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Mobile · Broadband · Media · International Service

4904 (TWSE)

2009 1H Investor Update

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Vice Chairman and President

August 27, 2009 4:00pm

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2

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Mobile



Broadband



Media



International Service

Agenda

- ▶ **I. Market Overview**
- II. 2009 Q2 Performance and Business Update**
- III. 2009 Q3 Initiatives and Forecast**
- IV. Management Highlight**

3

Taiwan Telco Market Overview

Regulatory Environment

- Further price cut imposed by NCC is under discussion
- Regarding 'IP peering' dispute, NCC has established a task force to review the interconnect regulations and market competition, and will proceed necessary regulation revision process afterwards
- Legislative Yuan passed the amendment of Income Tax Act to drop the corporate tax rate from 25% to 20% starting 2010
- Executive Yuan approved amendments to the Company Act which would allow companies to pay dividends from their legal reserve and capital surplus balance, expected to be passed by Legislative Yuan by end of 2009 or early 2010

Market Phenomenon

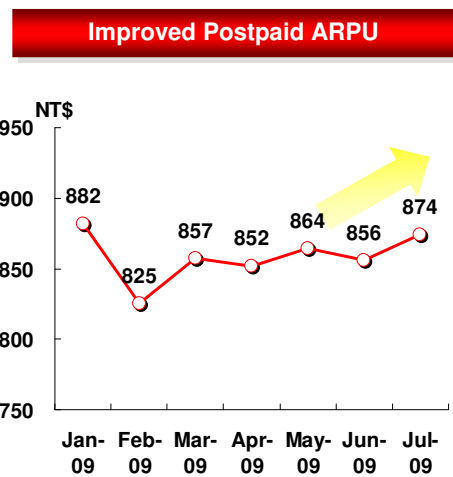
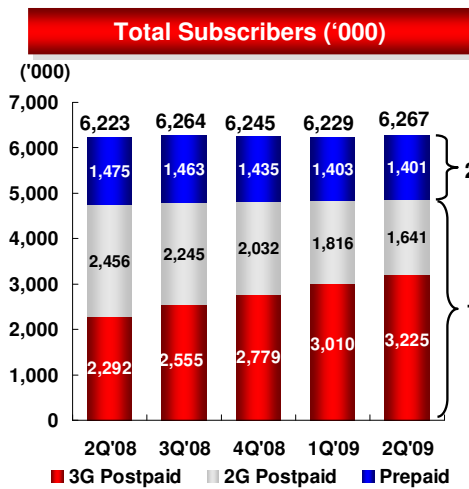
- During 1H'09, market mobile subs and total minutes continue to grow (↑6.8% & ↑9.1% YoY) while mobile revenue dropped slightly (↓0.5% YoY)
- On-net airtime almost flat fee
- Intensive competition prevails

4

Agenda

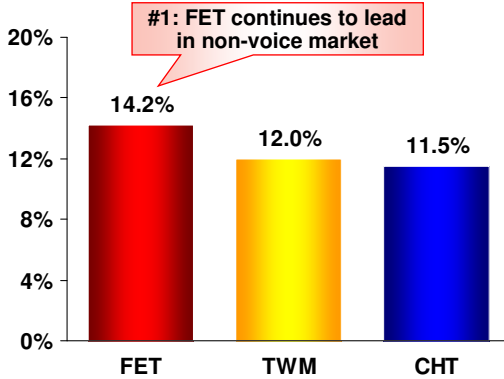
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Operational Performance Subscriber and ARPU

