



# **Inotera Memories, Inc.**

## **2Q.2011 Investor Conference**

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**19<sup>th</sup> July, 2011**



# AGENDA

- **Highlights**  
(Charles - President)
- **Financial Review**  
(Kai - VP Finance)
- **Operation & Outlook**  
(Charles - President)
- **Q & A**



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# HIGHLIGHTS

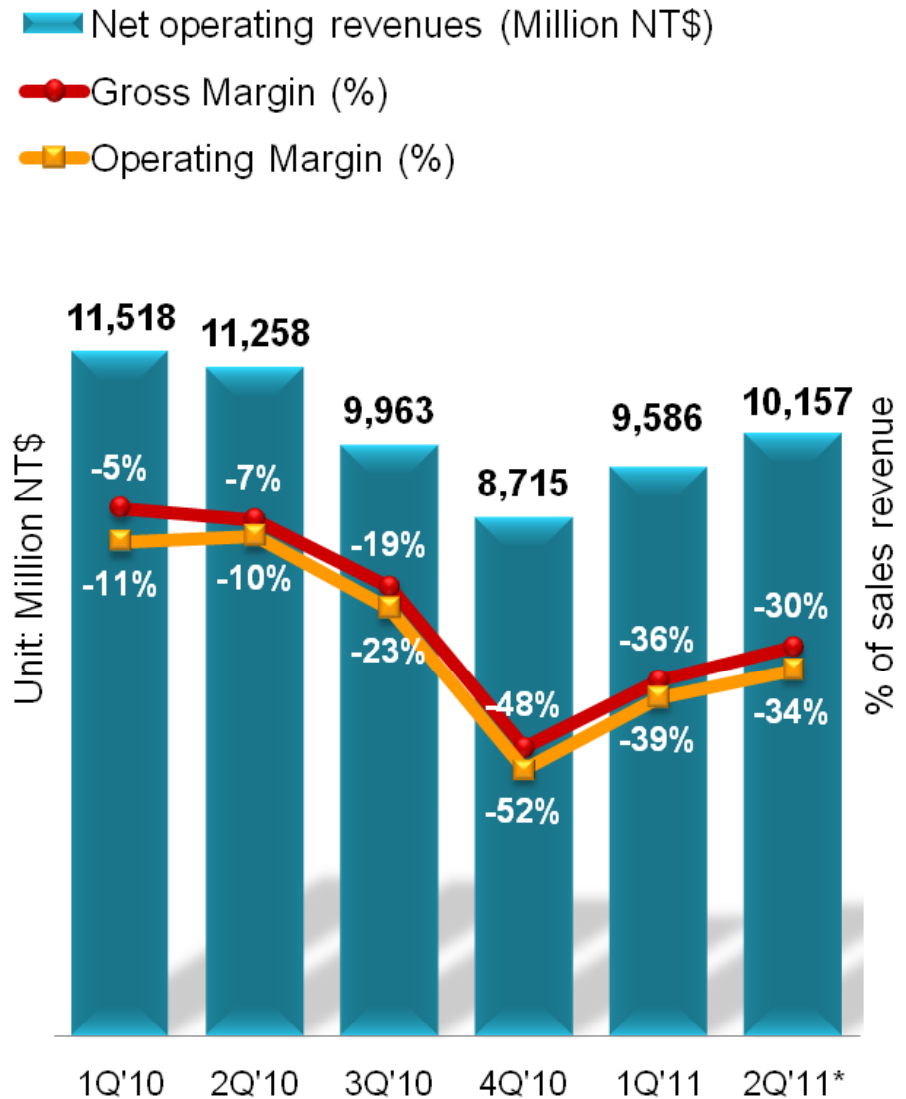


# Highlights



## 2Q'11\* Key Data

- Sales of NT\$ 10,157 million, up 6% QoQ
- Net loss of NT\$ 3,910 million; NT\$ - 0.84 per share
- EBITDA of NT\$ 4,741 million; EBITDA Margin of 47%



