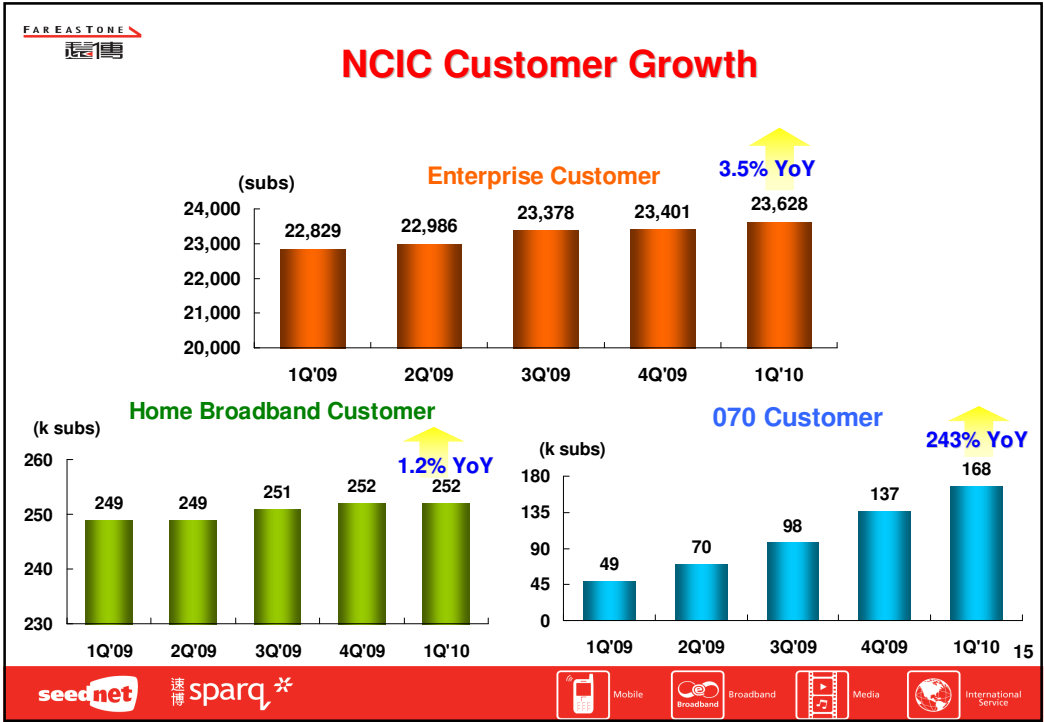


EBITDA (1Q'09 vs. 1Q'10)



Source: NCIC financial report

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Q & A

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