



Mobile · Broadband · Media · International Service

## 4904 (TWSE) 2011 2Q Investor Update

**Yvonne Li**  
President



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Mobile



Broadband



Media

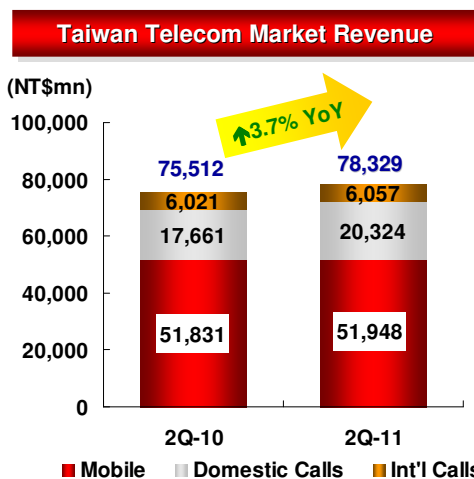


International Service

# Agenda

- ▶ **I. Market Overview**
- II. 2011 2Q Performance**
- III. Business Update**

## Taiwan Telecom Market Market Overview

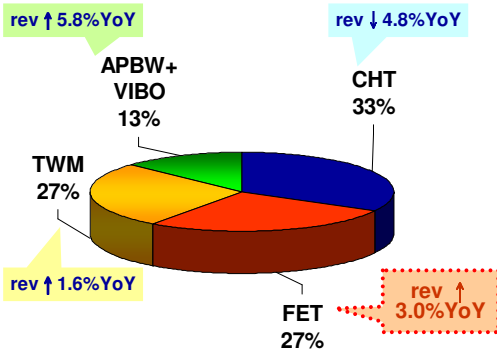


- Market Phenomenon**
- ▶ **Total Telecom Market Revenue in 2Q'11 increased  $\uparrow 3.7\%$  YoY with**
    - Mobile revenue (2G+3G)  $\uparrow 0.2\%$  YoY
    - Fixed line revenue (domestic calls + Int'l call)  $\uparrow 11.4\%$  YoY (due to F2M pricing right change)
  - ▶ **Outgoing minutes in 2Q'11**
    - Mobile outgoing minutes  $\uparrow 6.0\%$  YoY
    - Fixed-line outgoing minutes  $\downarrow 6.0\%$  YoY
  - ▶ **Subscriber in 2Q'11**
    - Total mobile subs  $\uparrow 4.9\%$  YoY
    - Fixed-line sub  $\uparrow 0.7\%$  YoY

Source: NCC statistics; fixed-line revenue only contains voice and mobile revenue adjusted based on big 3 operators' factsheets on consolidated basis

## Taiwan Wireless Market Market Dynamic

### Mobile Service Rev Share (2Q 2011)



### Market Update

#### Wireless Market

- Mobile competitive landscape remains stable while FET is gaining 0.6% revenue market share and 0.2% sub market share slightly
- More and more smart devices coming to the market helps drive rapid data revenue growth

#### Regulatory

- Restrictions on core and transmission equipment from China

Source: NCC statistics and operators' factsheet; mobile revenue adjusted based on big 3 operators' factsheets on consolidated basis

