



4904 (TWSE) 2007 1Q Investor Update

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President

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Agenda

- ▶ **I. Market Overview**
- II. 2007 Q1 Performance**
- III. Strategic Initiative**
- IV. 2007 Q2 Forecast**
- V. Capital Reduction**
- VI. Management Highlight**

Taiwan Wireless Market Overview (1)

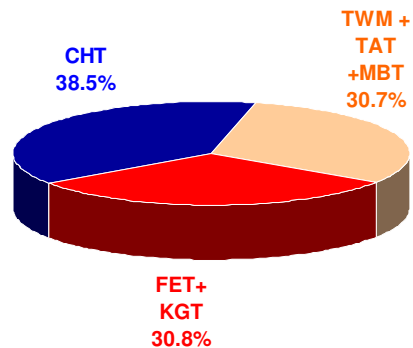
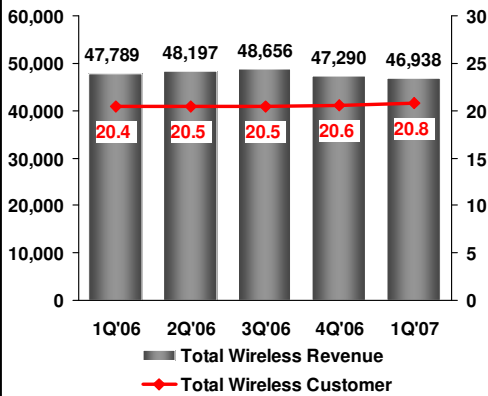
Wireless Market Revenue & Subs

2007 Q1 Service Revenue Share

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

2007 YTD Service Revenue Share of 3 BIG players:
 CHT 38.5% > FET+KGT 30.8% > TWM+TAT+MBT 30.7%

Market revenue **-1.8%** (1Q'07 vs. 1Q'06)



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

Taiwan Wireless Market – 2007 Overview (2)

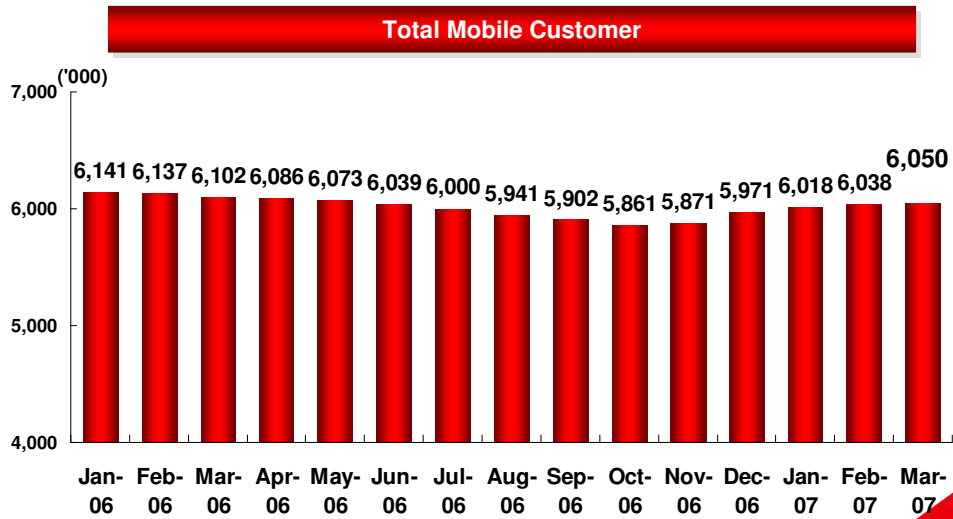
Regulatory Environment

- Wimax licenses to be issued in July/August 2007
 - ▶ Planning to issue total 6 licenses: 3 in north, 3 in south and minimum 1 nationwide license after 2 years
 - ▶ 1 group 1 license
 - ▶ Of the 6 licenses, 2 will be reserved for new entrants
 - ▶ Minimum capital requirement for bidders: NT\$1 billion
 - ▶ Acceptance of the Application: Apr 12 to Jun 11
 - ▶ A two step procedure Beauty contest & Bidding

