



Inotera Memories, Inc.

2Q.2008 Investor Conference

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23rd July, 2008



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

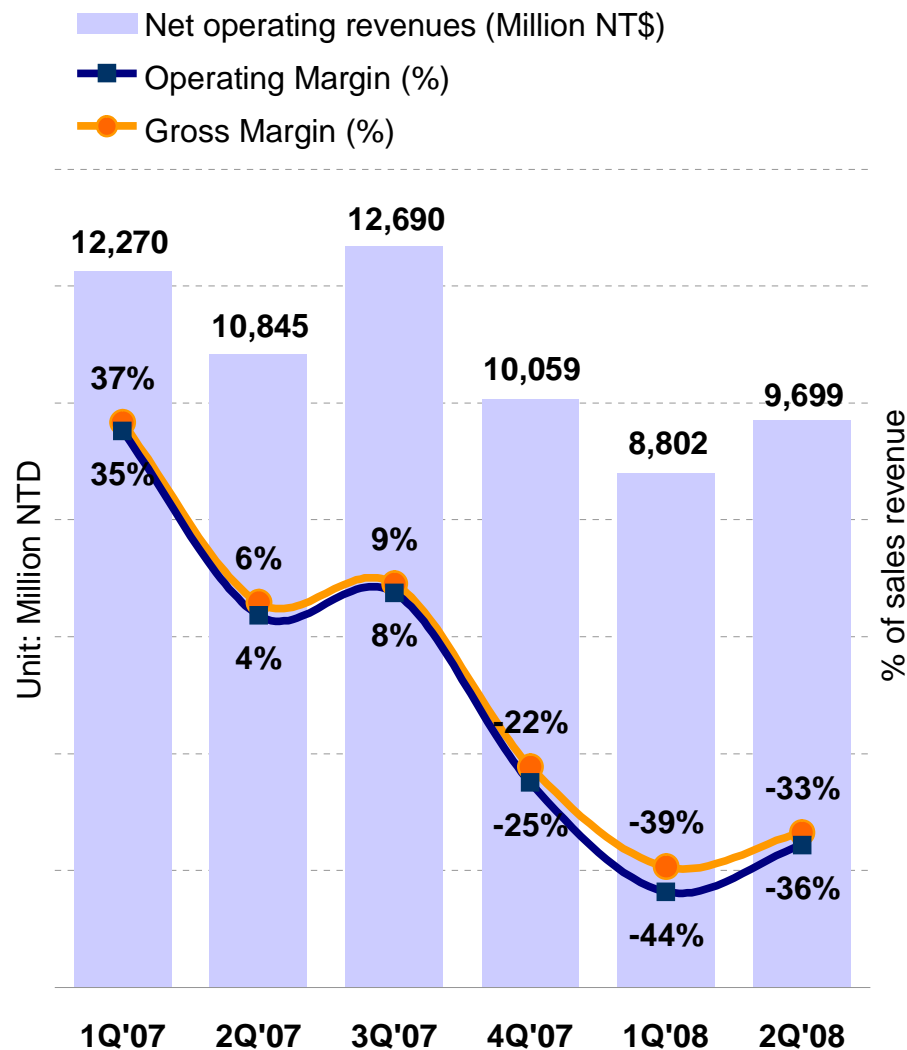


Financial Highlights



2Q'08 Key Data (Unaudited)

- | **Sales Revenue: NT\$ 9,699 million,**
up 10% QoQ ; down 11% YoY
- | **Net Loss of NT\$ 3,265 million**
(NT\$ - 0.98 per share)
- | **EBITDA Margin of 41%, up from 32%**
in 1Q'08
- | **DRAM ASP (1Gb equiv.) up 2% QoQ**



