



4904 (TWSE) 2007 1Q Investor Update

Jan Nilsson
President

April 30, 2007 4:30pm



Disclaimer

This presentation contains forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. Actual results may differ materially from those expressed or implied by these forward-looking statements. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation might not occur in the way we expect, or at all. You should not place undue reliance on any forward-looking information.

In preparing the information herein, FET have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to FET or which was otherwise reviewed by FET. Neither FET nor its advisors have made any representation or warranty as to the accuracy or completeness of such information and nor do they assume any undertaking to supplement such information as further information becomes available or in light of changing circumstances. None of FET, nor any of their respective affiliates, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. Neither this presentation nor any of its contents may be reproduced to a third party without the prior written consent of FET.

Agenda

- ▶ **I. Market Overview**
- II. 2007 Q1 Performance**
- III. Strategic Initiative**
- IV. 2007 Q2 Forecast**
- V. Capital Reduction**
- VI. Management Highlight**

Taiwan Wireless Market Overview (1)

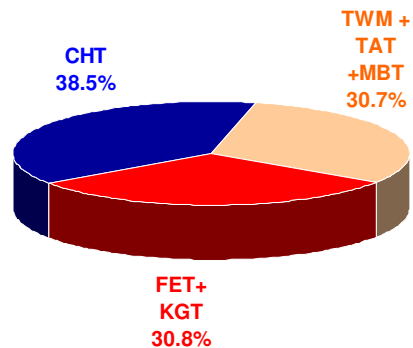
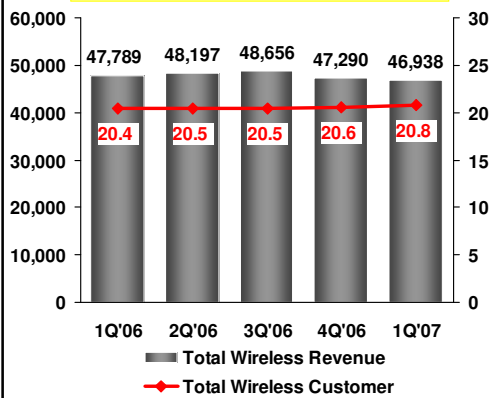
Wireless Market Revenue & Subs

2007 Q1 Service Revenue Share

Service Revenue (NT\$m) Subscribers (mn)

2007 YTD Service Revenue Share of 3 BIG players:
 CHT 38.5% > FET+KGT 30.8% > TWM+TAT+MBT 30.7%

Market revenue **-1.8%** (1Q'07 vs. 1Q'06)



Source: 2005-06 revenue and subs data based on service revenue from operator's respective factsheets on consolidated basis.

Taiwan Wireless Market – 2007 Overview (2)

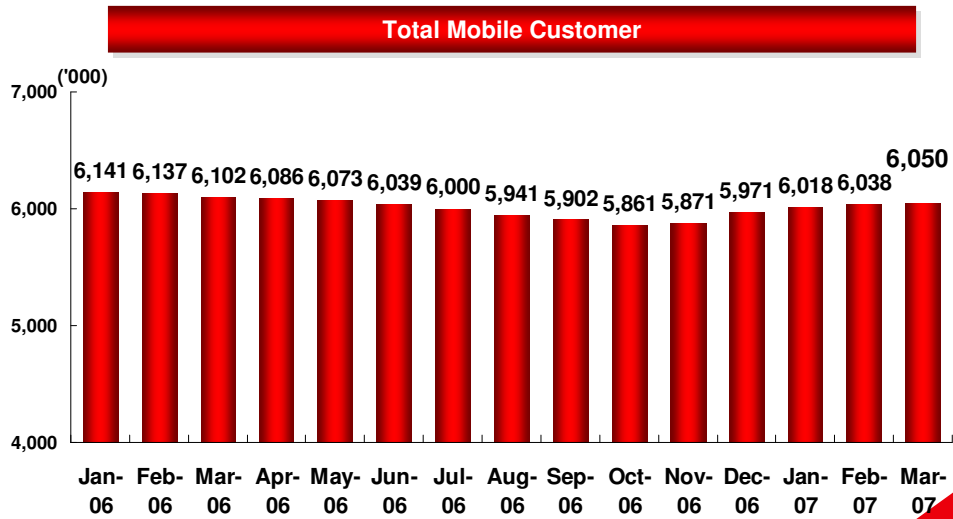
Regulatory Environment

- Wimax licenses to be issued in July/August 2007
 - ▶ Planning to issue total 6 licenses: 3 in north, 3 in south and minimum 1 nationwide license after 2 years
 - ▶ 1 group 1 license
 - ▶ Of the 6 licenses, 2 will be reserved for new entrants
 - ▶ Minimum capital requirement for bidders: NT\$1 billion
 - ▶ Acceptance of the Application: Apr 12 to Jun 11
 - ▶ A two step procedure Beauty contest & Bidding

