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Mobile · Broadband · Media · International Service

4904 (TWSE)

2009 3Q Investor Update

Jan Nilsson

Vice Chairman and President

November 04, 2009 4:00pm

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Mobile



Broadband



Media



International Service

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- ▶ **I. Market Overview**
- II. 2009 Q3 Performance and Business Update**
- III. 2009 Q4 Forecast**
- IV. Management Highlight**

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Taiwan Telco Market Overview

Market Phenomenon

- ▶ NCC statistics show that during 3Q'09
 - market mobile subscribers: **↑6.9%** YoY (3Q'09 vs. 3Q'08)
 - total outgoing minutes: **↑11.1%** YoY (3Q'09 vs. 3Q'08)
 - market mobile revenue **↑1.0%** YoY (3Q'09 vs. 3Q'08)
- ▶ Intensive competition continues
- ▶ Smartphones are getting popular. More packages bundled with smartphones are in the market

Regulatory Environment

- ▶ GSM licenses will be expired during 2012-2013. As more than 5 million customers still use 2G, operators have been talking to the government for license extension

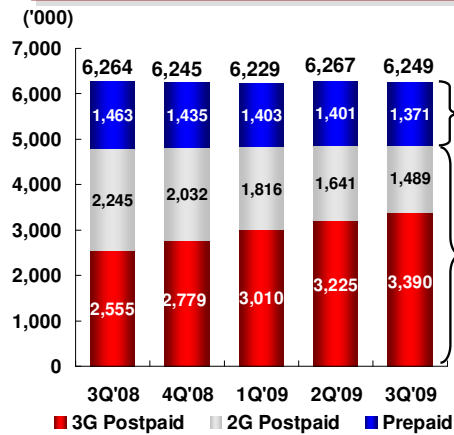
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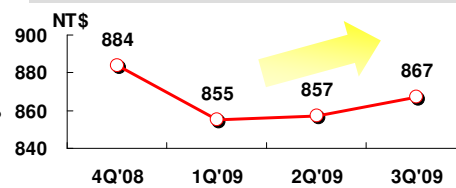
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Operational Performance Subscriber, ARPU and MOU

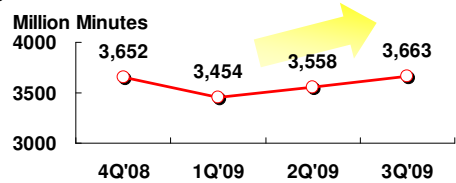
Total Subscribers ('000)



Improved Postpaid ARPU



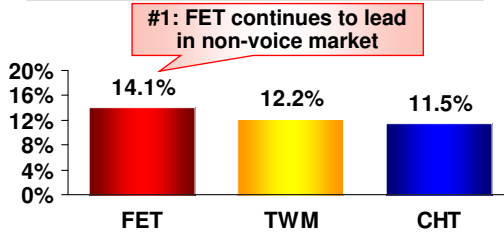
Improved Postpaid Minutes of Use



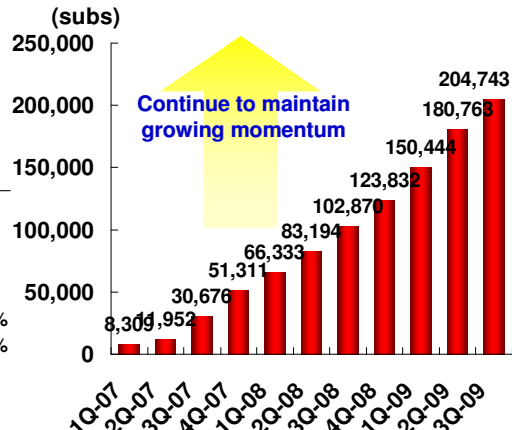
Non-Voice Performance

Non-Voice and Increasing Wireless Broadband Customers

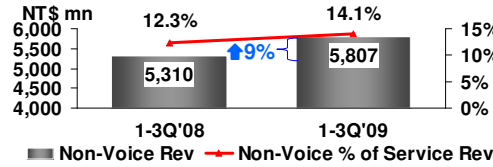
1-3Q'09 Non-Voice % of Service Rev



3G & HSPA Data Centric Growth



FET YoY Non-Voice Growth



Source: Company Data

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Consolidated Financial Achievement

2009 Q3 Actual vs. 2009 Q3 Forecast

Item Unit: NT\$ Million, except for EPS	2009 Q3 Actual	2009 Q2 Actual	QoQ%	2009 Q3 Forecast	Achievement %
Total Revenue	15,358	15,048	+2.1%	15,330	100%
Service Revenue	13,969	13,714	+1.9%	13,964	100%
EBITDA	6,064	5,870	+3.3%	6,021	101%
Service EBITDA Margin %	44.7%	44.4%	—	44.3%	—
Net Income	2,371	2,308	+2.7%	2,320	102%
EPS ⁽¹⁾	\$0.73	\$0.71	+2.7%	\$0.71	102%

