



## 4904 (OTCT) 2005 1H Investor Update

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President

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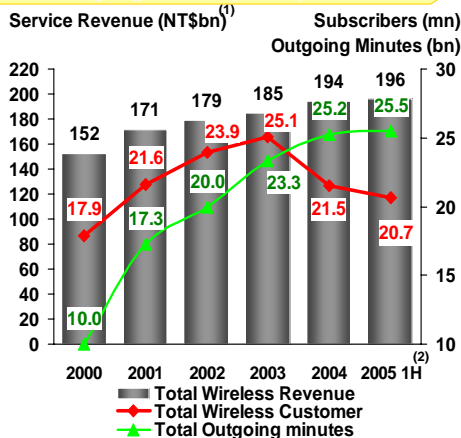
# Agenda

- ▶ **I. Market Overview**
- II. Operational Performance**
- III. Financial Performance**
- IV. Management Highlights**

## Balanced Taiwan Wireless Market Continue to Show Stable and Rational Growth

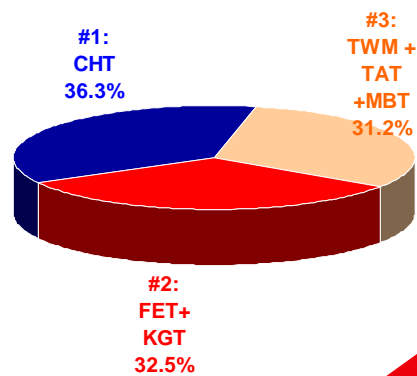
### Wireless Market Revenue & Subs

Market service revenue ↑ **2.5%** (1H'05 vs. 1H'04)  
Market outgoing minutes ↑ **2.0%** (1H'05 vs. 1H'04)



### 2005 1H Service Revenue Share

2005 Service Revenue Share of 3 BIG players:  
CHT 36.3% > **FET+KGT 32.5%** > TWM+TAT+MBT 31.2%



(1) 2003-2005 revenue based on service revenue from operator's respective factsheets on combined basis  
(2) 2005 1H revenue and outgoing minutes based on last 12 months stats  
Source: data from DGT Statistics and operators respective factsheets

## 2005 Market Update

### Prepaid Card Enforcement

- Restrict prepaid card sale from convenient stores
- 1-ID-1-SIM

### 3G Technology

- 3 incumbents w/ WCDMA: FET, TWM, CHT (all launched in 2005 Q3, lower voice & data rates but not as cheap as they appear)
- 2 Green Fielders:
  - APBW (w/ CDMA 2000, launched in 2003 July, YTD 700,000 customers as claimed)
  - VIBO (w/ WCDMA, plan to launch in early Q4 2005)

### MNP

- 2G+3G Internal MNP has been approved in August 2005
- MNP launch date: Oct. 15, 2005

