



# **Inotera Memories, Inc.**

## **4Q.2008 Investor Conference**

**Charles Kau, President**  
**Kai Strohbecke, VP Finance**

**20<sup>th</sup> January, 2009**



# AGENDA

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



# Disclaimer

This presentation contains some forward-looking statements that are subject to substantial risks and uncertainties. Typically, these statements contain words such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “plan”, “forecast”, “project”, “predict”, “potential”, “continue”, “may”, “should”, “will”, and “would” or similar words. You should consider these forward-looking statements carefully because such statements are only our expectations or projections about future events, and actual results may differ materially from those expressed or implied by such statements. The forward-looking statements in this presentation include, but are not limited to, growth rates for various markets estimated by third party sources, future products and technology development, widespread market acceptance of the hosted delivery model, future revenue growth and profitability. You should be cautioned that the forward-looking statements are no guarantee of our future performance. The forward-looking statements contained in this presentation are made only as of the date of this presentation and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances, except as required by law.

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# FINANCIAL HIGHLIGHTS



# Financial Highlights



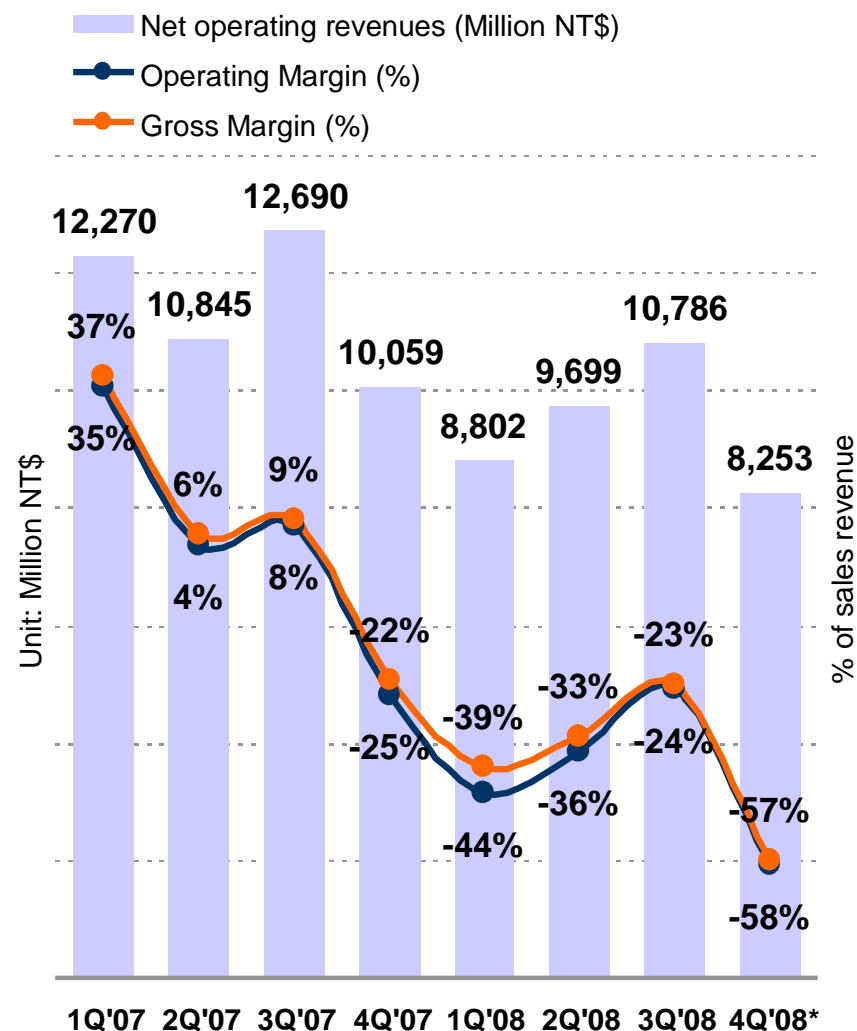
## 4Q'08\* Key Data

- | Sales Revenue of NT\$8,253 million, down 23% QoQ ; down 18% YoY
- | Net Loss of NT\$6,568 million; NT\$ - 1.97 per share
- | EBITDA Margin of 16%

