



Inotera Memories, Inc.

1Q.2011 Investor Conference

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

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AGENDA

- **Highlights**
(Charles - President)
- **Financial Review**
(Kai - VP Finance)
- **Operation & 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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HIGHLIGHTS

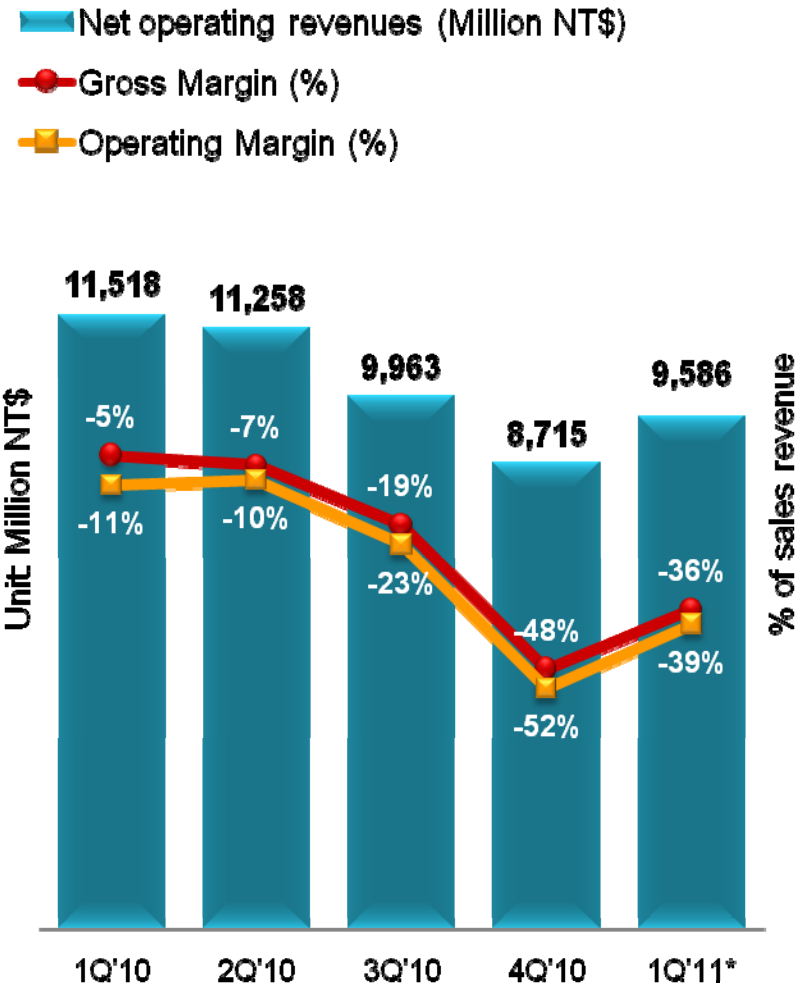


Highlights



1Q'11* Key Data

- Sales of NT\$ 9,586 million, up 10% QoQ
- Net loss of NT\$ 4,044 million; NT\$ - 0.87 per share
- EBITDA of NT\$ 4,749 million; EBITDA Margin of 50%



