



4904 (TWSE)

2006 4th Quarter and Full Year Result Investor Update

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President

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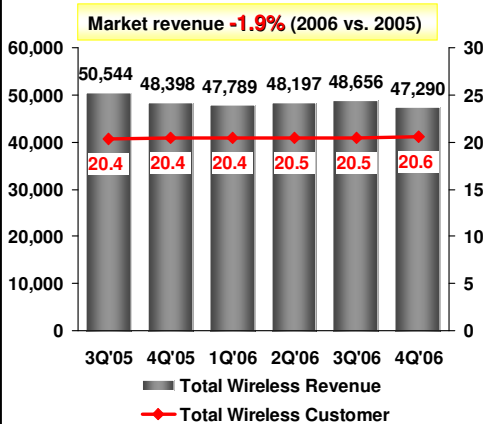
Agenda

- ▶ **I. Market Overview**
- II. 2006 Performance**
- III. Strategic Direction**
- IV. 2007 Q1 Forecast**
- IV. Management Highlight**

Taiwan Wireless Market Overview (1)

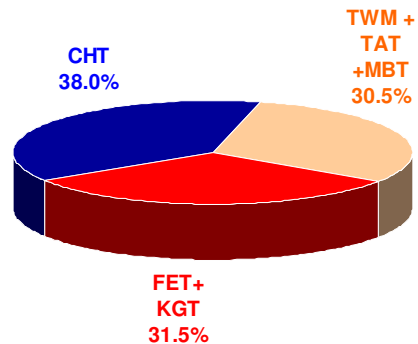
Wireless Market Revenue & Subs

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



2006 Service Revenue Share

2006 Service Revenue Share of 3 BIG players:
 CHT 38.0% > **FET+KGT 31.5%** > TWM+TAT+MBT 30.5%



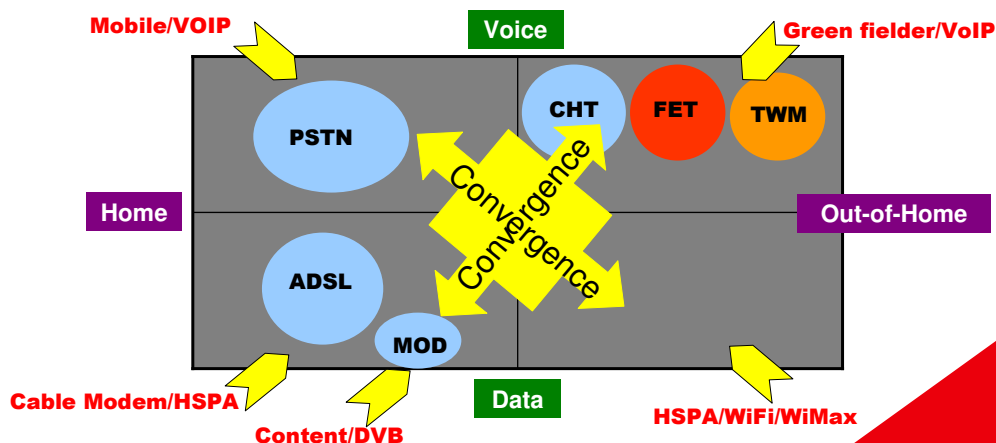
Source: 2005-06 revenue and subs data based on service revenue from operator's respective factsheets on consolidated basis.

Taiwan Wireless Market – Q4 & 2007 Overview (2)

Regulatory Environment	<ul style="list-style-type: none"> ■ NCC published its final decision on price cap adjustments for Taiwan's telecom industry <ul style="list-style-type: none"> ▶ tariff cap reductions of 4.88% per year on for pre-paid, fixed to mobile, and the 'most expensive' per minute post-paid rate plans for each operator; and 5.4% average on ADSL circuit rates for 3 consecutive years ▶ implement from April 1, 2007 ■ Legislative Yuan ordered NCC to cut 1500 base stations in 2007 ■ Wi-max licenses to be issued in June 2007 <ul style="list-style-type: none"> ▶ Planning to issue total 6 licenses: 3 in north, 3 in south and minimum 1 nationwide license after 2 years ▶ Details of the bidding procedure not determine yet
Market Phenomenon	<ul style="list-style-type: none"> ■ Voice pricing pressure ■ Abnormal subsidy behavior ■ Prepaid market shrink

Taiwan Wireless Market Overview (3)

