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Mobile · Broadband · Media · International Service

4904 (TWSE)

2008 3Q Investor Update

Jan Nilsson

Vice Chairman and President

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Mobile



Broadband



Media



International Service

Agenda

- ▶ **I. Market Overview**
- II. 2008 Q3 Performance and Business Update**
- III. 2008 Q4 Initiatives and Forecast**
- IV. Management Highlight**

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Taiwan Wireless Market Overview

Market:

- ▶ NCC statistics show that
 - ✓ 2G+3G market subscribers: **↑4.2% YoY** (Jan-Aug 2008 vs. 2007)
 - ✓ 2G+3G market outgoing minutes: **↑6.7% YoY** (Jan-Aug 2008 vs. 2007)
 - ✓ 2G+3G market revenue⁽¹⁾: **↓0.3% YoY** (Jan-Aug 2008 vs. 2007)
- ▶ Weak economy impacts on telcos relatively smaller vs. other sectors, while consumers getting cautious on spending and looking for value packages
- ▶ 2nd SIM phenomenon continues
- ▶ Continued internet going mobile drives datacard sales

Regulatory:

- ▶ NCC is focusing on revising the content regulations of 'Radio and Television Act' first and 'Convergence Act' will be second priority
- ▶ In September, NCC has established an 'Administrative Appeal Review Committee' for issue management. And along with 13 external legal experts, NCC also built up a 'Laws and Regulations Consulting Committee' for individual legal case consultation
- ▶ Regulatory environment expects to be no material impact in the near future.

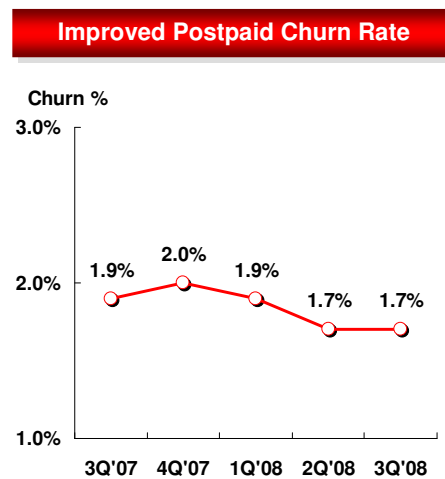
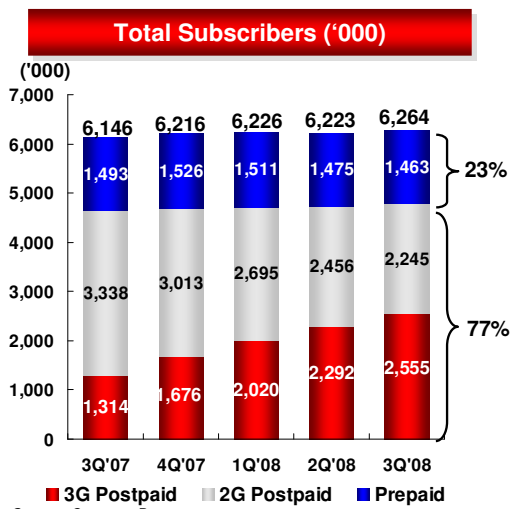
(1) Market revenue was calculated based on NCC statistics and big 3 operators' factsheet

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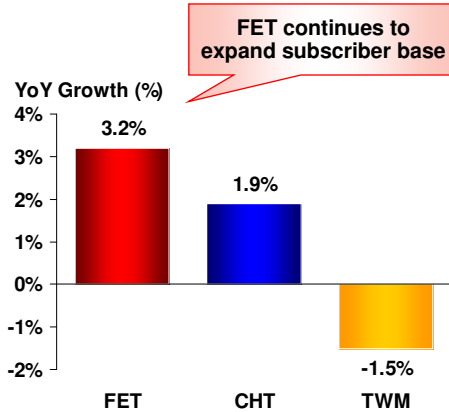
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Operational Performance Continue to Drive Subs while Managing Churn Rate