## Y2008\* Key Data

- | Sales Revenue of NT\$37,540 million, down 18% YoY
- | Net Loss of NT\$18,065 million; NT\$ - 5.41 per share
- | EBITDA Margin of 31%

\* 4Q'08 & Y2008 figures are unaudited



# FINANCIAL REVIEW



# 4Q'08 Income Statement QoQ / YoY Comparison



	<u>4Q'08</u>	<u>%</u>	<u>3Q'08</u>	<u>%</u>			<u>Y2008</u>	<u>%</u>
(Unit: Million NT\$, except for EPS in NT\$)	<b>Unaudited</b>				<b>QoQ</b>	<b>YoY</b>	<b>Unaudited</b>	
<b>Net Operating Revenues</b>	8,253	100%	10,786	100%	-23%	-18%	37,540	100%
<b>Gross Profit (Loss) <i>Gross Margin (%)</i></b>	(4,681)	-57%	(2,501)	-23%	-87%	-109%	(13,901)	-37%
<b>Operating Income (Loss) <i>Operating Margin (%)</i></b>	(4,782)	-58%	(2,637)	-24%	-81%	-90%	(14,725)	-39%
Non-operating Income (Expense)	(1,783)	-22%	(1,525)	-14%	-17%	-29%	(3,332)	-9%
<b>Income (Loss) before Income Tax</b>	(6,566)	-80%	(4,162)	-39%	-58%	-69%	(18,057)	-48%
Income Tax Benefit (Expense)	(3)	0%	111	1%	N/M	N/M	(8)	0%
<b>Net Income (loss) <i>Net Margin (%)</i></b>	(6,568)	-80%	(4,051)	-38%	-62%	-79%	(18,065)	-48%
<b>EPS (Loss)</b>	(\$1.97)		(\$1.21)		-63%	-79%	(\$5.41)	
<b>Weighted Average Outstanding Shares</b> (million shares)	3,338		3,338				3,338	

*Note: A positive percentage value in the columns "QoQ" and "YoY" indicates improvement in 4Q'08, while a negative value indicates the opposite.*

# Non-Operating Income/ Exp.



(Unit: Million NT\$)

## Net Non-Operating Income (Expense)

Exchange gain (loss)

Financial asset gain (loss)

Inventory valuation gain (loss)

Interest income (expense)

