



# **Inotera Memories, Inc.**

## **4Q.2010 Investor Conference**

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**24<sup>th</sup> January, 2011**



# AGENDA

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



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# HIGHLIGHTS



# Highlights

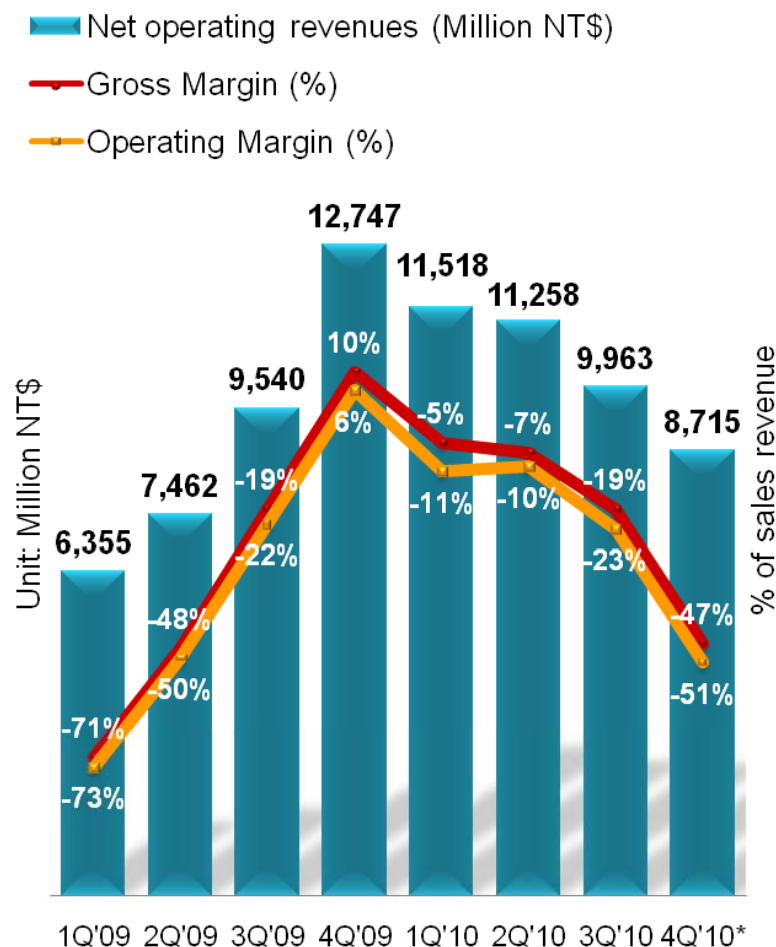


## 4Q'10\* Key Data

- Sales of NT\$ 8,715 million, down 13% QoQ
- Net loss of NT\$ 4,602 million; NT\$ - 1.01 per share
- 4Q'10 COGS include a charge of NT\$ 872 million for the write-down of work-in-process inventories
- EBITDA of NT\$ 4,043 million; EBITDA Margin of 46%

## Y2010\* Key Data

- Sales Revenue of NT\$ 41,454 million, up 15% YoY
- Net losses of NT\$ 10,594 million; NT\$ - 2.33 per share
- EBITDA of NT\$ 22,593 million; EBITDA Margin of 55%