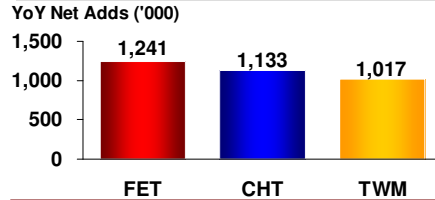


Operational Performance Peer Comparison

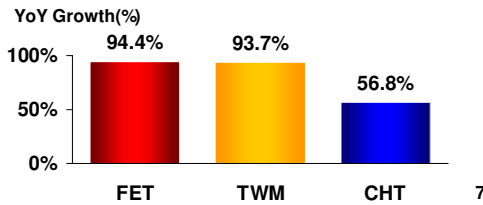
3Q'08 Postpaid Subscriber Growth (%)



3Q'08 3G Subscriber Net Adds



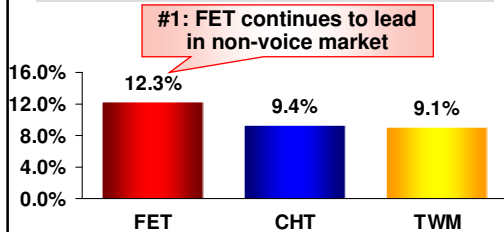
3Q'08 3G Subs Growth (%)



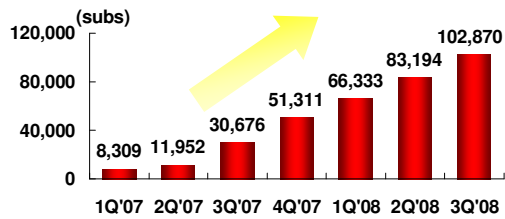
Source: Operators' factsheets

Non-Voice Performance Leading in Non-Voice and Increasing Data Users

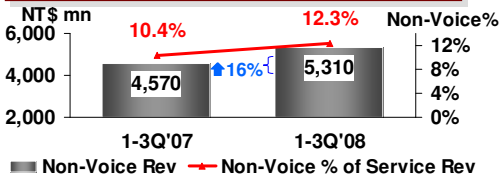
2008 1-3Q Non-Voice % of Service Revenue



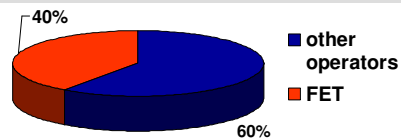
3G & HSPA Data Centric Growth



FET YoY Non-Voice Growth



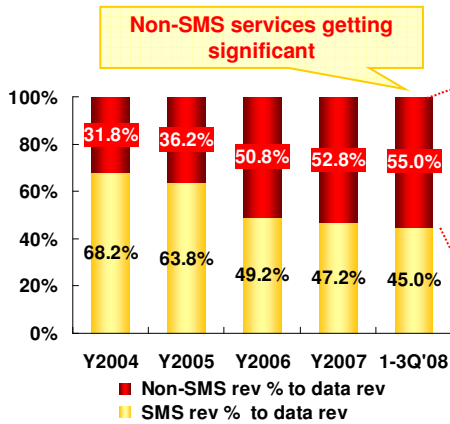
3G Datacard Market Share (3Q'08)



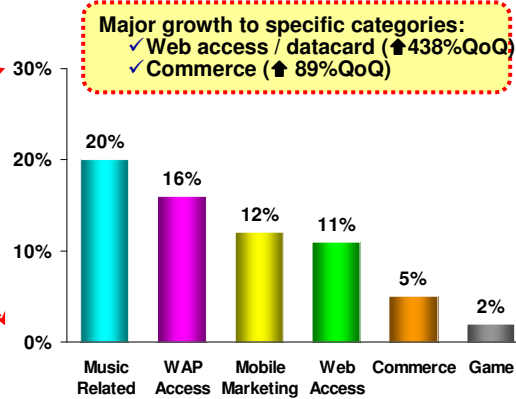
Source: NCC Statistics, operators' factsheets and company data

Non-Voice Performance Increasing Non-SMS Mix

FET Non-Voice Revenue Breakdown



Major Non-SMS Breakdown in 3Q'08



Source: Company data

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Consolidated Financial Achievement 2008 Q3 Actual vs. 2008 Q3 Forecast