* 1Q'11 numbers are unaudited

FINANCIAL REVIEW



1Q'11 Income Statement QoQ / YoY Comparison



	<u>1Q'11*</u>	%	<u>4Q'10</u>	%			<u>1Q'10</u>	%
					QoQ⁽¹⁾	YoY⁽¹⁾		
(Unit: Million NT\$, except for EPS in NT\$)								
Net Operating Revenues	9,586	100%	8,715	100%	10%	-17%	11,518	100%
Gross Profit (Loss) <i>Gross Margin (%)</i>	⁽²⁾ (3,425)	- 36%	⁽³⁾ (4,164)	- 48%	18%	-513%	(559)	- 5%
Operating Income (Loss) <i>Operating Margin (%)</i>	(3,773)	- 39%	(4,520)	- 52%	17%	-210%	(1,219)	- 11%
Non-operating Income (Expense)	(271)	- 3%	(150)	- 2%	-81%	21%	(342)	- 3%
Income (Loss) before Income Tax	(4,044)	- 42%	(4,670)	- 54%	13%	-159%	(1,561)	- 14%
Income Tax Benefit (Expense)	0	0%	0	0%	N/M	N/M	(0)	0%
Net Income (loss) <i>Net Margin (%)</i>	(4,044)	- 42%	(4,670)	- 54%	13%	-159%	(1,561)	- 14%
EPS (Loss)	(\$0.87)		(\$1.02)		15%	-142%	(\$0.36)	
Weighted Average Outstanding Shares (million shares)	4,639		4,556				4,362	

Note (1): A positive percentage value in the columns "QoQ" and "YoY" indicates improvement in 1Q'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 work-in-process inventories in the amount of NT\$ 485 million

Note (3): 4Q'10 Cost of Goods Sold includes a charge of NT\$ 922 million for the write-down of work-in-process inventories

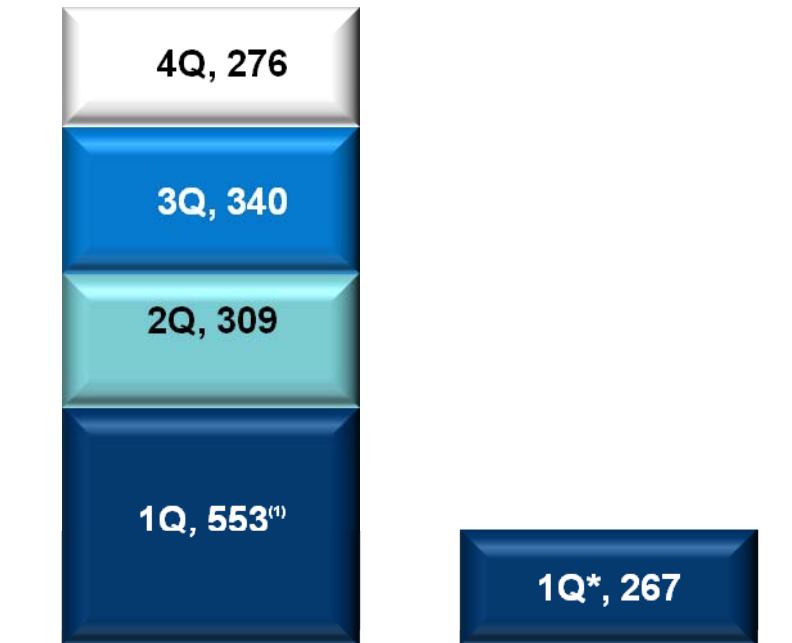
*** 1Q'11 numbers are unaudited**

Operating Expenses



Research and Development Expenses

(Unit: Million NT\$)



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

Y2011 YTD
NT\$ 267million
 (2.8% 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
N\$ 81 million
 (0.8% of sales revenue)

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

*** 1Q'11 numbers are unaudited**

Non-Operating Income / Exp.

(Unit: Million NT\$)

Net Non-Operating Income (Expense)