\* 4Q'10 & Y2010 numbers are unaudited

# FINANCIAL REVIEW



# 4Q'10 Income Statement QoQ / YoY Comparison



	<u>4Q'10*</u>	<u>%</u>	<u>3Q'10</u>	<u>%</u>			<u>2010*</u>	<u>%</u>
					QoQ	YoY		
(Unit: Million NT\$, except for EPS in NT\$)								
<b>Net Operating Revenues</b>	<b>8,715</b>	<b>100%</b>	<b>9,963</b>	<b>100%</b>	<b>-13%</b>	<b>-32%</b>	<b>41,454</b>	<b>100%</b>
<b>Gross Profit (Loss) <i>Gross Margin (%)</i></b>	<sup>(2)</sup> <b>(4,114)</b>	<b>-47%</b>	<b>(1,920)</b>	<b>-19%</b>	<b>-114%</b>	<b>N/M</b>	<b>(7,353)</b>	<b>-18%</b>
<b>Operating Income (Loss) <i>Operating Margin (%)</i></b>	<b>(4,470)</b>	<b>-51%</b>	<b>(2,333)</b>	<b>-23%</b>	<b>-92%</b>	<b>N/M</b>	<b>(9,164)</b>	<b>-22%</b>
Non-operating Income (Expense)	(132)	-2%	(287)	-3%	54%	60%	(1,429)	-3%
<b>Income (Loss) before Income Tax</b>	<b>(4,602)</b>	<b>-53%</b>	<b>(2,621)</b>	<b>-26%</b>	<b>-76%</b>	<b>N/M</b>	<b>(10,594)</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>(4,602)</b>	<b>-53%</b>	<b>(2,621)</b>	<b>-26%</b>	<b>-76%</b>	<b>N/M</b>	<b>(10,594)</b>	<b>-26%</b>
<b>EPS (Loss)</b>	<b>(\$1.01)</b>		<b>(\$0.57)</b>		<b>-77%</b>	<b>N/M</b>	<b>(\$2.33)</b>	
<b>Weighted Average Outstanding Shares</b> (million shares)	4,556		4,533				4,556	

Note (1): A positive percentage value in the columns "QoQ" and "YoY" indicates improvement in 4Q'10, while a negative value indicates the opposite.

Note (2): 4Q'10 Cost of Goods Sold include a charge of NT\$ 872 million for the write-down of work-in-process inventories.

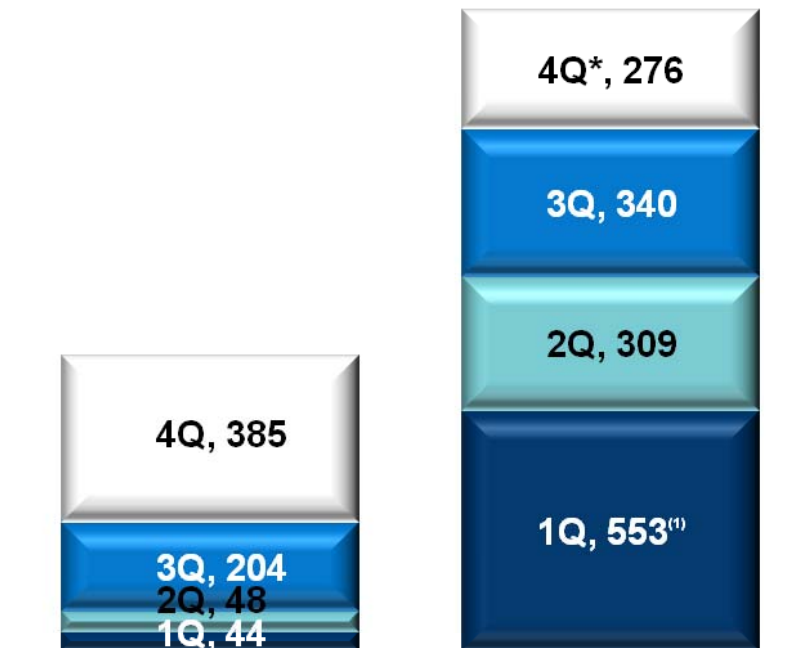
\* 4Q'10 & Y2010 numbers are unaudited

# Operating Expenses



## Research and Development Expenses

(Unit: Million NT\$)



Y2009

**NT\$ 681 million**

(1.9% of Sales Revenue)

Y2010

**NT\$ 1,478 million**

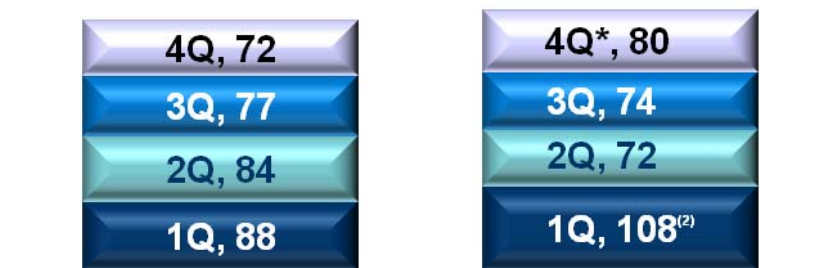
(3.6% of Sales Revenue)