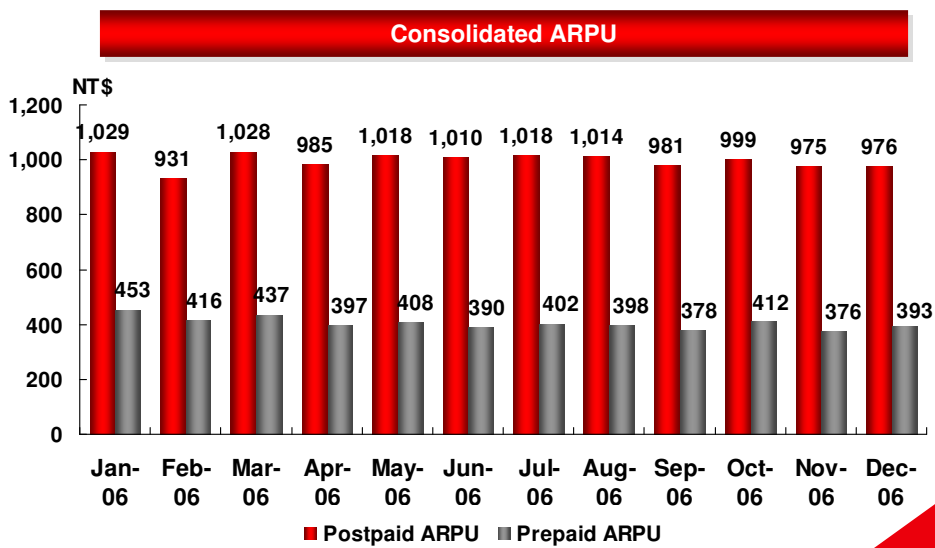
- ▶ CHT dominates as biggest "Bundled Service Player"
- ▶ Technology now allows convergence of services
- ▶ In-route will however erode current revenue base



Agenda

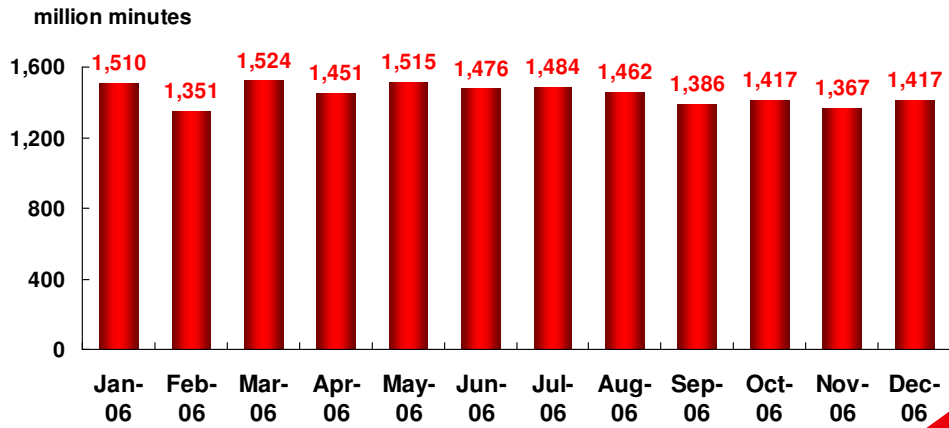
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Operational Performance ARPU



Operational Performance Total MOU

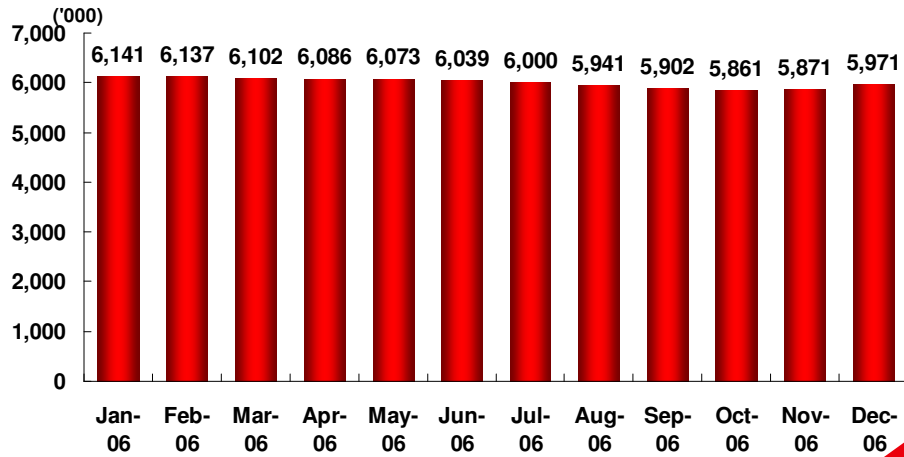
Total Minutes of Usage (Total MOU)



