



## 4904 (TWSE) 2006 Q3 Investor Update

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President

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# Agenda

- ▶ **I. Q3 Overview**
- II. Operational Performance**
- III. Financial Performance**
- IV. New Services and Development**
- V. Q4 Forecast**

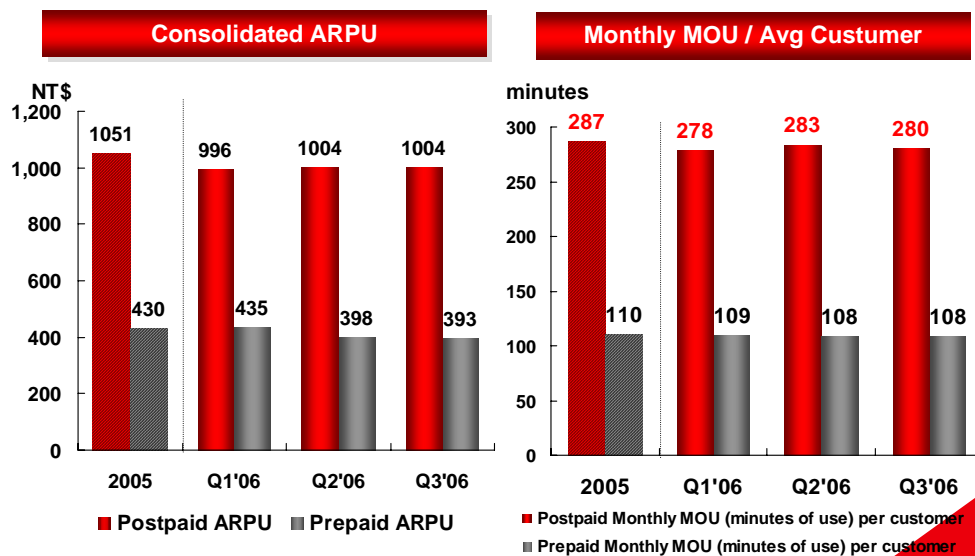
## Q3 Overview

<b>Market Update</b>	<ul style="list-style-type: none"> <li>▶ Market revenue <b>-1.0%</b> (1-3Q'06 vs. 1-3Q'05)</li> <li>▶ Market Share remains:                  CHT 37.9% &gt; <b>FET+KGT 31.6%</b> &gt; TWMM+TAT+MBT 30.5%</li> <li>▶ Prepaid card market deterioration has been stabilized</li> <li>▶ NCC plans to hold a public hearing for pricing cap formula on November 10</li> </ul>
<b>Operational Performance</b>	<ul style="list-style-type: none"> <li>▶ Subs decreased mainly due to prepaid impact</li> <li>▶ Higher churn rate in Q3 due to involuntary churning</li> <li>▶ Retain leading position in <b>ARPU</b> level and <b>data %</b></li> </ul>
<b>Financial Performance</b>	<ul style="list-style-type: none"> <li>▶ Q3 net profit in line with guidance</li> <li>▶ Service EBITDA margin above 50%</li> <li>▶ Service revenue decreased 4.1% yoy</li> </ul>
<b>Development &amp; Outlook</b>	<ul style="list-style-type: none"> <li>▶ Continue to offer superior data services to maintain data leadership</li> <li>▶ Focus on customer loyalty &amp; reinforce front-end offerings</li> <li>▶ Work to stabilize &amp; recover prepaid market</li> <li>▶ Carry on strategies although some delay due to sluggish market situation in 2006</li> </ul>

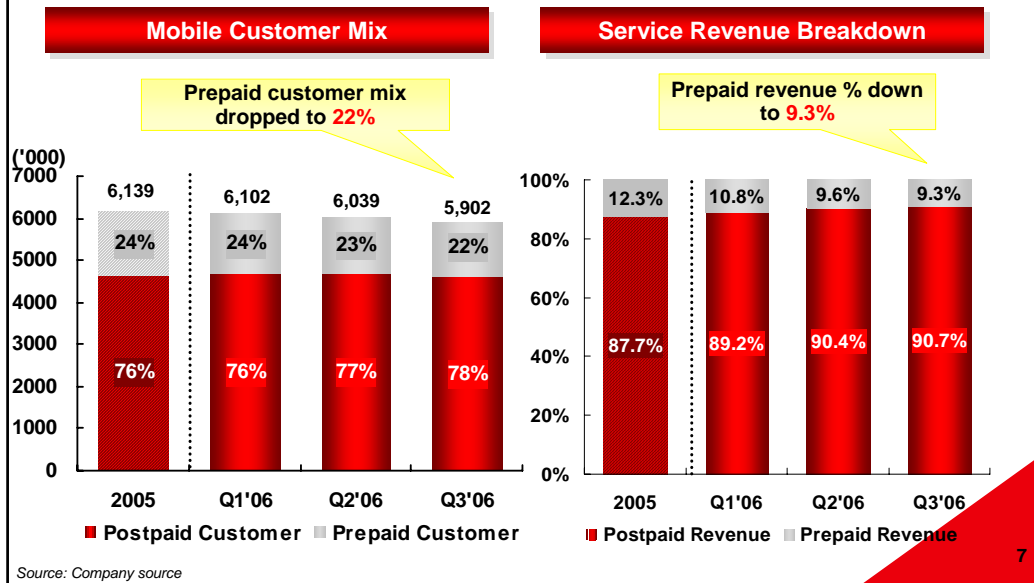
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## Operational Performance ARPU & MOU