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

*\* 4Q'10 & Y2010 numbers are unaudited*

## General and Administration Expenses

(Unit: Million NT\$)



Y2009

**NT\$ 320 million**

(0.9% of Sales Revenue)

Y2010

**N\$ 333 million**

(0.8% of Sales Revenue)

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

# Non-Operating Income / Exp.

(Unit: Million NT\$)

## Net Non-Operating Income (Expense)

therein

Exchange gain (loss)

Financial asset gain (loss)

Interest income (expense)

4Q'10\*

3Q'10

4Q'09

(132)

(287)

(326)

228

2

(46)

(2)

(24)

(20)

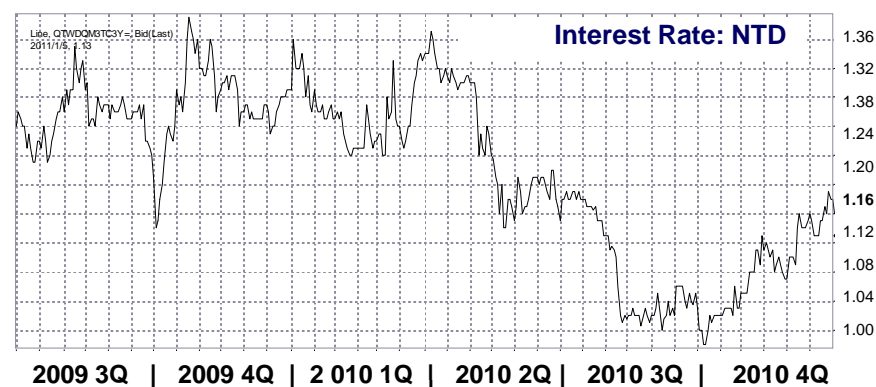
(348)

(305)

(353)