Agenda

- I. Market Overview*
- ▶ *II. 2007 Q1 Performance*
- III. Strategic Initiative*
- IV. 2007 Q2 Forecast*
- V. Capital Reduction*
- VI. Management Highlight*

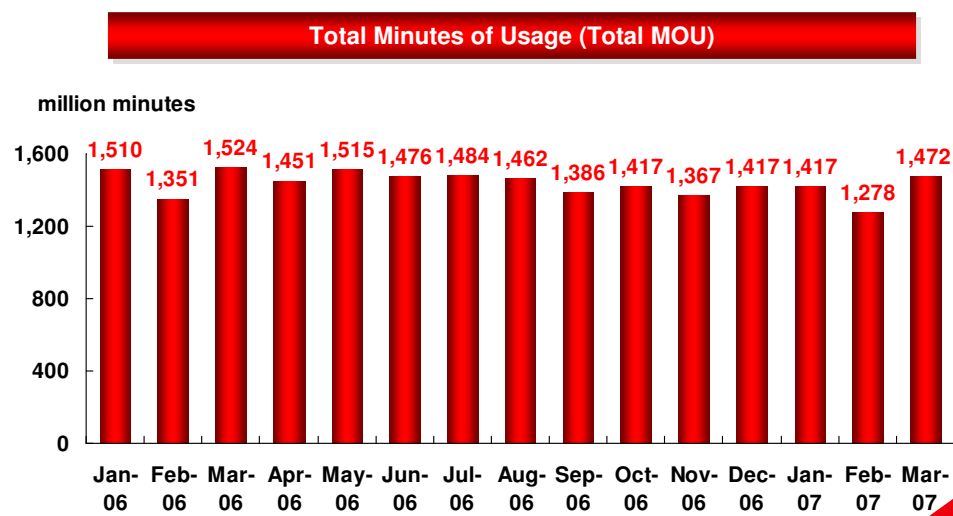
Operational Performance Total Subscribers



Source: Company data

7

Operational Performance Total MOU

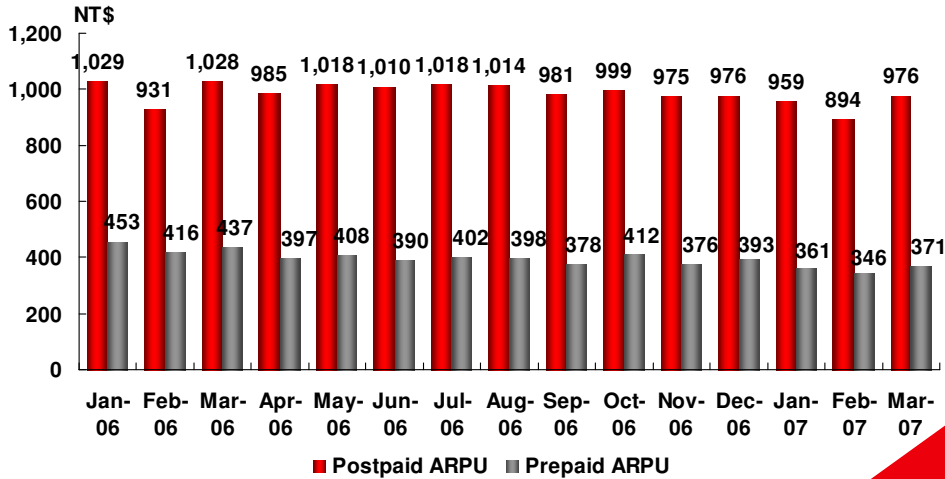


Source: company data

8

Operational Performance ARPU

Consolidated ARPU

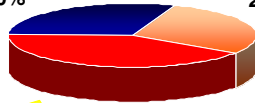


Source: company data

Data Performance Leading Data Usage and Increasing Usage

2007 Q1 Data Revenue Share

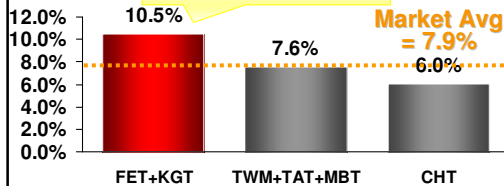
#2: CHT: 30%
#3: TWM: 29%



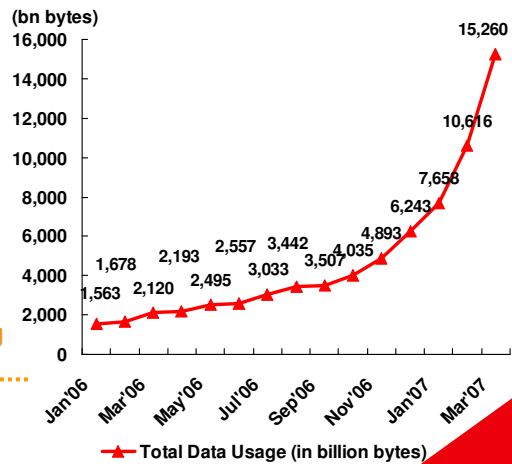
#1: FET dominates
41% of data rev mkt share