### F-2-M interconnection

- Low risk for change in 2005

## Agenda

### *I. Market Overview*

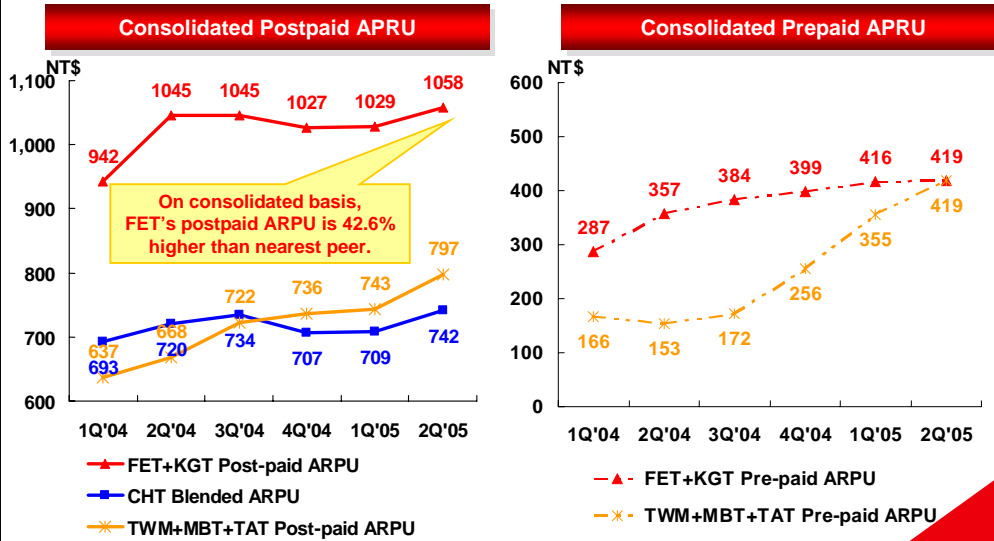
### **▶** *II. Operational Performance*

### *III. Financial Performance*

### *IV. Management Highlights*

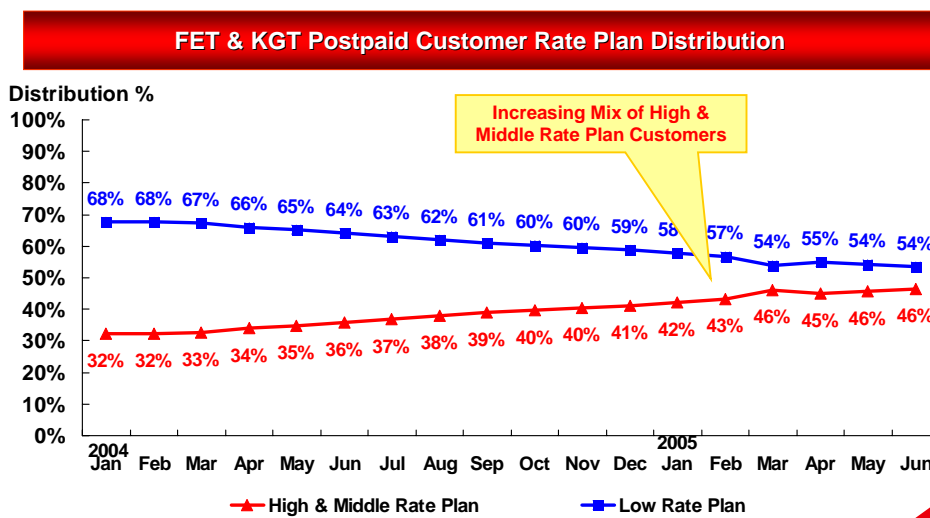
## Operational Performance

Continue to lead in ARPU on Consolidated Basis



## Operational Performance

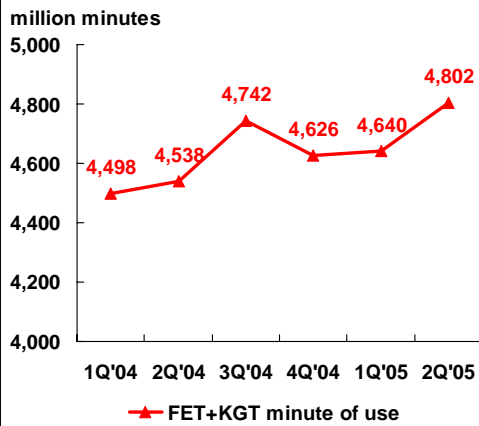
Consistently Improving Customer Quality



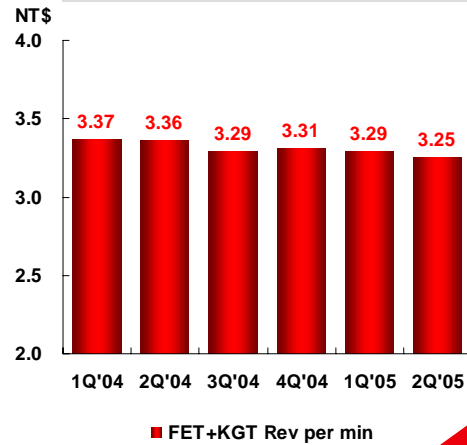
## Operational Performance

Steady Growth in MOU and Stable Revenue per Minute

Total MOU by Quarter



Revenue per Minute by Quarter

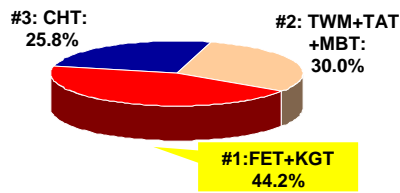


Source: Operators' factsheets and CHT's MOU not available since Apr 2004

## Operational Performance

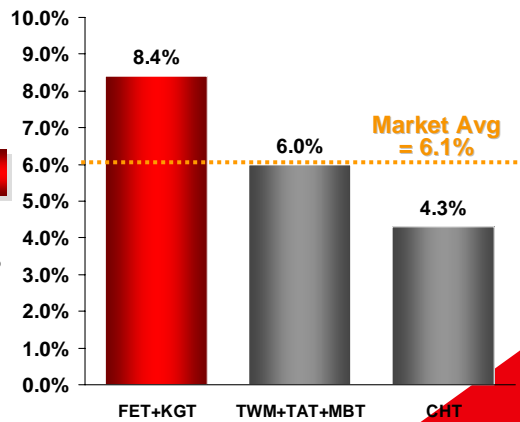
2005 Data Market Status

2005 1H Data Revenue Share

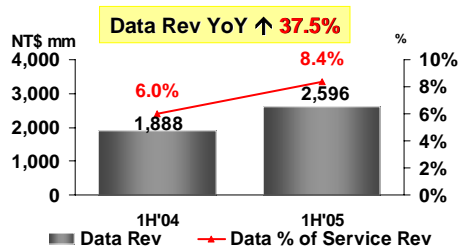


2005 1H Data % of Service Revenue

FET remains leading position in data.



FET YoY Data Growth



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

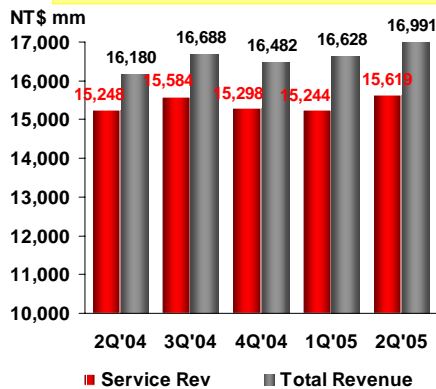
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## Consolidated Financial Steady Revenue and Margin Growth

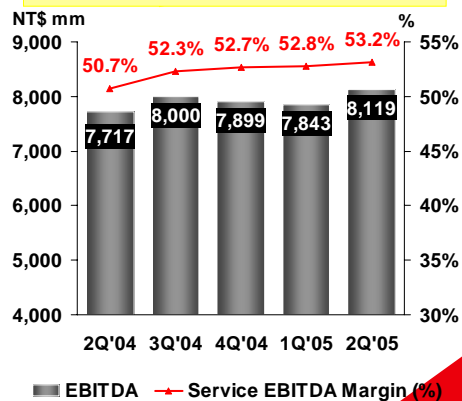
### Service Revenue

Service Rev YoY  $\uparrow$  2.4% QoQ  $\uparrow$  2.5%  
