



# **Inotera Memories, Inc.**

## **3Q.2011 Investor Conference**

**Charles Kau, President**  
**Scott Meikle, EVP**  
**Kai Strohbecke, VP Finance**

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



# AGENDA

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



# Disclaimer

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# HIGHLIGHTS



# Company Highlights



- ✓ **Completed full conversion to 42nm**
- ✓ **Exceeded quarterly bit growth guidance**
- ✓ **Strong launch of 30nm pilot run and in preparation for production ramp**
- ✓ **Board approved the issuance of 1.1 billion new common shares via a rights offering**
  - ✓ **Proceeds of equity funding to be used for 30nm conversion and debt repayment**

# FINANCIAL REVIEW



# 3Q'11 Income Statement QoQ / YoY Comparison



	<u>3Q'11*</u>	<u>%</u>	<u>2Q'11</u>	<u>%</u>			<u>3Q'10</u>	<u>%</u>
(Unit: Million NT\$, except for EPS in NT\$)					QoQ <sup>(1)</sup>	YoY <sup>(1)</sup>		
<b>Net Operating Revenues</b>	<b>8,944</b>	<b>100%</b>	<b>10,157</b>	<b>100%</b>	-12%	-10%	<b>9,963</b>	<b>100%</b>
<b>Gross Profit (Loss) <i>Gross Margin (%)</i></b>	<sup>(2)</sup> <b>(6,458)</b>	<b>- 72%</b>	<b>(3,020)</b>	<b>- 30%</b>	-114%	-236%	<b>(1,920)</b>	<b>- 19%</b>
<b>Operating Income (Loss) <i>Operating Margin (%)</i></b>	<b>(6,917)</b>	<b>- 77%</b>	<b>(3,484)</b>	<b>- 34%</b>	-99%	-196%	<b>(2,333)</b>	<b>- 23%</b>
Non-operating Income (Expense)	(104)	- 1%	(425)	- 4%	+76%	+64%	(287)	- 3%
<b>Income (Loss) before Income Tax</b>	<b>(7,022)</b>	<b>- 79%</b>	<b>(3,910)</b>	<b>- 38%</b>	-80%	-168%	<b>(2,621)</b>	<b>- 26%</b>
Income Tax Benefit (Expense)	0	0%	0	0%	N/M	N/M	(0)	0%
<b>Net Income (loss) <i>Net Margin (%)</i></b>	<b>(7,022)</b>	<b>- 79%</b>	<b>(3,910)</b>	<b>- 38%</b>	-80%	-168%	<b>(2,621)</b>	<b>- 26%</b>
<b>EPS (Loss)</b>	<b>(\$1.52)</b>		<b>(\$0.84)</b>		-80%	-165%	<b>(\$0.57)</b>	
<b>Weighted Average Outstanding Shares</b> (million shares)	4,641		4,640				4,533	

Note (1): A positive percentage value in the columns "QoQ" and "YoY" indicates improvement in 3Q'11, while a negative value indicates the opposite.