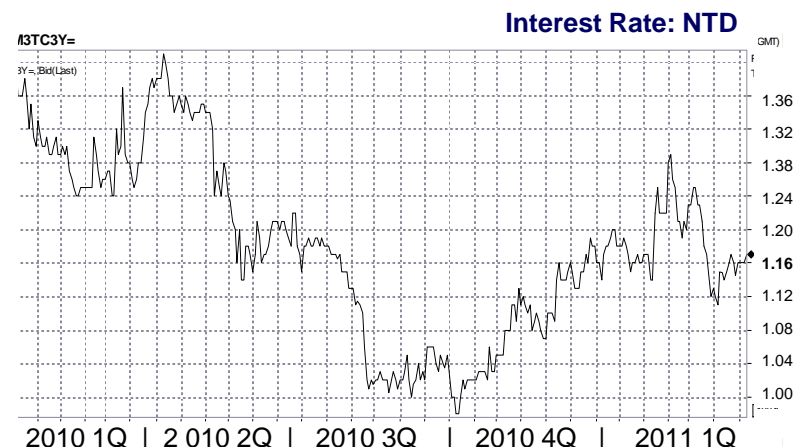
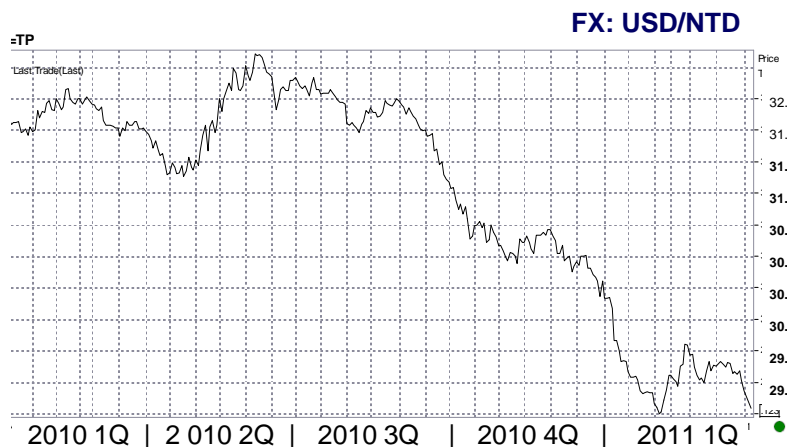
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Exchange gain (loss)

Financial asset gain (loss)

Interest income (expense)

	1Q'11*	4Q'10	1Q'10
Net Non-Operating Income (Expense)	(271)	(150)	(342)
Exchange gain (loss)	51	210	(24)
Financial asset gain (loss)	(6)	(2)	(13)
Interest income (expense)	(373)	(348)	(323)