Source: Reuters



Source: Reuters

\* 4Q'10 & Y2010 numbers are unaudited

# Dec'10 Balance Sheet & Key Indices

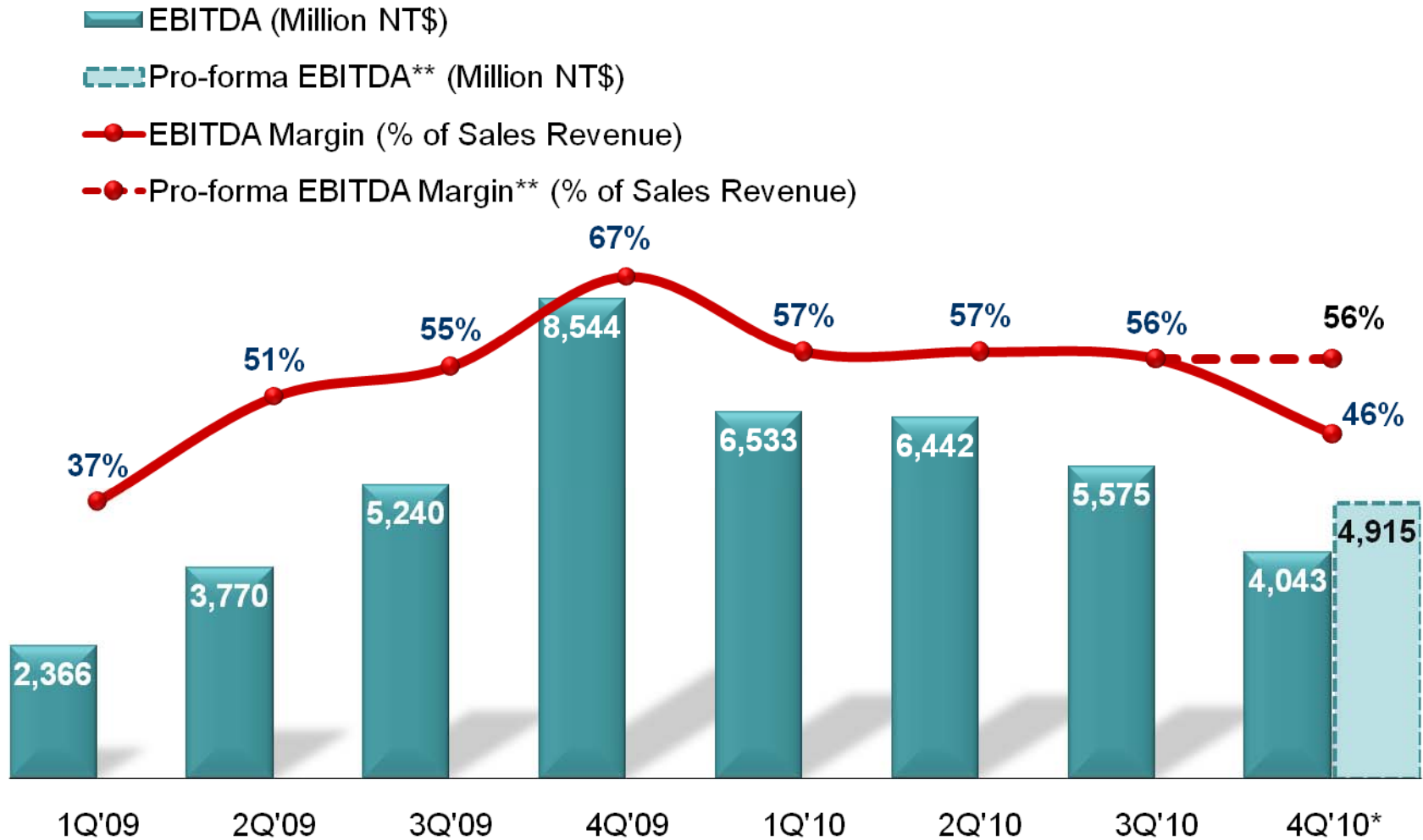


<b>Selected Items from Balance Sheet</b>	<b>Dec'10*</b>	<b>Sep'10</b>	<b>Dec'09</b>
(Unit: Million NT\$)			
Cash & Marketable Securities	5,204	5,182	5,376
Inventories	<sup>(1)</sup> 4,555	3,932	3,456
<b>Current Assets</b>	<b>18,260</b>	<b>18,380</b>	<b>18,917</b>
Net PP&E	121,264	118,822	97,685
<b>Total Assets</b>	<b>142,658</b>	<b>140,509</b>	<b>120,396</b>
Current portion of L / T Debt	15,070	16,806	15,230
<b>Current Liability</b>	<b>33,054</b>	<b>33,201</b>	<b>29,254</b>
L / T Debt	53,586	46,910	37,569
<b>Total Liabilities</b>	<b>89,325</b>	<b>82,838</b>	<b>71,568</b>
<b>Total Equity</b>	<b>53,333</b>	<b>57,671</b>	<b>48,828</b>
<b>Key Indices</b>			
Book Value per Share (NT\$)	11.5	12.5	12.3
Inventory Turnover Days (raw material & WIP only)	30	29	26
Current Ratio (times)	0.6	0.6	0.6
Debt-Equity Ratio (times)	1.7	1.4	1.5

\* 4Q'10 & Y2010 numbers are unaudited

Note (1): include a charge of NT\$ 872 million for the write-down of work-in-process inventories in 4Q'10

# Quarterly EBITDA



\* 4Q'10 & Y2010 numbers are unaudited \*\* On a pro-forma basis, EBITDA was adjusted for the non-cash LCM-charge of NT\$ 872 million in 4Q'10.

