



4904 (TWSE) 2006 2Q Investor Update

Jan Nilsson
President

August 24, 2006 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

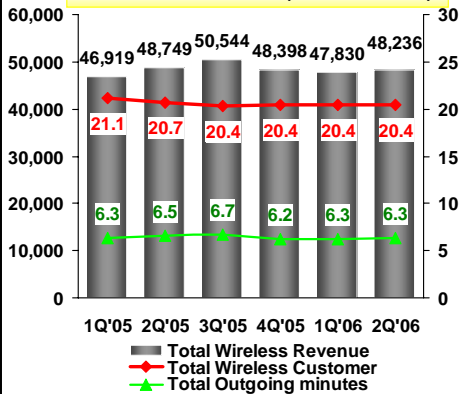
- ▶ **I. Market Overview**
- II. Operational Performance**
- III. Financial Performance**
- IV. Recent Activities and Outlook**
- V. Management Highlights**

Taiwan Wireless Market Overview (1)

Wireless Market Revenue & Subs

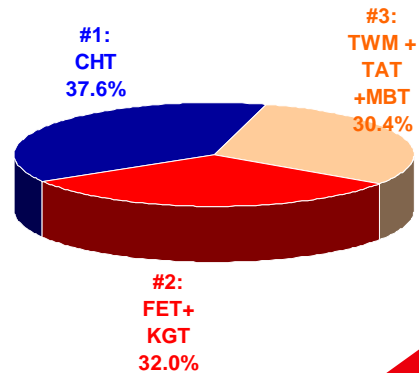
Service Revenue (NT\$m)
Subscribers (mn)
Outgoing Minutes (bn)

Market revenue **+0.4%** (1H'06 vs. 1H'05)



2006 1H Service Revenue Share

2006 Service Revenue Share of 3 BIG players:
 CHT 37.6% > **FET+KGT 32.0%** > TWM+TAT+MBT 30.4%



Source: 2005-06 revenue and subs data based on service revenue from operator's respective factsheets on consolidated basis;
 And 2005-06 outgoing minutes data based on DGT statistics

Taiwan Wireless Market Overview (2)

Prepaid Market Shrink	<ul style="list-style-type: none">▶ Continue to Restrict prepaid card sale from convenient stores▶ 1-ID-1-SIM
Market Phenomenon	<ul style="list-style-type: none">▶ Operator promotion offers driving up +20% increase in GA market since Nov 05.▶ While market revenue relatively flat<ul style="list-style-type: none">→ Deteriorating GA quality→ Dual SIM coming back
Regulatory	<ul style="list-style-type: none">▶ New regulator NCC be unconstitutional▶ Not expecting dramatic regulatory changes at least in 2006
EMF Issue	<ul style="list-style-type: none">▶ Site Protest Continued

Source: company data

5

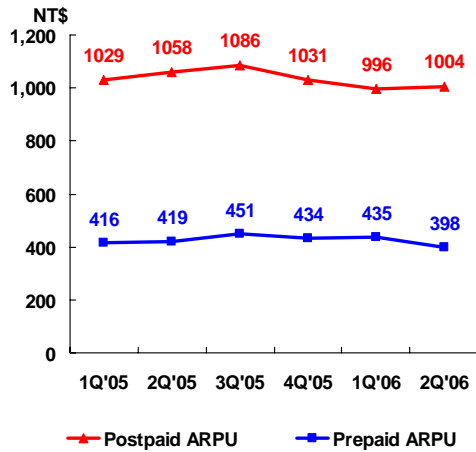
Agenda

- I. Market Overview*
- ▶ *II. Operational Performance*
- III. Financial Performance*
- IV. Recent Activities and Outlook*
- V. Management Highlights*