\* 2Q'11 numbers are unaudited

# FINANCIAL REVIEW



# 2Q'11 Income Statement QoQ / YoY Comparison



	<u>2Q'11*</u>	%	<u>1Q'11</u>	%			<u>2Q'10</u>	%
					<b>QoQ<sup>(1)</sup></b>	<b>YoY<sup>(1)</sup></b>		
(Unit: Million NT\$, except for EPS in NT\$)								
<b>Net Operating Revenues</b>	<b>10,157</b>	<b>100%</b>	<b>9,586</b>	<b>100%</b>	<b>6%</b>	<b>-10%</b>	<b>11,258</b>	<b>100%</b>
<b>Gross Profit (Loss) <i>Gross Margin (%)</i></b>	<b>(3,020)</b>	<b>- 30%</b>	<sup>(2)</sup> <b>(3,425)</b>	<b>- 36%</b>	<b>12%</b>	<b>-297%</b>	<b>(760)</b>	<b>- 7%</b>
<b>Operating Income (Loss) <i>Operating Margin (%)</i></b>	<b>(3,484)</b>	<b>- 34%</b>	<b>(3,773)</b>	<b>- 39%</b>	<b>8%</b>	<b>-205%</b>	<b>(1,142)</b>	<b>- 10%</b>
Non-operating Income (Expense)	(425)	- 4%	(271)	- 3%	<b>-57%</b>	<b>36%</b>	(668)	- 6%
<b>Income (Loss) before Income Tax</b>	<b>(3,910)</b>	<b>- 38%</b>	<b>(4,044)</b>	<b>- 42%</b>	<b>3%</b>	<b>-116%</b>	<b>(1,810)</b>	<b>- 16%</b>
Income Tax Benefit (Expense)	0	0%	0	0%	<b>N/M</b>	<b>N/M</b>	(0)	0%
<b>Net Income (loss) <i>Net Margin (%)</i></b>	<b>(3,910)</b>	<b>- 38%</b>	<b>(4,044)</b>	<b>- 42%</b>	<b>3%</b>	<b>-116%</b>	<b>(1,810)</b>	<b>- 16%</b>
<b>EPS (Loss)</b>	<b>(\$0.84)</b>		<b>(\$0.87)</b>		<b>3%</b>	<b>-115%</b>	<b>(\$0.39)</b>	
<b>Weighted Average Outstanding Shares</b> (million shares)	4,640		4,639				4,490	

Note (1): A positive percentage value in the columns "QoQ" and "YoY" indicates improvement in 2Q'11, while a negative value indicates the opposite.

Note (2): 1Q'11 Cost of Goods Sold includes a reversal of previous write-downs for the carrying value of inventory in the amount of NT\$ 485 million

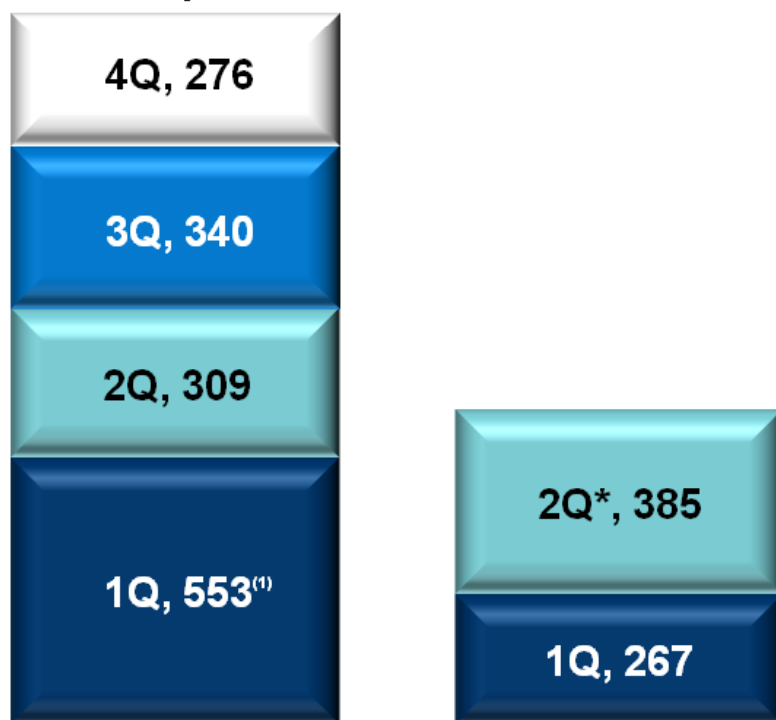
**\* 2Q'11 numbers are unaudited**

# Operating Expenses



## Research and Development

Expenses (Unit: Million NT\$)