FINANCIAL REVIEW



2Q'08 Income Statement QoQ / YoY Comparison



| | <u>2Q'08</u> | <u>%</u> | <u>1Q'08</u> | <u>%</u> | <u>QoQ</u> | <u>YoY</u> |
|--|-------------------|--------------|-----------------|--------------|------------|--------------|
| (Unit: Million NT\$, except for EPS in NT\$) | *Unaudited | | | | | |
| Net Operating Revenues | 9,699 | 100% | 8,802 | 100% | 10% | - 11% |
| Gross Profit (Loss) <i>Gross Margin (%)</i> | (3,249) | - 33% | (3,470) | - 39% | 6% | N/M |
| Operating Income (Loss) <i>Operating Margin (%)</i> | (3,460) | - 36% | (3,846) | - 44% | 10% | N/M |
| Non-operating Income (Expense) | 231 | 2% | (255) | - 3% | 191% | 281% |
| Income (Loss) before Income Tax | (3,229) | - 33% | (4,101) | - 47% | 21% | N/M |
| Income Tax Benefit (Expense) | (36) | 0% | (81) | -1% | 56% | N/M |
| Net Income (loss) <i>Net Margin (%)</i> | (3,265) | - 34% | (4,182) | - 48% | 22% | N/M |
| EPS (Loss) | (\$0.98) | | (\$1.25) | | 22% | N/M |
| Weighted Average Outstanding Shares (million shares) | 3,338 | | 3,338 | | | |

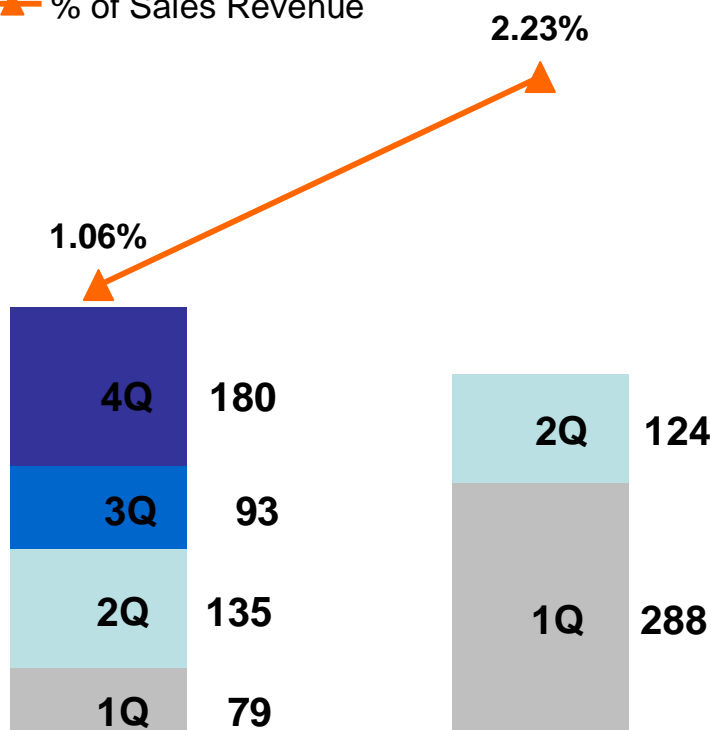
Note: A positive percentage value in the columns "QoQ" and "YoY" indicates improvement in 2Q'08, while a negative value indicates the opposite

Operating Expenses



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

▲ % of Sales Revenue

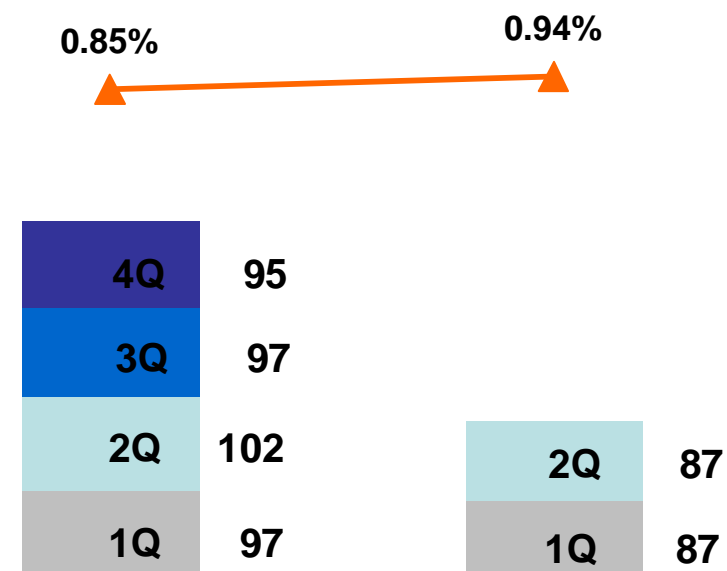


Y2007
(NT\$ 487 million)

