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Mobile · Broadband · Media · International Service

4904 (TWSE) 2010 Q1 Investor Update

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Agenda

- ▶ **I. Market Overview**
- II. 2010 Q1 Performance and Business Update**
- III. 2010 Full Year Forecast**
- IV. Management Highlight**

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Taiwan Wireless Market Overview

Market Phenomenon

- ▶ NCC statistics shows that during 1Q 2010
 - Market mobile subscribers: **↑6.6% YoY**
 - Total outgoing minutes: **↑12.1% YoY**
 - Total mobile revenue: **↑2.1% YoY**
- ▶ iPhone is a common offering among big 3 operators
- ▶ Bucket data rate plans along with smartphone become the trend

Regulatory Environment

- ▶ NCC's mandatory price cut of 5.87% on SMS and mobile off-net rates to be effective starting April 2010
- ▶ Corporate income tax to be further cut from its current level of 20% to 17-17.5%. If passed, it would be effective since 2010
- ▶ Among current 7 NCC commissioners, 3 will be expired by end of July 2010. New commissioners will be appointed by Executive Yuan and approved by Legislative Yuan

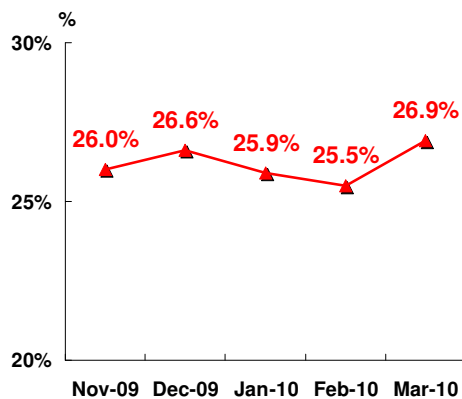
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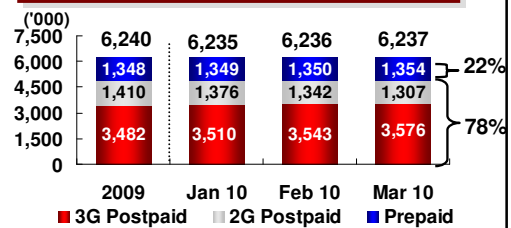
Operational Performance Gaining Momentum

FET Service Revenue Share

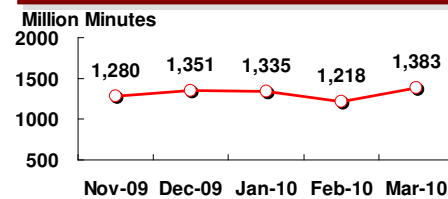


Source: NCC stats and company factsheets

Total Subscribers ('000)