**Y2010**  
**NT\$ 1,478 million**  
 (3.6% of sales revenue)

**Y2011 YTD**  
**NT\$ 653 million**  
 (3.3% of sales revenue)

Note (1): incl. non-cash compensation cost of NT\$23 million

## General and Administration

Expenses (Unit: Million NT\$)



**Y2010**  
**NT\$ 333 million**  
 (0.8% of sales revenue)

**Y2011 YTD**  
**NT\$ 160 million**  
 (0.8% of sales revenue)

Note (2): incl. non-cash compensation cost of NT\$33 million

\* 2Q'11 numbers are unaudited

# Non-Operating Income / Exp.

(Unit: Million NT\$)

## Net Non-Operating Income (Expense)

therein

Exchange gain (loss)

Financial asset gain (loss)

Interest income (expense)

Impairment loss

2Q'11\*

1Q'11

2Q'10

(425)

(271)

(668)

(59)

51

(76)

3

(6)

(50)

(395)

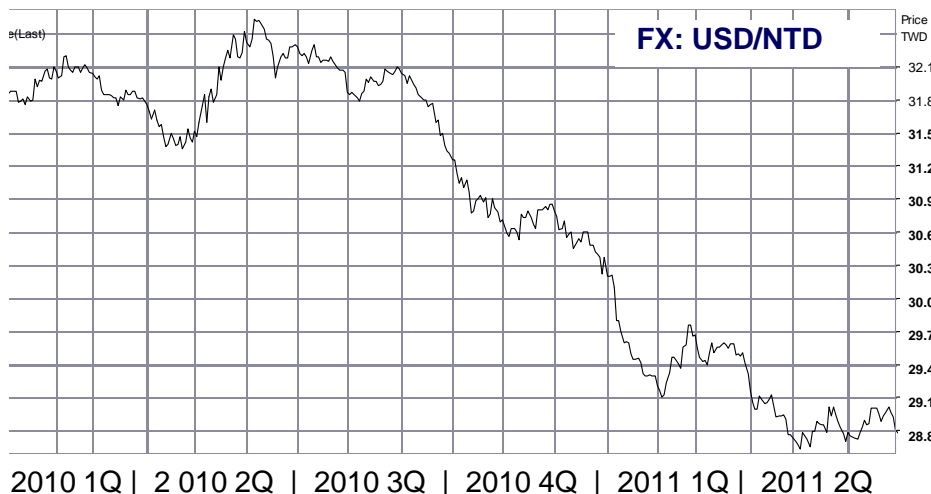
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Source: Reuters