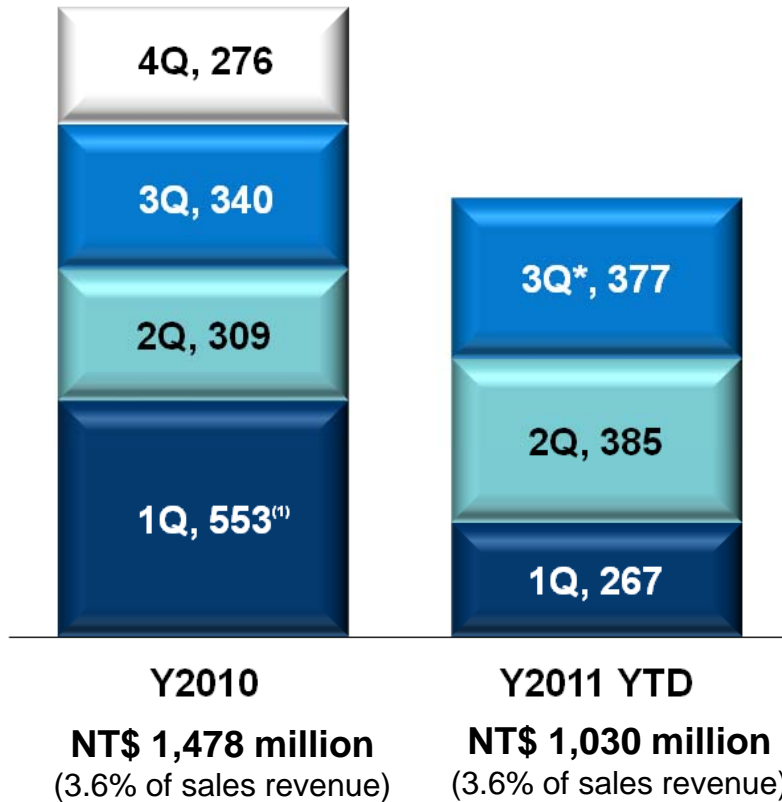
Note (2): 3Q'11 Cost of Goods Sold includes a charge of NT\$ 1,198 million for the write-down of work-in-process inventories and an idle facility charge of NT\$ 123 million.

\* 3Q'11 numbers are unaudited

# Operating Expenses

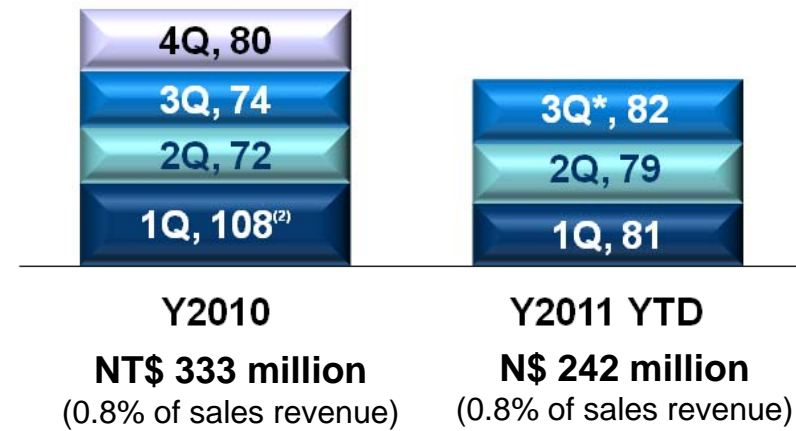


## Research and Development Expenses (Unit: Million NT\$)



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

## General and Administration Expenses (Unit: Million NT\$)



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

\* 3Q'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)

3Q'11\*

2Q'11

3Q'10

(104)

(425)

(287)

391

(59)

2

(3)