## Operational Performance Customer Base and Revenue Breakdown



## Moving onto Q4 Actions & New Initiatives

- ▶ **Prepaid Sector**
  - Continue growing calling card and prepaid MVNO business under subsidiary KGEX to target foreign contractual worker market
  - Reactivate IF brand
- ▶ **Postpaid Sector**
  - Advance renewal program to enhance bonding with FET
  - New initiatives to attract broader customer base
  - Launched new postpaid program under Arcoa brand
- ▶ **Device update**
  - New ODM devices introduction from Q4 & 2007 forwards
  - Entry-level (new generation) 3G handsets available
  - First to introduce 3.6Mbps HSDPA mobile internet access

## Data Performance 2006 1-3Q Data Market Status

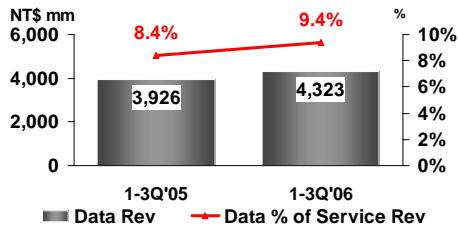
### 2006 YTD Data Revenue Share

#2: CHT: 30%      #3: TWM: 27%



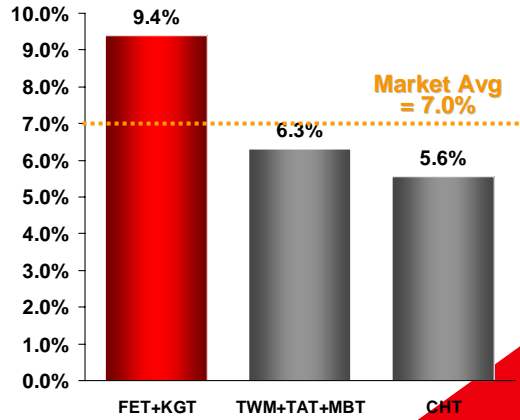
#1: FET dominates  
43% of data rev mkt share

### FET YoY Data Growth



### 2006 YTD Data % of Service Revenue

FET remains leading position in data.



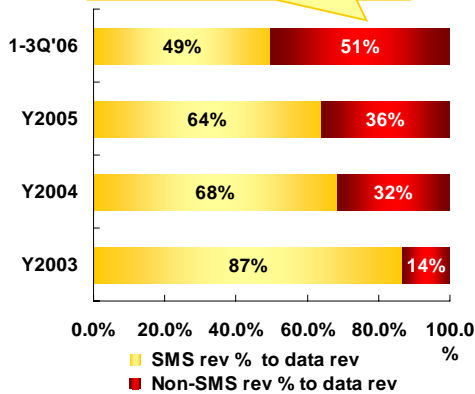
Source: Operators' factsheets or company source as of Sep'05

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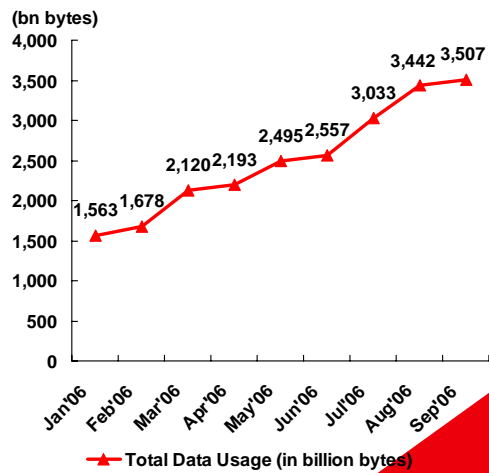
## Data Growth Increasing Non-SMS Data Usage