Source: Reuters

\* 2Q'11 numbers are unaudited

# June'11 Balance Sheet & Key Indices



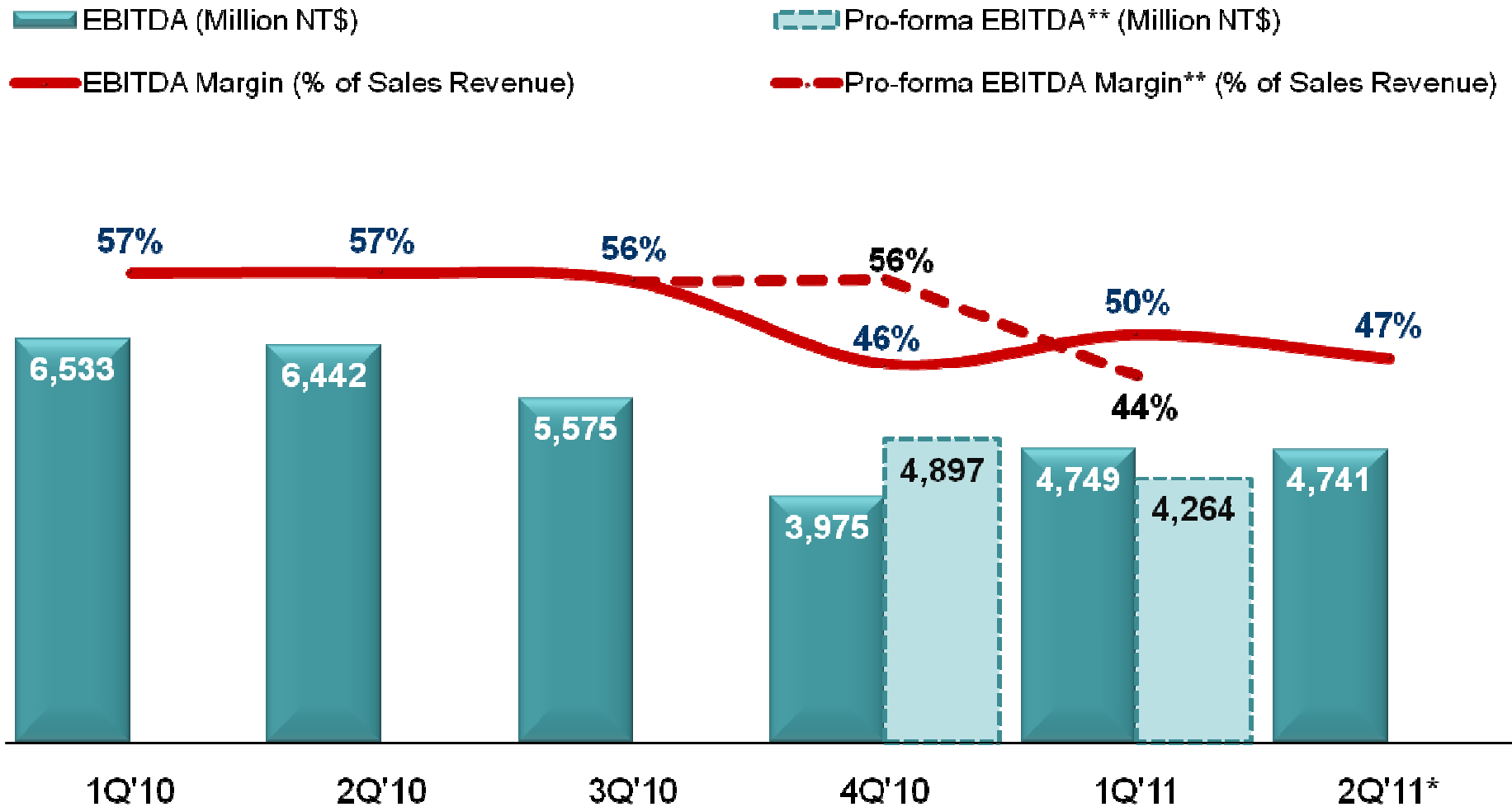
<b>Selected Items from Balance Sheet</b>	<b>June'11*</b>	<b>Mar'11</b>	<b>June'10</b>
(Unit: Million NT\$)			
<b>Cash &amp; Marketable Securities</b>	<b>6,287</b>	<b>9,175</b>	<b>7,141</b>
<b>Inventories</b>	<b>(<sup>1</sup>)5,572</b>	<b>(<sup>2</sup>)5,175</b>	<b>3,590</b>
<b>Current Assets</b>	<b>21,596</b>	<b>23,505</b>	<b>19,287</b>
<b>Net PP&amp;E</b>	<b>114,021</b>	<b>117,450</b>	<b>109,221</b>
<b>Total Assets</b>	<b>138,329</b>	<b>143,905</b>	<b>131,934</b>
<b>Current portion of L / T Debt</b>	<b>33,848</b>	<b>23,937</b>	<b>16,934</b>
<b>Current Liability</b>	<b>58,704</b>	<b>50,387</b>	<b>31,792</b>
<b>L / T Debt</b>	<b>31,601</b>	<b>41,582</b>	<b>37,110</b>
<b>Total Liabilities</b>	<b>92,905</b>	<b>94,611</b>	<b>71,668</b>
<b>Total Equity</b>	<b>45,423</b>	<b>49,295</b>	<b>60,267</b>
<b>Key Indices</b>			
<b>Book Value per Share (NT\$)</b>	<b>9.8</b>	<b>10.6</b>	<b>13.1</b>
<b>Inventory Turnover Days (raw material &amp; WIP only)</b>	<b>37</b>	<b>34</b>	<b>26</b>
<b>Current Ratio (times)</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>
<b>Debt-Equity Ratio (times)</b>	<b>2.1</b>	<b>1.9</b>	<b>1.2</b>

\* 2Q'11 numbers are unaudited

Note (1): include an allowance of inventory valuation losses of NT\$ 423million in 2Q'11;

Note (2): include an allowance of inventory valuation losses of NT\$ 445million in 1Q'11;

# Quarterly EBITDA



\*\* On a pro-forma basis, EBITDA was adjusted for the non-cash LCM-reversal of NT\$ 485 million in 1Q'11 and LCM-charge of NT\$ 922 million in 4Q'10.

