

**F A R E A S T O N E**



Mobile · Broadband · Media · International Service

**4904 (TWSE)**

**2016 3Q Investor Update**

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**President**

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# Agenda



***I. Market Overview***

***II. 2016 3Q Performance***

***III. Business Update***

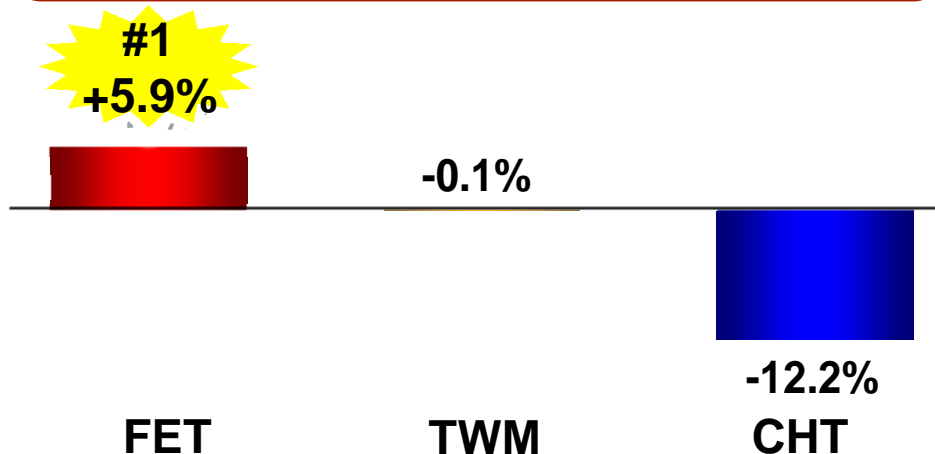
# Mobile Market in Taiwan

## Market Dynamic

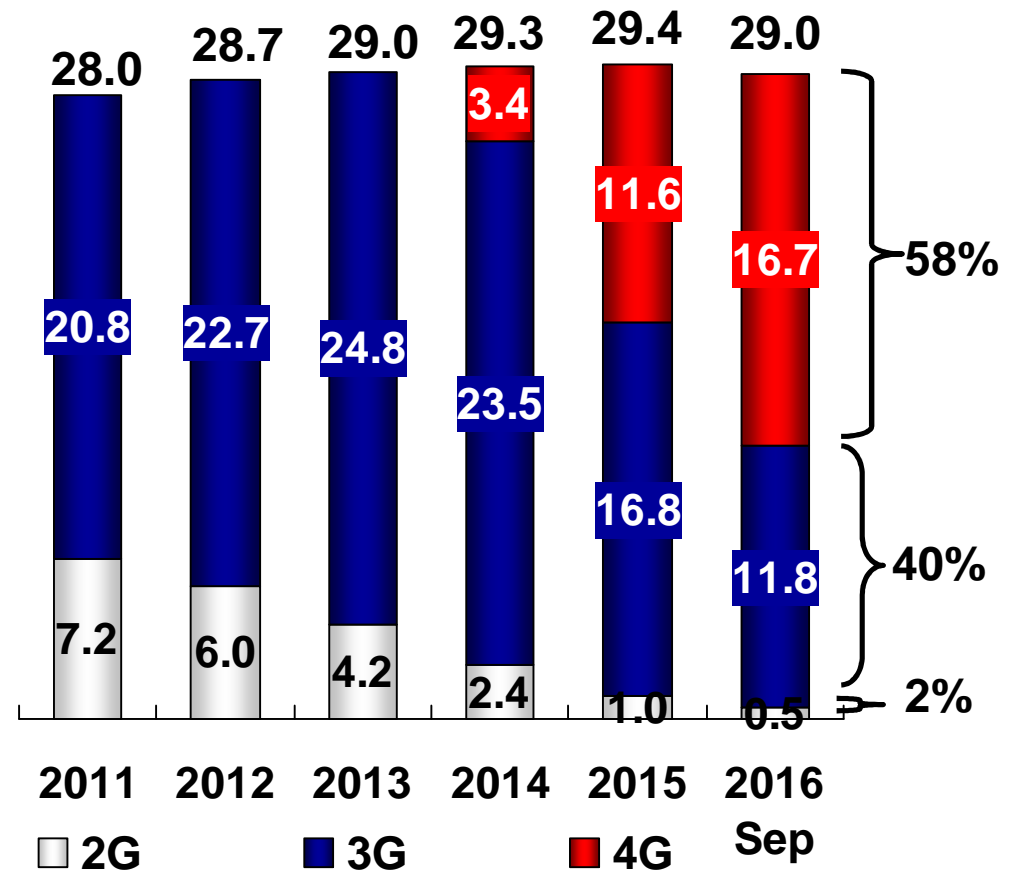
### Company Performance

- Rational competition in mobile industry remains.
- FET's performance in 3Q16:
  - ✓ EBITDA \$7,524mn +5.9 YoY
  - ✓ Postpaid ARPU \$901 +0.5 YoY