2007 Q1 Data % of Service Revenue

FET has reached above
10% since Dec'06



FET Packet Data Usage

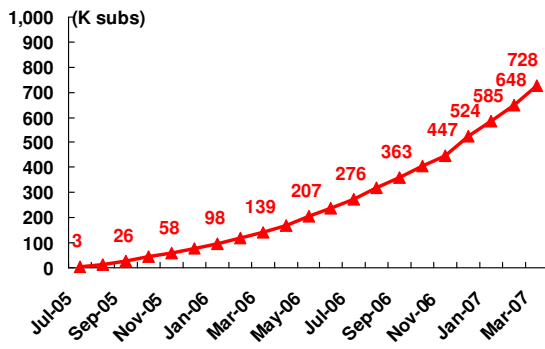


Source: Left: Operators' factsheets or company source as of Dec'06
Right: FET company data

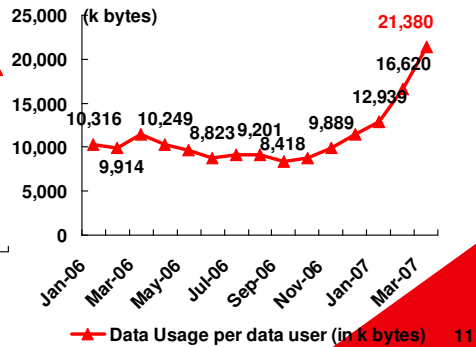
3G Help Data Usage Uptake

- ✓ For 1Q'07, FET 3G ARPU around **\$1,033** (11% higher than current 2G ARPU \$929)
- ✓ APRU of 3G subs with 3G handset around **\$1,600**
- ✓ FET 3G data **14.2%**, higher than current 2G data 9%

3G Sub Growth



3G Data Usage per Active User



Source: Company data

▲ Data Usage per data user (in k bytes) 11

Consolidated Financial Achievement 2007 Q1 Actual vs. 2007 Q1 Forecast

Item Unit: NT\$ Million, except for EPS	2007 Q1 Actual	2007 Q1 Forecast	Achievement %
■ Total Revenue	15,776	15,784	100%
■ Service Revenue	14,458	14,264	101%
■ EBITDA	6,679	6,602	101%
■ Service EBITDA Margin %	47.7%	47.8%	—
■ Pre-tax Income	3,637	3,425	106%
■ EPS ⁽¹⁾	<u>\$0.75</u>	<u>\$0.71</u>	106%

Source: Company data

(1) EPS based on current outstanding shares of 3,872,663,049.

Consolidated Financial 2007 Q1 Financial Stats

(NT\$ mm unless otherwise stated)	As of 2006 Q1	As of 2006 Q4	As of 2007 Q1
Cash & Cash Equivalents	7,677	7,852	11,263
Total Borrowing	7,238	5,977	3,976
Net Debt	—	—	—
Shareholders' Equity	77,300	74,790	77,673
Debt/Capitalization ⁽¹⁾ Ratio			
— Gross (%)	8.6%	7.4%	4.9%
— Net (%)	—	—	—
Free Cashflows – YTD ⁽²⁾	5,545	19,888	5,807
Cash-based Capex	1,935	6,081	1,368
Pre-tax EPS - YTD	\$1.02	\$3.77	\$0.87
EPS(NT\$) – YTD ⁽³⁾	\$0.82	\$3.40	\$0.75
ROA	12.7%	13.7%	12.3%
ROE	16.7%	17.3%	15.2%

Source: FET 2006 Consolidated Financials

(1) Capitalization = shareholders' equity + total debt.

(2) Free Cashflows = Operating Cash flow – cash-based Capex

(3) EPS calculated by current outstanding shares of 3,872,663K.