\* 2Q'11 numbers are unaudited

# Quarterly Cash Flow



(Unit: Million NT\$)	<u>2Q'11*</u>	<u>1Q'11</u>	<u>2Q'10</u>
<b>Net Cash Provided by Operating Activities</b>	<b>3,547</b>	<b>2,538</b>	<b>7,028</b>
therein depreciation & amortization	8,256	8,420	7,954
<hr/>			
<b>Net Cash Used in Investing Activities</b>	<b>- 6,352</b>	<b>- 10,410</b>	<b>- 13,112</b>
<hr/>			
<b>Free Cash Flow</b>	<b>- 2,805</b>	<b>- 7,872</b>	<b>- 6,085</b>
Free Cash Flow = Net Cash Provided by Operating Activities + Net Cash Used in Investing Activities			
<hr/>			
<b>Net Cash Provided by Financing Activities</b>	<b>-103</b>	<b>11,956</b>	<b>-651</b>

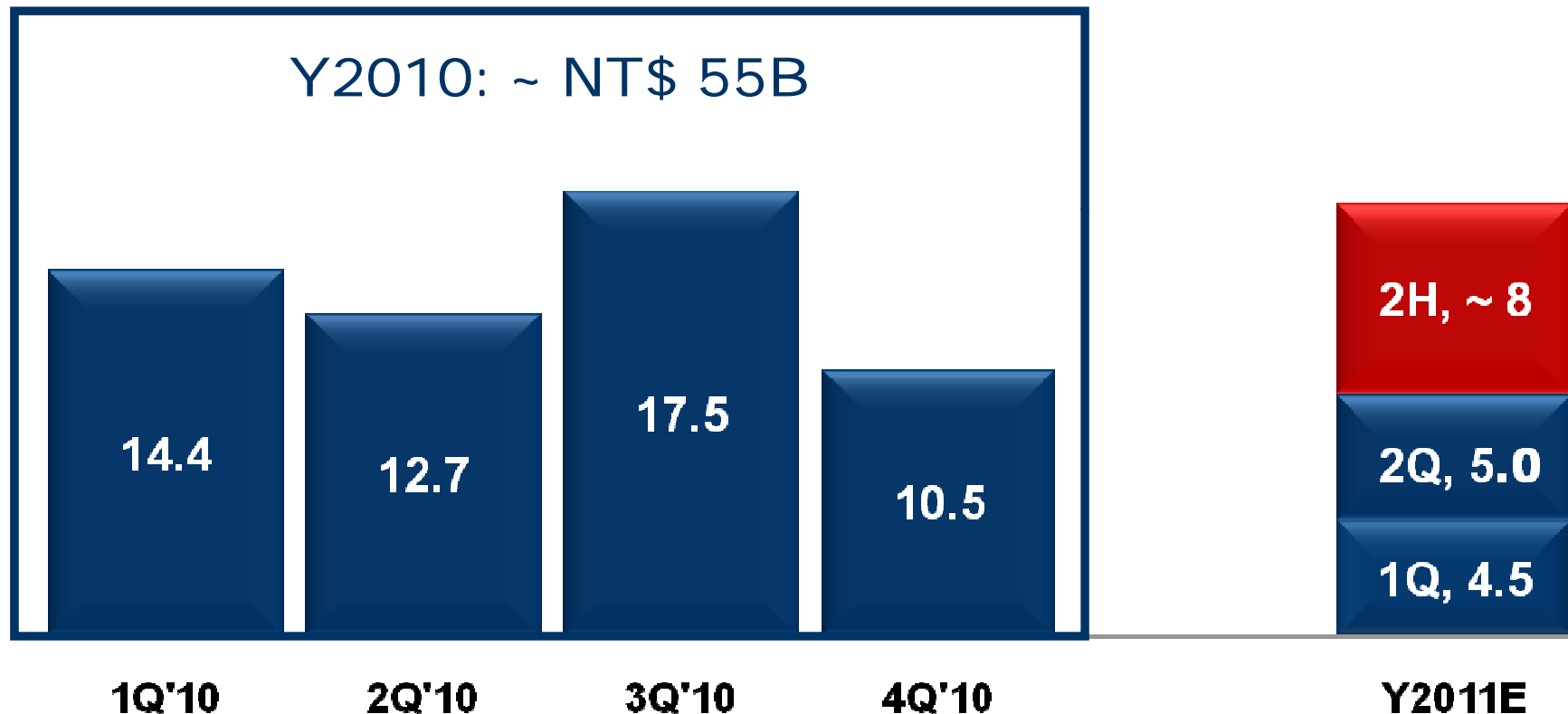
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# Capital Expenditures