### Leading EBITDA YoY Growth (3Q16)



### Mobile Subscriber in Taiwan (in mn)<sup>(1)</sup>



# Agenda

*I. Market Overview*



***II. 2016 3Q Performance***

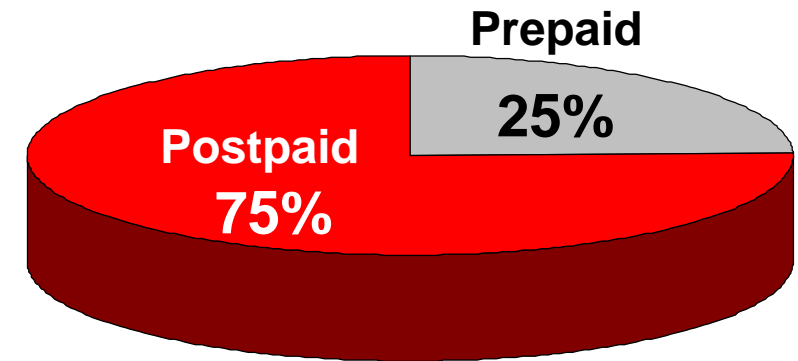
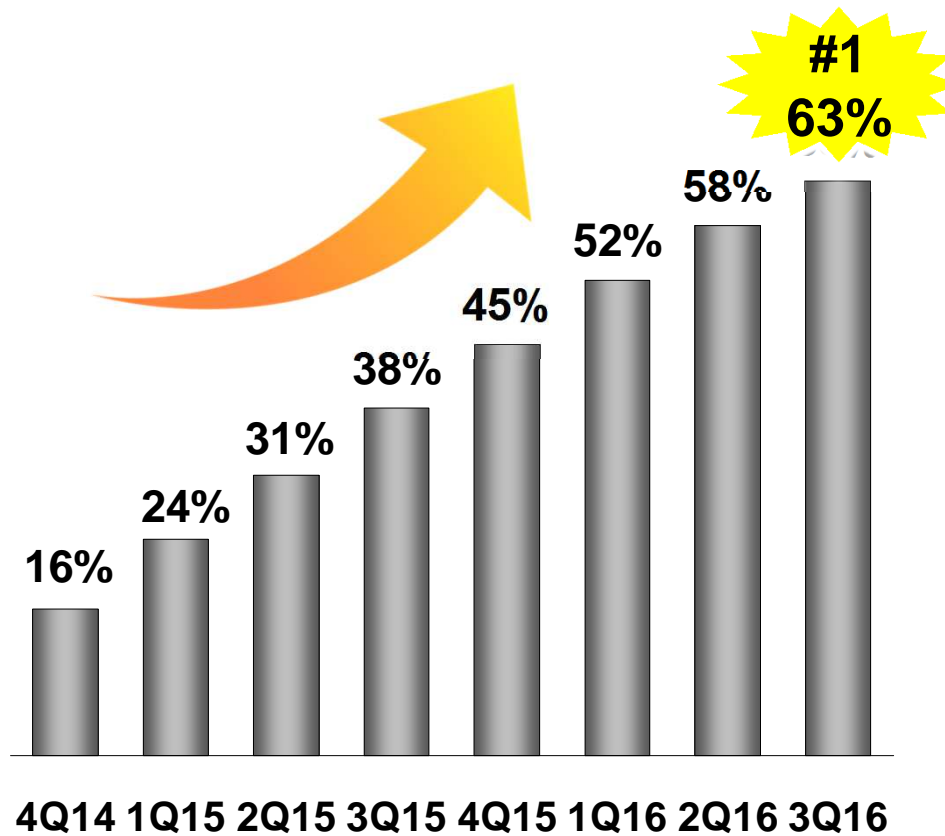
*III. Business Update*