# Quarterly Cash Flow



(Unit: Million NT\$)

	4Q'10*	3Q'10	4Q'09
<b>Net Cash Provided by Operating Activities</b>	<b>4,084</b>	<b>3,952</b>	<b>5,501</b>
therein depreciation & amortization	8,297	7,891	7,715
<hr/>			
<b>Net Cash Used in Investing Activities</b>	<b>-10,100</b>	<b>-16,028</b>	<b>- 1,553</b>
<hr/>			
<b>Free Cash Flow *</b>	<b>- 6,016</b>	<b>- 12,077</b>	<b>3,949</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>6,127</b>	<b>10,071</b>	<b>-6,542</b>

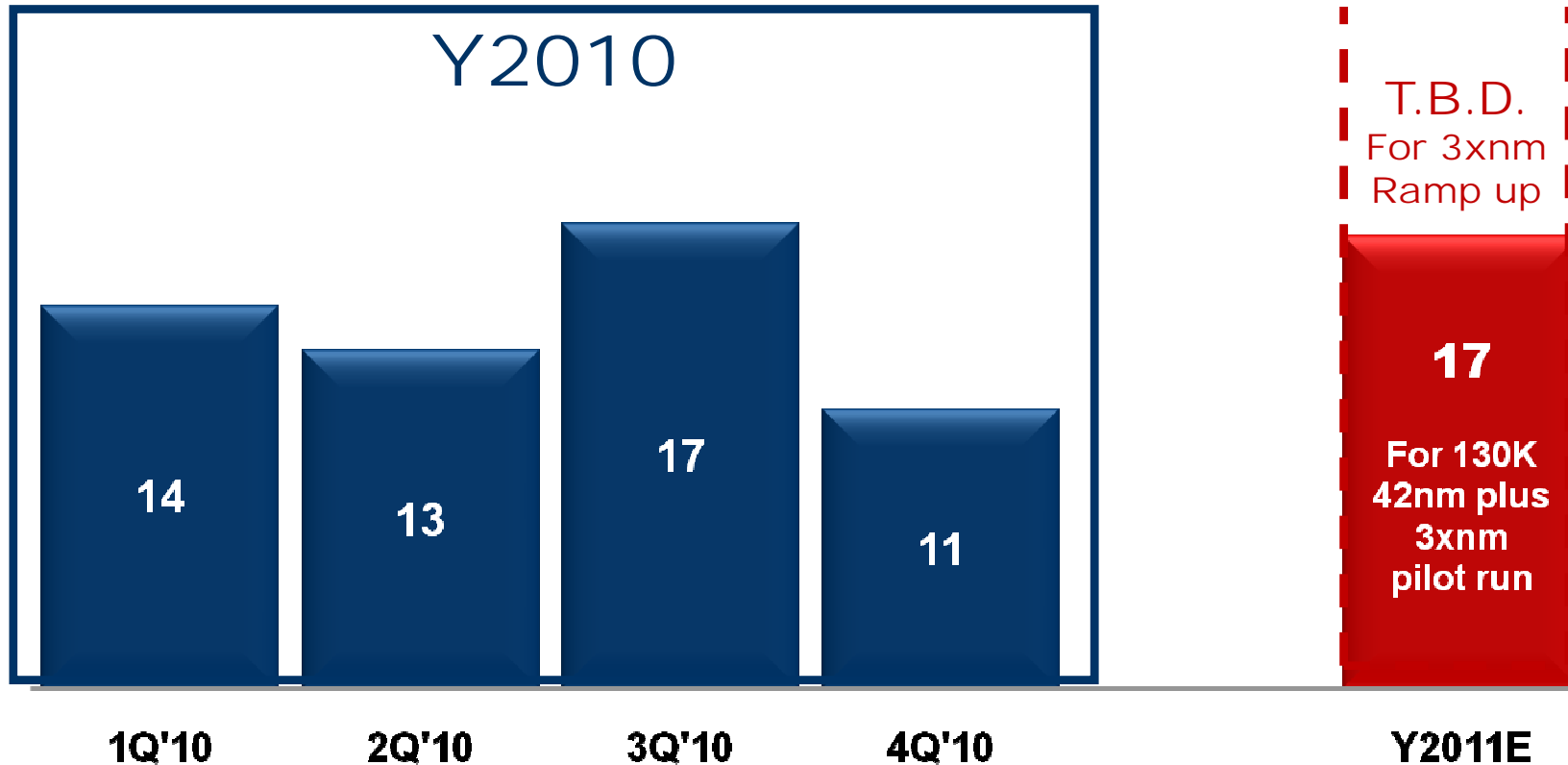
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# Capital Expenditures