### FET Data Revenue Breakdown

Data revenue from non-SMS services **over 50%**



### FET Packet Data Usage



Source: Company data; 2003 stats does not include KGT's

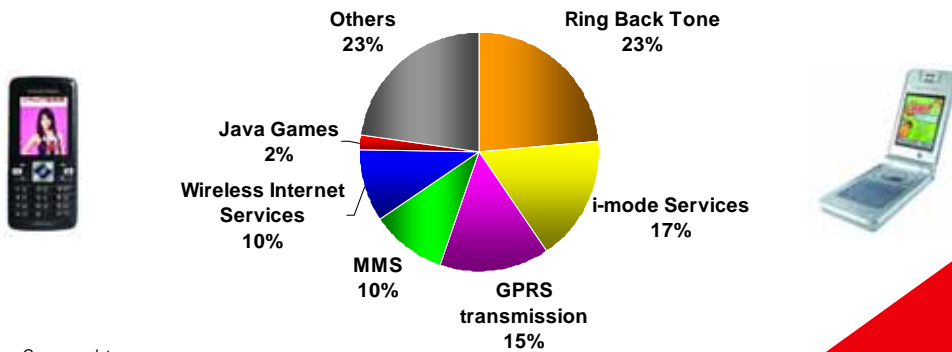
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## Data Growth Non-SMS Data Revenue Mix

- ▶ With dedications of innovation and commitment of service quality, non-SMS data revenue, such as Ring Back Tone, i-mode, GPRS, and Commerce have superior performance versus 2005.



### Non-SMS Data Revenue Breakdown in 1-3Q'06

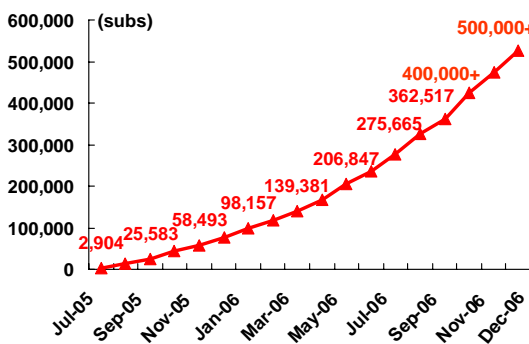


Source: Company data

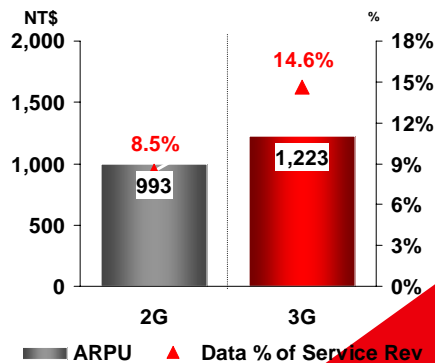
## 3G Update

- ✓ 3G subs unlikely to quickly pick up due to delay of new 3G handset roll out
- ✓ For 1-3Q'06, FET 3G ARPU around **\$1,223** (23% higher than current 2G ARPU)
- ✓ APRU of 3G subs with 3G handset around **\$1,600**
- ✓ FET 3G data **14.6%**, higher than current 2G data 8.5%