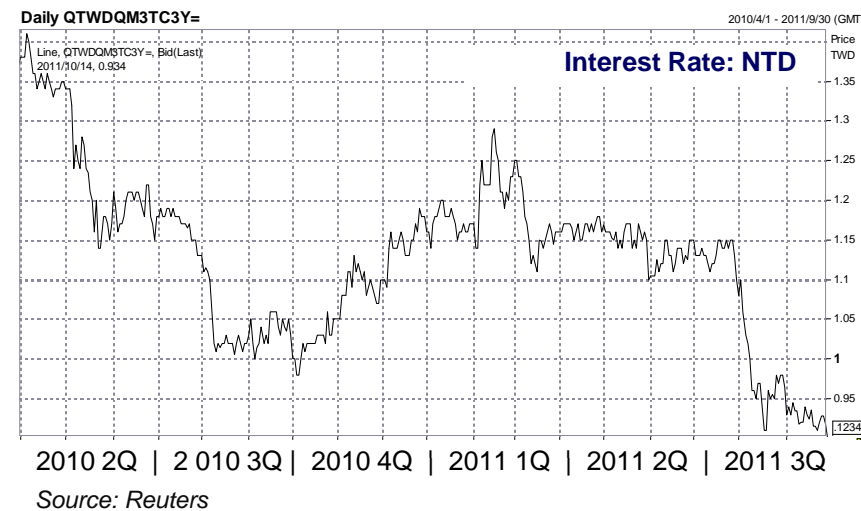
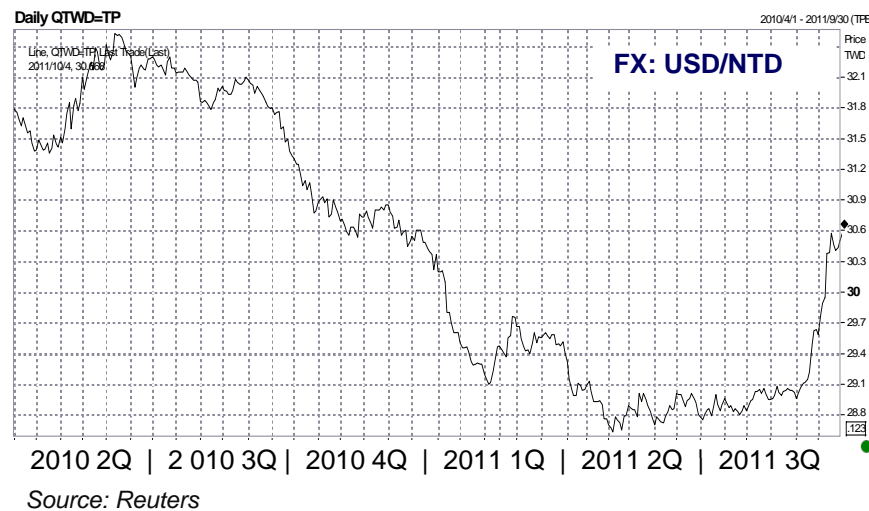
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(24)

(414)

(395)

(305)