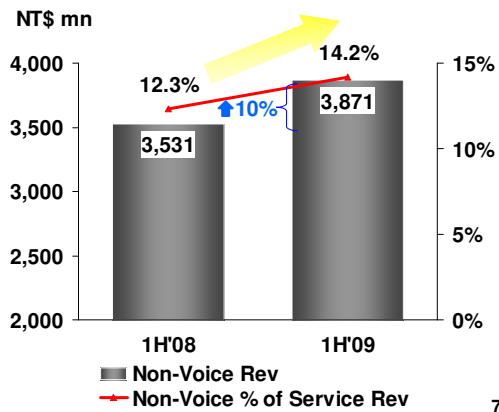


Non-Voice Performance Leading in Non-Voice and Increasing Usage

1H'09 Non-Voice % of Service Revenue



FET YoY Non-Voice Growth

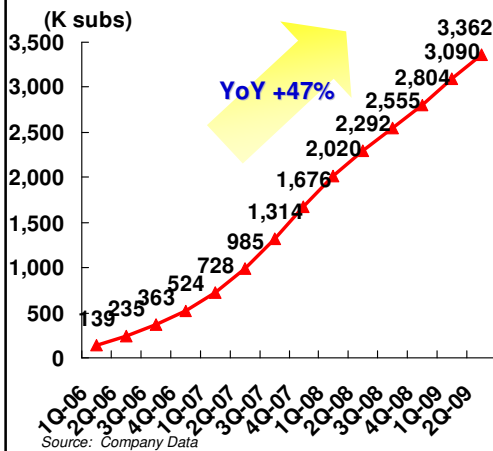


Source: Company Data

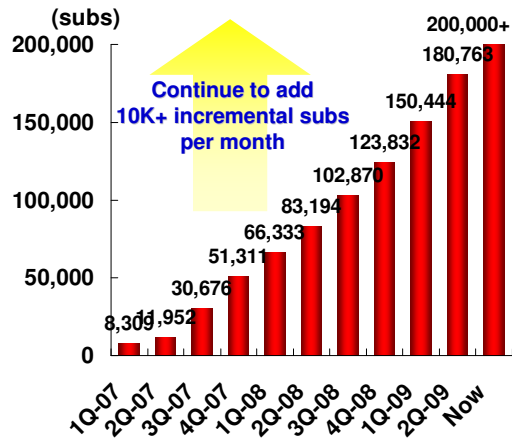
3G

Uptake of 3G and Wireless Broadband Service

3G Sub Growth



3G & HSPA Data Centric Growth



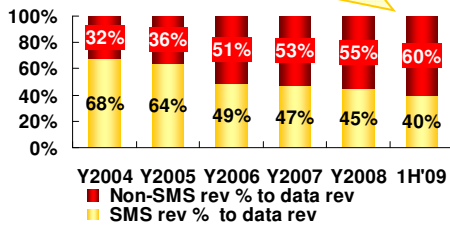
Source: Company Data

Non-Voice Performance Increasing Non-SMS Mix



SMS % of Non-Voice Rev

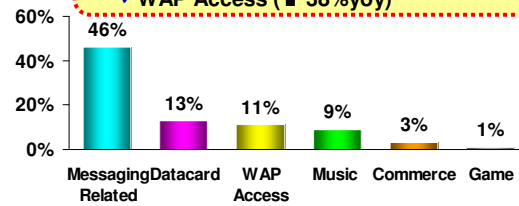
Non-SMS services getting significant



Source: Company data

Major Non-Voice Rev Breakdown in 1H'09

With mobile Internet widespread nowadays, major growths come from:
 ✓ Datacard (↑80%yoy)
 ✓ WAP Access (↑38%yoy)



Note: Messaging related including SMS/ MMS/ Video Calls

9

Consolidated Financial Achievement 2009 Q2 Actual vs. 2009 Q2 Forecast

Item Unit: NT\$ Million, except for EPS	2009 Q2 Actual	2009 Q1 Actual	QoQ%	2009 Q2 Forecast	Achievement %
Total Revenue	15,048	14,881	+1.1%	15,204	99%
Service Revenue	13,714	13,631	+0.6%	13,808	99%
EBITDA	5,870	6,033	-2.7%	6,098	96%
Service EBITDA Margin %	44.4%	45.7%	—	45.2%	—
Net Income	2,308	2,301	+0.3%	2,305	100%
EPS ⁽¹⁾	\$0.71	\$0.71	+0.3%	\$0.71	100%

Source: FET consolidated financials & 2009 Q2 forecast
 (1) EPS was based on current outstanding shares of 3,258,501K

10

Consolidated Financial 2009 Q2 Financial Stats

(NT\$ mm unless otherwise stated)

	As of 2009 Q2	As of 2009 Q1
Cash & Cash Equivalents	11,294	9,654
Total Borrowing	689	779
Net Debt	—	—
Shareholders' Equity	67,757	74,572
— Capital Surplus	19,487	19,487
— Legal Reserve	9,067	8,051
— Un-appropriated Earnings fm Prior Years	1,033	1,034
— Un-appropriated Earnings fm This Year	4,609	2,301
Debt/Capitalization Ratio		
— Gross (%)	1.0%	1.0%
— Net (%)	—	—
Free Cashflows – YTD	7,187	4,739
Cash-based Capex – YTD	3,266	1,575
EPS(NT\$) – YTD	\$1.41	\$0.71
ROA	10.3%	10.3%
ROE	13.0%	12.5%

Source: FET Consolidated financials; above EPS calculated by current outstanding shares of 3,258,501K

11

Agenda

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12

New Services

New Services Launched in 2009 and be Continued

Mobile TV



YouTube on mobile



Web Service



▶ Innovative services:

- ✓ Unify Message Center
- ✓ Web Service for finance & sports channels
- ✓ "YouTube" on mobile
- ✓ Mobile TV
- ✓ e-Book
- ✓ e-Noval
- ✓ Master fortune-telling
- ✓ Yahoo Knowledge+
- ✓ Game station
- ✓ Co-op with SONY for digital content platform
- ✓ Information security service package for enterprises
- ✓ WiMax and more....

▶ Devices:

- ✓ 3.5G handsets (Sharp, Fujitsu, Nokia...)
- ✓ The 1st Android ODM handset to come
- ✓ Netbooks (ASUS, Acer, HP...)
- ✓ Other innovative devices...

e-Book



Game Station



Devices



13

2009 Q3 Consolidated Financial Forecast

2009 Q3 Forecast vs. 2009 Q2 Actual

Item Unit: NT\$ Million, except for EPS	2009 Q3 Forecast	2009 Q2 Actual	QoQ%
■ Total Revenue	15,330	15,048	+1.9%
■ Service Revenue	13,964	13,714	+1.8%
■ EBITDA	6,021	5,870	+2.6%
■ Service EBITDA Margin %	44.3%	44.4%	
■ Net Income	2,320	2,308	+0.5%
■ EPS ⁽¹⁾	\$0.71	\$0.71	+0.5%

Source: FET Consolidated financials; EPS calculated by current outstanding shares of 3,258,501K

14

Agenda

I. Market Overview

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15

Management Highlight Key Message

- ▶ Benefits from **CM Strategic Cooperation** will Continue Kicking-in
- ▶ **Core Operations Continue Improving**
 - ✓ Revenue from Enterprise BU ↑ 4.3% QoQ
 - ✓ Revenue from Consumer Mobility BU ↑ 0.9% QoQ
 - ✓ Revenue from Home BU ↑ 0.2% QoQ
- ▶ Continue to Drive **Cost Efficiency**
- ▶ Continue to Work on **Consolidation** towards Future Synergy
- ▶ **Improved NCIC Performance**
 - ✓ Service Revenue ↑ 4.9% QoQ
 - ✓ EBITDA ↑ 4.7% QoQ
 - ✓ Net Income turn positive in 1H'09

16

Q & A

For Further Information:

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