### 3G Sub Growth



### 2006 1-3Q 3G vs. 2G Status

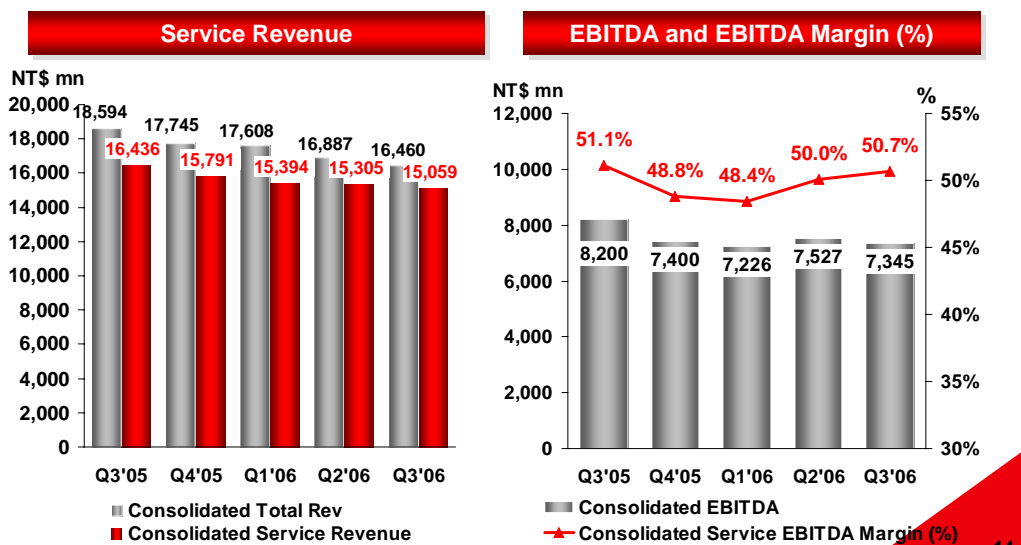


Source: Company data

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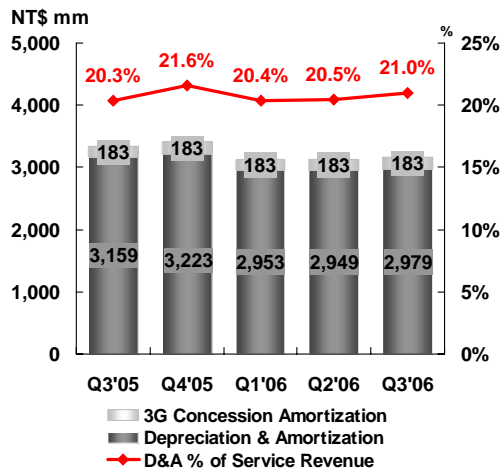
## Consolidated Financial Steady Revenue and Margin



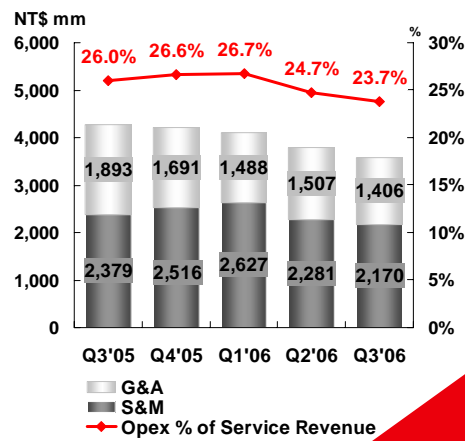
Source: FET 2005-2006 Consolidated Financials

## Consolidated Financial Operating Efficiencies

### Depreciation & Amortization



### Opex & Opex % of Service Rev



Source: FET 2005-2006 Consolidated Financials

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## Consolidated Financial Achievement 2006 Q3 Actual vs. 2006 Q3 Forecast

Item Unit: NT\$ Million, except for EPS	2006 Q3 Actual	2006 Q3 Forecast	Achievement %
■ Total Revenue	16,460	16,931	97%
■ Service Revenue	15,059	15,553	97%
■ EBITDA	7,345	7,483	98%
■ Service EBITDA Margin %	50.7%	49.6%	102%
■ Pre-tax Income	4,062	4,075	100%
■ EPS <sup>(1)</sup>	<u>\$0.87</u>	<u>0.87</u>	100%

Source: Company data

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

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## Consolidated Financial 2006 Q3 Financial Stats

(NT\$ mm unless otherwise stated)

	As of 2006 Q3	As of 2006 Q2	As of 2005 Q3
Cash & Cash Equivalents	3,144	9,518	833
Total Borrowing	6,872	6,970	12,715
Net Debt	3,728	-	11,882
Shareholders' Equity	71,674	68,353	71,110
Debt/Capitalization <sup>(1)</sup> Ratio			
- Gross (%)	8.7%	9.3%	15.2%
- Net (%)	4.7%	-	14.2%
Free Cashflows - YTD <sup>(2)</sup>	14,314	9,440	16,319
Pre-tax EPS - YTD	\$2.86 <sup>(3)</sup>	\$1.90 <sup>(3)</sup>	\$3.66
EPS(NT\$) - YTD	\$2.58 <sup>(3)</sup>	\$1.72 <sup>(3)</sup>	\$2.99
ROA	14.1%	13.9%	14.6%
ROE	19.2%	19.1%	21.9%

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.