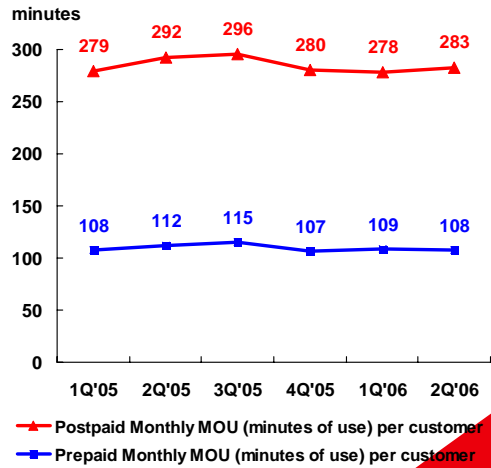
6

Operational Performance ARPU & MOU

Consolidated ARPU



Monthly MOU / Avg Customer

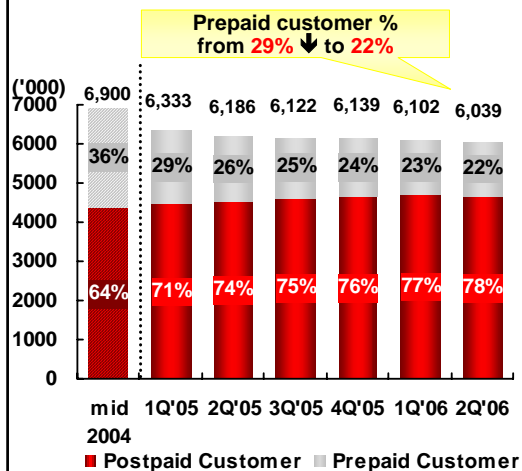


Source: company data

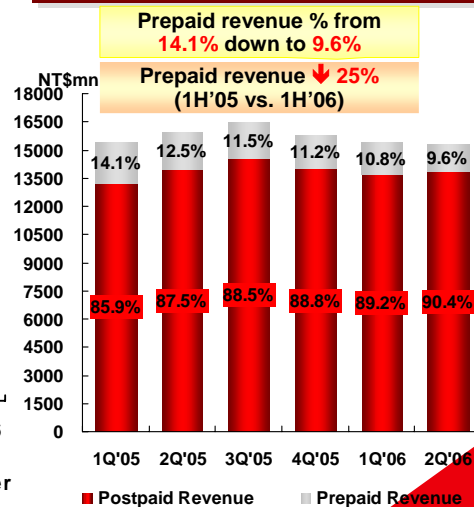
7

Operational Performance Customer Base and Revenue Breakdown

Mobile Customer Mix



Service Revenue Breakdown



Source: Company source

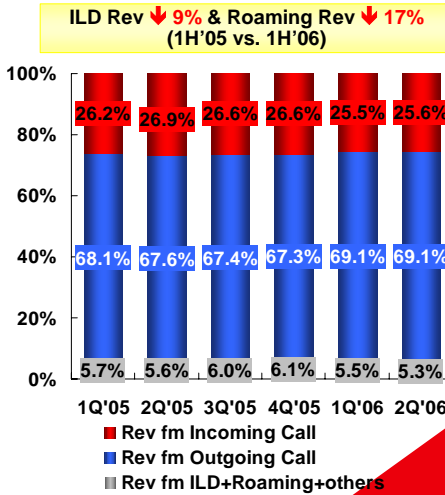
8

Operational Performance Voice Revenue and Traffic

For 1H'06 vs. 1H'05:

- ▶ Revenue for international call services decreased 8.9% to NT\$1,105 million while traffic down 2.7%
- ▶ Revenue for roaming decreased 17.3% to \$216 million, due to
 - ✓ Revenue for roaming to TAT and MBT decreased 67% to NT\$ 27mn

Voice Revenue Breakdown



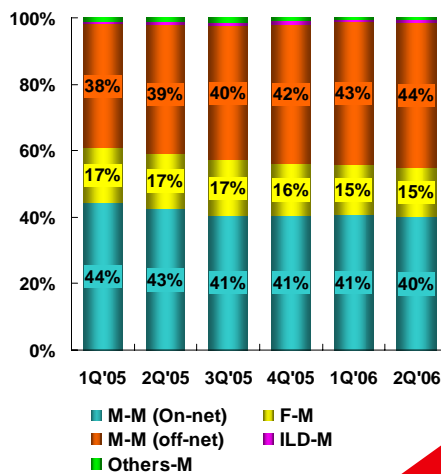
Source: Company source

Operational Performance Incoming Call Revenue and Traffic

For 1H'06 vs. 1H'05:

- ▶ Revenue from incoming call decreased 7.6% although MOU remain stable, due to the mix changed.
 - ✓ Traffic mix for F→M decreased from 17% to 15%
- ▶ Revenue from F→M dropped 13.3% to NT\$3,963 mn

Incoming Call Traffic

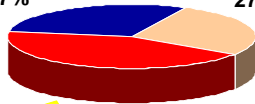


Source: Company source

Data Performance 2006 1H Data Market Status

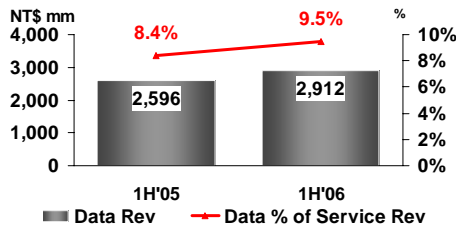
2006 1H Data Revenue Share

#2: CHT: 29.7% #3: TWM: 27.3%



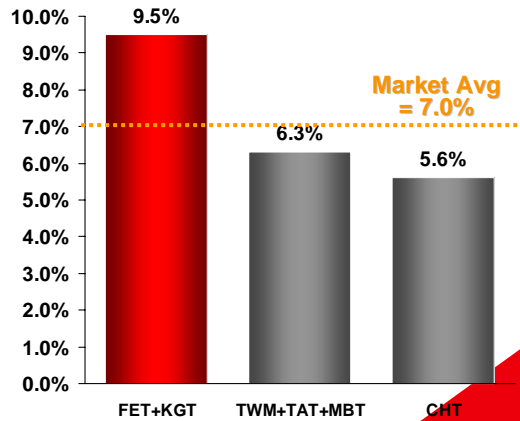
#1: FET dominates
 43.0% of data rev mkt share

FET YoY Data Growth



2006 1H Data % of Service Revenue

FET remains leading position in data.

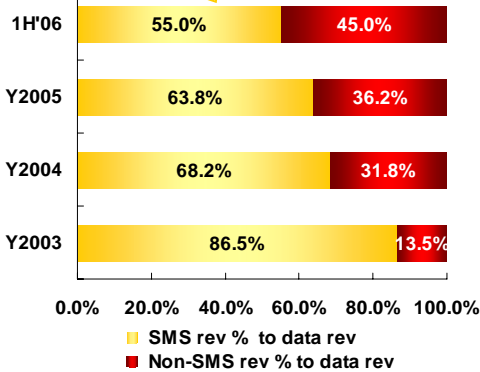


Source: Operators' factsheets or company source as of Jul'05

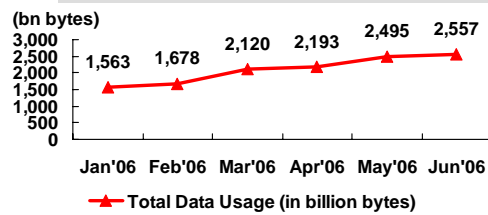
Data Growth Increasing Non-SMS Data Usage

FET Data Revenue Breakdown

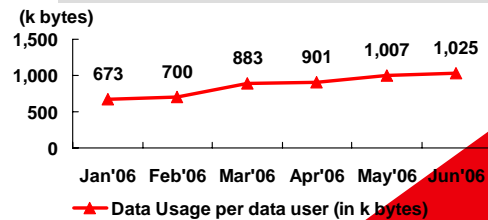
Data rev from non-SMS services getting significant