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I. Market Overview

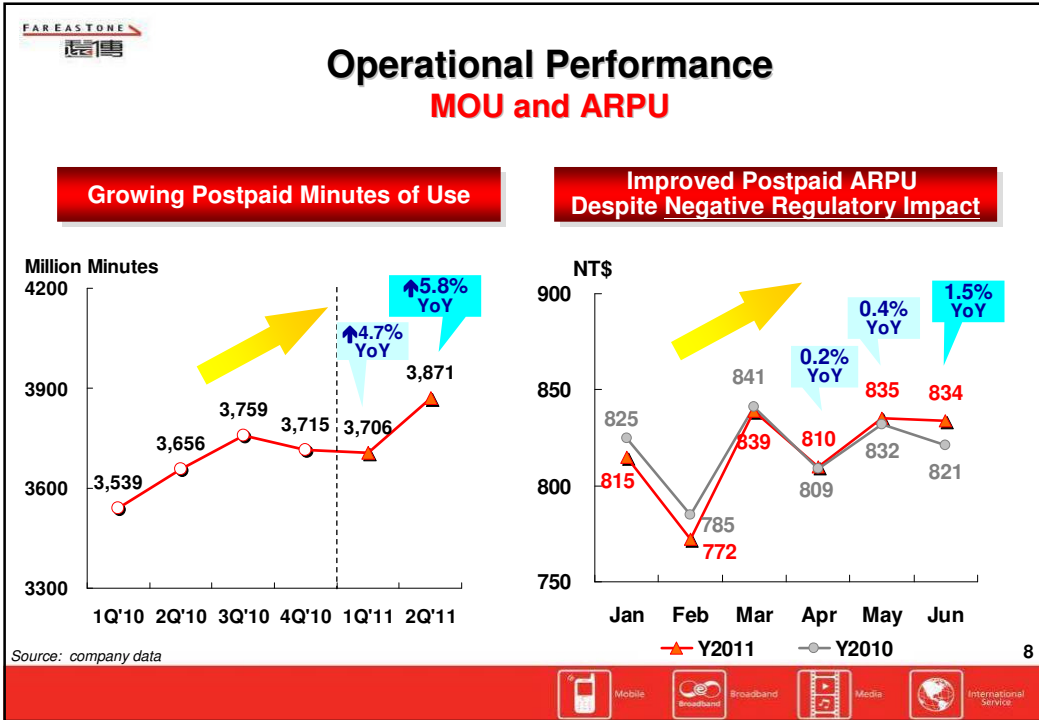
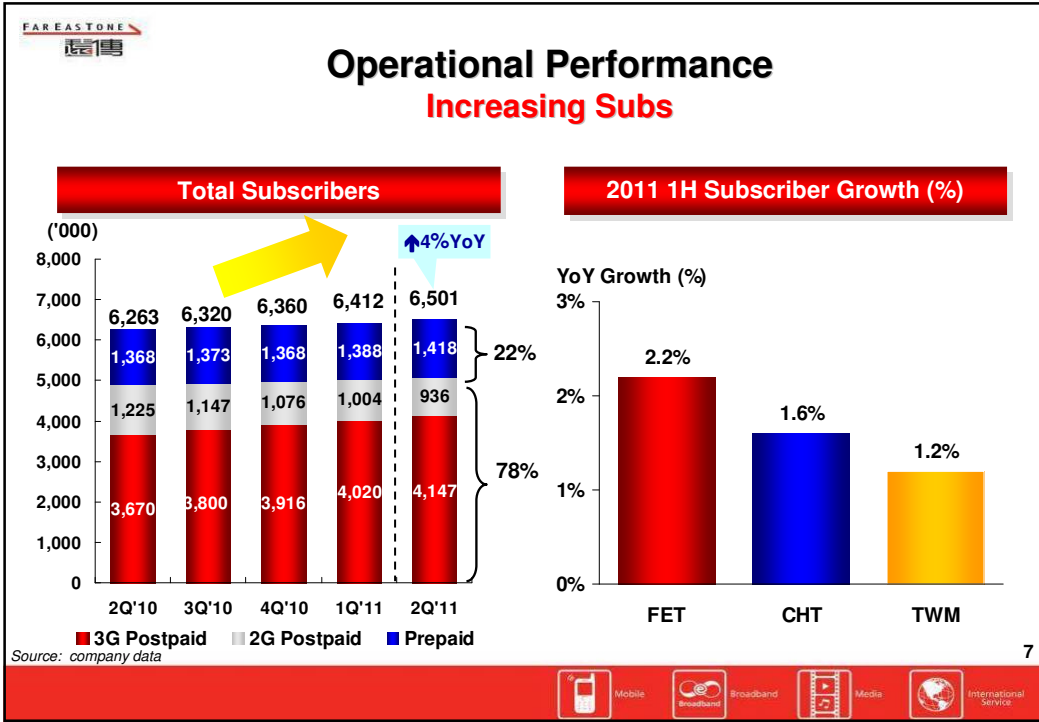