\* 3Q'11 numbers are unaudited

# September'11 Balance Sheet & Key Indices

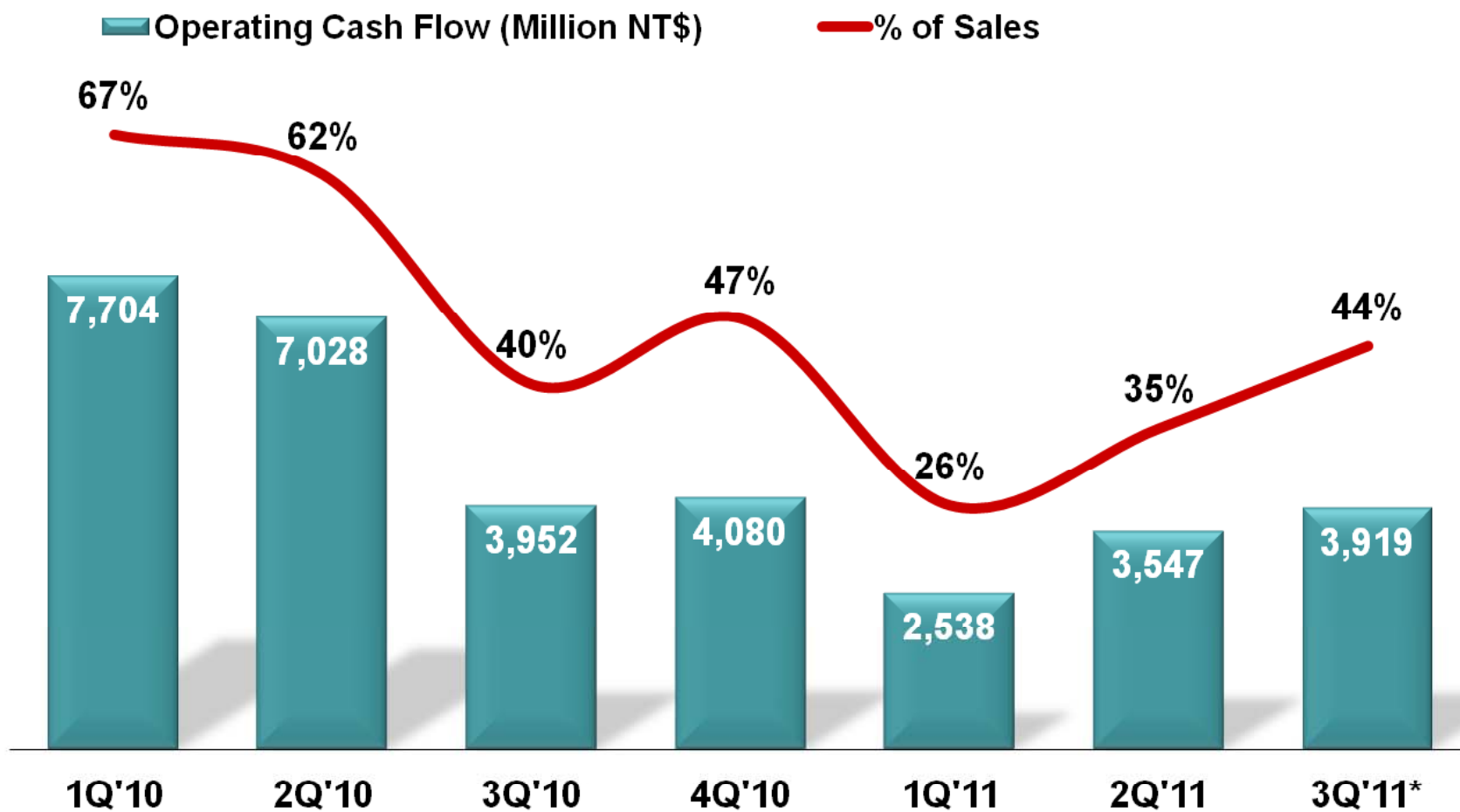


<b>Selected Items from Balance Sheet</b>	<b>Sep'11*</b>	<b>Jun'11</b>	<b>Sep'10</b>
(Unit: Million NT\$)			
<b>Cash &amp; Marketable Securities</b>	694	6,287	5,182
<b>Inventories</b>	<sup>(1)</sup> 4,110	<sup>(2)</sup> 5,572	3,932
<b>Current Assets</b>	13,840	21,596	18,380
<b>Net PP&amp;E</b>	107,721	114,021	118,822
<b>Total Assets</b>	124,088	138,329	140,509
<b>Current portion of L / T Debt</b>	27,550	33,848	16,806
<b>Current Liabilities</b>	51,490	58,704	33,201
<b>L / T Debt</b>	31,606	31,601	46,910
<b>Total Liabilities</b>	85,652	92,905	82,838
<b>Total Equity</b>	38,437	45,423	57,671
<b>Key Indices</b>			
<b>Book Value per Share (NT\$)</b>	8.3	9.8	12.5
<b>Inventory Turnover Days</b> (raw material & WIP only)	29	37	29
<b>Current Ratio</b> (times)	0.3	0.4	0.6
<b>Debt-Equity Ratio</b> (times)	2.2	2.1	1.4

\* 3Q'11 numbers are unaudited

Note (1): include an allowance of inventory valuation losses of NT\$ 1,621 million in 3Q'11;  
Note (2): include an allowance of inventory valuation losses of NT\$ 423million in 2Q'11

# Quarterly Operating Cash Flow



\* 3Q'11 numbers are unaudited

# Quarterly Cash Flow



(Unit: Million NT\$)

	3Q'11*	2Q'11	3Q'10
<b>Net Cash Provided by Operating Activities</b>	<b>3,919</b>	<b>3,547</b>	<b>3,952</b>
therein depreciation & amortization	8,096	8,256	7,891
<hr/>			
<b>Net Cash Used in Investing Activities</b>	<b>- 2,961</b>	<b>- 6,352</b>	<b>- 16,028</b>
<hr/>			
<b>Free Cash Flow</b>	<b>958</b>	<b>- 2,805</b>	<b>- 12,077</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>-6,635</b>	<b>-103</b>	<b>10,071</b>

