



**4904 (TWSE)**

**2006 UBS  
Taiwan Corporate Day**

**Sharon Fan**  
Investor Relations

Sep 28-29, 2006



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# Agenda

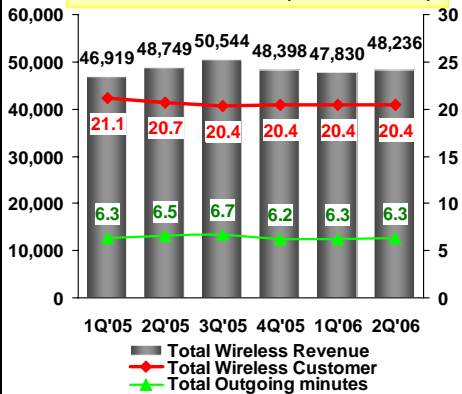
- ▶ **I. Market Overview**
- II. Operational Performance**
- III. Financial Performance**
- IV. Recent Activities and Outlook**
- V. Management Highlights**

## Taiwan Wireless Market Overview (1)

### Wireless Market Revenue & Subs

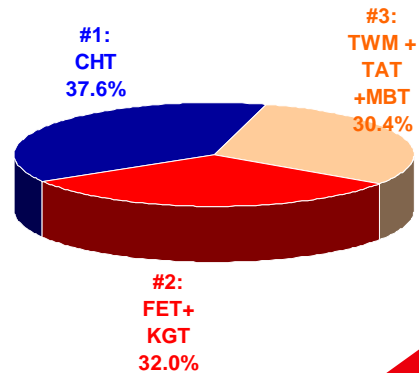
Service Revenue (NT\$m)  
Subscribers (mn)  
Outgoing Minutes (bn)

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)

<b>Prepaid Market Shrink</b>	<ul style="list-style-type: none"> <li>▶ Continue to Restrict prepaid card sale from convenient stores</li> <li>▶ 1-ID-1-SIM</li> </ul>
<b>Market Phenomenon</b>	<ul style="list-style-type: none"> <li>▶ Operator promotion offers driving up +20% increase in GA market since Nov 05.</li> <li>▶ While market revenue relatively flat               <ul style="list-style-type: none"> <li>→ Deteriorating GA quality</li> <li>→ Dual SIM coming back</li> </ul> </li> </ul>
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>▶ New regulator <b>NCC</b> be unconstitutional</li> <li>▶ NCC issued public consultations for pricing cap formula and F→M pricing ownership in Sep'06.</li> </ul>
<b>EMF Issue</b>	<ul style="list-style-type: none"> <li>▶ Site Protest Continued</li> </ul>

Source: company data

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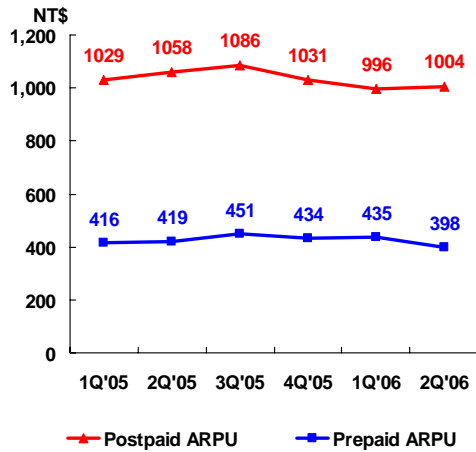
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- I. Market Overview*
- ▶ *II. Operational Performance*
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- IV. Recent Activities and Outlook*
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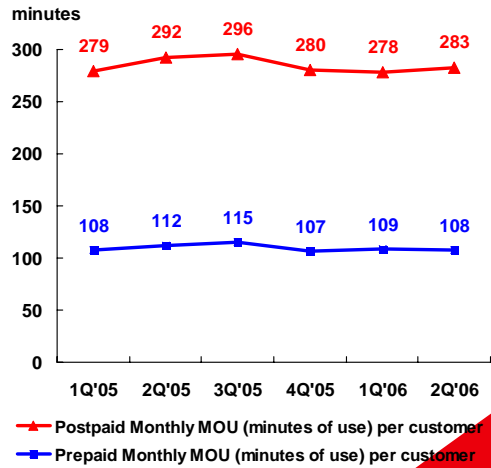
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## Operational Performance ARPU & MOU