Source: company data

Operational Performance Total Subscribers

Total Mobile Customer

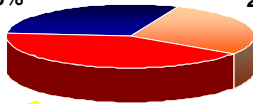


Source: Company data

Data Performance Leading Data Usage and Increasing Usage

Y2006 Data Revenue Share

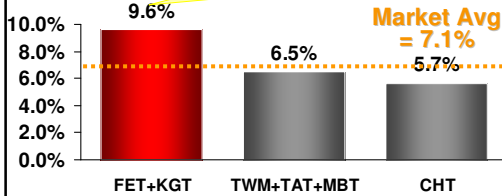
#2: CHT: 30% #3: TWM: 28%



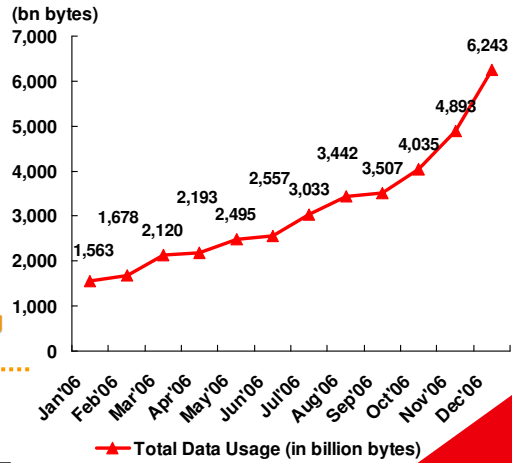
#1: FET dominates
42% of data rev mkt share

Y2006 Data % of Service Revenue

FET has reached above 10%



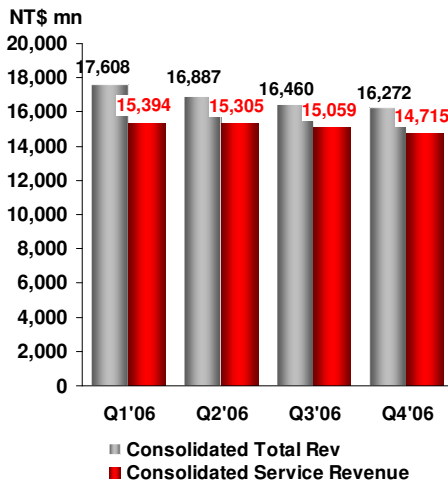
FET Packet Data Usage



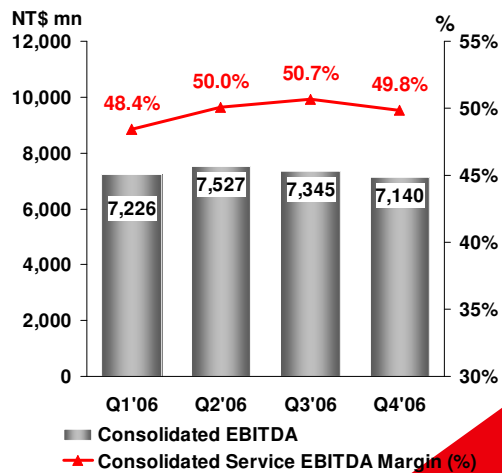
Source: Left: Operators' factsheets or company source as of Dec'06
Right: FET company data

Consolidated Financial Steady Revenue and Margin

Service Revenue



EBITDA and EBITDA Margin (%)



Source: FET 2005-2006 Consolidated Financials,

Consolidated Financial FY2006

Item Unit: NT\$ Million, except for EPS	1Q'06	2Q'06	3Q'06	4Q'06	FY2006
■ Total Revenue	17,608	16,887	16,460	16,272	67,227
■ Service Revenue	15,394	15,305	15,059	14,715	60,472
■ EBITDA	7,226	7,527	7,345	7,140	29,237
■ Service EBITDA Margin %	48.4%	50.0%	50.7%	49.8%	49.8%
■ Pre-tax Income	3,934	4,267	4,062	3,865	16,128
■ EPS ⁽¹⁾	<u>\$0.82</u>	<u>\$0.90</u>	<u>\$0.87</u>	<u>\$0.82</u>	<u>\$3.40</u>