Y2010 Capex Actual: ~NT\$55B & 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

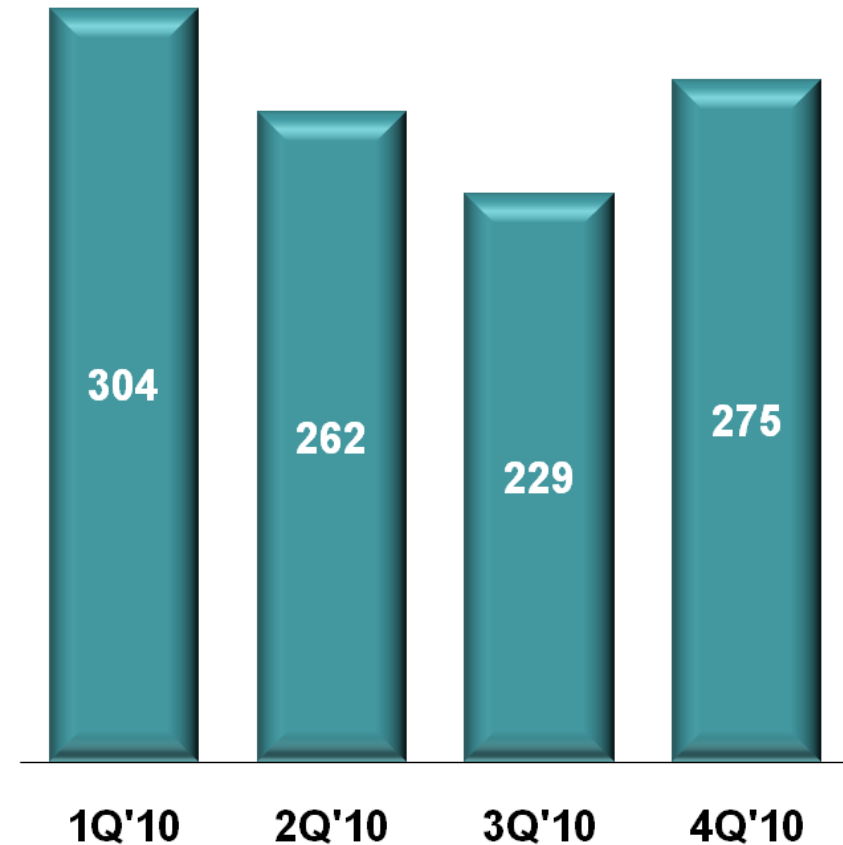


## 4Q'10 Highlights

- **Wafer shipments:**  
**275K wafers, up 20% QoQ**
- **Average revenue per wafer down 27% QoQ, primarily due to a drastic decline in customers' ASPs in 4Q'10; partially offset by a higher number of good dies per wafer**