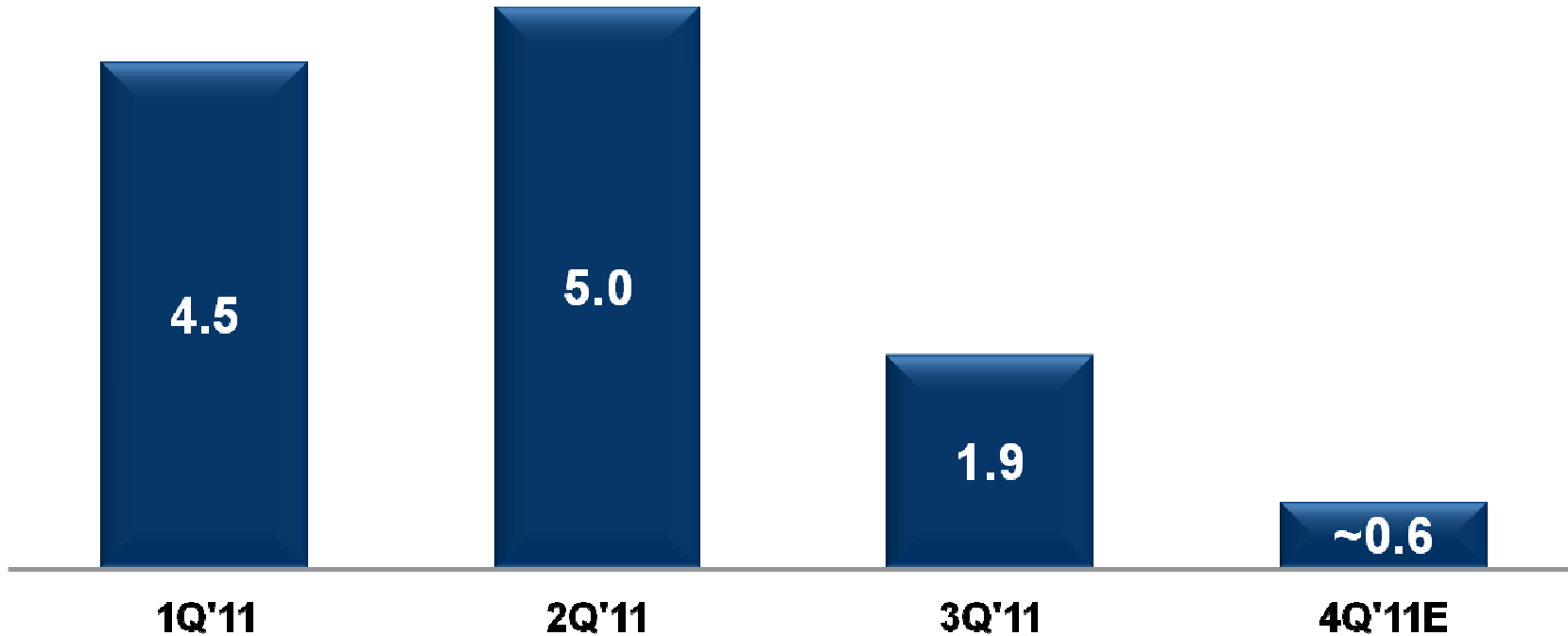
\* 3Q'11 numbers are unaudited

# Capital Expenditures



Revising Y2011E Capex Guidance from NT\$ 17B to NT\$ 12B

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



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

# OPERATIONS & OUTLOOK



# Quarterly Wafer Shipments

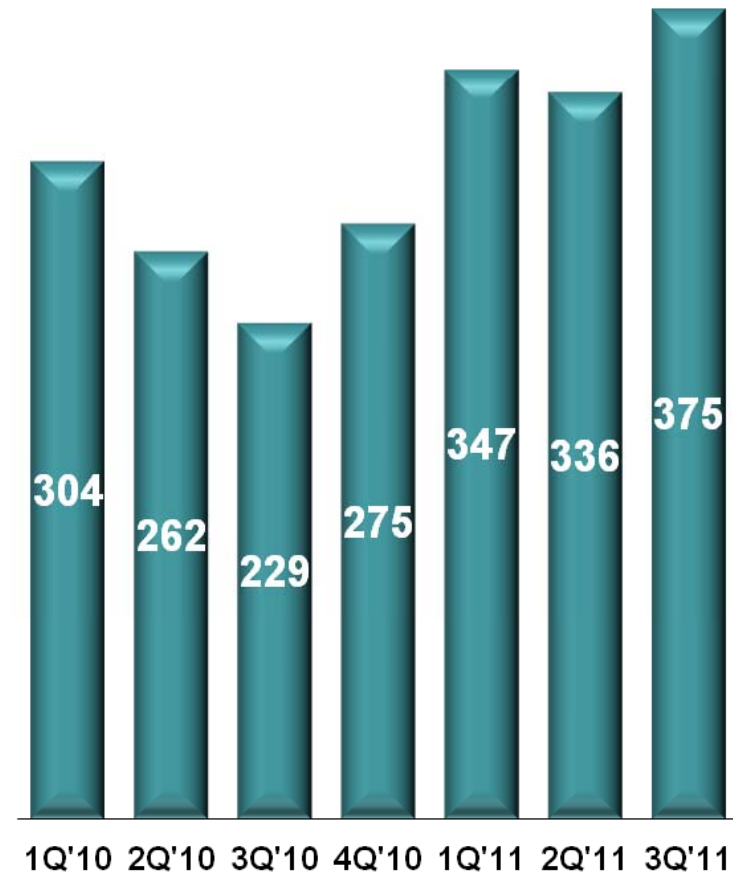


## 3Q'11 Highlights

- **Wafer shipments:**  
**375K wafers, up 12% QoQ**
- **Average revenue per wafer down 21% QoQ on a Taiwan Dollar basis, primarily due to a steep decline in customers' ASPs**
- **QoQ bit cost reduction of 16%**