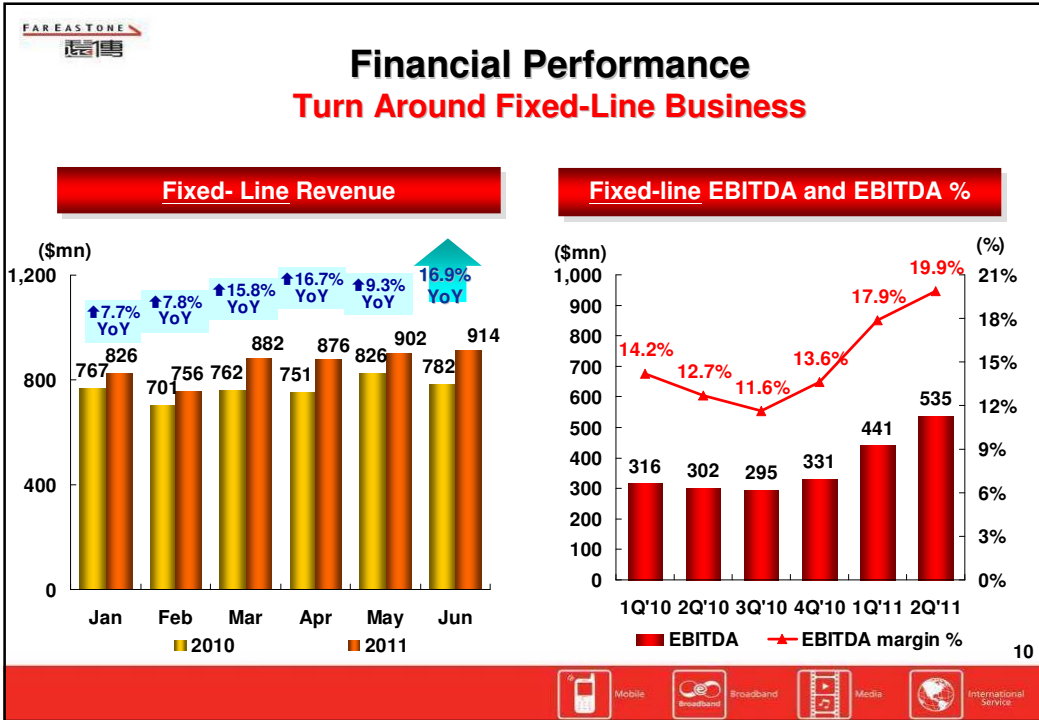
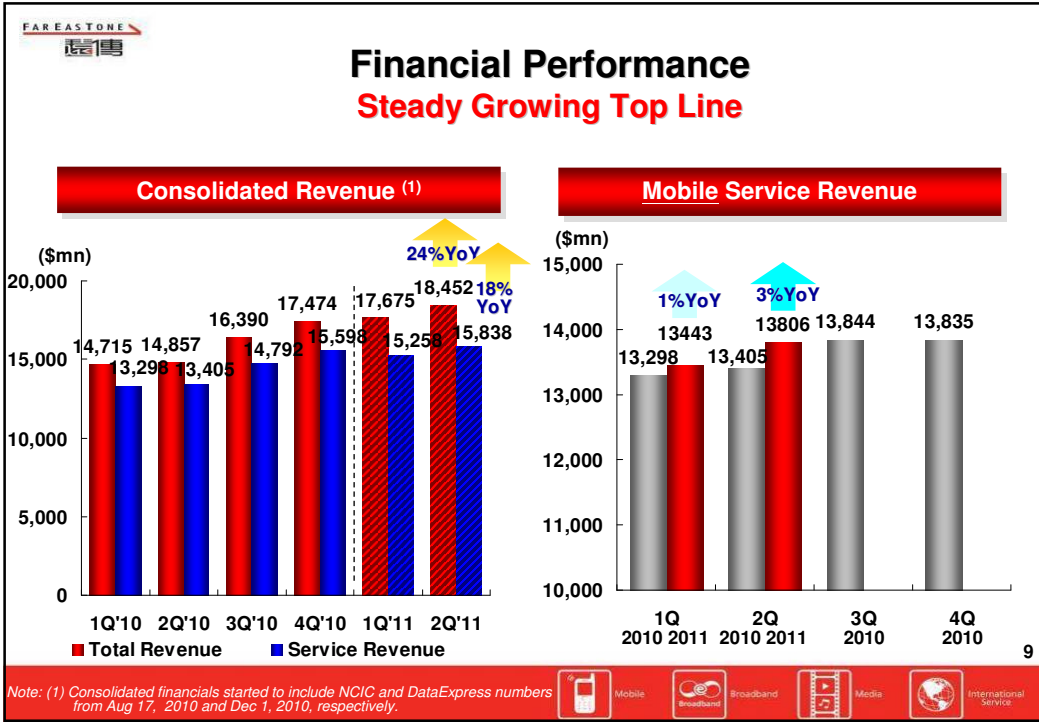
II. 2011 2Q Performance