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## New Services

**New Services Launched and will be Continued**



- ▶ **Collaboration with reputable Content Providers** : Yahoo Mail, MSN Hotmail, GTV, Taiwan Real Estate Trade Center
- ▶ **Innovation Services:** Audio Messaging, Template Message (Emoticon), Integrated Mobile Mail Services, Mobile Surveillance, and GPS
- ▶ **Advanced Mobile Access** : HSDPA\* Data Card (3.6 Mbps)  
\*HSDPA : High-Speed Downlink Packet Access
- ▶ **Exclusive handsets:**  
Sharp, Sagem



## HSDPA

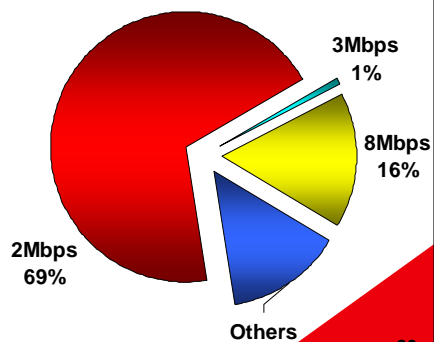
**How fast?**

**High Speed Downlink Packet Access**

3.5G

ADSL:	8Mbps	
HSDPA:	3.6Mbps	
ADSL:	2Mbps	
HSDPA:	1.8Mbps	
ADSL:	1Mbps	
3G:	384Kbps	
ADSL:	256Kbps	
2G:	64Kbps	

Market Share of Taiwan ADSL Bandwidth



**FET's HSDPA faster than 69% of ADSL market**

## Recent Activities 2006 1-3Q

Services	Handsets
<ul style="list-style-type: none"> <li>✓ HSDPA Data Card</li> <li>✓ Mobile Office / Mobile email</li> <li>✓ Surveillance services</li> <li>✓ Template Messenger services</li> <li>✓ QR Code applications</li> <li>✓ Car Portal services</li> <li>✓ Big-net 333 rate plan</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enriched 3G Handsets                             <ul style="list-style-type: none"> <li>▪ Sharp WX-T91, T81, T71</li> <li>▪ Sony Ericsson Z800i, K610im (i-mode)</li> <li>▪ NEC N600i (i-mode)</li> <li>▪ Amoi V07 (surveillance camera)</li> </ul> </li> <li>✓ 2G Handsets                             <ul style="list-style-type: none"> <li>▪ Sharp GX-T17, T29</li> <li>▪ Sagem my501X</li> <li>▪ i-mode handsets: NEC N500iS, LG L353i, Sagem my700Xi</li> </ul> </li> </ul>
<p><b>“A Leading Full Service Provider for Electronic Communication, Information, Entertainment, and Transaction”</b></p>	
<ul style="list-style-type: none"> <li>✓ IMS Platform Development</li> <li>✓ Launched HSDPA</li> <li>✓ DVB-H Trial</li> <li>✓ Wi-Max Trial</li> <li>✓ Completed OTA Capability</li> </ul>	<ul style="list-style-type: none"> <li>✓ Content Academy -- Set Up Mobile Communications Design Program in the University</li> <li>✓ Release of FET commercial theme song EP with all charity proceeds donated to Child Welfare League Foundation</li> </ul>
<b>Network and Platform</b>	<b>Others</b>

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## Consolidated Financial Forecast 2006 Q4 Forecast vs. 2006 Q3 Actual

Item Unit: NT\$ Million, except for EPS	2006 Q4 Forecast	2006 Q3 Actual	Change %
■ Total Revenue	16,786	16,387	+ 2.4%
■ Service Revenue	15,186	15,051	+ 0.9%
■ EBITDA	7,159	7,324	- 2.3%
■ Service EBITDA Margin %	49.0%	50.6%	- 1.6%
■ Pre-tax Income	3,824	4,063	- 5.9%
■ EPS <sup>(1)</sup>	<u>\$0.82</u>	<u>\$0.87</u>	- 5.9%

Source: Company data

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

## YoY Consolidated Financial Comparison 2006 Forecast vs. 2005 Actual

Item Unit: NT\$ Million, except for EPS	2006 Forecast	2005 Actual	Change %
■ Total Revenue	67,741	71,912	- 5.8%
■ Service Revenue	60,943	63,531	- 4.1%
■ EBITDA	29,244	31,604	- 7.4%
■ Service EBITDA Margin %	49.5%	50.9%	- 1.4%
■ Pre-tax Income	16,087	17,857	- 9.9%
■ EPS <sup>(1)</sup>	<u>\$3.40</u>	<u>\$3.80</u>	- 10.6%

Source: Company data

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

# Q & A

## For Further Information:

Websites	Email
<a href="http://www.fareastone.com.tw">http://www.fareastone.com.tw</a> <a href="http://www.fetnet.net">http://www.fetnet.net</a>	Investor Relations IR@fareastone.com.tw