**4Q'08**  
**Unaudited**

**1Q - 3Q'08**

**Year 2008**  
**Unaudited**

**(1,783)**

**(1,549)**

**(3,322)**

**(438)**

**139**

**(299)**

**(563)**

**24**

**(539)**

**(215)**

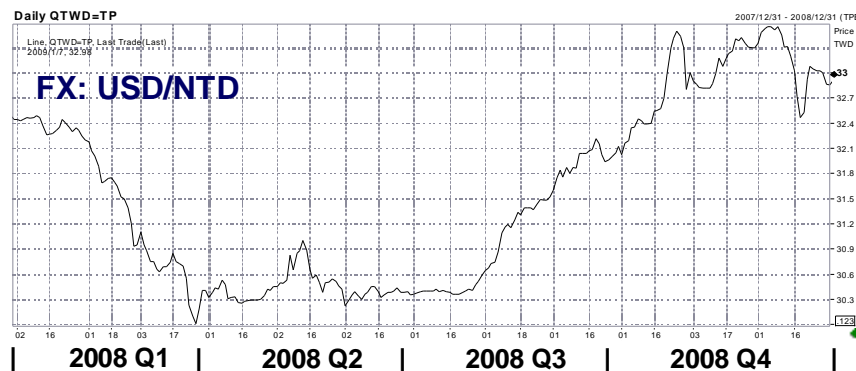
**(274)**

**(489)**

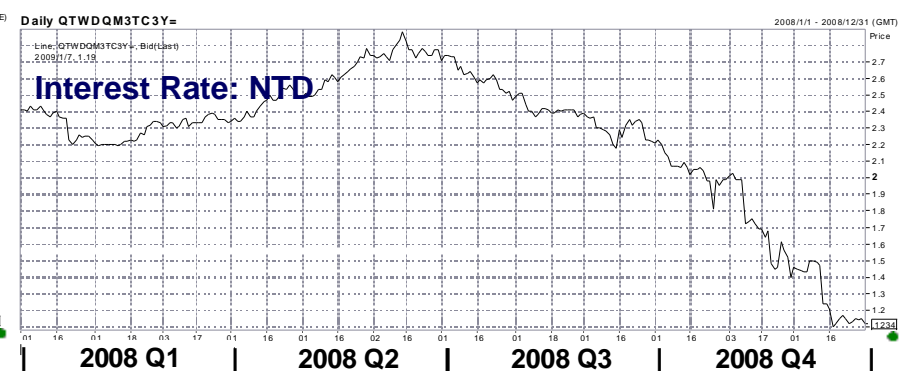
**(569)**

**(1,468)**

**(2,037)**



Source: Reuters



Source: Reuters

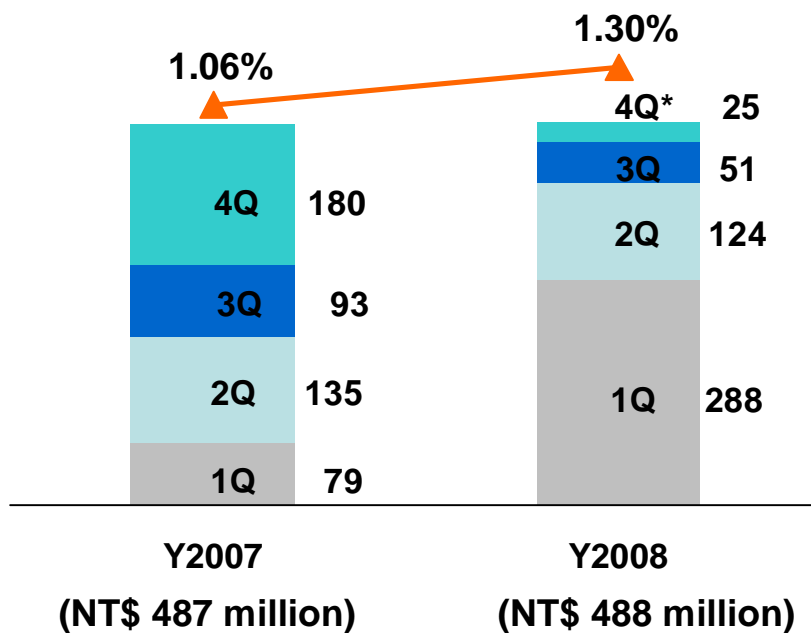
# Operating Expenses



## Research and Development Expenses

(Unit: Million NT\$)