### Regular Wafer Shipments

Unit: thousand 300mm wafers per quarter



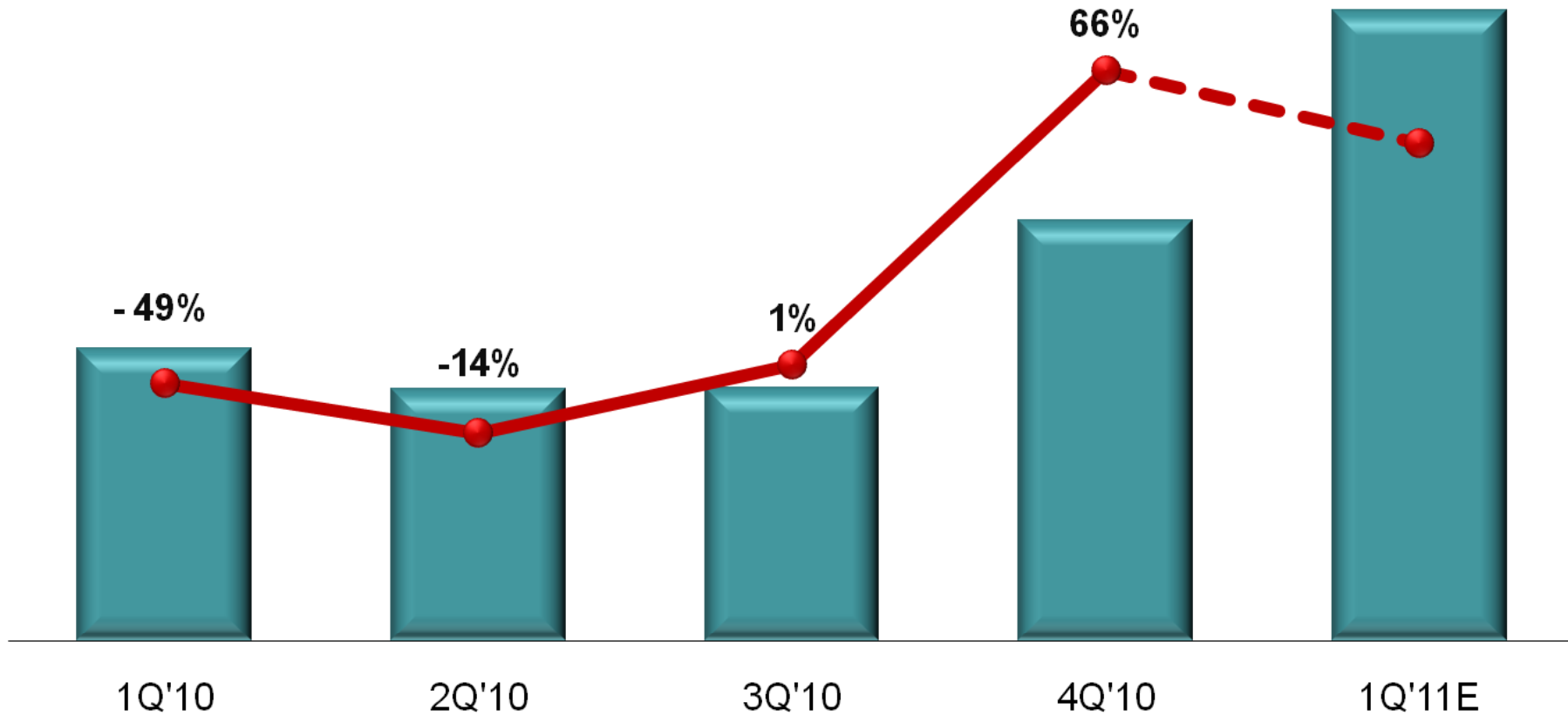
# Quarterly Bit Shipments



■ Bit Shipments (1Gb equiv.)

● QoQ Bit Growth (%)

**1Q'11E Guidance:  
40 - 50%**



# Operational Highlights



- **Annual bit shipments increased 31% YoY in Y2010**
- **Completed tool installation for 130K WSPM in 50nm stack technology**
- **Reached 130K wafer starts in 50nm technology in Dec'10**
- **Total of eleven immersion scanners were ordered for 130K wafer start capacity in 42nm, ten of which are in place already**
- **Pilot runs for 42nm technology and 50nm mobile DRAM products progressing very well**

# Outlook



- **42nm shipment qualification on schedule; plan to start volume ramp in 1Q'11**
- **Plan to fully convert the vast majority of wafer starts to 42nm by around mid-2011**
- **Aim to diversify into high-end products by enhancing non-PC DRAM share (incl. server & mobile) to about 50% by year-end**
- **Tap into mobile DRAM market with 50nm 2Gb DDR Mobile DRAM from 2Q'11**
- **3xnm pilot runs of 4Gb DDR3 DRAM are expected to commence around mid-2011**



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