* 1Q'11 numbers are unaudited

Mar'11 Balance Sheet & Key Indices



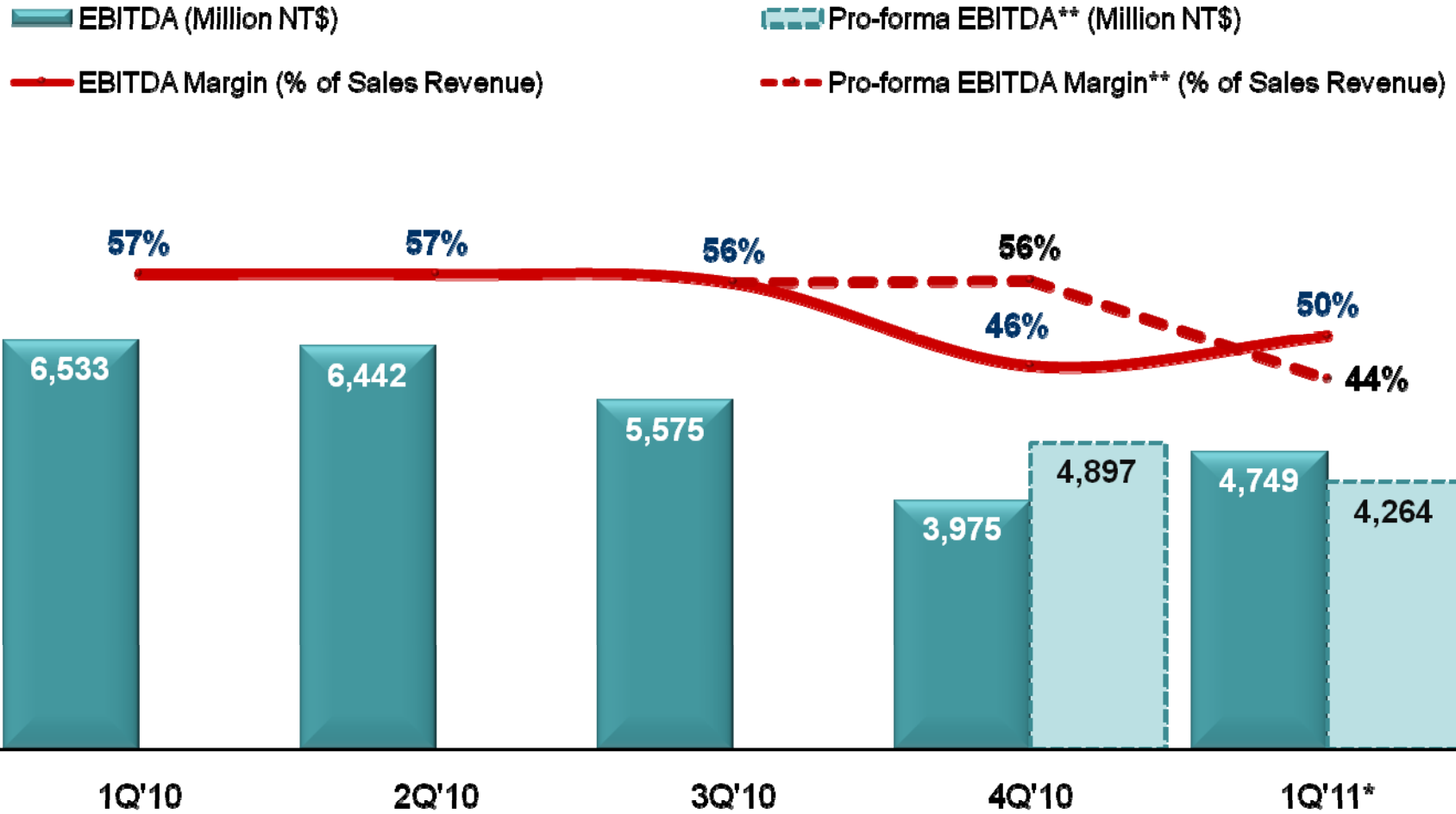
Selected Items from Balance Sheet	Mar'11*	Dec'10	Mar'10
(Unit: Million NT\$)			
Cash & Marketable Securities	9,175	5,109	13,756
Inventories	⁽¹⁾ 5,175	⁽²⁾ 4,506	3,255
Current Assets	23,505	17,871	25,906
Net PP&E	117,450	121,264	104,516
Total Assets	143,905	142,269	134,032
Current portion of L / T Debt	23,937	14,905	15,200
Current Liability	50,387	32,811	38,261
L / T Debt	41,582	53,504	30,916
Total Liabilities	94,611	89,000	71,980
Total Equity	49,295	53,269	62,052
Key Indices			
Book Value per Share (NT\$)	10.6	11.5	13.4
Inventory Turnover Days (raw material & WIP only)	34	30	25
Current Ratio (times)	0.5	0.5	0.7
Debt-Equity Ratio (times)	1.9	1.7	1.2

* 1Q'11 numbers are unaudited

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

Note (2): include an allowance of inventory valuation losses of NT\$ 930million in 4Q'10

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.

* 1Q'11 numbers are unaudited

Quarterly Cash Flow



(Unit: Million NT\$)

	1Q'11*	4Q'10	1Q'10
Net Cash Provided by Operating Activities	2,538	4,080	7,704
therein depreciation & amortization	8,420	8,297	7,771
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Net Cash Used in Investing Activities	- 10,410	- 10,100	- 9,727
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Free Cash Flow *	- 7,872	- 6,020	- 2,023
* Free Cash Flow =Net Cash Provided by Operating Activities + Net Cash Used in Investing Activities			
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Net Cash Provided by Financing Activities	11,956	6,131	10,504