FET Packet Data Usage



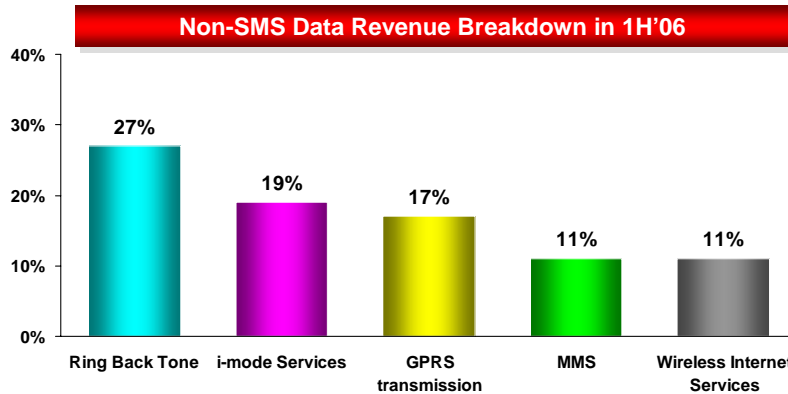
Data Usage per User



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

Data Growth Non-SMS Data Revenue Mix

- ▶ With the success launch of 3G in 2005, FET constantly dedicates to provide superior data services in 2006.



Source: Company data

New Services New Services Launched and will be Continued

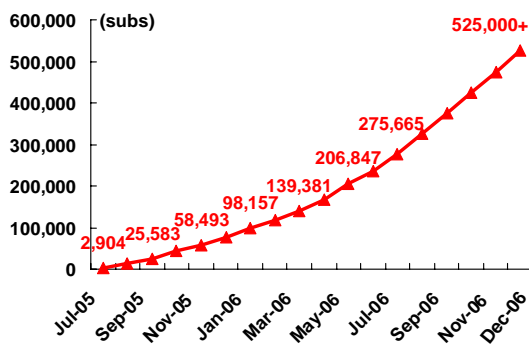
- ▶ **Collaboration with reputable Content Providers :**
 Discovery, SEGA, TTV, FHM and HAPPY Go Card
- ▶ **Innovation Services:**
 Emoticon (template SMS), Surveillance, 966 music station, mobile barcode (QR Code), Car Portal, etc.
- ▶ **Widespread messaging services:**
 full range of messaging services, including SMS, MMS, Audio Messaging, Mobile email, PC Data Card and mobile Instant Messaging (mobile MSN)
- ▶ **Excusive handsets:**
 Sharp, Sagem



3G Update

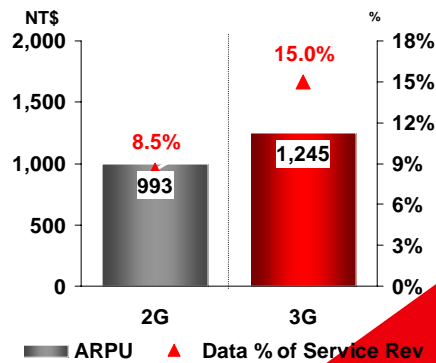
- ✓ 3G subs growth unlikely to pick up due to delay of new 3G handset deployment
- ✓ For 1H'06, FET 3G ARPU around \$1,245 (25% higher than current 2G ARPU)
- ✓ FET 3G data 15% higher than current 2G data 8.5%