### Consolidated ARPU



### Monthly MOU / Avg Customer

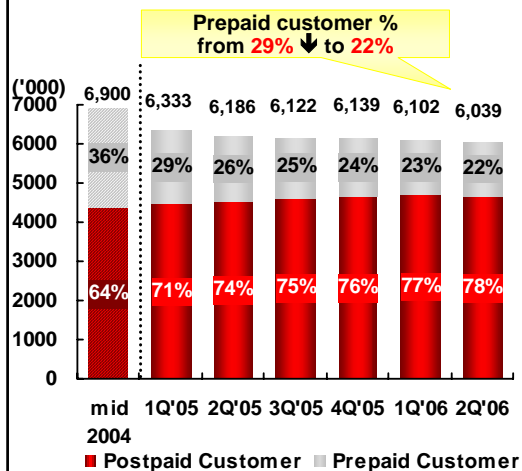


Source: company data

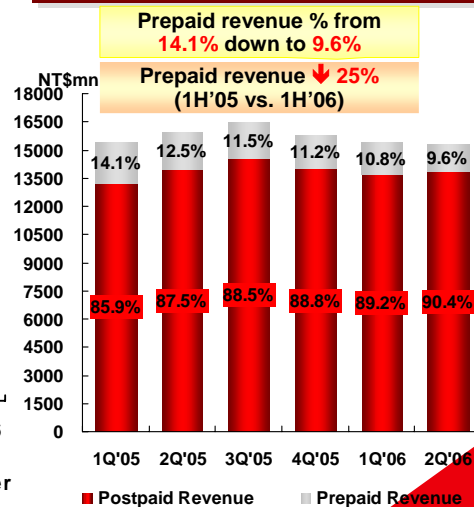
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## Operational Performance Customer Base and Revenue Breakdown

### Mobile Customer Mix



### Service Revenue Breakdown



Source: Company source

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## Operational Performance Voice Revenue and Traffic

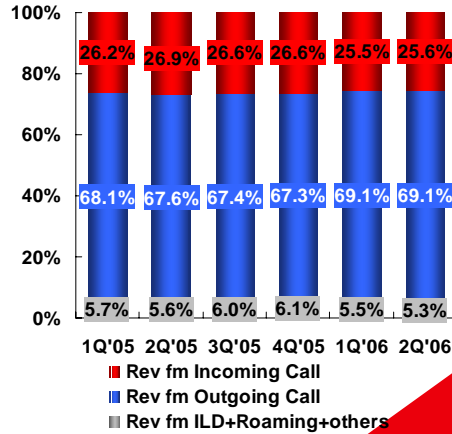
For 1H'06 vs. 1H'05:

- ▶ 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
- ▶ Revenue from incoming call decreased 7.6% although MOU remain stable, due to revenue from F→M dropped 13.3% to NT\$3,963 mn

Source: Company source

### Voice Revenue Breakdown

ILD Rev ↓ 9% & Roaming Rev ↓ 17% & Incoming Call Rev ↓ 8% (1H'05 vs. 1H'06)



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## Data Performance 2006 1H Data Market Status

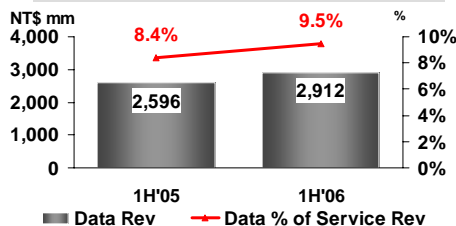
### 2006 1H Data Revenue Share

#2: CHT: 29.7%      #3: TWM: 27.3%



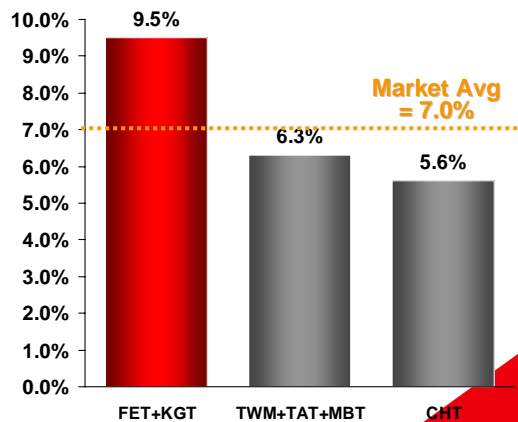
#1: FET dominates 43.0% of data rev mkt share

### FET YoY Data Growth



### 2006 1H Data % of Service Revenue

FET remains leading position in data.