Y2011E Capex Guidance: ~NT\$17B (for 130K 42nm plus 30nm-class pilot runs)

Historical and Projected Capital Expenditures\* (Unit: Billion NT\$)



\* 2Q'11 numbers are unaudited

Note: Capital expenditures are reported on a book-entry basis

# OPERATIONS & OUTLOOK



# Quarterly Wafer Shipments

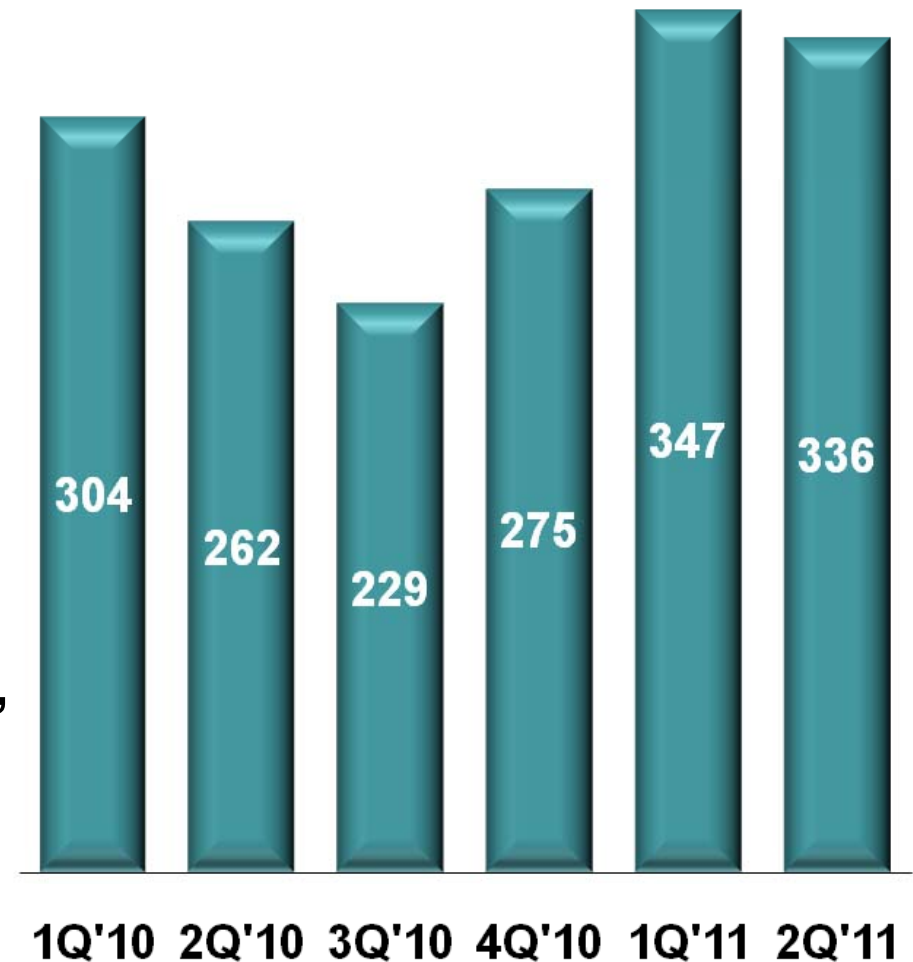


## 2Q'11 Highlights

- **Wafer shipments:**  
336K wafers, down 3% QoQ
- **Average revenue per wafer up 9% QoQ on a Taiwan Dollar basis, primarily due to higher number of good chips per wafer, higher DRAM ASPs, and a shift towards premium products**