Y2008 YTD
(NT\$ 412 million)

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

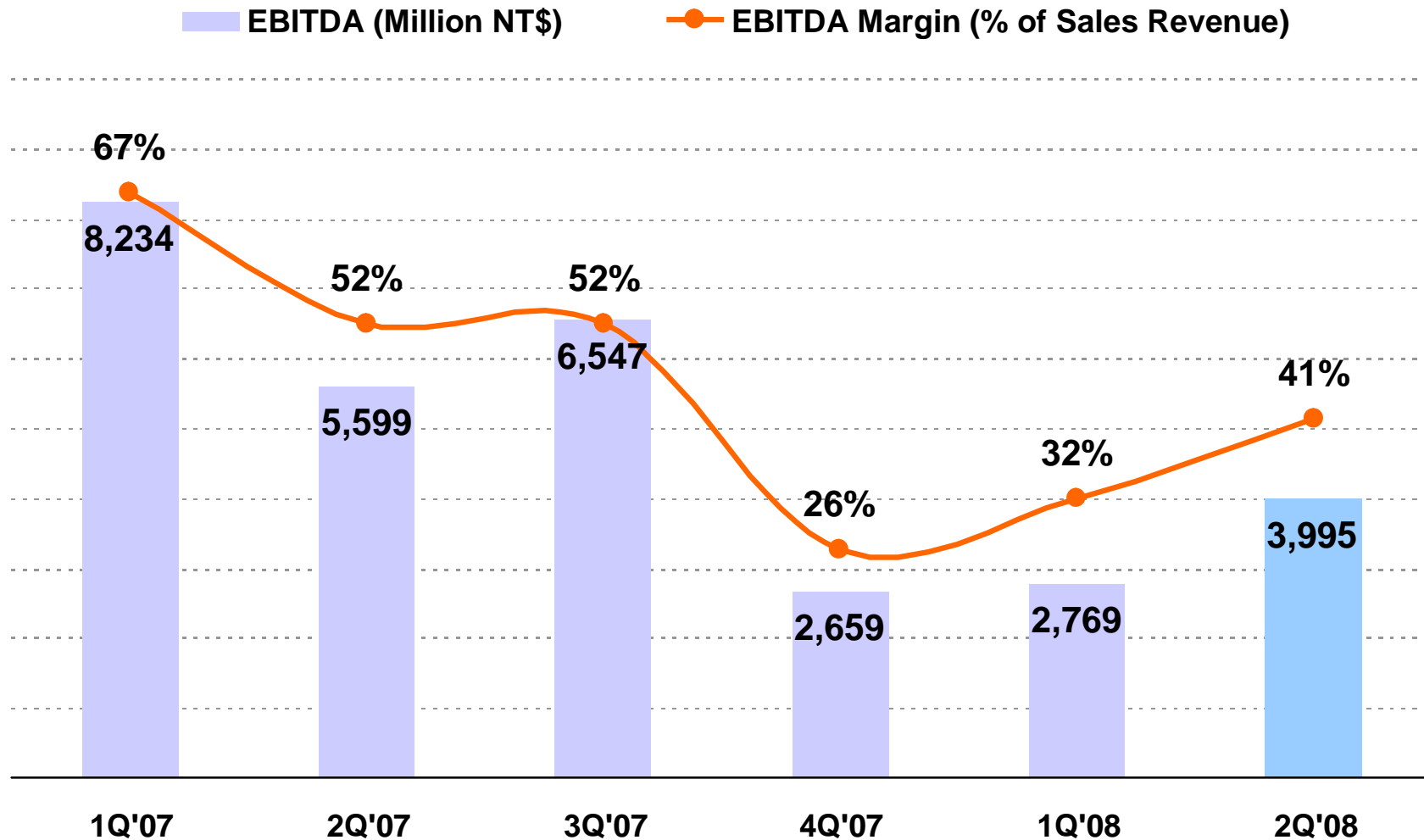
▲ % of Sales Revenue



Y2007
(NT\$ 391 million)