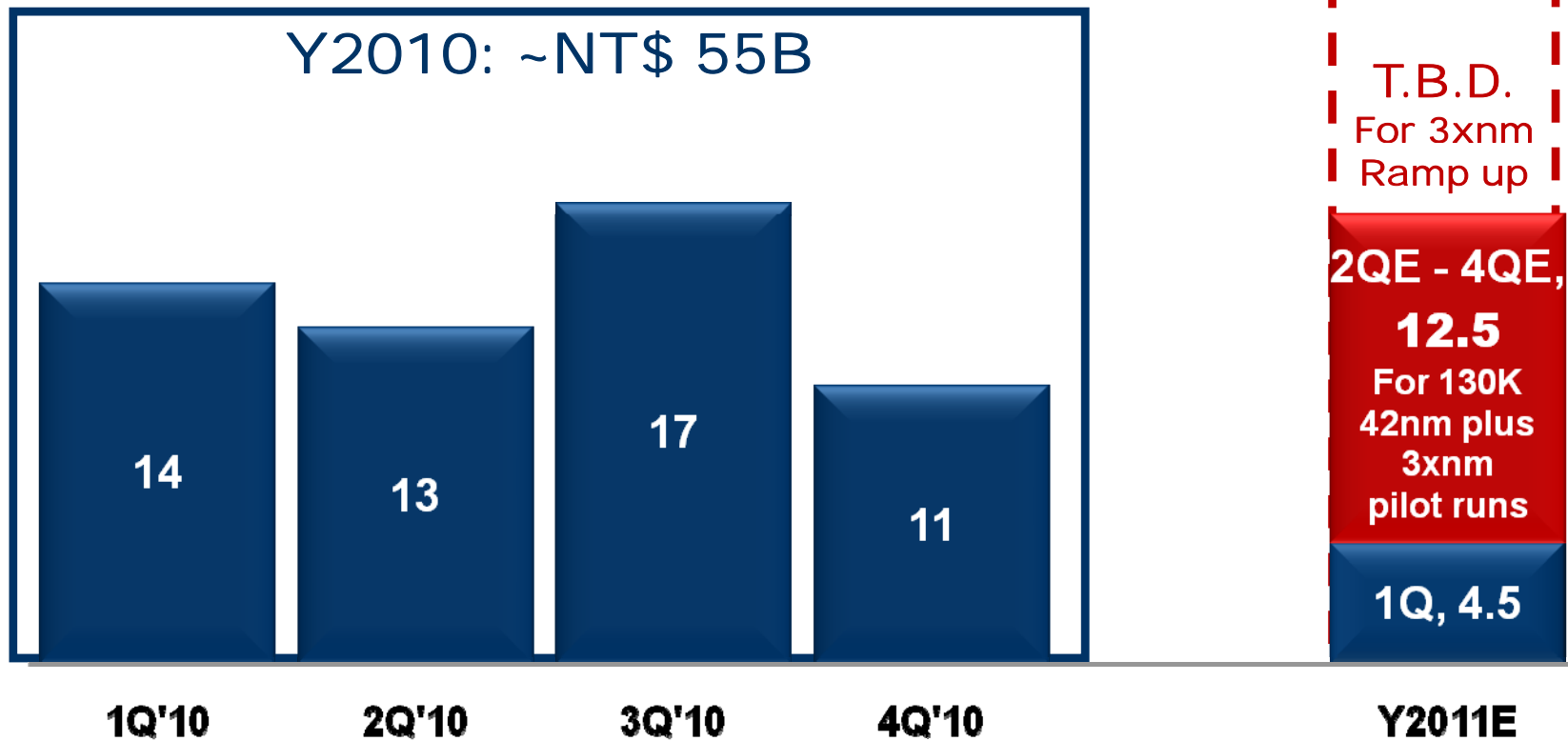
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Capital Expenditures