# Operational Performance

## Leading 4G Adoption

FET: The Fastest 4G Adoption<sup>(1)</sup>

Subscriber Breakdown



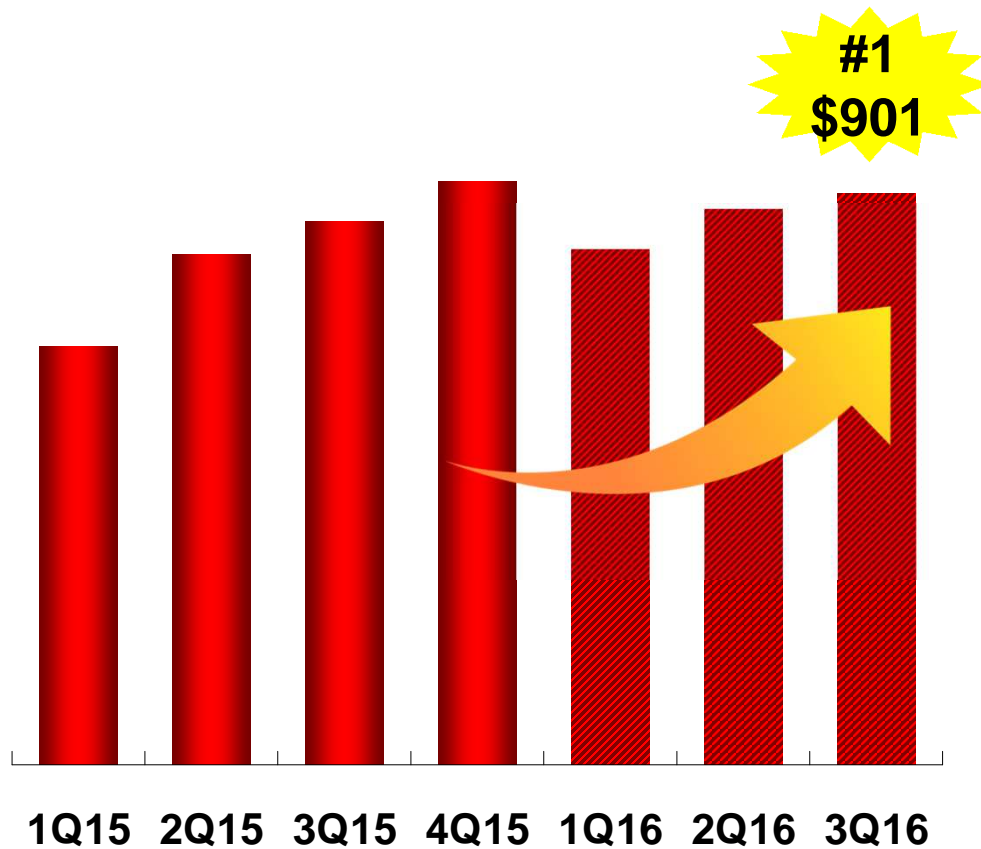
FET's total subscribers: 7,356k

(1) FET 4G Adoption means 4G postpaid penetration

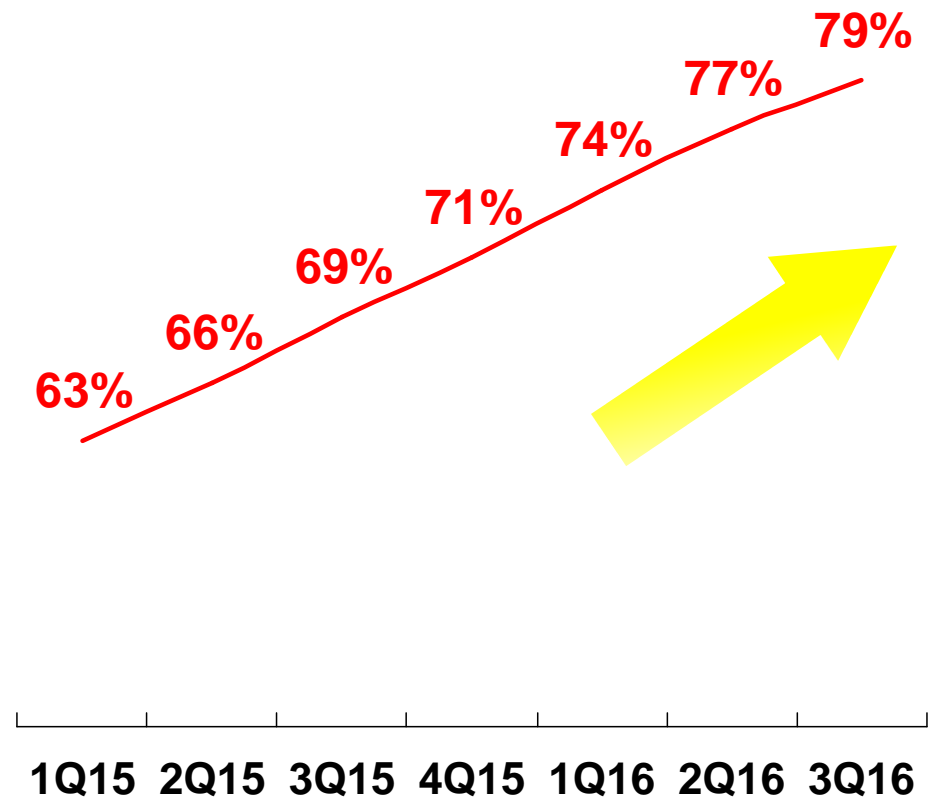
# Operational Performance

## ARPU: Continued Growth Supported by Strong 4G

Leading Postpaid ARPU (NT\$)