Y2008 YTD
(NT\$ 174 million)

Quarterly EBITDA



June'08 Balance Sheet & Key Indices



| Selected Items from Balance Sheet | June'08 | % | Mar'08 | % | June'07 | % |
|--|-------------------|----------|---------------|----------|----------------|----------|
| (Unit: Million NT\$) | *Unaudited | | | | | |
| Cash & Marketable Securities | 5,336 | 4% | 2,950 | 2% | 15,639 | 10% |
| Inventories | 4,647 | 3% | 4,781 | 3% | 5,241 | 3% |
| Current Assets | 19,015 | 13% | 15,588 | 11% | 30,231 | 20% |
| Net PP&E | 129,691 | 87% | 130,091 | 89% | 117,925 | 79% |
| Total Assets | 149,222 | 100% | 146,283 | 100% | 148,874 | 100% |
| L / T Liability within one year | 9,703 | 7% | 9,716 | 7% | 10,336 | 7% |
| Current Liability | 21,759 | 15% | 23,959 | 16% | 29,011 | 20% |
| L / T Loan Interest-bearing Debt | 62,867 | 42% | 54,463 | 37% | 44,593 | 30% |
| Total Liabilities | 84,791 | 57% | 78,587 | 54% | 73,775 | 50% |
| Total Equity | 64,431 | 43% | 67,696 | 46% | 75,099 | 50% |
| Key Indices | | | | | | |
| Inventory Turnover Days (raw material & WIP only) | 33 | | 35 | | 46 | |
| Current Ratio (X) | 0.9 | | 0.7 | | 1.0 | |
| Debt-Equity Ratio (X) | 1.3 | | 1.2 | | 1.0 | |

Quarterly Cash Flow



(Unit: Million NT\$)

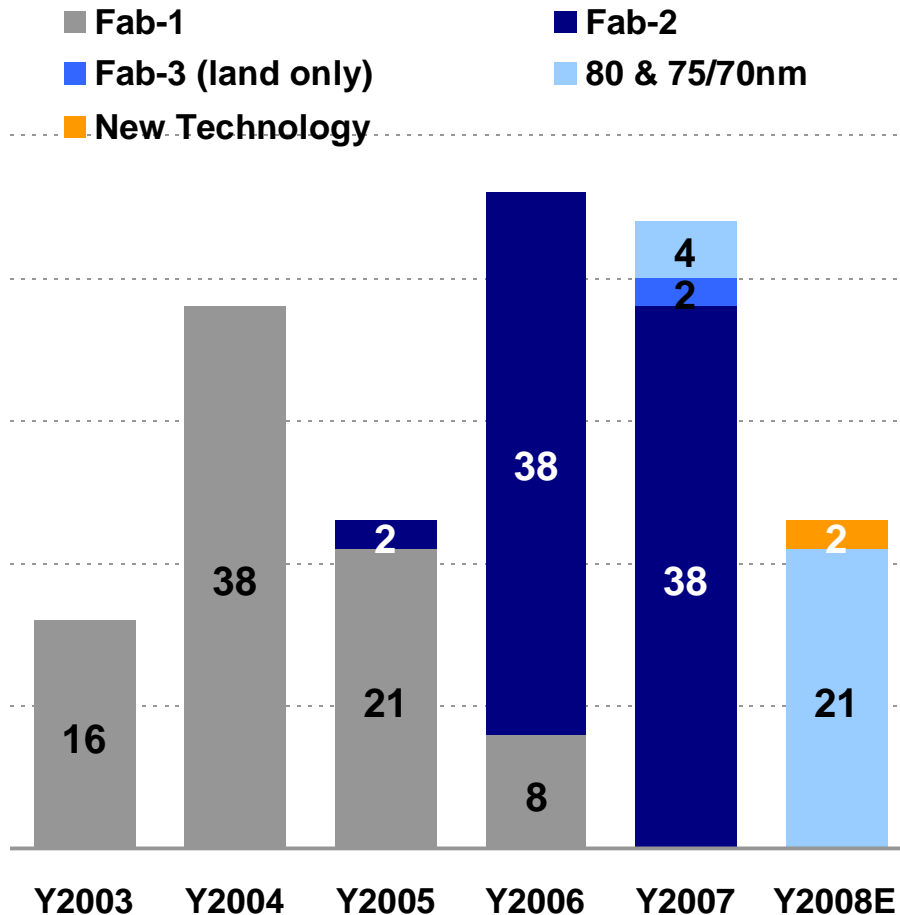
| | 2Q'08 | 1Q'08 | 2Q'07 |
|--|-----------------|----------------|-----------------|
| Net Cash Provided by Operating Activities | 2,131 | 2,535 | 5,973 |
| therein depreciation & amortization | 6,770 | 6,410 | 5,038 |
| <hr/> | | | |
| Net Cash Used in Investing Activities | - 10,591 | - 9,377 | - 15,592 |
| <hr/> | | | |
| Free Cash Flow * | - 8,460 | - 6,842 | - 9,619 |
| <hr/> | | | |
| Net Cash Provided by Financing Activities | 10,866 | 3,752 | 10,273 |

