

# Micron Technology Financial Conference Call

Second Quarter of Fiscal 2014

# Safe Harbor

The following materials contain projections or other forward-looking statements regarding future events or the future financial performance of Micron and our industry. We wish to caution you that such statements are predictions and that actual events or results may differ materially. We refer you to the documents we file on a consolidated basis from time to time with the Securities and Exchange Commission, specifically our most recent Form 10-K and Form 10-Q. These documents contain and identify important factors that could cause our actual results on a consolidated basis to differ materially from those contained in our projections or forward-looking statements. These certain factors can be found at <http://investors.micron.com/riskFactors.cfm>. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of the presentation to conform these statements to actual results.

# Materials Presented

## Summary Key Data (page 5)

- FQ2-14 Operational & Financial Information
- Guidance

## FQ2-14 Quarterly Results (page 7)

## Non-GAAP Information with Reconciliation (pages 9-10)

## Additional Slides used in Quarterly Conference Call (pages 12-15)

## Convertible Debt and Capped Call Dilution Table (page 17)

# Summary Key Data

Product Categories	Approximate % of Revenue
NAND / Trade NAND*	Trade 25%, Total 28%
DRAM	68%
NOR	3%
Other	1%

Bit Growth	FQ2-14 Sales Actual	FQ3-14 Production Estimate
Trade NAND	35%	down high single digits
DRAM	0%	down low single digits

ASP	FQ2-14 Actual	FQ3-14 Quarter to Date Estimate*
Trade NAND	-18%	down low single digits
DRAM	-1%	down low single digits

\*Estimated Quarter to Date ASP includes the forecasted product mix for the quarter

Cost / Bit	FQ2-14 Actual	FQ3-14 Estimate
Trade NAND	-12%	flat
DRAM	-8%	down low single digits

P&L and Cash Flow	FQ2-14 Actual	FQ3-14 Estimate
R&D	\$344M	\$345-\$355
SG&A	\$177M	\$170-180
Net Interest Expense	\$77M	\$70-\$80
Income Tax (Provision) Benefit	(\$63M)	(\$75-\$85)
Income/(Loss) on Equity Investments	\$134M	Primarily 35% of Inotera NI on a 2 month lag
Equity Comp Expense	\$27M	\$30-\$35
Diluted Shares	1,201M	~1,190M based on \$24 share price. Refer to the Convertible Notes Dilution Overview provided in our Earnings Data File
Operating Cashflow	\$1,390M	NA
Cap Ex (Capital Cashflow)	\$565M	FY14 \$2.6-\$3.2B
D&A	\$561M	FY14 ~\$2.3B

Consolidated Statements of Operations - Non-GAAP Disclosures	FQ2-14	FQ3-14 Estimate
GAAP net income attributable to Micron	\$731	
Non-GAAP adjustments:		
Rambus settlement	--	--
Flow through of Elpida inventory step up	\$42	--
Loss on restructure of debt	\$80	~\$8
Restructure and asset impairments	\$12	--
Amortization of debt discount and other costs	\$44	~\$40
(Gain) loss from changes in currency exchange rates	\$14	--
Estimated tax effects of above items	(\$22)	~(\$5)-(\$10)
Non-cash taxes from Elpida purchase accounting	\$55	~\$60-\$70
Total non-GAAP adjustments	\$258	
Non-GAAP net income attributable to Micron	\$989	
GAAP shares used in diluted EPS calculations	1,201	
Anti-dilutive effect of capped calls (a)	(42)	
Non-GAAP shares used in diluted EPS calculations	1,159	
GAAP diluted earnings per share	\$0.61	
Effects of above	\$0.24	
Non-GAAP diluted earnings per share	\$0.85	

\*Trade NAND excludes sales to Intel, which are at long-term negotiated prices approximating cost  
(a) The anti-dilutive effect of the capped calls is based on the average share price for the quarter.