Y2011E Capex Guidance: ~NT\$17B

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



* Capital expenditures are reported on a book-entry basis

OPERATIONS & OUTLOOK



Quarterly Wafer Shipments

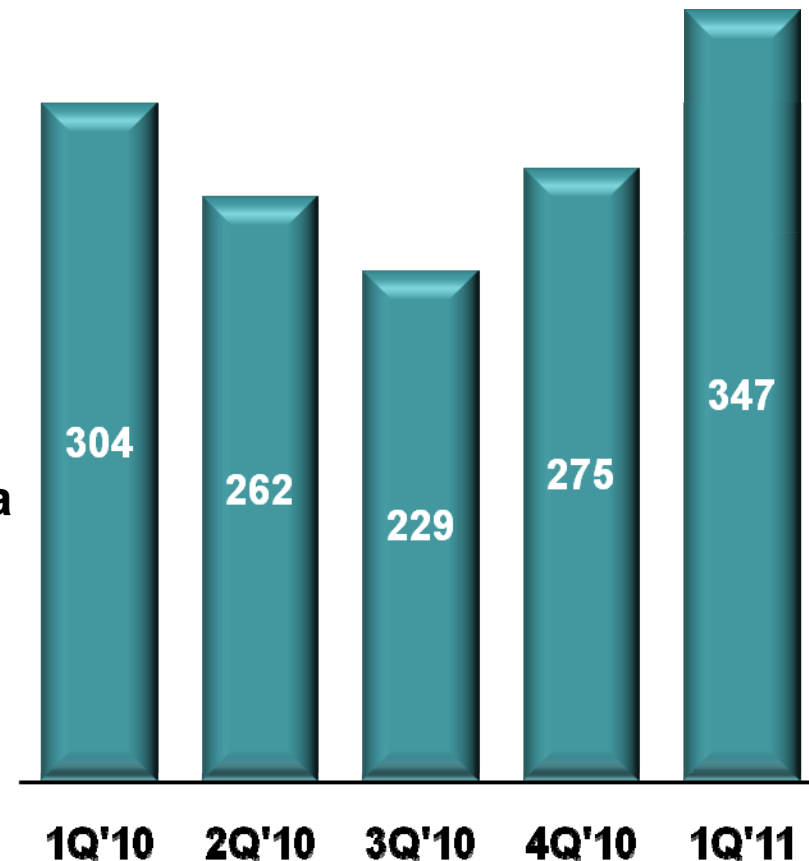


1Q'11 Highlights

- **Wafer shipments:**
347K wafers, up 26% QoQ
- **Average revenue per wafer**
down 13% QoQ on a Taiwan
Dollar basis, primarily due to a
continued decline in
customers' ASPs in 1Q'11