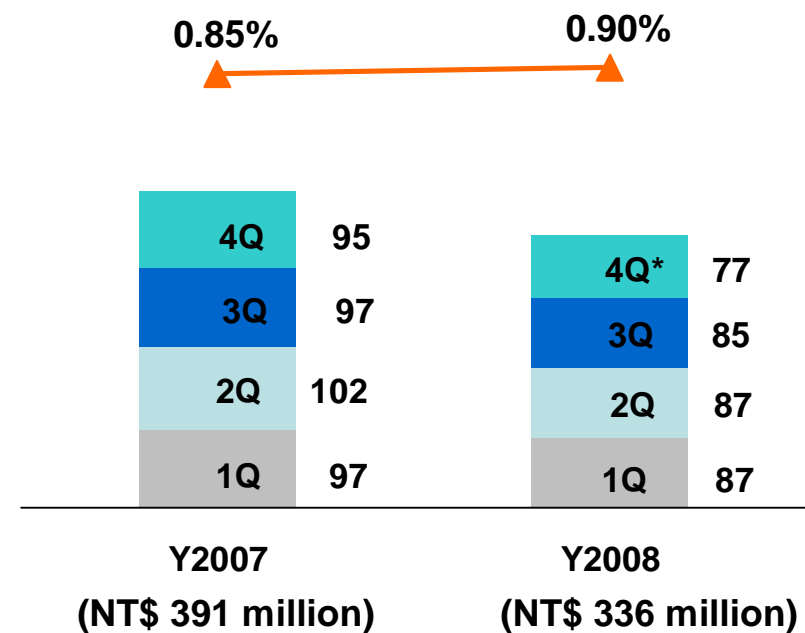
▲ % of Sales Revenue



## General and Administration Expenses

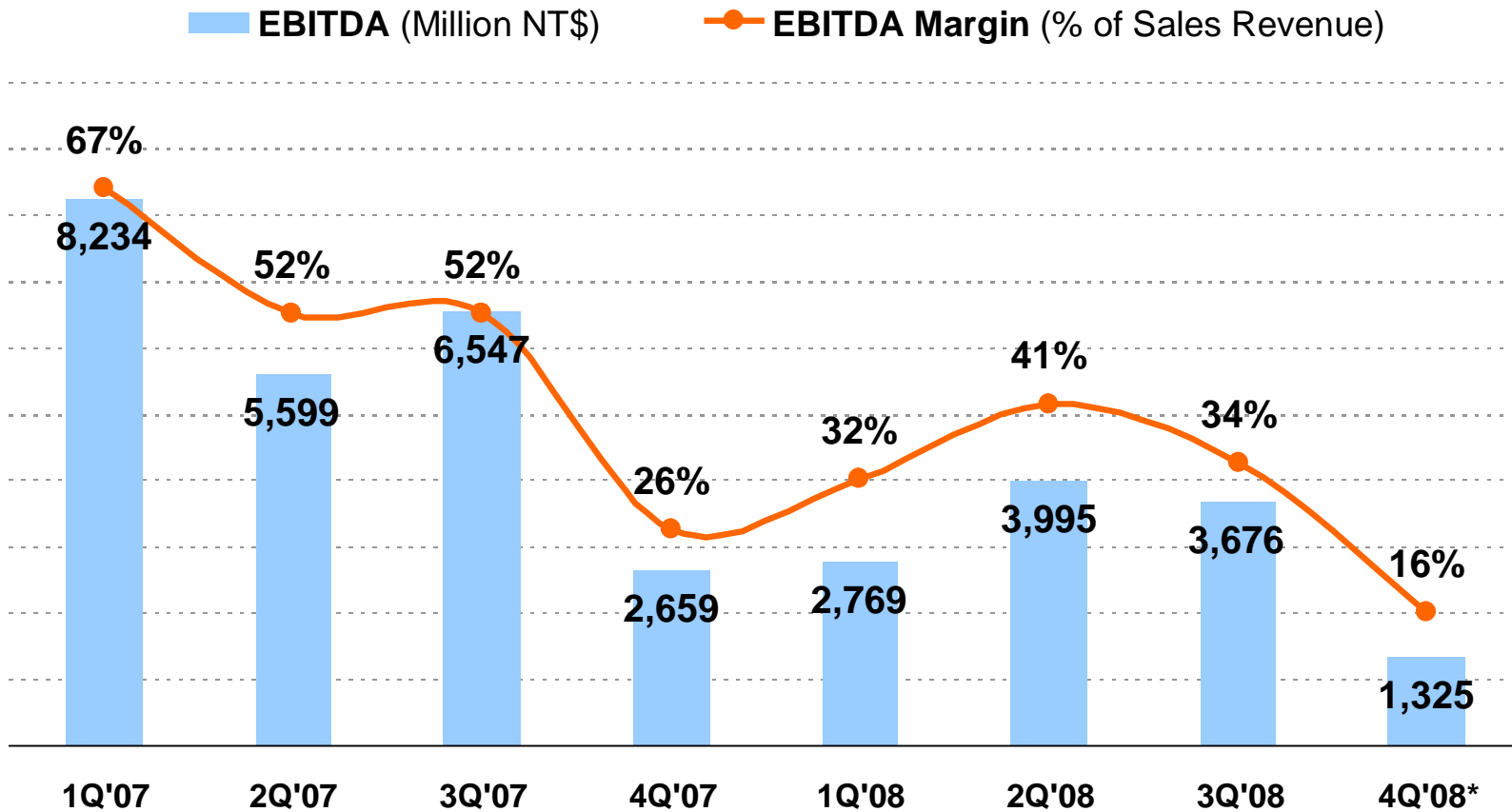
(Unit: Million NT\$)