# Q2-14 Quarterly Results

# Financial Results Summary

Amounts in millions, except per share	FQ2-14	% of Sales	FQ1-14	% of Sales
Net sales	\$4,107	100%	\$4,042	100%
Gross margin	1,403	34%	1,281	32%
Operating income	869	21%	551	14%
Adjustment to gain on acquisition of Elpida	(33)		--	
Equity in net income of equity method investees	134		86	
Other non-operating income (expense)	(122)	-3%	(80)	-2%
Net income attributable to Micron shareholders	\$731	18%	\$358	9%
Diluted earnings per share	\$0.61		\$0.30	
Shares in diluted EPS calculations	1,201		1,196	

# Non-GAAP Information with Reconciliation



# Consolidated Statements of Operations

## Non-GAAP Disclosures

Amounts in millions, except per share amounts	FQ2-14	FQ1-14
GAAP net income attributable to Micron	\$ 731	\$ 358
Non-GAAP adjustments:		
Flow-through of Elpida inventory step up	42	111
Rambus settlement	--	233
Restructure and asset impairments	12	(3)
Amortization of debt discount and other costs	44	50
Loss on restructure of debt	80	92
Adjustment to gain on acquisition of Elpida	33	--
(Gain) loss from changes in currency exchange rates	14	6
Estimated tax effects of above items	(22)	(39)
Non-cash taxes from Elpida purchase accounting	55	73
Total non-GAAP adjustments	258	523
Non-GAAP net income attributable to Micron	<u>\$ 989</u>	<u>\$ 881</u>
GAAP shares used in diluted EPS calculations	1,201	1,196
Anti-dilutive effect of capped calls <sup>(a)</sup>	(42)	(54)
Non-GAAP shares used in diluted EPS calculations	<u>1,159</u>	<u>1,142</u>
GAAP diluted earnings per share	\$ 0.61	\$ 0.30
Effects of above	0.24	0.47
Non-GAAP diluted earnings per share	<u>\$ 0.85</u>	<u>\$ 0.77</u>
(a) The anti-dilutive effect of the capped calls is based on the average share price for the quarter.		

# Consolidated Statements of Operations

## Non-GAAP Disclosures – FQ2-14 Actual and FQ3-14 Estimates

Amounts in millions, except per share amounts	FQ2-14	FQ3-14
GAAP net income attributable to Micron	\$ 731	
Non-GAAP adjustments:		
Flow-through of Elpida inventory step up	42	--
Rambus settlement	--	--
Restructure and asset impairments	12	--
Amortization of debt discount and other costs	44	~\$40
Loss on restructure of debt	80	~\$8
Adjustment to gain on acquisition of Elpida	33	--
(Gain) loss from changes in currency exchange rates	14	--
Estimated tax effects of above items	(22)	~ \$(5)-(10)
Non-cash taxes from Elpida purchase accounting	55	~ \$60-\$70
Total non-GAAP adjustments	258	
Non-GAAP net income attributable to Micron	<u>\$ 989</u>	
GAAP shares used in diluted EPS calculations	1,201	
Anti-dilutive effect of capped calls <sup>(a)</sup>	(42)	
Non-GAAP shares used in diluted EPS calculations	<u>1,159</u>	
GAAP diluted earnings per share	\$ 0.61	
Effects of above	0.24	
Non-GAAP diluted earnings per share	<u>\$ 0.85</u>	
(a) The anti-dilutive effect of the capped calls is based on the average share price for the quarter.		