Item Unit: NT\$ Million, except for EPS	2008 Q3 Actual	2008 Q2 Actual	QoQ%	2008 Q3 Forecast	Achievement %
Service Revenue	14,439	14,422	+0.1%	14,698	98%
EBITDA	6,674	6,691	-0.2%	6,702	100%
Service EBITDA Margin %	47.0%	47.1%	—	46.3%	—
Pre-tax Income	3,447	3,665	-6.0%	3,666	94%
EPS ⁽¹⁾	\$0.81	\$0.86	-5.7%	\$0.86	94%

Source: 2008 Q1 & 1H audited financial, 2008 Q3 reviewed draft & 2008 Q4 forecast
 (1) 2008 1H, Q1-3 EPS was based on weighted average of 3,318m and 3,298m shares, respectively.

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Consolidated Financial 2008 Q3 Financial Stats

(NT\$ mm unless otherwise stated)

	As of 2008 Q3	As of 2008 Q2
Cash & Cash Equivalents	6,375	9,548
Total Borrowing	5,869	1,669
Net Debt	—	—
Shareholders' Equity	69,986	67,394
Debt/Capitalization Ratio		
— Gross (%)	7.7%	2.4%
— Net (%)	—	—
Free Cashflows – YTD	11,311	8,678
Cash-based Capex – YTD	5,108	2,786
Pre-tax EPS - YTD	\$3.05	\$2.00
EPS(NT\$) – YTD	\$2.38	\$1.57
ROA	11.7%	12.1%
ROE	15.3%	15.7%

Source: FET Consolidated financials

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Recent Activities 2008 Q3

Services

- ▶ Data-pack rate plans – 950 & 350
- ▶ GPS (Mio Moov) device & services
- ▶ Branded game / e-comic contents
- ▶ Mobile music streaming services

Network and Platform

- ▶ Pushing down voice to 2G
- ▶ Seamless Network (3.5G w/ WiFi)
- ▶ WiMAX as a data-plus network
- ▶ IMS Platform
- ▶ NFC in university

Devices

3.5G handsets

- Sharp WX-T92
- Sharp WX-T825
- HTC Touch Pro



Innovative devices

- Mio Moov380
- 3.5G Datacard + AP
- Eee PC & i-Buddie
- NDSL & Wii



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New Services

New Services Launched and be Continued

WAP Music Streaming



Game Contents



▶ Collaboration with reputable content providers for online, JAVA games and e-comic

▶ Innovative services

- ✓ GPS device with Mio Moov
- ✓ Music service: WAP music streaming services
- ✓ 070 new service
- ✓ Digital Frame with Personal Photo storage and sharing
- ✓ And more....

▶ Devices

- ▶ Exclusive handset - Sharp, HTC Touch Pro and Fujitsu
- ▶ NDSL, Wii, Eee PC, i-Buddie, digital frame and more...

GPS with Moov



Mobile TV



Eee PC



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2008 Q4 Consolidated Financial Forecast 2008 Q4 Forecast vs. 2008 Q3 & 2007 Q4

Item Unit: NT\$ Million, except for EPS	2008 Q4 Forecast	2008 Q3 Actual	QoQ%	2007 Q4 Actual	YoY%
■ Service Revenue	14,692	14,439	+1.8%	14,557	+0.9%
■ EBITDA	6,452	6,674	-3.3%	6,586	-2.0%
■ Service EBITDA Margin %	44.8%	47.0%		46.7%	
■ Pre-tax Income	3,279	3,447	-4.9%	3,355	-2.3%
■ EPS ⁽¹⁾	<u>\$0.77</u>	<u>\$0.81</u>	-4.6%	<u>\$0.70</u>	+10.5%

Source: 2007, 2008 1H & Q3 financials and 2008 Q4 unaudited financial forecast

(1) 2007 Q4 EPS was based on 3,873m shares. 2008 1H, Q1-3, FY EPS was based on weighted average of 3,318m, 3,298m, and 3,288m shares, respectively.

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Q & A

For Further Information:

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