▲ % of Sales Revenue



\* 4Q'08 & Y2008 figures are unaudited

# Quarterly EBITDA



\* 4Q'08 & Y2008 figures are unaudited

# December'08 Balance Sheet & Key Indices



<b>Selected Items from Balance Sheet</b>	<b>Dec'08</b>	<b>%</b>	<b>Sept'08</b>	<b>%</b>	<b>Dec'07</b>	<b>%</b>
(Unit: Million NT\$)	<b>Unaudited</b>					
<b>Cash &amp; Marketable Securities</b>	5,410	4%	5,528	4%	6,024	4%
<b>Inventories</b>	4,001	3%	4,675	3%	4,739	3%
<b>Current Assets</b>	19,453	14%	20,044	14%	19,530	14%
<b>Net PP&amp;E</b>	115,848	85%	122,922	86%	123,869	86%
<b>Total Assets</b>	135,981	100%	143,474	100%	144,005	100%
<b>L / T Liability within one year</b>	17,824	13%	15,628	11%	10,258	7%
<b>Current Liability</b>	30,622	23%	25,934	18%	19,733	14%
<b>L / T Loan Interest-bearing Debt</b>	51,373	38%	57,000	40%	52,228	36%
<b>Total Liabilities</b>	82,153	60%	83,094	58%	72,128	50%
<b>Total Equity</b>	53,828	40%	60,380	42%	71,878	50%
<b>Key Indices</b>						
<b>Book Value per Share (NT\$)</b>	16.1		18.1		21.5	
<b>Inventory Turnover Days (raw material &amp; WIP only)</b>	31		32		39	
<b>Current Ratio (X)</b>	0.6		0.8		1.0	
<b>Debt-Equity Ratio (X)</b>	1.5		1.4		1.0	

# Quarterly Cash Flow



(Unit: Million NT\$)

	<b>4Q'08*</b>	<b>3Q'08</b>	<b>4Q'07</b>
<b>Net Cash Provided by Operating Activities</b>	<b>4,720</b>	<b>3,683</b>	<b>5,457</b>
therein depreciation & amortization	7,322	7,283	6,068
<hr/>			
<b>Net Cash Used in Investing Activities</b>	<b>- 4,203</b>	<b>- 2,500</b>	<b>- 6,001</b>
therein short-term loan to Micron (US\$85 million)	2,835		
<hr/>			
<b>Free Cash Flow *</b>	<b>517</b>	<b>1,183</b>	<b>- 544</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>- 507</b>	<b>- 1,127</b>	<b>- 105</b>