3G Sub Growth



Source: Company data

2006 1H 3G vs. 2G Status

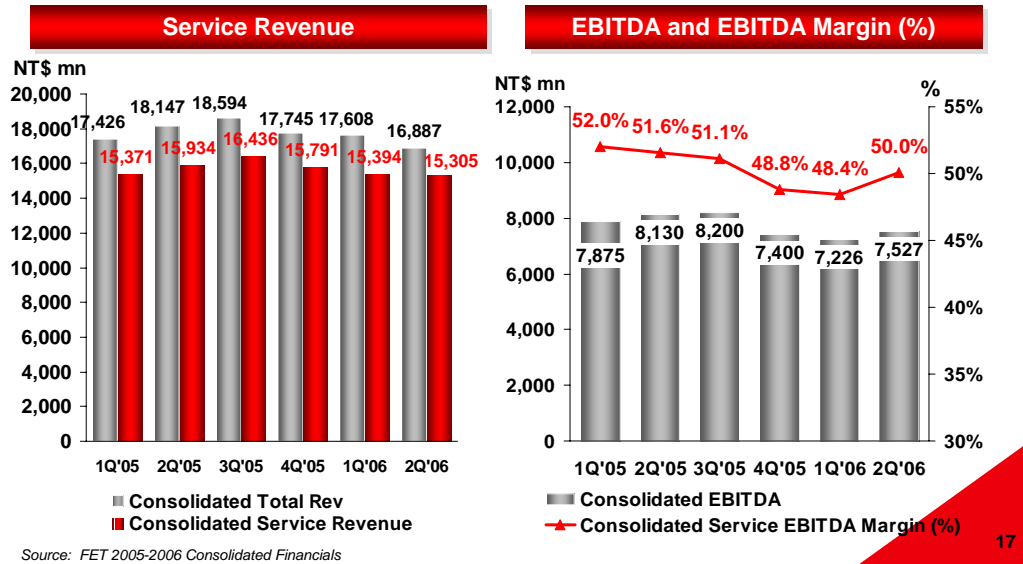


15

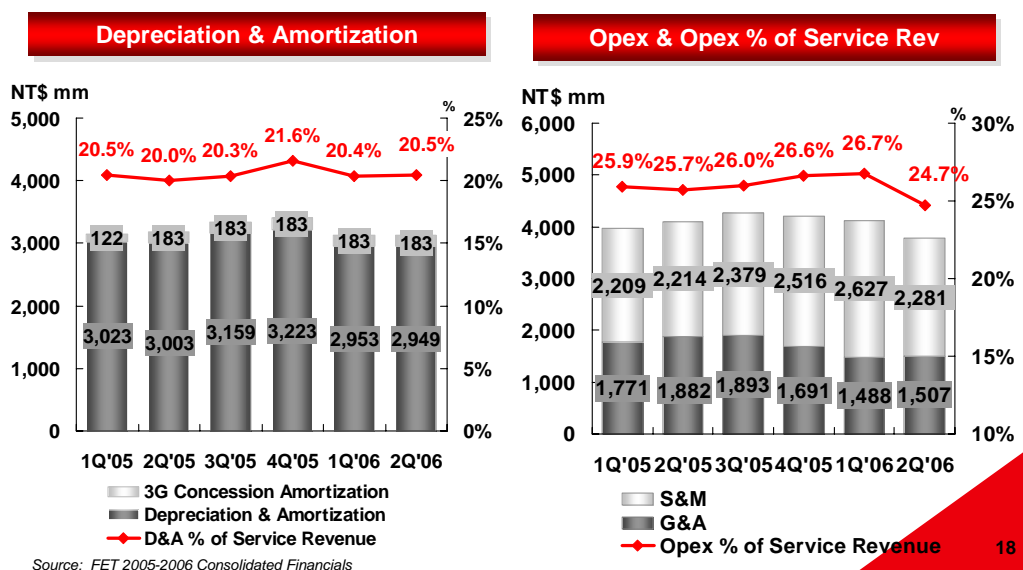
Agenda

- I. Market Overview
- II. Operational Performance
- ▶ III. Financial Performance
- IV. Recent Activities and Outlook
- V. Management Highlights

Consolidated Financial Steady Revenue and Margin



Consolidated Financial Operating Efficiencies



Consolidated Financial Achievement 2006 2Q Actual vs. 2006 2Q Forecast

Item Unit: NT\$ Million, except for EPS	2006 2Q Actual	2006 2Q Forecast	Achievement %
■ Total Revenue	16,887	17,231	98%
■ Service Revenue	15,305	15,601	98%
■ EBITDA	7,527	7,531	100%
■ Service EBITDA Margin %	50.0%	49.7%	101%
■ Pre-tax Income	4,267	4,159	103%
■ EPS ⁽¹⁾	<u>\$0.90</u>	<u>\$0.88</u>	103%

Source: Company data

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

Consolidated Financial 2006 Q2 and Q1 Financial Stats

(NT\$ mm unless otherwise stated)