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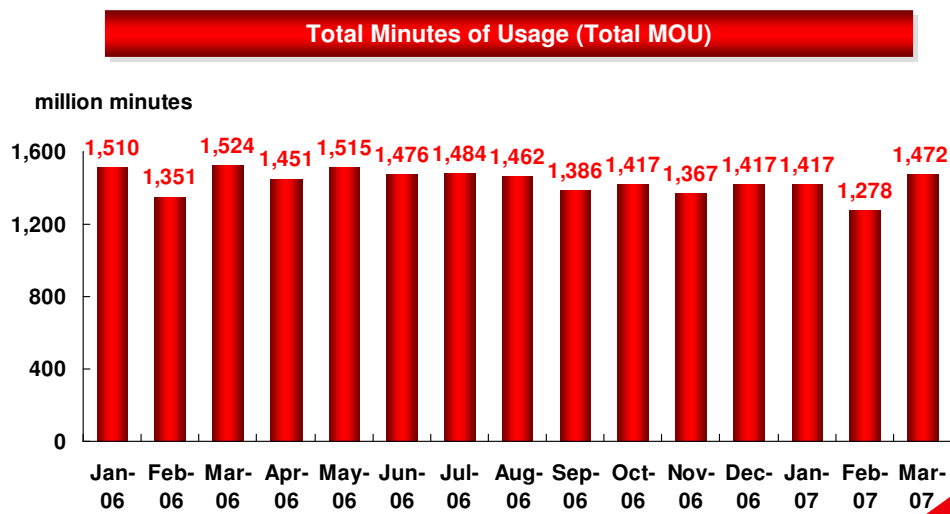
Operational Performance Total Subscribers



Source: Company data

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Operational Performance Total MOU

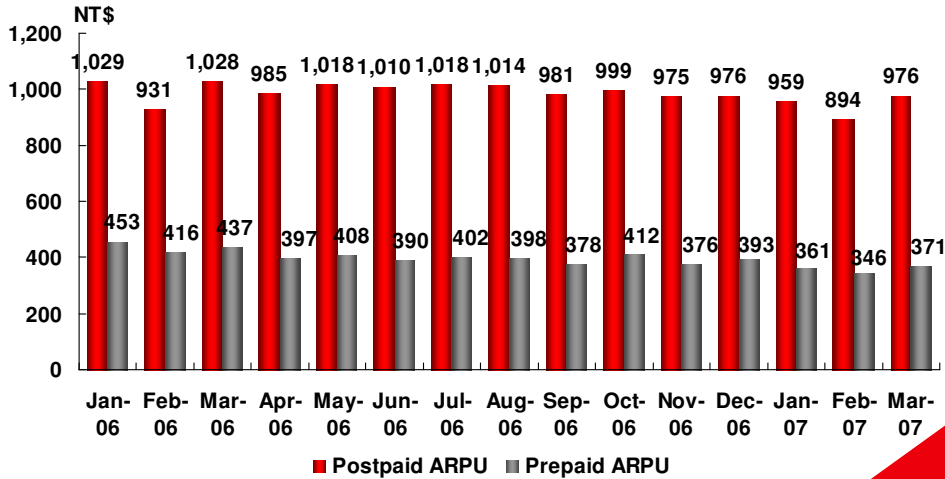


Source: company data

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Operational Performance ARPU

Consolidated ARPU



Source: company data

Data Performance Leading Data Usage and Increasing Usage

2007 Q1 Data Revenue Share

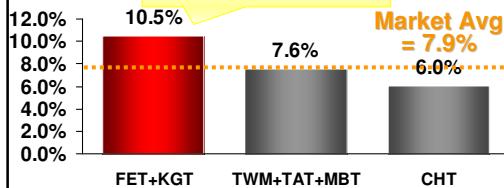
#2: CHT: 30%
#3: TWM: 29%



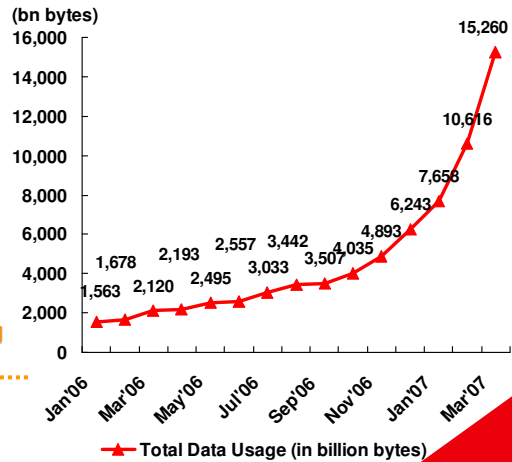
#1: FET dominates
41% of data rev mkt share