■ Wafer Shipments

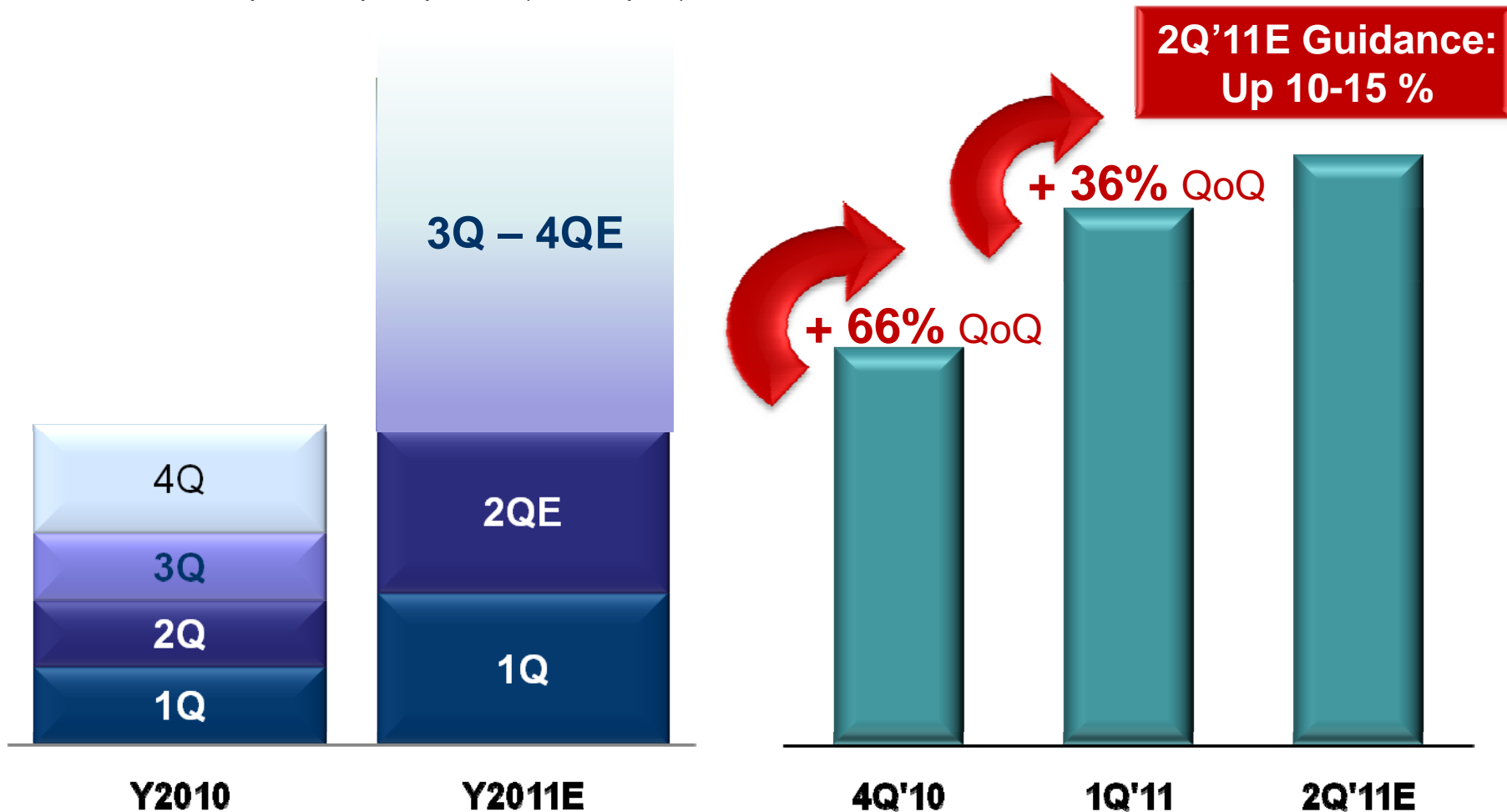
Unit: thousand 300mm wafers per quarter



Quarterly Bit Shipments



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



Operational Highlights



- ✓ **Achieved 42nm shipment qualification, and started production ramp as scheduled in March'11**
- ✓ **Achieved 50nm 2Gb low-power DDR mobile DRAM shipment qualification, and started production ramp as scheduled in Apr'11**
- ✓ **Started 50nm 2Gb low-power DDR2 mobile DRAM to pilot runs in Apr'11**

Outlook



- **3xnm pilot runs are on schedule to commence around mid-2011**
- **42nm full conversion on plan by end of 3Q'11**
 - **Except 50nm-corridor needed to fulfill specific customer demand for certain non-PC DRAM products**
- **Non-PC DRAM contributions are starting to increase**
 - **Target to reach up to 50% of total wafer output by end of 2011**

Japan Earthquake Impact



- **No impact expected on Inotera's production plan**
- **Possibility of supply chain disruptions within the broader electronics industry**
 - **Potentially affecting overall supply and/or demand of DRAM products**



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<http://ir.inotera.com>