	2006 1Q	2006 2Q
Cash & Cash Equivalents	7,677	9,518
Total Borrowing	7,238	6,970
Net Debt	–	–
Shareholders' Equity	77,300	68,353
Debt/Capitalization ⁽¹⁾ Ratio		
– Gross (%)	8.6%	9.3%
– Net (%)	–	–
Free Cashflows – YTD ⁽²⁾	5,545	9,440
Pre-tax EPS - YTD	\$1.02 ⁽³⁾	\$2.12 ⁽³⁾
EPS(NT\$) - YTD	\$0.82 ⁽³⁾	\$1.72 ⁽³⁾
ROA	12.7%	13.9%
ROE	16.7%	19.1%

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.

Agenda

- I. Market Overview
- II. Operational Performance
- III. Financial Performance
- ▶ IV. Recent Activities and Outlook
- V. Management Highlights

Recent Activities

2006 1H

Services	Handsets
<ul style="list-style-type: none"> ✓ QR Code applications ✓ Mobile MSN Messenger services ✓ Car Portal services ✓ Big-net 333 rate plan ✓ Surveillance services ✓ Mobile Office / Mobile email 	<ul style="list-style-type: none"> ✓ Enriched 3G Handsets <ul style="list-style-type: none"> ▪ Sharp WX-T91, T71 ▪ NEC N600i (i-mode) ▪ Amoi V07 (surveillance camera) ✓ 2G Handsets <ul style="list-style-type: none"> ▪ Sharp GX-T17, T29
<p>Actions targeted at “A Leading Full Service Provider for Electronic Communication, Information, Entertainment, and Transaction”</p>	
<ul style="list-style-type: none"> ✓ IMS Platform Development ✓ HSDPA ✓ DVB-H Trial ✓ Wi-Max Trial ✓ Completed OTA Capability 	<ul style="list-style-type: none"> ✓ Content Academy -- Set Up Mobile Communications Design Program in the University
Network and Platform	Others

New Services

New Services Launched and will be Continued



- ▶ **Collaboration with reputable Content Providers :**
Discovery, SEGA, TTV, FHM and HAPPY Go Card
- ▶ **Innovation Services:**
Emoticon (template SMS), Surveillance, 966 music station, mobile barcode (QR Code), Car Portal, etc.
- ▶ **Widespread messaging services:**
full range of messaging services, including SMS, MMS, Audio Messaging, Mobile email, PC Data Card and mobile Instant Messaging (mobile MSN)
- ▶ **Excusive handsets:**
Sharp, Sagem



Consolidated Financial Forecast

2006 3Q Forecast vs. 2006 2Q Actual

Item Unit: NT\$ Million, except for EPS	2006 3Q Forecast	2006 2Q Actual	Change %
■ Total Revenue	16,931	16,887	0.3%
■ Service Revenue	15,553	15,305	1.6%
■ EBITDA	7,483	7,527	- 0.6%
■ Service EBITDA Margin %	49.6%	50.0%	- 0.4%
■ Pre-tax Income	4,075	4,267	- 4.5%
■ EPS ⁽¹⁾	<u>0.87</u>	<u>\$0.90</u>	- 3.6%

Source: Company data

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

Agenda

- I. Market Overview*
- II. Operational Performance*
- III. Financial Performance*
- IV. Recent Activities and Outlook*
- ▶ *V. Management Highlights*

Management Highlights

- ▶ **Balance between Growth and Profitability**
- ▶ **Multiple acquisition programs to capture quality postpaid subscribers** while managing revolver issues and fraudulent customers
- ▶ **Continue to Cultivate Data Growth**
 - Activate OTA MMS for user-friendly data services
 - Promote wireless messaging and mobile mail services
- ▶ **Attractive Valuations**
 - High FCF yield & appealing P/E
- ▶ **Maintain Dividend Policy**

Q & A

For Further Information:

Websites	Email
<p>http://www.fareastone.com.tw http://www.fetnet.net</p>	<p>Investor Relations IR@fareastone.com.tw</p>