### ■ Wafer Shipments

Unit: thousand 300mm wafers per quarter

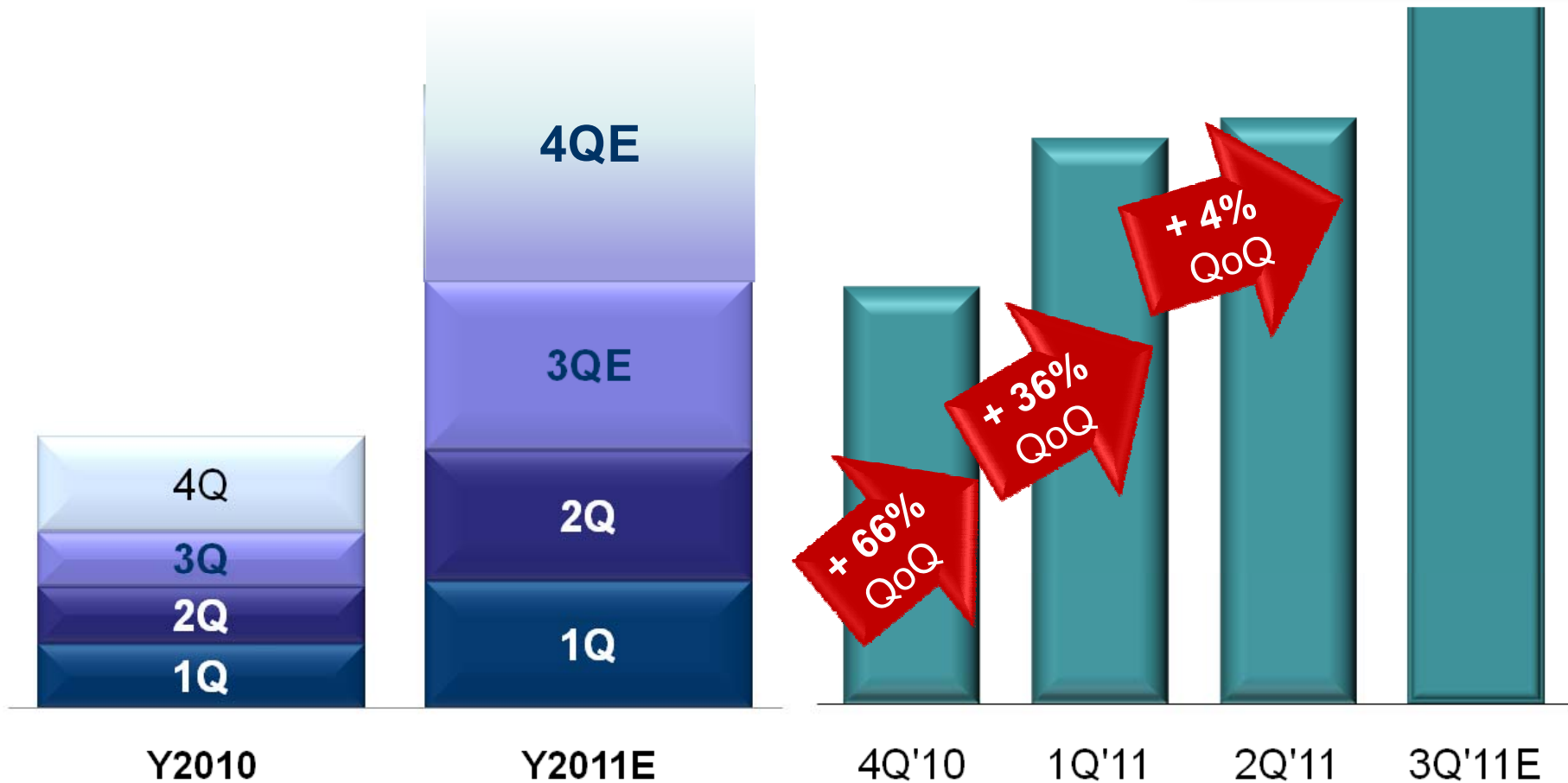


# Quarterly Bit Shipments



Unit: Bit Shipments per quarter (1Gb equiv.)

**3Q'11E Guidance:  
Up approx. 25 %**



# Operational Highlights



- ✓ **42nm production ramp has reached half of wafer starts capacity in Jun'11**
- ✓ **More than 50% of 50nm production fulfills criteria of server market**
- ✓ **Sales revenue has started to benefit from the ASP-premium of server DRAM from the end of 2Q'11**
- ✓ **Mobile production line is in place**

# Outlook



- **Expect significant 42nm output contribution in 2H'11**
- **Preparing for the pilot runs of 30nm-class technology from 3Q'11; volume ramp is expected to start in 1Q'12**
- **With ongoing diversification into server and mobile DRAM production, target for non-PC DRAM share remains intact to reach up to 50% of total wafer output by end of 2011**



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