* Free Cash Flow = Net Cash Provided by Operating Activities + Net Cash Used in Investing Activities

Capital Expenditure



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



Accumulated Capex

- Y2008 1H capex: NT\$ 19.0 billion, the majority of it is for conversion to 75/70nm technology
- Y2008E capex : Reduced to NT\$ 23 billion, due mainly to less than projected spending in technology conversion from productivity improvements and process simplifications

OPERATION & BUSINESS OUTLOOK



2Q'08 Operational Highlights



Manufacturing Output

- | Wafer shipments of 349K in 2Q'08, flat QoQ
- | Bit shipment growth of 10% QoQ in 2Q'08 reached the higher end of 2Q'08 guidance.

Advanced Technology

- | Achieved 75/70nm 1Gb DDR3 Shipment Qualification in the middle of June.
- | Completed wafer start conversion to 75/70nm shrink in the end of June, pulled in by 4 months from planned schedule.

Capital Investment Efficiency

- | Spent NT\$ 7 billion less than budget for 75/70nm conversion due to process simplifications and various productivity improvements.
- | Total capacity expected to increase from 120,000 to 126,000 wafer starts per month by 4Q'08 without additional investment.

Wafer Shipments & Unit Sales Revenue (Quarterly)



Wafer shipments: flat QoQ

Average revenue per wafer:

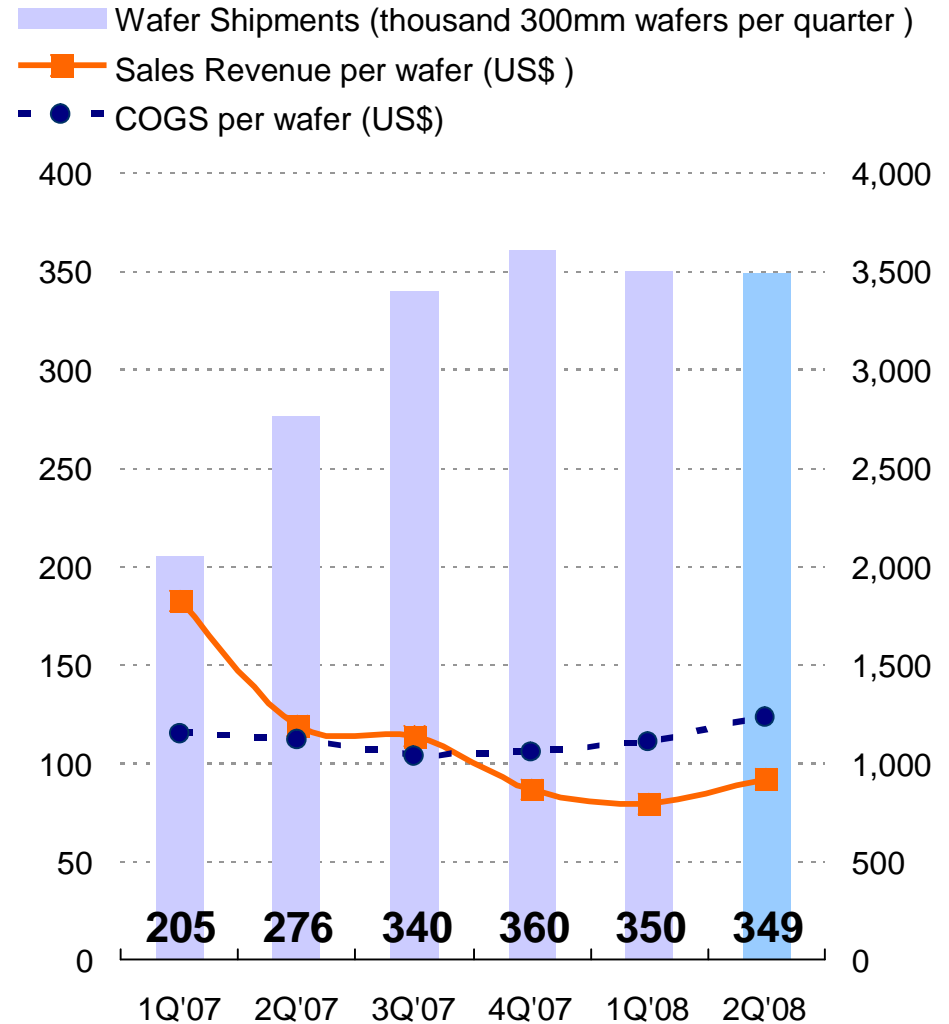
(US\$ based) 15% up QoQ

Average COGS per wafer:

(US\$ based) 11% up QoQ

DRAM ASP (1Gb equiv.):