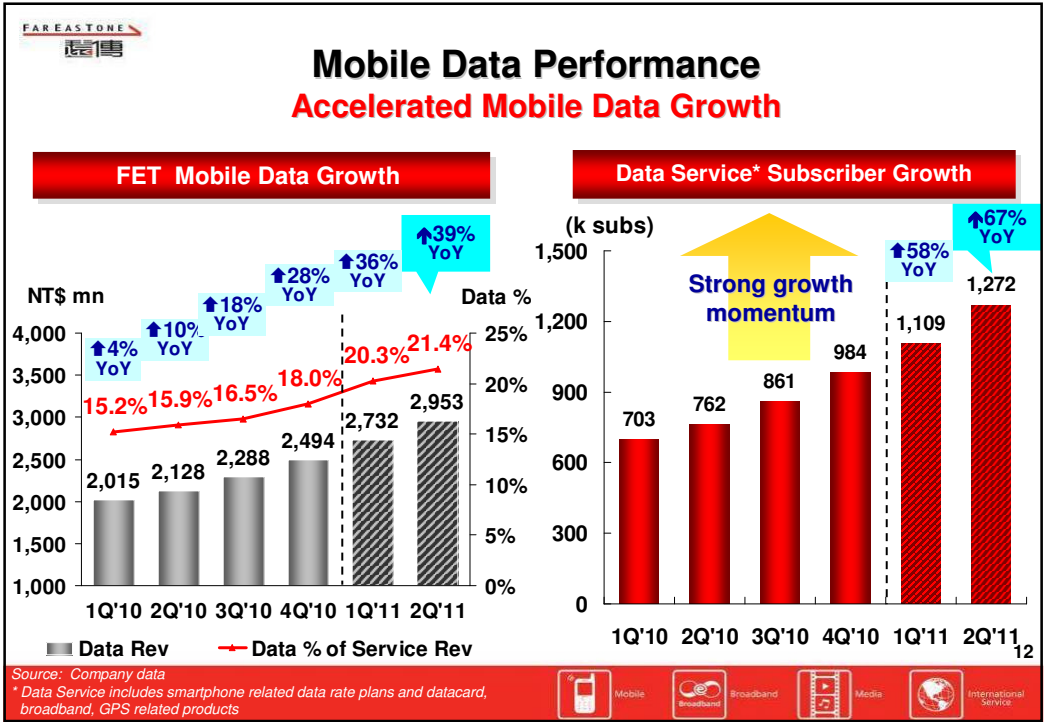
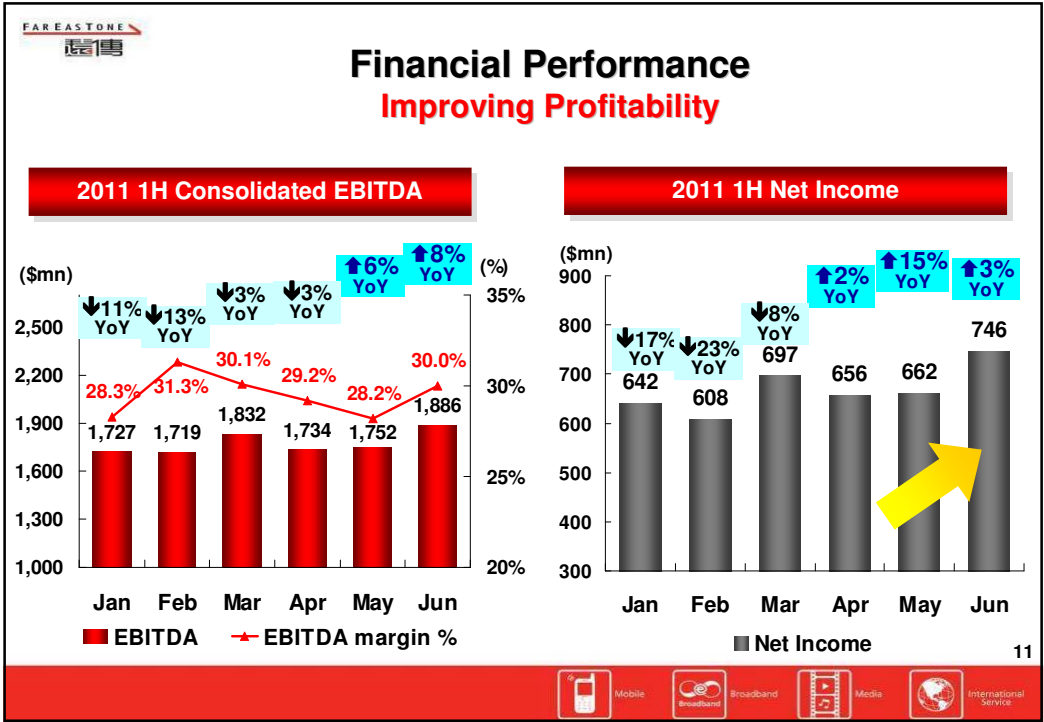
III. Business Update