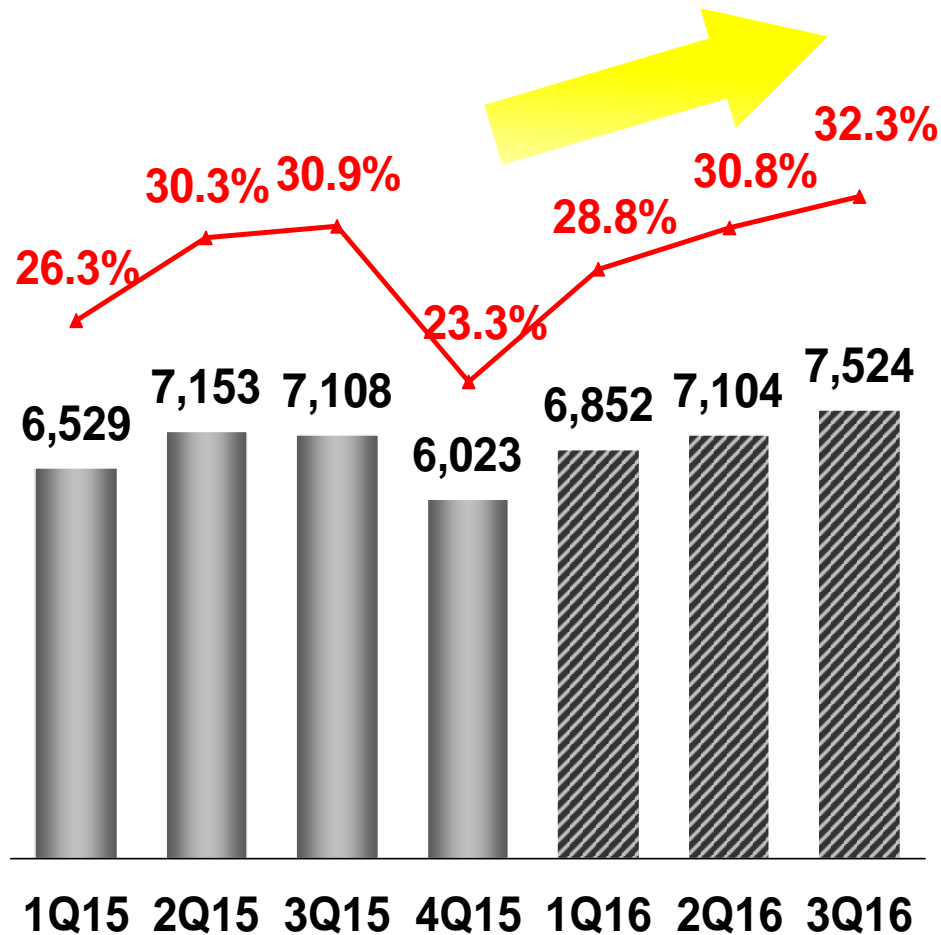
% of Postpaid Customer Using Data



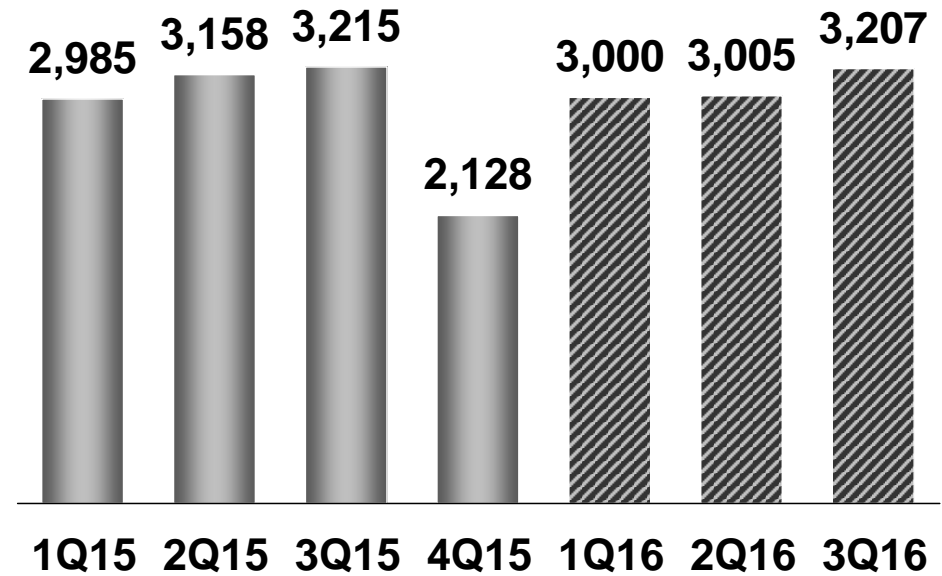
# Financial Performance

## Strive for Profitability

EBITDA (NT\$m) and Margin %



Net Income (NT\$m)





# Consolidated Financial Achievement

## 3Q'16 and 1-3Q'16 Actual vs. Guidance

Item Unit: NT\$ mn, except for EPS	3Q16 Actual	YoY %	Achieve- ment %	1-3Q16 Actual	YoY %	Achieve- ment %
▶ Total Revenue	23,319	↑1.5%	97%	70,205	↓1.7%	99%
▶ Service Revenue	17,869	↓2.3%	96%	53,728	↓1.7%	98%
▶ EBITDA	7,524	↑5.9%	104%	21,480	↑3.3%	101%
▶ Net Income	3,207	↓0.3%	105%	9,212	↓1.6%	103%
▶ EPS <sup>(1)</sup>	<u>0.98</u>	↓0.3%	105%	<u>\$2.83</u>	↓1.6%	103%