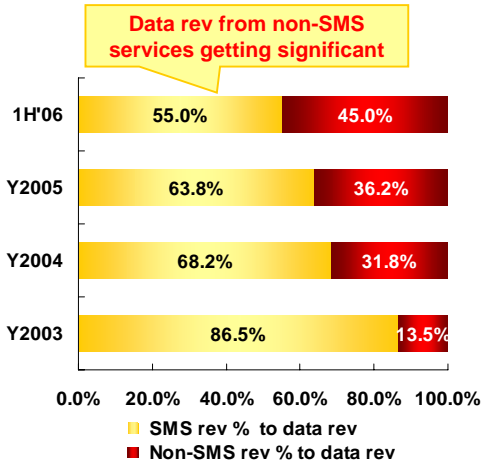


Source: Operators' factsheets or company source as of Jul'05

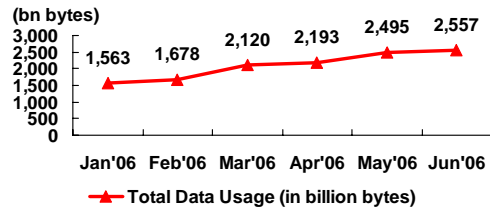
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## Data Growth Increasing Non-SMS Data Usage

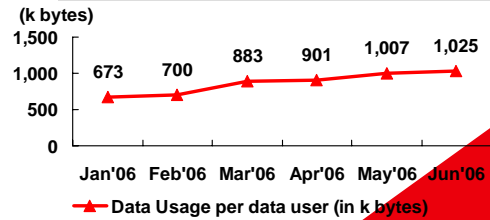
### FET Data Revenue Breakdown



### FET Packet Data Usage



### Data Usage per User



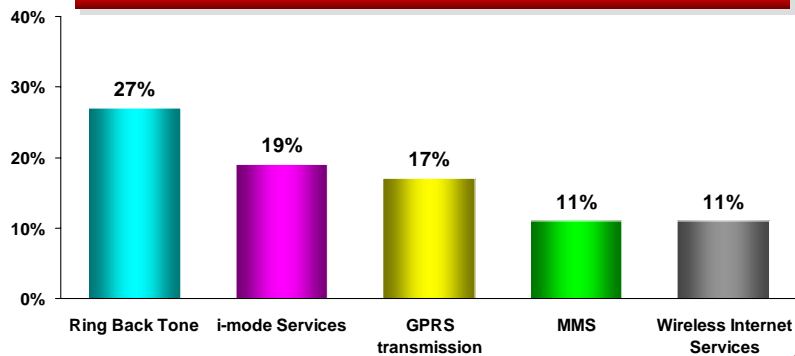
Source: Company data; 2003 stats does not include KGT's

## 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.



### Non-SMS Data Revenue Breakdown in 1H'06



Source: Company data

## New Services

### New Services Launched and will be Continued



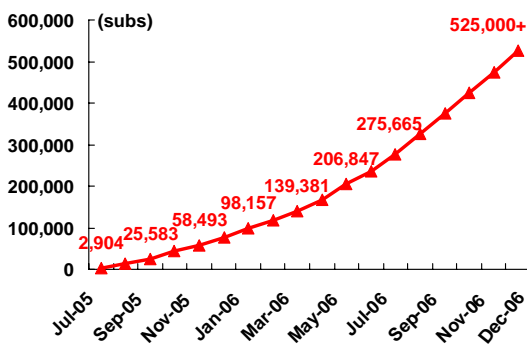
- ▶ **Collaboration with reputable Content Providers :**  
Discovery, SEGA, TTV, FHM and HAPPY Go Card
- ▶ **Innovation Services:**  
Emoticon (template SMS), Surveillance, 966 music station, mobile barcode (QR Code), Car Portal, etc.
- ▶ **Widespread messaging services:**  
full range of messaging services,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



