

Operator:

Welcome everyone to Far EasTone's 2Q12 earnings conference call.

All lines have been placed on mute to prevent background noise. After the presentation, there will be a question and answer session. Please follow the instructions given at that time if you would like to ask a question.

For your information, a webcast replay will be available within an hour after the conference is finished. Please visit www.fareastone.com.tw, under the "Investor Relations" section.

Now, I would like to introduce Mr. Gary Lai, IR officer. Gary, you may begin.

Gary Lai:

Thank you, everybody, for attending Far EasTone's 2Q12 conference call again. Today, our president Yvonne Li and CFO T.Y. Yin are here with us. Let us start with Yvonne's brief presentation. Thank you very much.

Yvonne Li:

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All dear investors, good afternoon. I will start with our 2Q update to all of you. Before we start with the total mobile market in Taiwan, we are pleased to report to you that in the 2Q Far EasTone continued to be the leader that actually grew the most in Taiwan mobile market. Our mobile service revenue is growing 9.4% on a year-on-year basis and our mobile data revenue is up by 47.2% on a year-on-year basis.

In 2Q'12, our overall market share has increased from 26.6% to 27.6% on a year-on-year basis. So all in all I think in the entire Taiwan mobile market we continue to see that the smaller two, meaning the APBW+VIBO, start to lose their share, and with Far EasTone picking up the most in terms of market share increase. Chunghwa apparently so far is the one that has lost the most market share among big 3.

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Then we move into the 2Q performance on Far EasTone alone. I will start with the total subscribers. I think it has been consecutively for 26 months that Far EasTone has reported a growing trend on our subscribers. At the end of the 2Q our subscribers have reached 6.77 million and reported a year-on-year 4% growth on the total subscriber number.

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In terms of traffic and also ARPU, our customer base, you can see that Far EasTone has continued growing out total traffic minutes. In the 2Q we continued to grow 8.2% on a year-on-year basis. This contributes partly because our growing subscriber, also because of increasing usage in our subscriber base. And another good news is our post-paid ARPU has

continued to grow more than 7% on a year-on-year basis, despite all this negative regulatory impact Far Eastone in the 2Q.

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On the top line, our consolidated revenue is growing nicely at 16% on a year-on-year basis, and our service revenue is also growing very nicely at 9% on a year-on-year basis. Our total mobile service revenue, a more exact number, is actually growing 9.4% on a year-on-year basis.

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Aside from the subscriber growth, the top line growth, our profitability also is showing quite a nice trend. In the 2Q our consolidated EBITDA reached US\$6.4 billion, close to 19% on a year-on-year basis growth. Aside from the EBITDA, on the net income, our 2Q performance was also quite good. We are pleased to report a close to 32% growth on the net income on a year-on-year basis.

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All the good financial performance is, I think, one important driver is this accelerated mobile data growth. Of course, on the cost side, Far Eastone also has some smart moves so we can achieve this very good consolidated profitability growth. Specifically into the mobile data, we have reported 47.2% on a year-on-year basis in terms of data revenue. Right now, our data revenue as a total of service revenues has reached close to 29% for the 2Q. Our data service subscribers continue to grow nicely and have a very strong growth momentum. In the 2Q we reported 56% year-on-year growth on data subscriber number.

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So, that leads to our overall consolidated financial achievement. For the 2Q comparing to the same period of last year, as I just reported to all of you, our total revenue is growing 16%, with service revenue 9%, EBITDA 19%, and our bottom line 32%.

In terms of achievement of our financial forecast, with external growth, our revenue is achieving more than 7% and our EBITDA is also outperformed by 7%, and our net income is outperformed by 13%.

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In terms of the annual achievement, which you can see all the way from top line to the bottom line, we already exceeded more than 50%. This is certainly much better than our original guidance to the investor community earlier this year.

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On the balance sheet side, you can see that we continue to have quite a strong balance sheet. Our total cash on hand so far is NT\$13.1 billion. Of course in August we are going to pay the cash dividend. Free cash flow continues to be very strong. In the 1H12 we had

generated NT\$5.8 billion free cash flow, though I would say this is quite a strong balance sheet at this point of time.

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Coming into from business update, which we have been reporting to you that all the financial performance is driven by this strong mobile data growth, and our smart devices right now account 79% of our total new devices sold in the 2Q. Our smartphone penetration in terms of total installed base has reached 32% in the 2Q. ARPU for the average smartphone continues to be quite stable at the NT\$1,500 level; this is actually double the feature phone users' ARPU. Usage we see a slight pickup on the smartphone users' data usage; right now, per month smartphone users' data usage ranges from 1.2 Gb to 1.5 Gb, and tablet users is between 2 Gb to 3 Gb per month.

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In terms of enterprise, which is quite an important growth and then for us at this moment we are also happy to report that we continue to grow enterprise market share from 12.5% at the end of last year until 13.1% at the end of the 2Q. During the quarter, we successfully acquired some major enterprises accounts such as Nanya DRAM, ASE, and TSMC for different projects with those enterprises.

I think starting from last year, Far EasTone has paid a lot of attention into customer satisfaction, which essentially we want to drive service excellence culture across our organization, and we are also happy to report some very good progress. Our retail store has continued to expand with 360° seamless customer services, which resulted in that our In-Store Services in the 1H12 we have gained number one customer satisfaction compared to all our peers in Taiwan. We have been also awarded this year the Golden Service Award in the chain store category by Commercial Times.

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Last but not least, aside from all these services awards, Far EasTone, in the 1H12, has received a different recognition from different financial sites, which again demonstrates our continuous commitment to a solid performance, our transparency to the entire investment world.

So, with this I conclude my updates for our 2Q results.

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