2007 Q1 Data % of Service Revenue

FET has reached above
10% since Dec'06



FET Packet Data Usage

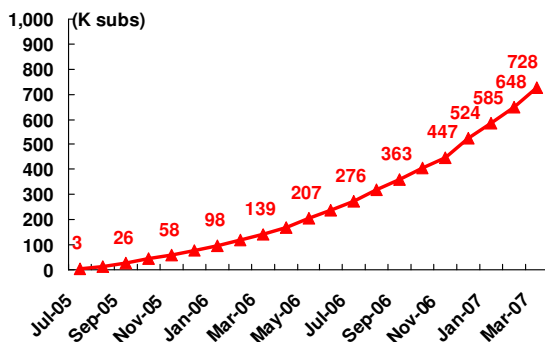


Source: Left: Operators' factsheets or company source as of Dec'06
Right: FET company data

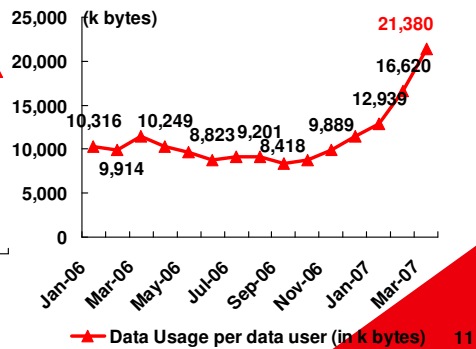
3G Help Data Usage Uptake

- ✓ For 1Q'07, FET 3G ARPU around **\$1,033** (11% higher than current 2G ARPU \$929)
- ✓ APRU of 3G subs with 3G handset around **\$1,600**
- ✓ FET 3G data **14.2%**, higher than current 2G data 9%

3G Sub Growth



3G Data Usage per Active User



Source: Company data

▲ Data Usage per data user (in k bytes) 11

Consolidated Financial Achievement 2007 Q1 Actual vs. 2007 Q1 Forecast

| Item Unit: NT\$ Million, except for EPS | 2007 Q1 Actual | 2007 Q1 Forecast | Achievement % |
|--|-------------------|---------------------|---------------|
| ■ Total Revenue | 15,776 | 15,784 | 100% |
| ■ Service Revenue | 14,458 | 14,264 | 101% |
| ■ EBITDA | 6,679 | 6,602 | 101% |
| ■ Service EBITDA Margin % | 47.7% | 47.8% | — |
| ■ Pre-tax Income | 3,637 | 3,425 | 106% |
| ■ EPS ⁽¹⁾ | <u>\$0.75</u> | <u>\$0.71</u> | 106% |

Source: Company data

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

Consolidated Financial 2007 Q1 Financial Stats

| (NT\$ mm unless otherwise stated) | As of 2006 Q1 | As of 2006 Q4 | As of 2007 Q1 |
|--|---------------|---------------|---------------|
| Cash & Cash Equivalents | 7,677 | 7,852 | 11,263 |
| Total Borrowing | 7,238 | 5,977 | 3,976 |
| Net Debt | — | — | — |
| Shareholders' Equity | 77,300 | 74,790 | 77,673 |
| Debt/Capitalization ⁽¹⁾ Ratio | | | |
| — Gross (%) | 8.6% | 7.4% | 4.9% |
| — Net (%) | — | — | — |
| Free Cashflows – YTD ⁽²⁾ | 5,545 | 19,888 | 5,807 |
| Cash-based Capex | 1,935 | 6,081 | 1,368 |
| Pre-tax EPS - YTD | \$1.02 | \$3.77 | \$0.87 |
| EPS(NT\$) – YTD ⁽³⁾ | \$0.82 | \$3.40 | \$0.75 |
| ROA | 12.7% | 13.7% | 12.3% |
| ROE | 16.7% | 17.3% | 15.2% |

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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IV. 2007 Q2 Forecast