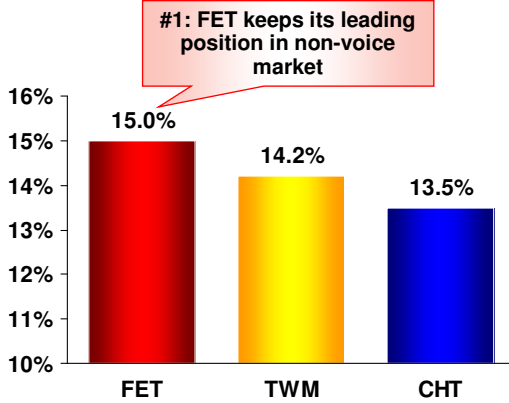
Improved Total Minutes of Use



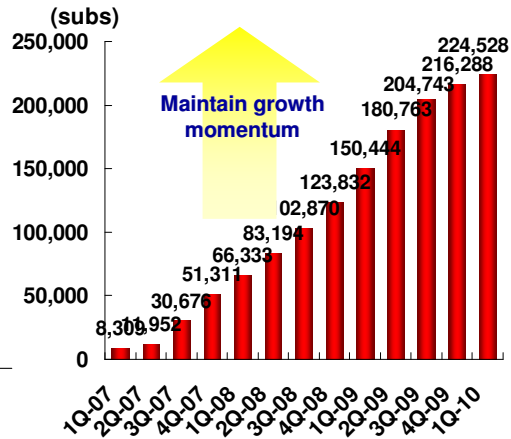
Non-Voice Performance

Non-Voice and Increasing Wireless Broadband Customers

2010 1Q Non-Voice % of Service Rev



3G & HSPA Data Centric Growth



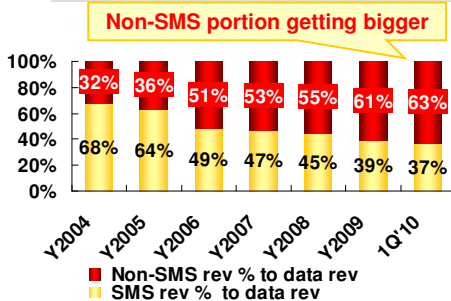
Source: Company Data

Non-Voice Performance

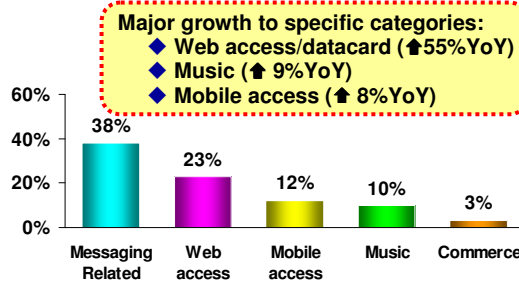
Wireless Access – Key Growth Driver



SMS % of Non-Voice Rev



Non-Voice Rev Breakdown in 1Q'10



Source: Company data

Note: Messaging related including SMS/ MMS/ Video Calls

Consolidated Financial Achievement 2010 Q1 Actual vs. 2009 Q4 and 2010 Q1 F'cst

Item Unit: NT\$ Million, except for EPS	2010 Q1 Actual	2009 Q4 Actual	QoQ%	2010 Q1 Forecast	Achievement %
■ Total Revenue	14,715	14,775	-0.4%	15,110	97%
■ Service Revenue	13,298	13,523	-1.7%	13,440	99%
■ EBITDA	5,806	5,977	-2.9%	5,835	100%
■ Service EBITDA Margin %	45.5%	45.9%	—	44.0%	—
■ Net Income	2,320	2,250	+3.1%	2,296	101%
■ EPS ⁽¹⁾	\$0.71	\$0.69	+3.1%	\$0.70	101%

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

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Consolidated Financial 2010 Q1 Financial Stats

(NT\$ mm unless otherwise stated)

	As of 2010 Q1	As of 2009 Q4
Cash & Cash Equivalents	12,995	9,674
Available-for-Sale Financial Assets & Derivatives	2,930	2,544
Total Borrowing	902	936
Net Debt*	—	—
Shareholders' Equity	74,699	72,375
— 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 2009-2010	11,550	9,230
Debt/Capitalization Ratio		
— Gross (%)	1.2%	1.3%
— Net (%)	—	—
Free Cashflows – YTD	3,739	15,543
Cash-based Capex – YTD	2,145	6,411
EPS(NT\$) – YTD	\$0.71	\$2.83
ROA	10.5%	10.6%
ROE	12.6%	12.6%

* Net Debt = Total Borrowing - Cash and Cash Equivalent - Available-for-Sale Financial Assets & Derivatives Source: FET Consolidated financials

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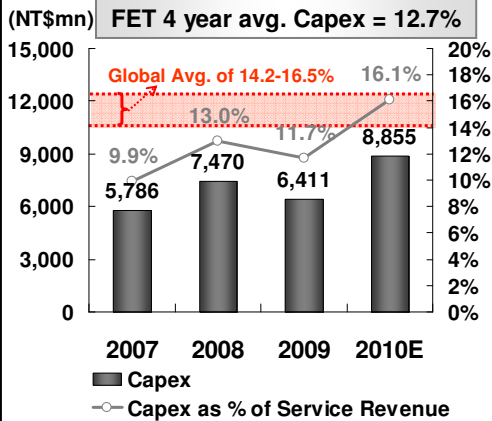