Source: Company Data

(1) EPS was based on current outstanding shares of 3,258,501K

# Consolidated Financial

## 3Q16 Financial Stats

*(NT\$ mm unless otherwise stated)*

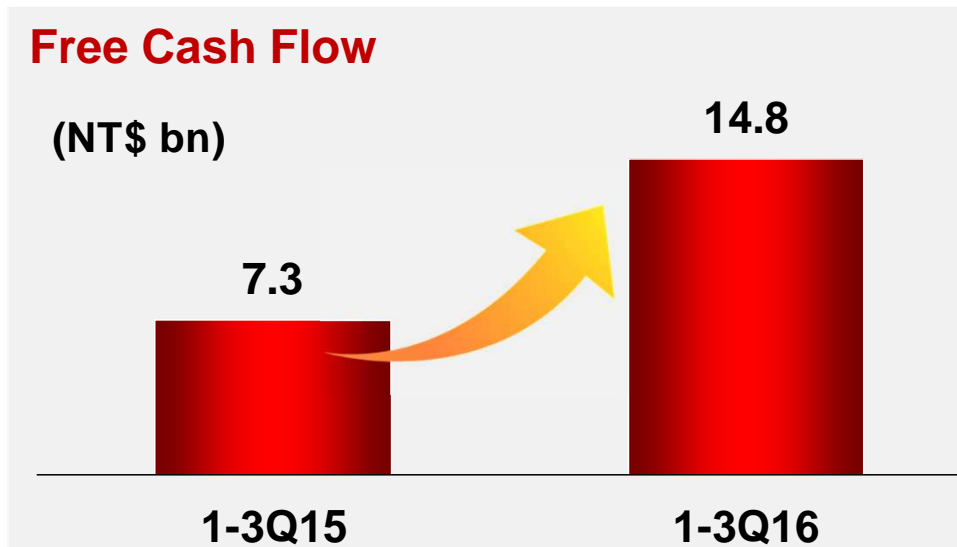
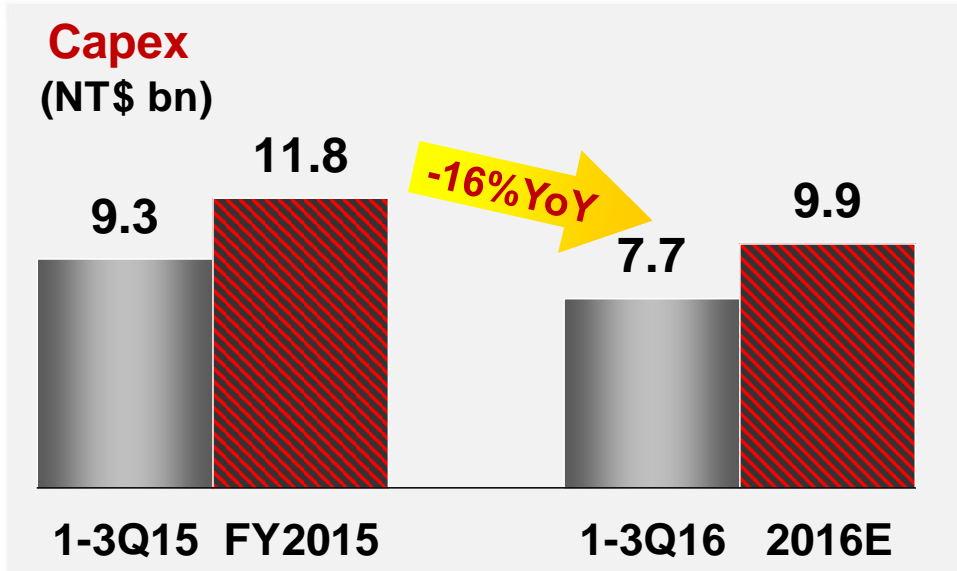
	As of 3Q16	As of 1H16
Cash & Cash Equivalents	17,408	20,285
Available-for-Sale Financial Assets & Derivatives	589	608
Total Borrowing	46,875	41,524
Net Debt <sup>(1)</sup>	28,878	20,631
Shareholders' Equity	69,539	66,322
<i>Net Debt to EBITDA (x)</i>	<i>1.05x</i>	<i>0.76x</i>
Free Cashflows – YTD <sup>(2)</sup>	14,809	10,789
Cash-based Capex – YTD	7,697	4,977
EPS(NT\$) – YTD	<u>\$2.83</u>	<u>\$1.84</u>

