

**Operator:**

Welcome everyone to Far EasTone's 4Q11 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](http://www.fareastone.com.tw), under the Investor Relations section.

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

**Gary Lai:**

Thank you everyone again to attend Far EasTone 4Q11 result conference call. Both our President Yvonne and CFO T.Y. are with us here today. Before I hand over to Yvonne's brief presentation, please pay attention to our Safe Harbor statement in front of our presentation.

Let me handover to Yvonne. Thank you.

**Yvonne Li:**

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Good afternoon, everyone. Welcome to Far EasTone's 4Q update. So, as usual I will start with the market update for the 4Q last year. If you look at the left-hand side, the mobile service revenue share for the last quarter, I think continuously you can see that all the three big ones continue, except for Chunghwa Telecom, that continued to show a year-on-year growth. And Far EasTone by far actually grew the most, 5.6%.

One thing worth of mentioning is this is the first quarter in the past two, three years, the first time we saw that the two smaller ones, the APBW + VIBO, their revenue share started to have a year-on-year decrease. I think this is mainly due to the smartphone pick up. The smaller two, unfortunately, on the network support side are not as good as the big three, so they are starting to lose share.

In terms of the overall market, the mobile revenue is growing slightly by 0.8% on the year-on-year basis. However, on the overall traffic, the outgoing minutes is growing 6.2% on a year-on-year basis. I think this is also due to more and more on-net benefit is being given to the end consumers.

The total mobile subscribers continue to grow; it is a 4.2% year-on-year growth. As I just mentioned, Far EasTone among all operators grew the most on the topline and we actually gained 1.3% revenue market share for the past year.

### **Slide 6**

Next, I will move on to Far Eastone's 4Q performances. Good thing is I think Far Eastone continues to grow up subscribers on a year-on-year basis; in the 4Q we grew 4% and our total subscribers has reached 6.6 million, and this is the 20<sup>th</sup> month that we have shown this consecutive growth.

### **Slide 7**

On the usage also, I think the trend is continue growing, we continue to have a 6.5% year-on-year growth on the total postpaid usage. I think another good news is we continue to see that ARPU is continuing to grow, despite all this negative regulatory impact that is being imposed on all the operators from the 1Q last year, and we are able to absorb all this negative impact. So up to the 4Q we have been able to have this 2.6% year-on-year growth on the ARPU for customer.

### **Slide 8**

On the overall topline, on the consolidated revenue, the total revenue base we are showing a 15% year-on-year growth. I think this trend we are quite confident that we continue with this topline growth, mainly due to more and more smartphones pick up.

On the service revenue, I think this is another good news that year on year, on the 4Q when they are able to report a 7% growth on a year-on-year basis. On the mobile service alone we are also showing a quarter-by-quarter improvement in addition to our year-on-year increase. On the 4Q again we have been reported a 6% growth on the mobile service revenue.

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Not only on the topline, but also in terms of the profitability, particularly on the EBITDA and net income, we continue to see this increase year-on-year trend. So 4Q last year, even with the launch of the iPhone 4S in December, that we still be able to report 7% on a year-on-year growth on the EBITDA line. Net income, 4Q last year is growing 9%. I think many of you have seen our January results. Actually we continued this net income growth trend. In January, we actually reported 12% year-on-year growth on the net income. So, we are quite confident that not only on the topline but also on the bottom line, we will continue with this growth trend.

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Of course, I think all this improved financial performance is mainly driven by the mobile data. So, you can see that on the mobile data growth that year-on-year on the last quarter we have been reported a 44% year-on-year growth, and on the data service subscribers, it has actually reached like 63% year-on-year growth in the 4Q of last year. We continue to see that more and more users are taking smartphones, so I believe that data growth will continue to drive up the overall topline for Far Eastone.

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So, you can see that out of the mobile data revenue we have just reported, that is 44% year-on-year growth, you can see that the transmission essentially is that the mobile broadband access has reported 107% year-on-year growth. So, that is really the main growth driver for the data revenue. For the entertainment-related content it also had a quite nice growth, which is 51% year-on-year growth. For the finances with stock market-related information is also at 56% year-on-year growth. So, you can see right now from the data side, we will be very much focused on the content related, such as stock market and entertainment related contents.

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For our 4Q overall financial, the total revenue we have been outperformed our forecast by 3% and on the full-year basis our achievement is 2% more than our full-year forecast. Service revenue, we are 1% above the 4Q forecast and same for the full year that we are above our full-year forecast by 1%. For EBITDA, we reached 100% on 4Q11 and is also 1% ahead on a full-year basis. So, all the way down to the bottom line is over 3% of 4Q11 and on forecast full-year basis our net income is 5% better.

So, all in all I think this is the year that Far EasTone is being able to demonstrate to the entire investment community that we stick to our forecast and we managed to outperform our financial guidance.

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A little bit on the balance sheet. I think Far EasTone is still a so-called very cash-rich company. We are still in a net cash situation. On the 4Q our accumulated net cash for the year is US\$9.6 billion, and our free cash flow is US\$14 billion.