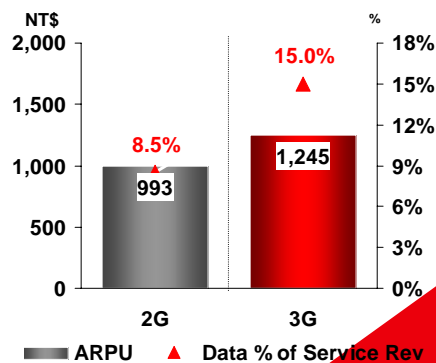
## 3G Update

- ✓ 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



2006 1H 3G vs. 2G Status

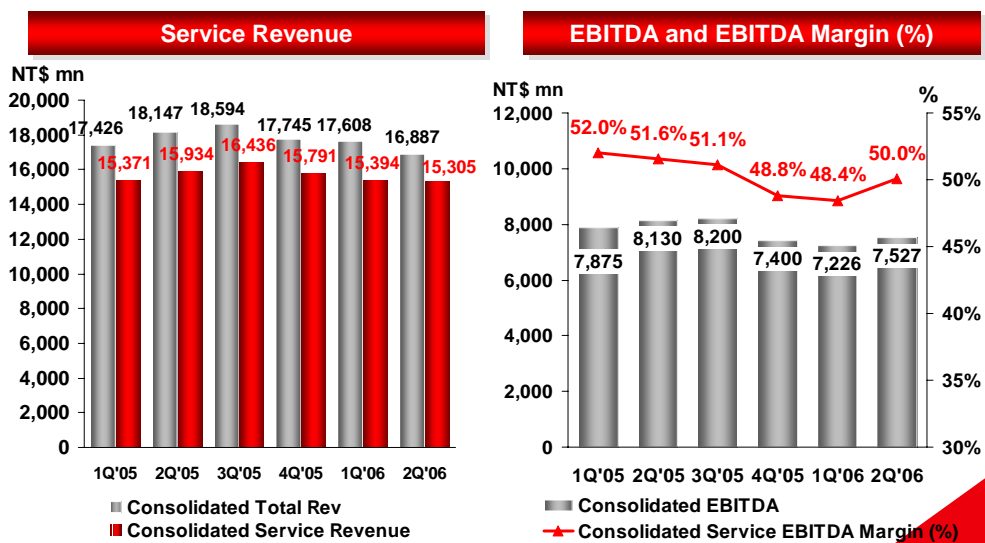


Source: Company data

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## Consolidated Financial Steady Revenue and Margin

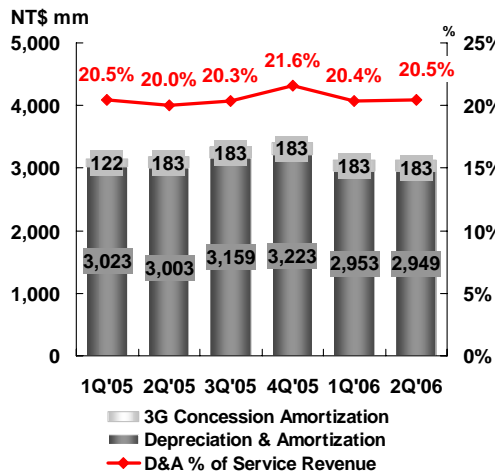


Source: FET 2005-2006 Consolidated Financials

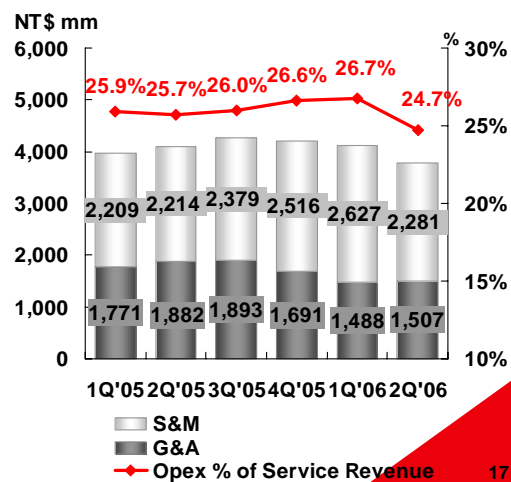


## Consolidated Financial Operating Efficiencies

### Depreciation & Amortization



### Opex & Opex % of Service Rev



Source: FET 2005-2006 Consolidated Financials

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## Consolidated Financial Achievement 2006 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 <sup>(1)</sup>	<u>\$0.90</u>	<u>\$0.88</u>	103%

Source: Company data

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

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## 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 <sup>(1)</sup> Ratio		
- Gross (%)	8.6%	9.3%
- Net (%)	-	-
Free Cashflows - YTD <sup>(2)</sup>	5,545	9,440
Pre-tax EPS - YTD	\$1.02 <sup>(3)</sup>	\$2.12 <sup>(3)</sup>
EPS(NT\$) - YTD	\$0.82 <sup>(3)</sup>	\$1.72 <sup>(3)</sup>
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.

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## Recent Activities 2006 1H




Services	Handsets
<ul style="list-style-type: none"> <li>✓ QR Code applications</li> <li>✓ Mobile MSN Messenger services</li> <li>✓ Car Portal services</li> <li>✓ Big-net 333 rate plan</li> <li>✓ Surveillance services</li> <li>✓ Mobile Office / Mobile email</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enriched 3G Handsets                             <ul style="list-style-type: none"> <li>▪ Sharp WX-T91, T71</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> </ul> </li> </ul>
<p><b>Actions targeted at “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>✓ 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> </ul>
<b>Network and Platform</b>	<b>Others</b>

## 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 <sup>(1)</sup>	<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.

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## 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
<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 <a href="mailto:IR@fareastone.com.tw">IR@fareastone.com.tw</a>