V. Capital Reduction


VI. Management Highlight

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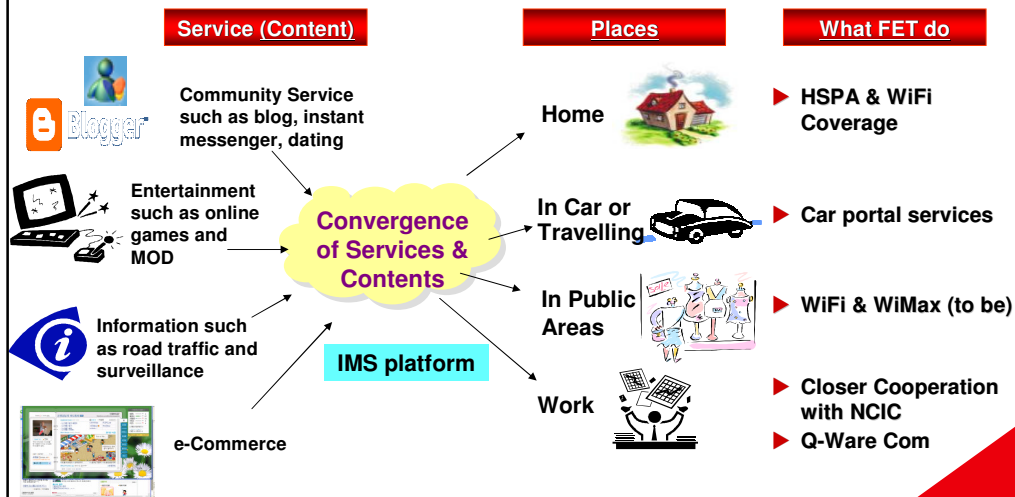
The New Alliance Business Opportunity (1)

| | | |
|------------------------------|--|--|
| |  | FAREASTONE 遠傳 |
| Business Opportunity | In process of launching prepaid MVNO in mid-May | Through 7-Eleven channels to expand prepaid and MVNO business |
| Competitive Advantage | Strong Brand and Good Distribution Coverage <ul style="list-style-type: none"> ▶ Over 4300 store island-wide and expanding ▶ 6 mn customers visiting its stores per day ▶ 4 mn i-cash cards issued | Mobile Network and Service Operator <ul style="list-style-type: none"> ▶ 2G + 3G Network ▶ 99%+ population coverage |

The New Alliance Business Opportunity (2)

| | | | |
|--|---|--|--|
| |  | Q-Ware Communications | FAREASTONE 遠傳 |
| WiFi | WiFi sites coverage | WiFi network operator | Full Wireless Broadband provider |
| <div style="background-color: #00AEEF; color: white; padding: 5px; display: inline-block;">WiFi, compliment with FET 3G, helps FET into home/hotspot and service differentiation</div> | | | |
| Enterprise Solutions | The whole Uni-president group, 30,000+ employees | A prefer enabler for telecom solution and system integration | A prefer provider of mobile and telecom services |

Growth from New Resources Beyond Traditional Telco



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2007 Q2 Consolidated Financial Forecast 2007 Q2 Forecast vs. 2007 Q1 Actual

| Item Unit: NT\$ Million, except for EPS | 2007 Q2 Forecast | 2007 Q1 Actual | QoQ % |
|--|---------------------|-------------------|--------|
| ■ Total Revenue | 16,275 | 15,776 | + 3.2% |
| ■ Service Revenue | 14,765 | 14,458 | + 2.1% |
| ■ EBITDA | 6,769 | 6,679 | + 1.5% |
| ■ Service EBITDA Margin % | 47.4% | 47.7% | — |
| ■ Pre-tax Income | 3,627 | 3,637 | - 0.2% |
| ■ EPS ⁽¹⁾ | <u>\$0.75</u> | <u>\$0.75</u> | + 0.0% |

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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VI. Management Highlight

Proposed Capital Reduction

▶ Proposal

- ✓ Cancellation of 20% of total outstanding shares
- ✓ Shareholders to receive approximately NT\$2.0 for each share owned
- ✓ Total cash distributed: NT\$7.7 billion

▶ Benefits

- ✓ To improve the efficiency of capital structure
- ✓ To enhance EPS and ROE
- ✓ No withholding tax on cash return from capital reduction

▶ Timetable

- ✓ Subject to relevant approvals, payment expected to be made in January 2008

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V. Capital Reduction



VI. Management Highlight

Management Highlights

- ▶ Company operations remain stable
- ▶ Continue to develop integrated solutions and moving towards **Service Convergence**
- ▶ Strategic partnership for broadening integrated services
- ▶ **Commitment to active capital management and shareholders' interests**

Q & A

For Further Information:

Websites

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