## ■ Wafer Shipments

Unit: thousand 300mm wafers per quarter



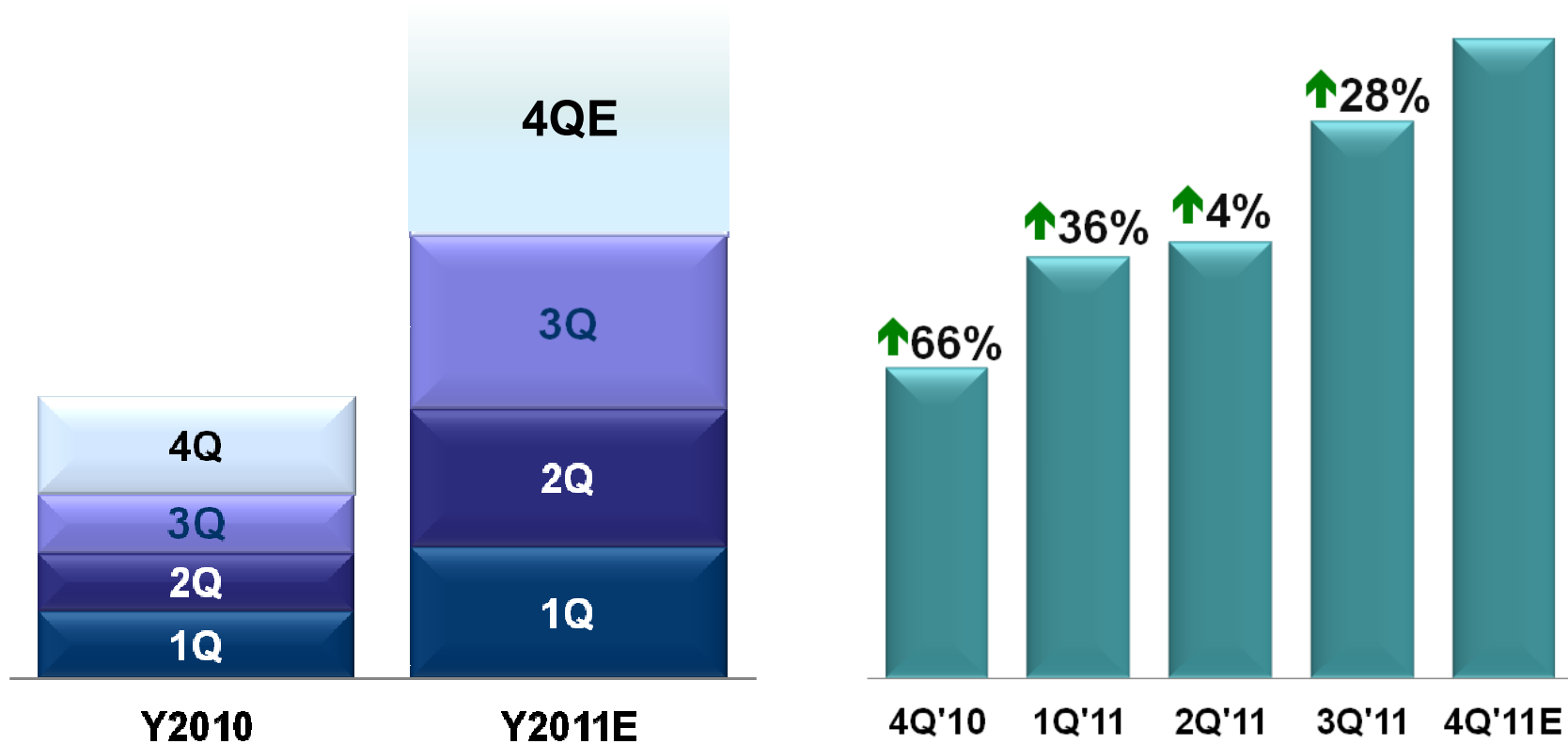
# Quarterly Bit Shipments



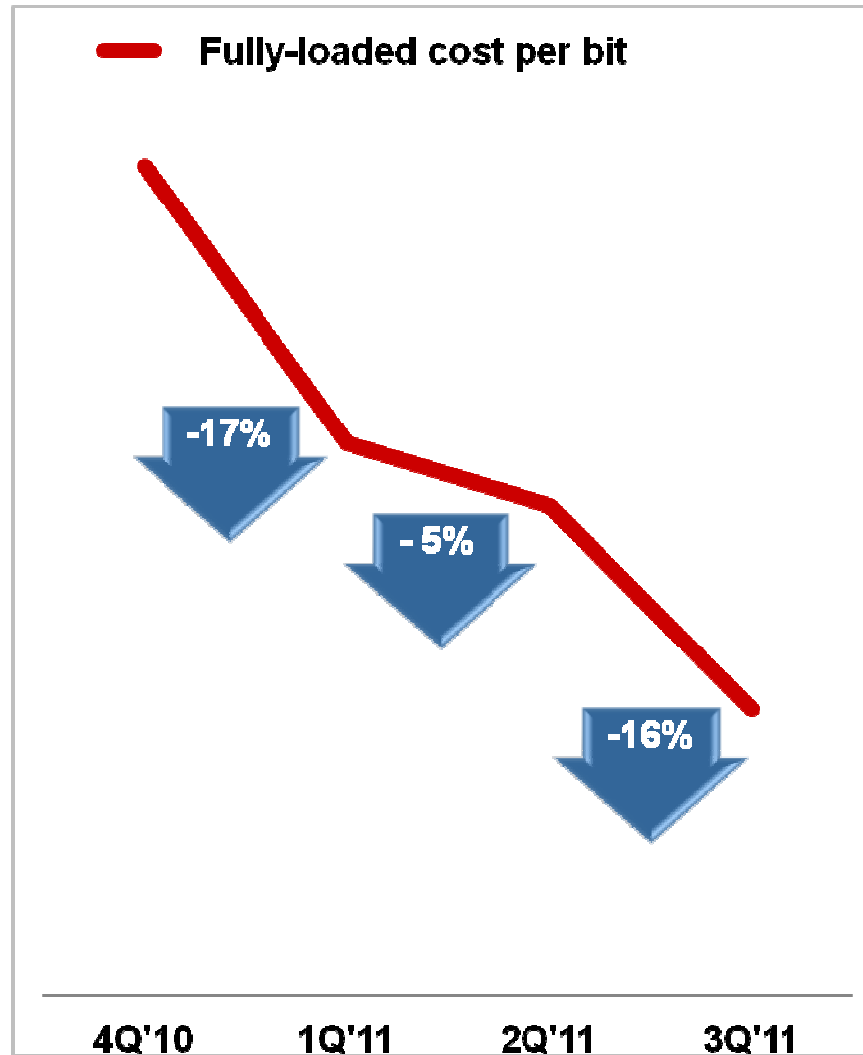
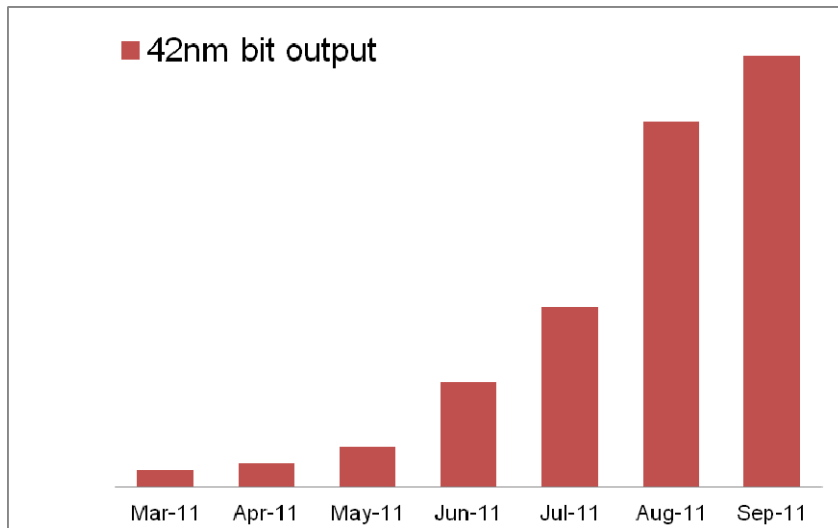
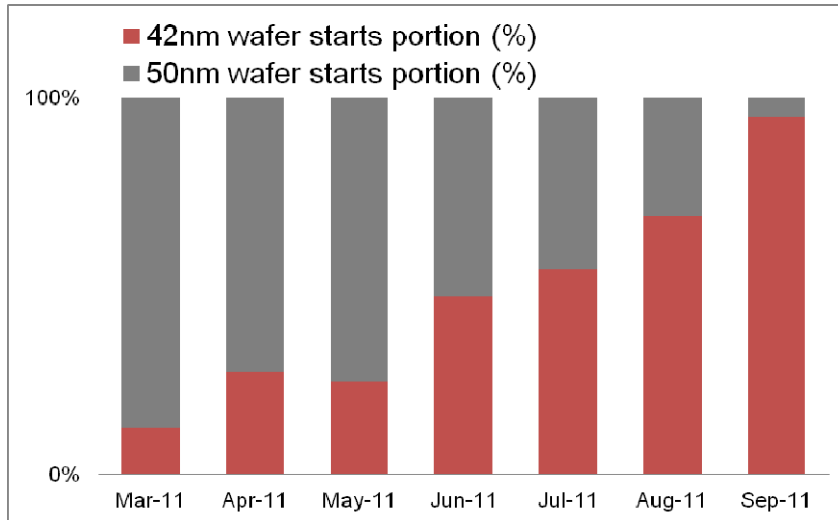
Unit: Bit Shipments per quarter (1Gb equiv.); Bit Shipments Sequential Growth (%)

**2011E Guidance:  
Up ~ 130 % YoY**

**4Q'11E Guidance:  
Up 15-20% QoQ**



# Operational Improvements



# Operational Highlights



- **Pulled-in final 50nm wafer starts and accelerated full 42nm-conversion to early Sep'11**
- **Started pilot production of 30nm in mid-Aug'11 and achieved very successful results**
- **Slight wafer capacity adjustment from Sep'11**

# Outlook



- **Focus on increasing server-share in 42nm-technology**
- **Continue to pursue mobile products in advanced technology**
- **30nm production ramp expected to start in 1Q12 with a 4Gb DDR3 DRAM**
- **Plan to convert 30% of capacity to 30nm by mid-2012**
- **Working on various financing vehicles for debt repayment and capex spending**



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