(1) Net Debt= Total Borrowing – (Cash and Cash Equivalent + Available-for-Sale Financial Assets & Derivatives )

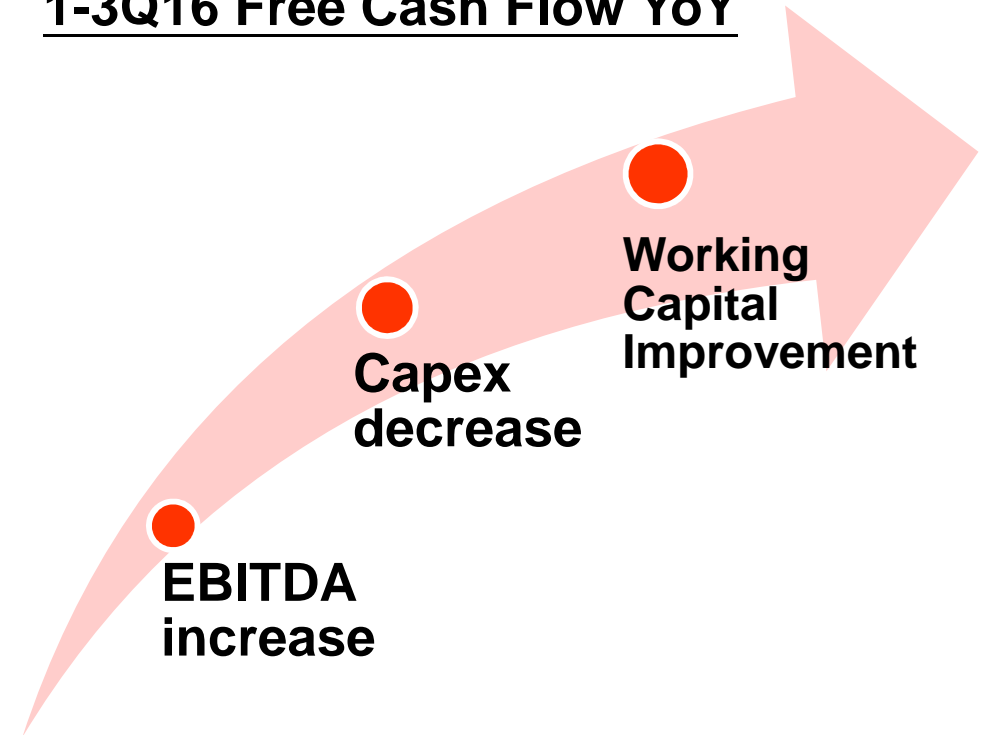
(2) Free Cashflows = Operating Cash flow- acquisition of fixed-asset & intangible asset