Source: FET consolidated financials & 2009 Q3 forecast
(1) EPS was based on current outstanding shares of 3,258,501K

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Consolidated Financial 2009 Q3 Financial Stats

(NT\$ mm unless otherwise stated)

	As of 2009 Q3	As of 2009 Q2
Cash & Cash Equivalents	7,017	11,294
Total Borrowing	1,538	689
Net Debt	—	—
Shareholders' Equity	70,166	67,757
— Capital Surplus	19,487	19,487
— Legal Reserve	9,067	9,067
— Un-appropriated Earnings fm Prior Years	1,033	1,033
— Un-appropriated Earnings fm This Year	6,980	4,609
Debt/Capitalization Ratio		
— Gross (%)	2.1%	1.0%
— Net (%)	—	—
Free Cashflows – YTD	9,884	7,187
Cash-based Capex – YTD	4,825	3,266
EPS(NT\$) – YTD	\$2.14	\$1.41
ROA	10.9%	10.3%
ROE	13.8%	13.0%

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

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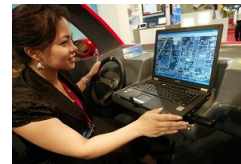
Enter into Smart Phones Arena Fulfill Users' Needs with New Ranges of Services

Services new ranges of services	Devices partnership with leading brands
<p>▶ FET Smart App "S Mart"</p> <ul style="list-style-type: none"> Taiwan's first Independent application store for Android phones, allowing users to download the applications and digital contents with fully localized experience <p>▶ FET Smart Assistant</p> <ul style="list-style-type: none"> Push mail solution that allows to synchronize e-mails, contacts, calendars and tasks between mobile phone and computer with advanced spam mail control <p>▶ Rate plan "Smart 150/250/950"</p> <ul style="list-style-type: none"> Fulfill the needs for real-time internet accessibility and speed to accomplish the perfect mobile life 	<p>▶ Acer neoTouch (for business users)</p> <ul style="list-style-type: none"> Slim, classy and powerful device with a large touch screen, to enjoy the best of communication, mobile internet and productivity Equipped w/ Qualcomm Snapdragon 1G MHz CPU for faster speed <p>▶ Acer beTouch E100 (entry level)</p> <ul style="list-style-type: none"> Windows Mobile smartphone to attract new customers likely to trade up from conventional feature phones <p>▶ Commtiva Z1</p> <ul style="list-style-type: none"> Co-develop with FET and be the 1st Android customized handset 'FET Smart 950' service build-in Affordable price

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WiMAX To be launched in Dec

- ▶ **FET's WiMAX service will be commercially launched in Taichung City in Dec'09** (will extend to other city/county in south from next year)
- ▶ Among the 6 WiMAX license winners, FET is the only telecom operator which has rich experiences offering mobile voice and data services, with renowned branding and broad coverage
- ▶ **FET sees WiMAX as cost-effective solution to provide wireless broadband service with better spectral efficiency & higher data rate**
- ▶ **FET's WiMAX serves indoor & outdoor nomadic customer demands, creating higher ARPU, injecting data revenue & maximizing content opportunities**
- ▶ Expanded coverage through roaming - to be roamed with domestic WiMAX operators (e.g. Tatung in south and Global Mobile in north); as well as international operators (e.g. Clearwire in the US) in the future



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2009 Q4 Consolidated Financial Forecast 2009 Q4 Forecast vs. 2009 Q3 Actual

Item Unit: NT\$ Million, except for EPS	2009 Q4 Forecast	2009 Q3 Actual	QoQ%
■ Total Revenue	15,342	15,358	- 0.1%
■ Service Revenue	13,832	13,969	- 1.0%
■ EBITDA	5,982	6,064	- 1.4%
■ Service EBITDA Margin %	44.5%	44.7%	
■ Net Income	2,288	2,371	- 2.5%
■ EPS ⁽¹⁾	<u>0.71</u>	<u>\$0.73</u>	- 2.5%

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

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▶ *IV. Management Highlight*

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Management Highlight Key Message

- ▶ **Entering Smartphone Market with Open Application Store**
- ▶ **Core Operations Continue Improving**
- ▶ **Continue to Work on Consolidation to Drive Cost Efficiency**
- ▶ **Continue to **optimize capital structure** to enhance shareholder value**
- ▶ **Improved NCIC Performance**
 - 3Q'09 Service Revenue ↑2.5%QoQ ; ↑4.8%YoY
 - 3Q'09 EBITDA ↑18.8%QoQ ; ↑41.5%YoY
 - 1-3Q'09 EPS stands at \$0.05

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Q & A

For Further Information:

Websites

<http://corporate.fetnet.net>
<http://www.fetnet.net>

email

Investor Relations
IR@fareastone.com.tw

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