International Service

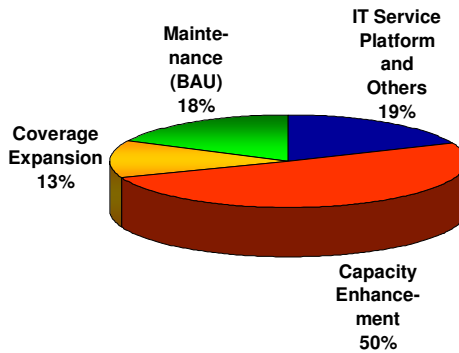
2010 Capex

Investing for Growth within Healthy Capex % Range

Capex as % of Service Revenue



2010 Capex Breakdown



Source: company data and BofA Merrill Lynch Global Research estimates

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Smartphone Update

Smartphones Drive Data Growth

Devices Launched

- ▶ iPhone 3G & 3GS (launched on Mar 12)



- ▶ Windows Phone Series

- Acer neoTouch (Premium for business users)
- Acer beTouch E100

- ▶ Android Phone Series

- Acer Liquid (Premium)
- Commtiva Z1/T1 (Customized)

- ▶ More to come...

Some Statistics

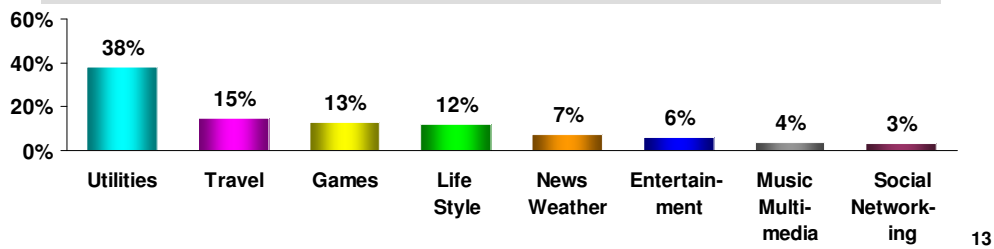
- ▶ Smartphone users accounts for 20% of total active data users (6% of total postpaid subs)
- ▶ Smartphone users' ARPU is **50% higher** than non-smartphone users'
- ▶ Smartphone accounts **17.5%** of total new handset takers
- ▶ **iPhone's data usage is 5x of average smartphone's** (vs. datacard's data usage is 10x of iPhone's)
- ▶ Will continue launching iPhone 4.0 version in next phase

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'S Mart' Performance The Most Popular Local App Store

- ▶ Taiwan's 1st Independent application store with fully localized experience
- ▶ Charging model enabled
- ▶ Successfully attract non-FET users
— 2/3 of the users are not FET subs
- ▶ Accumulated application downloads reached 160,000
- ▶ Each customer downloads 4 apps per month (almost the same as iPhone App Store 4.3 apps per month)

Breakdown of Most Popular 'S Mart' Downloaded Apps



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2010 Consolidated Financial Forecast 2010 Forecast vs. 2009 Actual

Item Unit: NT\$ Million, except for EPS	2010 Forecast	2009 Actual	YoY%
■ Total Revenue	62,065	60,062	+3.3%
■ Service Revenue	54,970	54,837	+0.2%
■ EBITDA	22,621	23,943	-5.5%
■ Service EBITDA Margin %	43.0%	45.2%	
■ Net Income	9,274	9,230	+0.5%
■ EPS ⁽¹⁾	\$2.85	\$2.83	+0.5%

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

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Management Highlight

Driving for Growth while Sustaining Dividend

- ▶ Board has just approved **2009 dividend: NT\$2.8 per share**, equivalent to 99% payout
- ▶ Leading in **developing open application store “S Mart”** for smartphones
- ▶ Continue to strengthen **cost efficiency**
 - Increase self-owned backhaul ratio from 70% (Y2009) to 84% (Y2010)
 - And many other projects...
- ▶ Increasing take-up of **smartphones expects to drive data growth**
- ▶ **Strategic co-operations with CMCC** in greater China market continue benefit FET in longer term

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Q & A

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