# Free Cash Flow

## Achieving Favorable Progress



### 1-3Q16 Free Cash Flow YoY



**We do not expect any significant spike on Capex in the near future, which will maintain our free cash flow position and sustain our dividend policy.**

# Agenda

*I. Market Overview*

*II. 2016 3Q Performance*



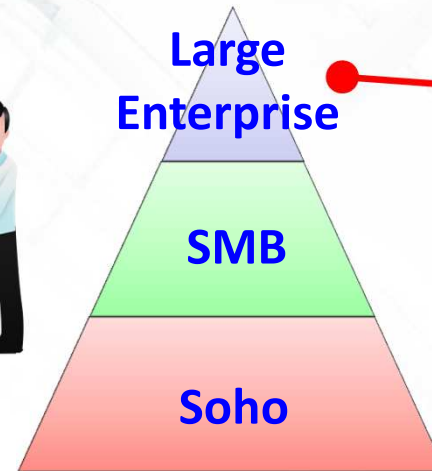
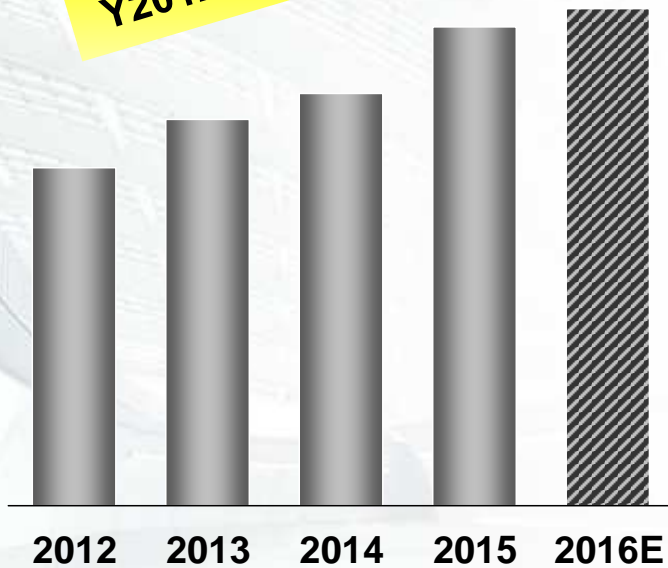
*III. Business Update*

# Enterprise Business

## Revenue Trend and Growth Opportunities

### Enterprise Revenue

Y2012-16 CAGR: 10%



### *From Enterprise Customer Segment*

- ▶ Increase revenue growth from Top 200 enterprises;
- ▶ increase mid-enterprise market share