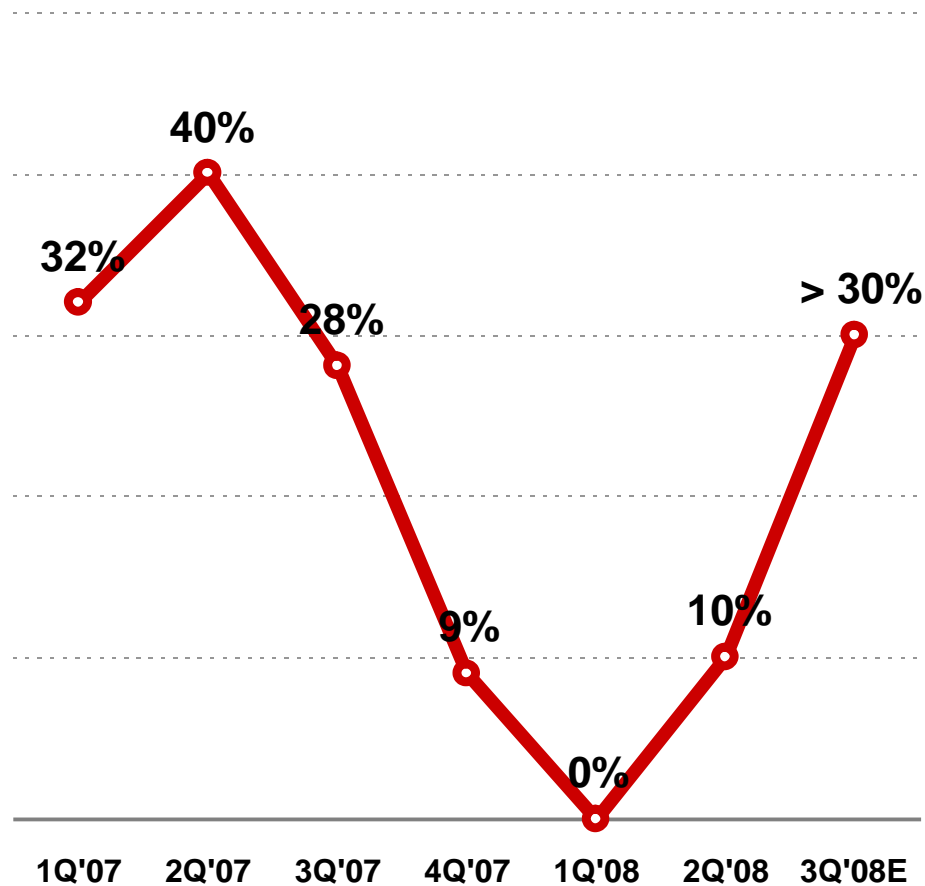
(US\$ based) 2% up QoQ



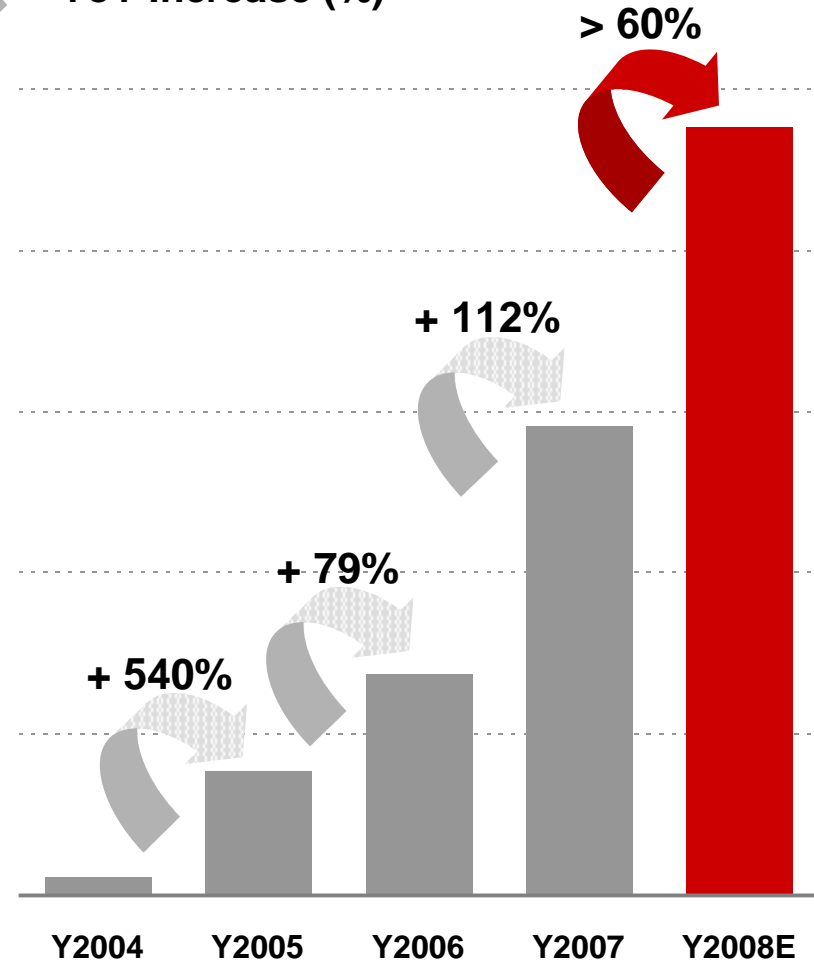
Bit Shipments



QoQ Increase (%)



YoY Increase (%)



Business Outlook



- | **3Q'08 bit shipments are expected to increase more than 30% QoQ due to technology conversion ; > 60% YoY bit shipment growth expected in 2008.**
- | **Volume ramp of 1Gb DDR3 product is expected to reach a maximum capacity of 10,000 wafer starts per month in 2H08.**



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<http://ir.inotera.com>