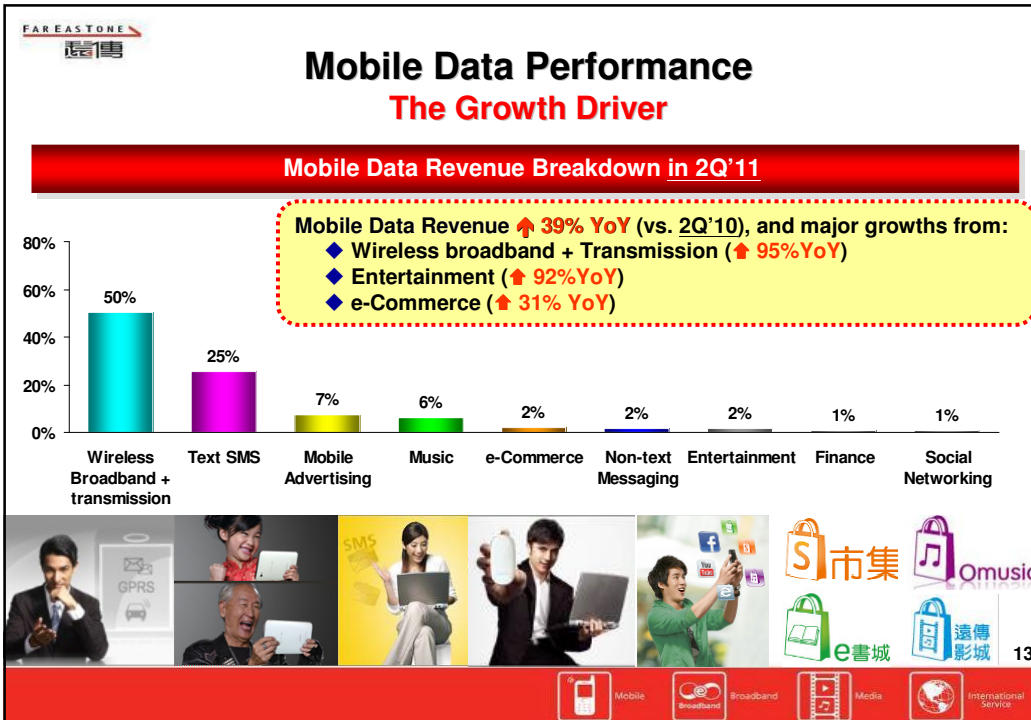
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**Consolidated Financial Achievement**  
**2011 Q2 Actual vs. 2011 Q2 Forecast**

Item Unit: NT\$ million, except for EPS	2011 Q2 Actual	2011 Q1 Actual	QoQ%	2011 Q2 Forecast	Achievement %
▶ Total Revenue	18,452	17,675	+4.4%	18,171	102%
▶ Service Revenue	15,838	15,258	+3.8%	15,722	101%
▶ EBITDA	5,372	5,278	+1.8%	5,460	98%
▶ EBITDA Margin %	29.1%	29.9%	—	30.1%	—
▶ Net Income	2,064	1,947	+6.0%	1,984	104%
▶ EPS <sup>(1)</sup>	\$0.63	\$0.60	+6.0%	\$0.61	104%

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

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## Consolidated Financial Achievement 2011 1H Actual vs. 2011 1H Forecast

Item (Unit: NT\$ Million, except for EPS & margin)	2011 1H Actual	2011 1H Forecast	Achievement%
▶ Total Revenue	36,127	35,866	101%
▶ Service Revenue	31,095	31,017	100%
▶ EBITDA	10,650	10,724	99%
▶ EBITDA%	29.5%	29.9%	-
▶ Net Income	4,011	3,923	102%
▶ EPS <sup>(1)</sup>	<u>\$1.23</u>	<u>\$1.20</u>	102%