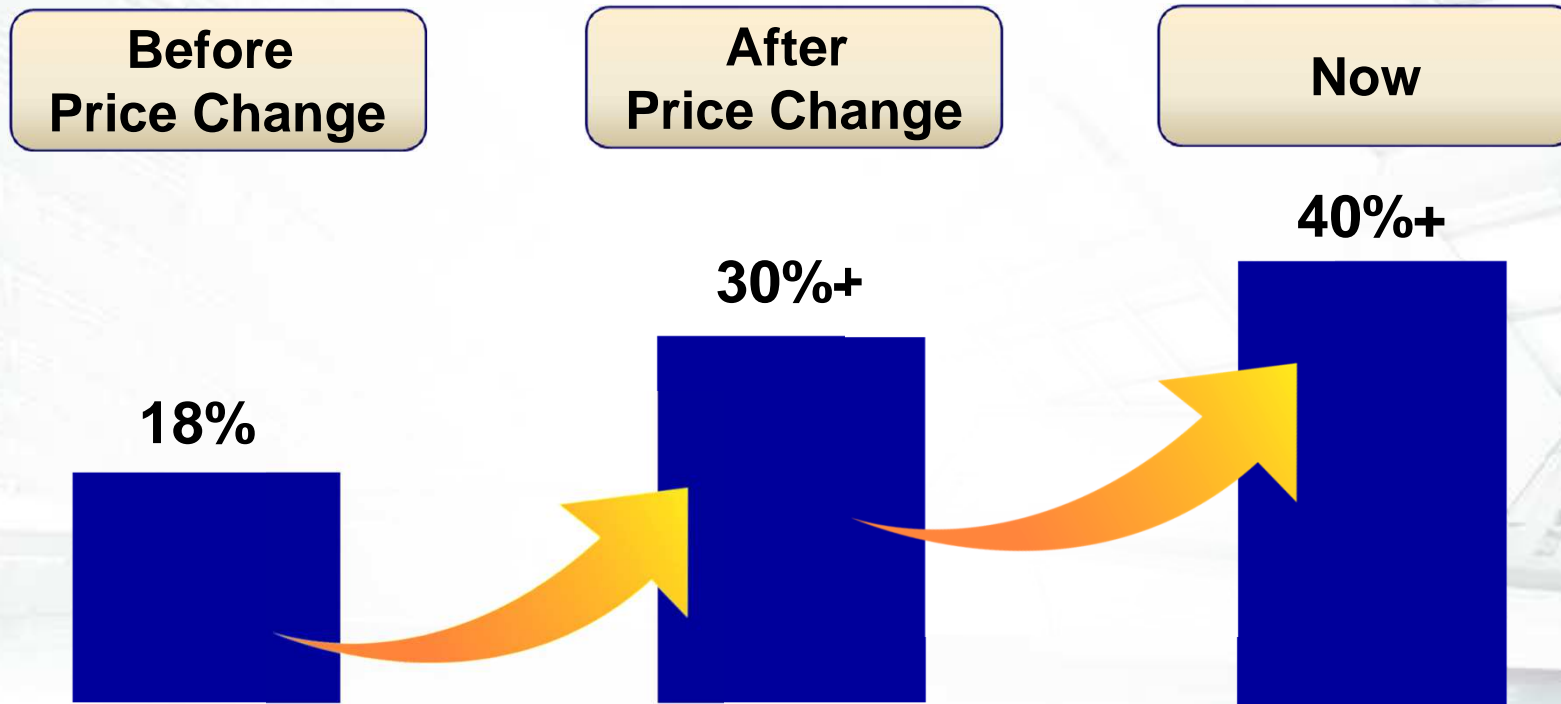


### *From Product/ Solution*

- ▶ Provide high-value ICT integrated services to boost FET's market share for enterprise customers;
- ▶ Set up an ICT team targeting 4 fields across cloud computing, Information security, IoT, and enterprise mobility solutions.

# Improved Pricing Structure To Drive Long-term Benefits

- ▶ % of 4G gross adds on rate plan \$1399 and above is increasing, starting from May.

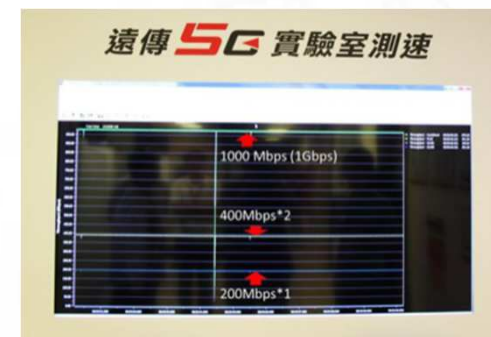


# FET 5G Update

- Signed 5G Collaboration MoU with Ericsson in 2016 June.
- Established the 1<sup>st</sup> 5G lab in Taiwan and demo 1Gbps user throughput in Sep, based on technology including: 4x4 MIMO, 3 carrier aggregation, and 256 QAM
- Define 3 phases to evolve to 5G
  - ◆ Phase 1: Improve 4.5G user experience based on 5G technology (2016~2017)
  - ◆ Phase 2: Core network evolution and IoT platform buildup (2017~2018)
  - ◆ Phase 3: Pre-commercial trial (2018~)
- Identify potential collaboration model with Institutions and industry labs, and focus on device IOT and technology evolution



5G lab established in Sep



1<sup>st</sup> 1Gbps demo in Taiwan



# 2016 Q3

## Awards and Achievement

### Transformation

- ▶ Strategic collaboration with Ericsson for first 5G lab in Taiwan
- ▶ Inclusion of Dow Jones Sustainability Index (Emerging Markets) as a leading benchmark for sustainability initiatives



### Innovation

- ▶ #1 launched in Asia the iOS carrier billing with Apple



- ▶ Launched mobile wallet service across Far Eastern Group retails, bank and e-commerce



### WOW

- ▶ Won numerous reputable CSR awards in Taiwan by CommonWealth magazine and FinanceAsia



- ▶ Won “The Best Customer Service center “of Taiwan by Asia Pacific Contact Centre Association Leaders
- ▶ Won #1 Telecom Service Golden Award from Next Magazine for 4 consecutive years



# Q & A

## For Further Information:

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