 Total Rev YoY  $\uparrow$  5.0% QoQ  $\uparrow$  2.2%



### EBITDA and EBITDA Margin (%)

EBITDA YoY  $\uparrow$  5.2% QoQ  $\uparrow$  3.5%  
 Serv EBITDA % YoY  $\uparrow$  2.5% QoQ  $\uparrow$  0.4%

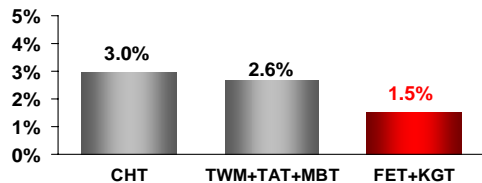


## Consolidated Financial Overview

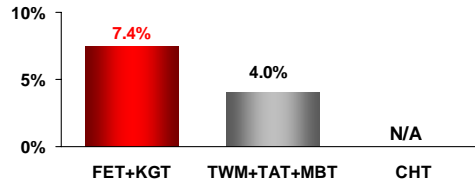
### Peer Comparison of 2004 1H vs. 2005 1H

Maintain Profitability Compared to Peers

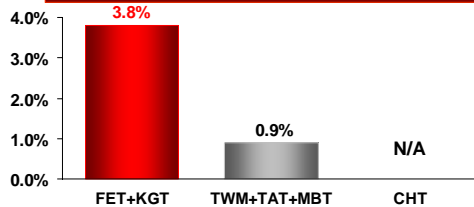
#### Mobile Service Revenue Growth



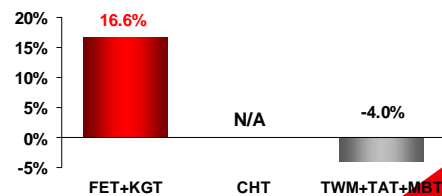
#### Service EBITDA Growth



#### Service EBITDA Margin Expansion



#### Pre-tax Income Growth



Source: Company's financial data and other operators' respective factsheets  
 (1) FET+KGT figures and TCC+TAT+MBT are both on the Consolidated basis

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## Consolidated Financial

### 2005 1H Result by New Consolidated Entities<sup>(1)</sup>

Item	FET+KGT	Arcoa <sup>(3)</sup>	KGEx	Others	Consolidated
Unit: NT\$ million, except for margins					
■ Total Revenue	33,619	2,132	350	93	35,573
■ Service Revenue	30,864	539	350	93	31,305
■ EBITDA	15,962	-2	5	34	16,005
■ Service EBITDA Margin %	53.0%	-33.3%	1.5%	36.5%	51.8%
■ Pre-tax Income	9,552 <sup>(2)</sup>	-25	-82	81	9,526
■ Net Income	7,803	-26	-82	108	7,803