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Many of you are very interested on the smart devices related statistic. So here we will be sharing with all of you that the smartphone devices right now is accounted 70% of the total new devices sold in the 4Q, in fact this number continued to grow in January this year.

And our overall smartphone penetration rate has reached 24% by the end of last year, continued around 1% per month growth, roughly on the smartphone penetration rate to the base. And for the ARPU, the added smartphone user ARPU still maintained a quite high level at 1,500 a month. It is roughly double of the feature phone users ARPU.

In terms of usage, not much of a change. The smartphone data usage is roughly 1 GB per month versus the tablet users, which is about 2 GB per month.

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Other than the financial performances, I think we do a total summary for a year about the other major achievements of Far EasTone. I think the high order, the so-called good financial performances, the important thing is we continue to grab market share.

On the mobile side, as just reported, we grew about 1.3% on a year-on-year basis for the market share. Another growth engine that Far EasTone is focusing a lot and will continue to do so is actually the enterprise market share. So, on this very competitive market, which is basically dominated by Chunghwa Telecom, we are also very happy to report that we are to grab about 1.1% market share last year. And we will continue to focus on this market in addition to the traditional consumer market.

On the innovation side, we have launched the first interactive app, which is called Bella with ELLE magazine, and it has been the number one download in the lifestyle category at Apple's app store. Also last year this Bella app has also won the so-called, it is more like the Digital Publishing Oscar in Taiwan, which we won the price.

Also we launched the first innovative mobile commerce app cooperation with ELLE magazine with all the Far EasTone Group synergies, like all Far EasTone department stores and the bank. Together we have this first innovative mobile commerce app launch, focusing on the cosmetics.

We launched our four-asset bases, which are music, books, application, and video store, both in Taiwan and China. And also we have launched many cloud solution services for the SMEs in Taiwan.

Another thing that is worth mentioning is Far EasTone, since last year, we have been very much focused on being the number one in service for all users of Far EasTone. And we continue to improve in this area, and we have actually obtained SGS certification in both the regional store and call centers, and our customer satisfaction survey has been showing actually the highest level in the entire telecom market.

Aside from our so-called normal operation, we also continue with our alliances with industry partners. One thing has been reported is Conexus, this alliance that has been formed partnership with Vodafone, and I think starting from 2013 Far EasTone will have a so-called license agreement with Vodafone. I think that will be very beneficial to our customer while they go overseas, particularly to Europe and the United States.

### **Slide 16**

Our China business I think we continue to make a good progress by the end of last year, I think the two very important milestones are one from the game base. We have obtained this level A qualification, which I think will enable us to launch the so-called game pack to really boost up the revenues. Also on the music front, we have obtained the level C qualification so that we also believe that in the music category that will also contribute a lot of growth for this year in the overall content business in China.

### **Slide 17**

Aside from our own operational performance, the good news that we are very happy to share with all the investors, and also we want to appreciate all the investors continued support for Far EasTone and our IR team. On December last year, we have received the Titanium Award of Financial Performance and Investor Relations from The Asset Corporate Awards. Also we are very happy to receive the good news in the first month of this year that we actually received four awards for the second Asia Excellent Recognition Award by

the Corporate Governance, Asia, and our CEO, Douglas Hsu, has been awarded the Best CEO, and our CFO, T.Y. has been awarded the Best CFO. Of course our IR team has won the two prizes as well.

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After updating our 4Q performances, I would like to go into this year's guidance. You have seen all the growth momentum for Far EasTone in last year and this year, and we continue I think with this growth momentum with all the smartphone and the data support. So, our total revenue, we are forecasting to have a 7% year-on-year growth, essentially we are forecasting US\$81 billion topline revenue, and our total service revenue is targeted to grow 6% on a year-on-year basis.

A very important milestone for Far EasTone this year is we have to be back to the positive EBITDA growth. I think with the good growth of last years, this year I think we are quite confident that we are going to deliver a positive EBITDA growth on a year-on-year basis, with 8% growth on a year-on-year basis. EBITDA percentage, as I have shared with you, we would continue to seeing that this EBITDA percentage will slightly improve. And we target ourselves to reach 30% EBITDA margin for this year.

Net income, this is also another important milestone. We will be back to 10 billion bottom line this year, with a 13% year-on-year growth.

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Aside from the financial guidance, I think CAPEX, as many of you are also very interested to know, this year our total CAPEX numbers is pretty much the same as last year, which is US\$8.7 billion. Comparing to our total revenue, this is around 10.7% of our total revenue percentage. So, I think that our CAPEX ratio is still healthy even with very rapid growth on the mobile data. Right now we have been able to maintain this ratio within the 10% to 12% of the topline, and we will able to start to see some slight decrease on a year-on-year basis in terms of percentage.

So with this, that concludes our sharing for last quarter's performance and our guidance for this year. And right now I would like to entertain all of your questions.

**- End -**