*\* 4Q'08 & Y2008 figures are unaudited*

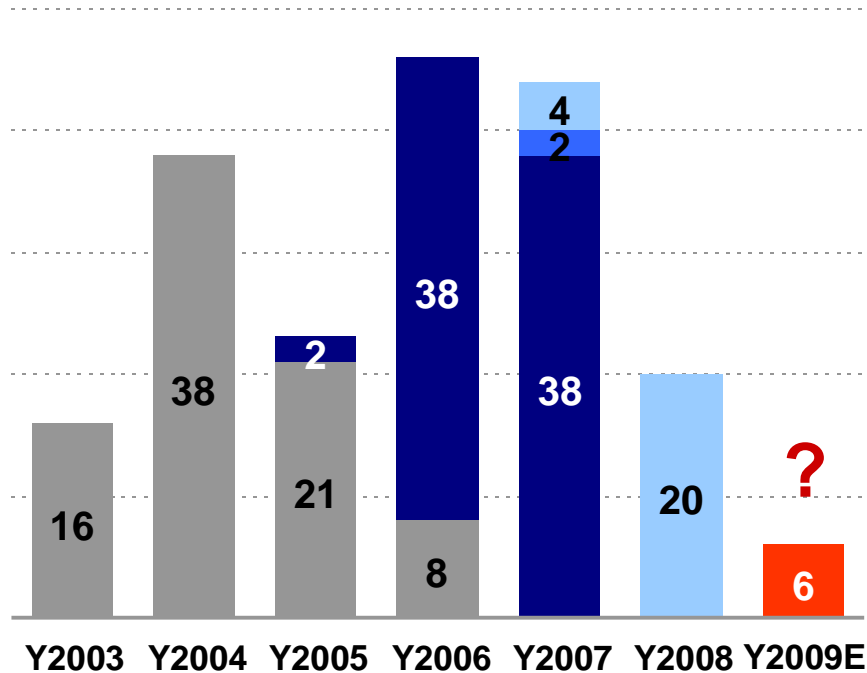
# Capital Expenditure



## Historical and Projected Capital Expenditure

(Unit: NT\$ Billion)

- Fab-1
- Fab-2
- Fab-3 (land only)
- 80 & 75/70nm
- Stack Tech (pilot line only)



## Accumulated Capex\* in Y2008

- Year 2008 annual actual: NT\$19.7 billion; a saving of about NT\$10 billion compared to the original plan.

*\* Accumulated Capex in Y2008 is book entry basis*

## Capex Guidance for Y2009

- Tentatively set at : NT\$6 billion for the pilot line of stack technology.