Source: Company data

Note: (1) Based on the new regulation, starting from 2005, the consolidated entities add Arcoa, KGEx.com, KGT International Holdings, E. Word (Holdings) Ltd, Far Eastern Info Service (Holding) Ltd,

(2) Not including investment gain/loss of all subsidiaries

(3) Arcoa's number was for the period of Feb to Jun 2005

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## Consolidated Financial 2005 Q2 and Q1 Financial Stats

(NT\$ mm unless otherwise stated)

	2005 Q2 <sup>(1)</sup>	2005 Q1 <sup>(1)</sup>
Cash & Cash Equivalents	12,593	9,910
Total Borrowing	17,190	18,227
<b>Net Debt</b>	<b>4,597</b>	<b>8,317</b>
Shareholders' Equity	67,414	75,422
Debt/Capitalization <sup>(2)</sup> Ratio		
— Gross (%)	20.3%	19.5%
— Net (%)	5.4%	8.9%
<b>Free Cashflows – YTD<sup>(3)</sup></b>	<b>12,245</b>	<b>6,838</b>
<b>Pre-tax EPS</b>	<b>\$2.47<sup>(4)</sup></b>	<b>\$1.20<sup>(4)</sup></b>
<b>EPS(NT\$)</b>	<b>\$2.02<sup>(4)</sup></b>	<b>\$0.98<sup>(4)</sup></b>
<b>ROA</b>	<b>14.5%</b>	<b>13.9%</b>
<b>ROE</b>	<b>22.4%</b>	<b>20.9%</b>

Source: Company financials

(1) 2005 Q1 & Q2 figures are based on audited draft and new consolidated entities. Based on the new regulation, starting from 2005, the consolidated entities add Arcoa, KGEx.com, KGT International Holdings, E. Word (Holdings) Ltd, Far Eastern Info Service (Holding) Ltd.

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

(3) Free Cashflows = Operating Cash flow – Capex

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

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## Consolidated Financial Achievement 2005 1H Actual vs. 2005 Forecast

Item Unit: NT\$ Million, except for EPS	2005 1H Actual <sup>(1)</sup>	2005 1H Forecast	Achievement %
■ Total Revenue	35,573	33,364	106.6%
■ Service Revenue	31,305	31,465	99.5%
■ EBITDA	16,005	16,046	99.7%
■ Service EBITDA Margin %	51.8%	52.3%	above 50%+
■ Pre-tax Income	9,526	8,687	109.7%
■ Net Income	7,803	7,359	106.0%
■ Pre-tax EPS <sup>(2)</sup>	\$2.47	\$2.24	
■ EPS <sup>(2)</sup>	\$2.02	\$1.90	

Source: Company data

(1) 2005 1H figures are based on audited draft and new consolidated entities. Starting from 2005, the consolidated entities include Arcoa, KGEx.com, KGT International Holdings, E. Word (Holdings) Ltd, Far Eastern Info Service (Holding) Ltd.

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

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## Management Highlights DGT's Regulations on Prepaid Card

- ▶ Prepaid Market is shrinking due to 1-ID-1-SIM & Restrict Sales to Direct Only
- ▶ Also, DGT requires Service Agreement Completion & FOR>=6 MSISDNs
- ▶ Impact to FET:
  - ◆ By 2005 end, FET prepaid customers might decrease to 1.5mn from current 1.6mn
  - ◆ By 2005 end, FET prepaid revenue might decrease 0.5bn from original forecast
- ▶ Action Plan:

Source of Business	Direction
Prepaid Churner due to Bar	<ul style="list-style-type: none"> <li>■ Encourage to switch to Postpaid by postpaid new GA Offering</li> </ul>
Prepaid New Market	<ul style="list-style-type: none"> <li>■ Get more GA from postpaid→ Up-sell &amp; Cross-sell</li> <li>■ Move to Multi-media</li> </ul>

## Management Highlights Summary

- ▶ Moving to mainboard
- ▶ **Maintain Profitability** while pressure from new prepaid regulations has negative impact on service revenue
- ▶ **High Quality Customer Base**
  - ✓ **Market leading** ARPUs
  - ✓ **Leading** position in Data Usage
- ▶ **Stable** dividend yield

## Q & A

### For Further Information:

#### Websites

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