Source: 2006 audited financial statement

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

Consolidated Financial 2006 Q4 Financial Stats

(NT\$ mm unless otherwise stated)	As of 2005 Q4	As of 2006 Q3	As of 2006 Q4
Cash & Cash Equivalents	4,640	3,144	7,852
Total Borrowing	9,621	6,872	5,977
Net Debt	4,981	3,728	—
Shareholders' Equity	74,223	71,674	74,790
Debt/Capitalization ⁽¹⁾ Ratio			
— Gross (%)	11.5%	8.7%	7.4%
— Net (%)	5.9%	4.7%	—
Free Cashflows – YTD ⁽²⁾	23,339	14,314	19,888
Pre-tax EPS - YTD	\$4.63 ⁽³⁾	\$2.86 ⁽³⁾	\$3.77 ⁽³⁾
EPS(NT\$) - YTD	\$3.80 ⁽³⁾	\$2.58 ⁽³⁾	\$3.40 ⁽³⁾
ROA	12.7%	14.1%	13.7%
ROE	17.2%	19.2%	17.3%

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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I. Market Overview

II. 2006 Performance

▶ *III. Strategic Direction*

IV. 2007 Q1 Forecast

IV. Management Highlight

Strategic Direction

▶ **Maintain Stable Revenue Share and Continue to Drive Operational Efficiency**

- ✓ continue being competitive in voice related services and reinforcing our leadership in non-voice service

▶ **Adopt Practical Approach in Network Expansion**

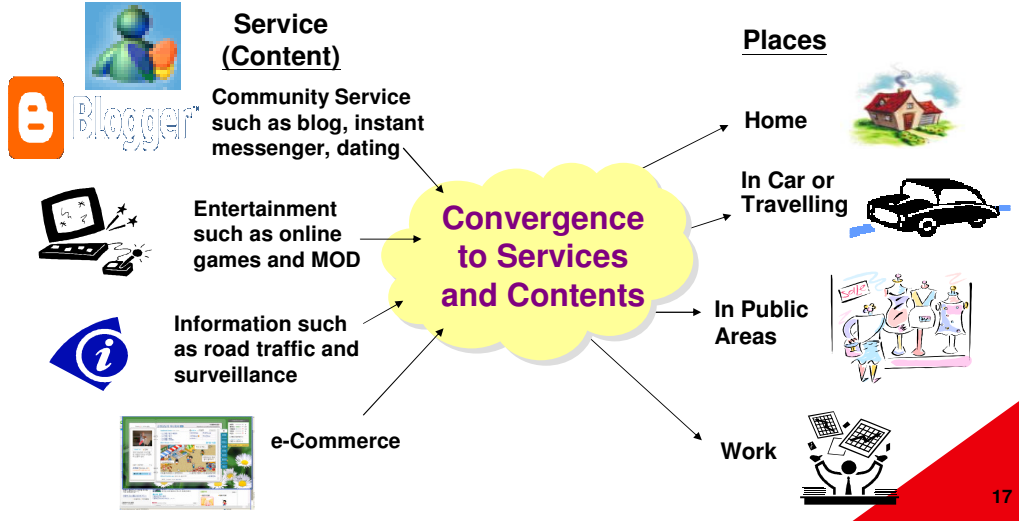
- ✓ 3G and HSPA deployment with balanced expansion synchronized to user development

▶ **Fixed-Mobile Convergence**

- ✓ intensify efforts in the area of service convergence, providing seamless services to customers irrespective of their locations, access technologies, and terminals

Growth from New Resources beyond Traditional Telco

Service (content) and place as new demarcation lines to attract customers



The New Alliance An Indication of Future Direction



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2007 Q1 Consolidated Financial Forecast 2007 Q1 Forecast vs. 2006 Q4 Actual

Item Unit: NT\$ Million, except for EPS	2007 Q1 Forecast	2006 Q4 Actual	QoQ %
■ Total Revenue	15,784	16,272	- 3.0%
■ Service Revenue	14,264	14,715	- 3.1%
■ EBITDA	6,602	7,140	- 7.5%
■ Service EBITDA Margin %	47.8%	49.8%	—
■ Pre-tax Income	3,425	3,865	-11.4%
■ EPS ⁽¹⁾	<u>\$0.71</u>	<u>\$0.82</u>	-13.5%

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

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Management Highlights

- ▶ Remain **leading position in data** (future growth driver)
- ▶ Focus on offering integrated solutions and moving towards **Fixed-Mobile Convergence**
- ▶ Strategic partnership for broadening integrated services
- ▶ The **highest dividend yield** among Taiwan telcos

Q & A

For Further Information:

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