# OPERATION & BUSINESS OUTLOOK



# Wafer Shipments & Unit Sales Revenue (Quarterly)



**Wafer shipments:**

down 8% QoQ

**Average revenue per wafer:**

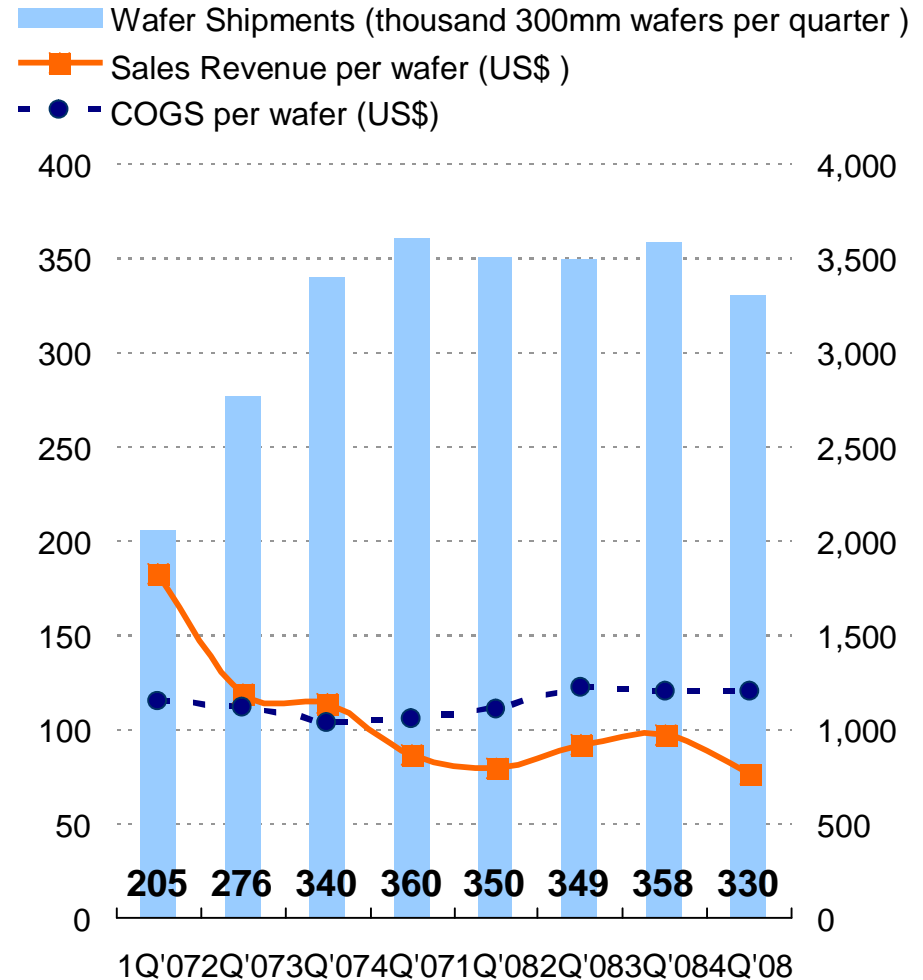
(US\$ based) down 22% QoQ

**Average COGS per wafer:**

(US\$ based) was flat QoQ

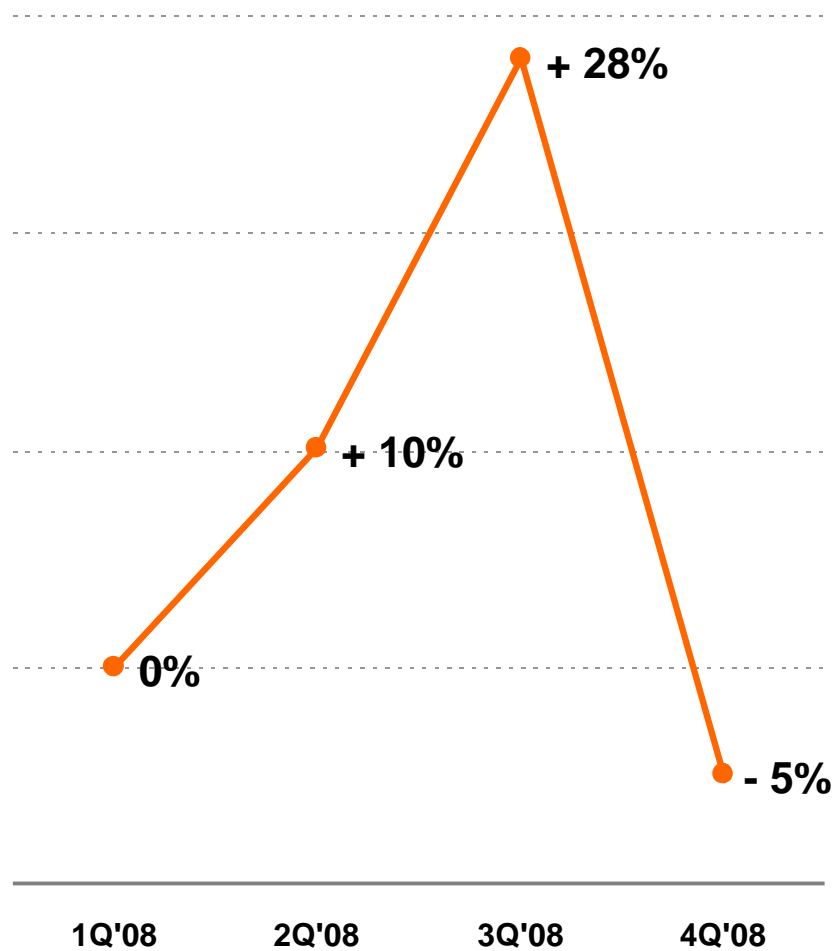
**DRAM ASP (1Gb equiv.):**

(US\$ based) down 45% QoQ

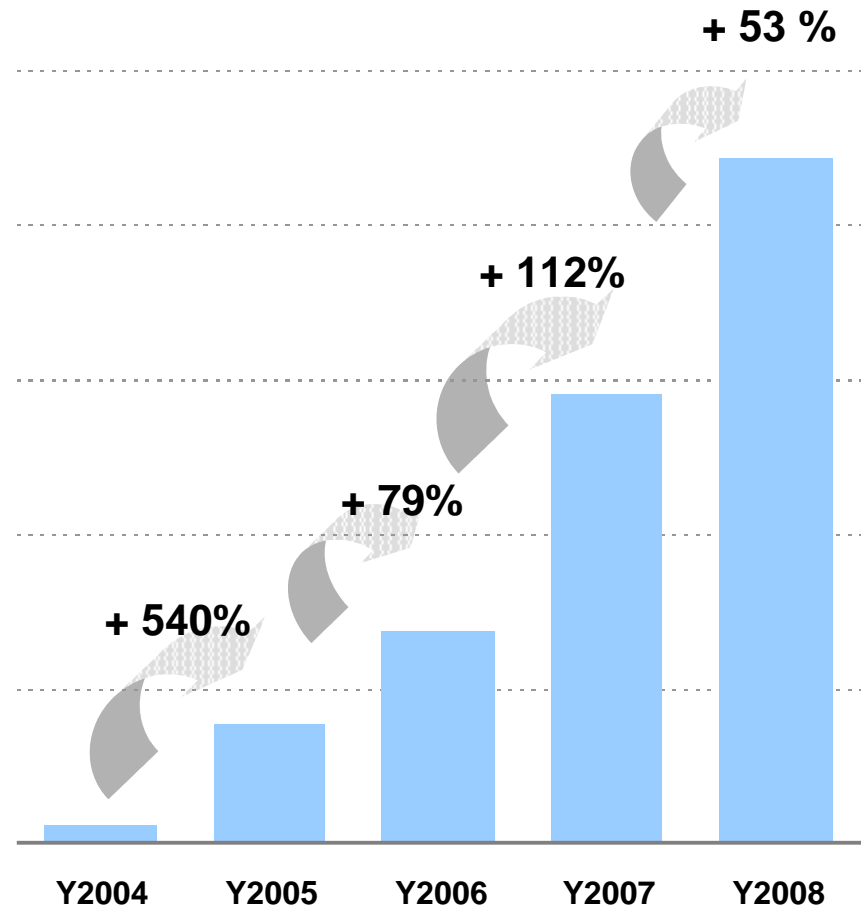


# Bit Shipments

—●— QoQ Increase (%)



YoY Increase (%)



# Operation Highlight & Business Outlook



## 4Q'08 Highlights

- | **Wafer shipments of 330K in 4Q'08, down 8% QoQ.**
- | **Bit shipment decreased by 5 % QoQ in 4Q'08.**
- | **Micron acquired Qimonda's 35.6% stake in Inotera on November 26th, 2008.**

## Y2009 Outlook

- | **Possible production adjustment in response to changes in the market environment.**
- | **50% of capacity share will be taken over by Micron step-by-step during the nine-month period following the share transaction.**
- | **Pilot production of Micron's stack technology expected to be started from 3Q'09.**



**For More Information Please Visit Our IR Website at:**

**<http://ir.inotera.com>**