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

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## Consolidated Financial FY2011 Q2 Financial Stats

(NT\$ mm unless otherwise stated)

	As of 2011 Q2	As of 2011 Q1
Cash & Cash Equivalents	9,194	8,884
Available-for-Sale Financial Assets & Derivatives	3,452	3,641
Total Borrowing	1,750	4,025
<b>Net Cash*</b>	<b>10,896</b>	<b>8,500</b>
Shareholders' Equity	68,068	74,119
Debt/Capitalization Ratio		
– Gross (%)	2.5%	5.2%
– Net (%)	—	—
Free Cashflows – YTD	6,348	3,676
Cash-based Capex – YTD	3,837	1,749
EPS(NT\$) – YTD	<u>\$0.63</u>	<u>\$0.60</u>

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

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I. Market Overview

II. 2011 2Q Performance

▶ III. Business Update

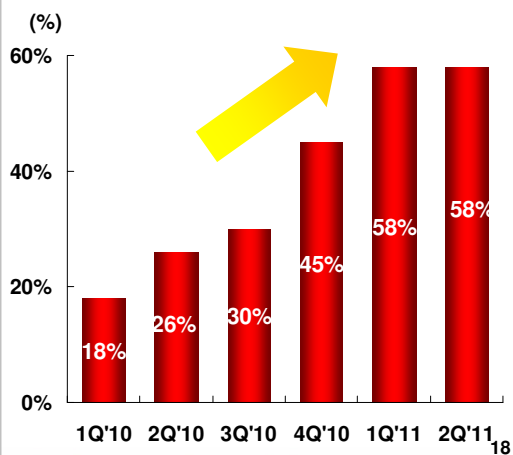
## Smart Device Statistics

### Strong Data Growth driven by Smart Devices Uptake

#### Some Statistics

- ▶ Smart devices (smartphones + tablets ) accounted **58%** of total new devices sold in 2Q'11
- ▶ Monthly **tablet sales exceeded netbooks** starting Q3 (In June, tablets increased to **10%** of new smart devices sold)
- ▶ Smartphone penetration\* reached **17-18%** of total postpaid subs in 2Q'11
- ▶ **APRU**: average smartphone user's ARPU is **~1500**; while iPhone users' ARPU is **~NT\$2200**
- ▶ **Usage**: Avg smartphone user's data usage is **700-800 MB / month**; while iPhone and HTC high-end Android usage is **1.2-1.4GB / month** and tablet's usage is **1.5-1.7GB / month**

#### Smart Device as % of Total Device Sold



\* Smartphone penetration means smartphone users as % of total postpaid subs excluding data only subs

## Device Portfolio Full Range of Smartphone and Tablet Devices

### 1H 2011

- ▶ Has been offering ~30 smart devices



### 2H 2011

- ▶ All brands and all price tiers to come into the market....



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## 2011 Q2 Business Update Innovation

- ▶ Bella Apps - #1 download of lifestyle Apps in Apple App Store
- ▶ Launched Video Store through coops with CatchPlay
- ▶ 4 Asset Bases + Tablets/Smartphones
- ▶ Launched '8 categories' Cloud Solution Services to Enterprise Customers
- ▶ Acquired major enterprise accounts with Innovative Company Zone Solutions
- ▶ Conexus + HTC
- ▶ Cooperation with Quanta on Cloud business



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## 2011 Q2 Business Update Cross-Strait Cooperation

- ▶ Launched **unlimited daily data roaming rate** with CMCC in April
- ▶ Launched **Game Store** on CMCC Game Base in April
- ▶ Co-operate with CMCC on **Chengdu & Ningbo Wireless City Project**
- ▶ Next cooperation to be launched with CMCC - Music, Reading & e-Comics
- ▶ Provided one-step cross-strait circuit services on IPLC & CS-VPN service

行動上網



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## 2011 Q2 Awards and Recognitions

- ▶ **2011 Apr** Certified of **“CG6006 Advanced Corporate Governance”** by Taiwan Corporate Governance Association
- ▶ **2011 May** Awarded the **“Best Investor Relations”** in Asia's Best Companies Poll 2011 by FinanceAsia Magazine
- ▶ **2011 Jun** The 5th time being awarded the highest rank Grade A+ in the **‘Information Transparency and Disclosure Rankings’**, among the top 10 **“Grade A+”** companies out of total 1190 Taiwan companies



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# Q & A

## For Further Information:

Websites	email
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