13

Agenda

I. Market Overview

II. 2007 Q1 Performance

▶ III. Strategic Initiative


IV. 2007 Q2 Forecast

V. Capital Reduction


VI. Management Highlight

14

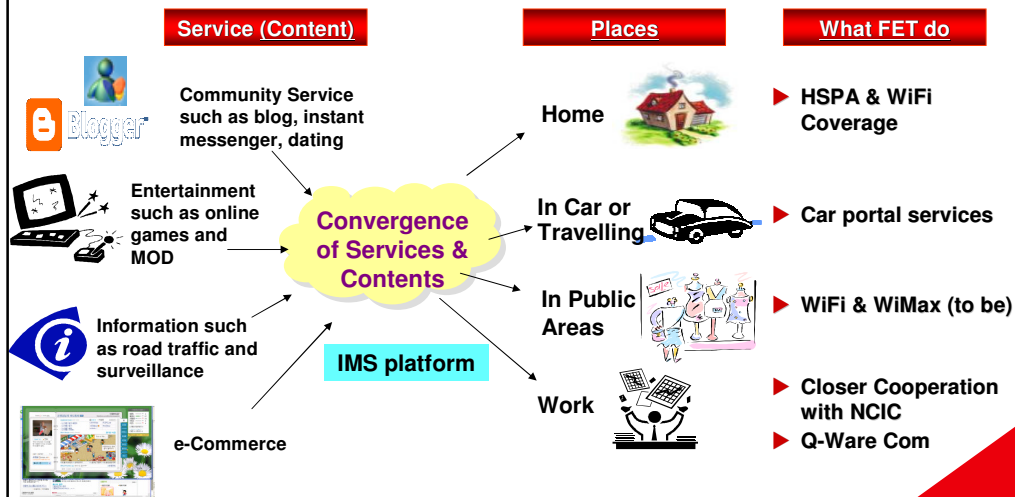
The New Alliance Business Opportunity (1)

		FAREASTONE 遠傳
Business Opportunity	In process of launching prepaid MVNO in mid-May	Through 7-Eleven channels to expand prepaid and MVNO business
Competitive Advantage	Strong Brand and Good Distribution Coverage <ul style="list-style-type: none"> ▶ Over 4300 store island-wide and expanding ▶ 6 mn customers visiting its stores per day ▶ 4 mn i-cash cards issued 	Mobile Network and Service Operator <ul style="list-style-type: none"> ▶ 2G + 3G Network ▶ 99%+ population coverage

The New Alliance Business Opportunity (2)

		Q-Ware Communications	FAREASTONE 遠傳
WiFi	WiFi sites coverage	WiFi network operator	Full Wireless Broadband provider
<div style="background-color: #00AEEF; color: white; padding: 5px; display: inline-block;">WiFi, compliment with FET 3G, helps FET into home/hotspot and service differentiation</div>			
Enterprise Solutions	The whole Uni-president group, 30,000+ employees	A prefer enabler for telecom solution and system integration	A prefer provider of mobile and telecom services

Growth from New Resources Beyond Traditional Telco



Agenda

- I. Market Overview
- II. 2007 Q1 Performance
- III. Strategic Initiative
- ▶ IV. 2007 Q2 Forecast
- V. Capital Reduction
- VI. Management Highlight

2007 Q2 Consolidated Financial Forecast 2007 Q2 Forecast vs. 2007 Q1 Actual

Item Unit: NT\$ Million, except for EPS	2007 Q2 Forecast	2007 Q1 Actual	QoQ %
■ Total Revenue	16,275	15,776	+ 3.2%
■ Service Revenue	14,765	14,458	+ 2.1%
■ EBITDA	6,769	6,679	+ 1.5%
■ Service EBITDA Margin %	47.4%	47.7%	—
■ Pre-tax Income	3,627	3,637	- 0.2%
■ EPS ⁽¹⁾	\$0.75	\$0.75	+ 0.0%

Source: 2006 audited financial report and 2007 Q1 unaudited financial forecast
(1) EPS based on current outstanding shares of 3,872,663,049

Agenda

I. Market Overview

II. 2007 Q1 Performance

III. Strategic Initiative

IV. 2007 Q2 Forecast

▶ *V. Capital Reduction*

VI. Management Highlight

Proposed Capital Reduction

▶ Proposal

- ✓ Cancellation of 20% of total outstanding shares
- ✓ Shareholders to receive approximately NT\$2.0 for each share owned
- ✓ Total cash distributed: NT\$7.7 billion

▶ Benefits

- ✓ To improve the efficiency of capital structure
- ✓ To enhance EPS and ROE
- ✓ No withholding tax on cash return from capital reduction

▶ Timetable

- ✓ Subject to relevant approvals, payment expected to be made in January 2008

Agenda

I. Market Overview

II. 2007 Q1 Performance

III. Strategic Initiative

IV. 2007 Q2 Forecast

V. Capital Reduction



VI. Management Highlight

Management Highlights

- ▶ Company operations remain stable
- ▶ Continue to develop integrated solutions and moving towards **Service Convergence**
- ▶ Strategic partnership for broadening integrated services
- ▶ **Commitment to active capital management and shareholders' interests**

Q & A

For Further Information:

Websites

<http://corporate.fetnet.net>
<http://www.fetnet.net>

Email

Investor Relations
IR@fareastone.com.tw