

Operator:

Welcome everyone to Far EasTone's 3Q12 earnings conference call. All lines have been placed on mute to prevent the 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 again to attend our 3Q results conference call. Today, our President, Yvonne and CFO, T.Y., are here both for overview. So, let me pass the mic to Yvonne for a brief presentation. Thank you.

Yvonne Li:

OK. Good morning and good afternoon all the investors, and we will start with this quarter's update for Far EasTone. Let us start with our overall market dynamics.

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In the 3Q12 at Far EasTone we have reported year on year from 7.4% growth on the mobile service revenue, which, comparing to our competitors, we are actually growing bigger than the peer companies. I think the supporting factors for the mobile service revenue growth is also very fast growing the mobile data revenue. So, we are actually reporting a 42.8% year-on-year growth on the mobile data revenue. So that resulted in the service revenue share change, which, comparing to the end of last year that Far EasTone's mobile service revenue share has been growing from 26.7% up to 27.8% at the end of the 3Q. Essentially we are grabbing shares both from Chunghwa Telecom and the two smaller operators in Taiwan.

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And now, moving to our operational performances, we are also happy to report that even in this very competitive market we continue to see quite a nice growth on the subscriber base. On a year-on-year basis we are growing 4.7% our total subscribers, with, right now, postpaid occupying 78% of our total subscriber base versus prepaid, 22%.

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Aside from the customer growth, we are also continuing to grow the usage; you can see that our postpaid usage is growing 5.8% on a year-on-year basis.

And most importantly is, behind all this traffic growth and our ARPU of our postpaid customer is also growing by 5.4% on a year-on-year basis. I think this majority is present by the smartphone penetration.

Slide 8

So, on the financial profitability side, I think all the way from the top line to bottom line, we are reporting quite a nice growth on our consolidated service revenue. For the first three quarters, we are growing 8.8% on a year-on-year basis, the absolute value is close to NT\$4.2 billion, and our consolidated EBITDA is growing around US\$2 billion, which is 12.4% on a year-on-year basis. And down to the bottom line, which is net income, we are actually reporting a 26.7% year-on-year basis. So, so far I think from our good execution, both on the top line and also on the efficiency improvement, we are happy to report this good financial results up to the 3Q.

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We continue to see that our mobile data is continuing to grow. In the 3Q, still quite a nice growth, about 42.8%, even on traditions that after the summer vacation there should be a slowdown kind of season for Taiwan. But still I think on the data side we still see quite a nice growth, even in the 3Q. So, the data service subscriber growth essentially is growing 53% on a year-on-year basis.

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On the consolidated financials, I will not go into details, but it is just from the top line all the way down to the net income, we are not only achieving our guidance but we are also outperforming our guidance. So year-to-date, our total revenue achievement percentage is 105%, and EBITDA is 104%, and net income is 120%.

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Comparing to our full year guidance, I think the most important thing is, I think let us look at the EBITDA line that we have achieved 76% of the full year guidance, and on the EPS side we have achieved 81% after year-to-date guidance.

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On the balance sheet, still a pretty strong balance sheet. We are actually in a net cash position of about NT\$9.8 billion, and our free cash flow on a year-to-date basis is close to NT\$10 billion, which is on track to our full year guidance on the free cash flow.

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On the business side, I just mentioned that the good performance is being mainly driven by the continuous smart devices uptake. In the same 3Q, our smart devices accounted 82%, our total new devices sold, and our smartphone penetration has reached 36.5% at the end of the 3Q. I think we are continuing to see every month about 1 p.p. growth on the smartphone penetration rate.

Another thing that also I think is quite encouraging is, even with the discontinuity of smart devices penetration, the average smartphone ARPU so far is still ranging at close to NT\$1,500, essentially it is NT\$1,470 for our ARPU. So, still I think comparing to the feature phones, is still doubling, I mean the ARPU on the feature phone.

So, with this, I think it concludes our 3Q updates. We want you to be confident that our growing momentum is continuing and being back up by a strong growth on the customer number on the usage as well as the ARPU.

We do not see a slowing down on the smartphone penetration rate; essentially we continue to see that this trend will continue at least until next year. And so that concludes our 3Q update.

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