# Additional Slides used in Quarterly Conference Call

# Bit Growth, ASP and Cost/Bit

FQ2-14 Actual and FQ3-14 Estimates

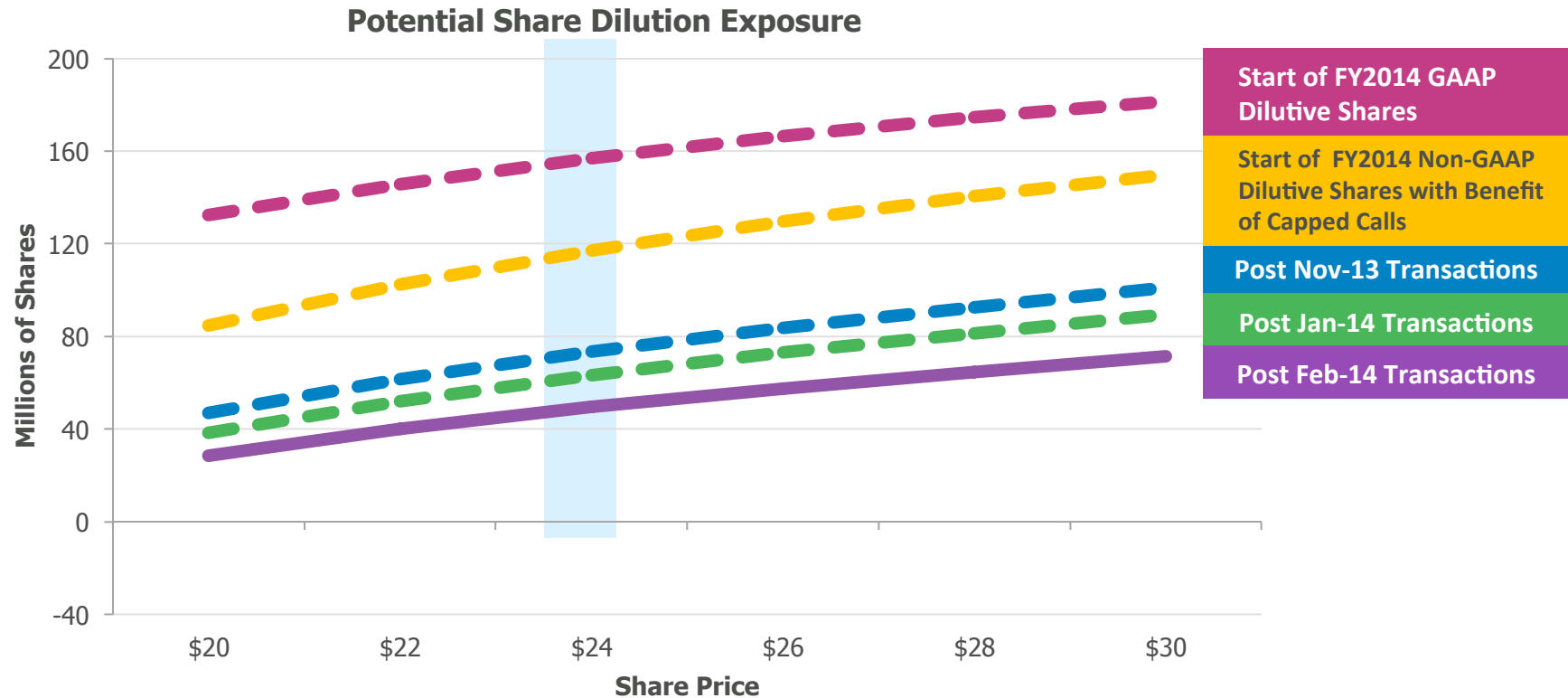
Bit Growth*	FQ2-14 Actual (Sales)	FQ3-14 Estimate (Production)
Total DRAM	0%	Down low single digits
Trade NAND*	35%	Down high single digits
* Includes purchases from third parties.		
ASP	FQ2-14 Actual	FQ3-14 QTD**
Total DRAM	-1%	Down low single digits
Trade NAND*	-18%	Down low single digits
* Trade NAND excludes the portion of sales to Intel which are at long term negotiated prices approximating cost.		
** QTD includes both the impact of market price trends and changes in product mix.		
Cost/Bit	FQ2-14 Actual	FQ3-14 Estimate
Total DRAM	-8%	Down low single digits
Trade NAND*	-12%	Flat
* Trade NAND excludes the portion of sales to Intel which are at long term negotiated prices approximating cost.		

# P&L and Cash Flow

## FQ2-14 Actual and FQ3-14 Estimates

P&L and Cash Flow	FQ2-14 Actual	FQ3-14 Estimate
SG&A	\$177M	\$170M – \$180M
R&D	\$344M	\$345M – \$355M
Net interest expense*	\$77M	\$70M – \$80M
Stock-based compensation	\$27M	\$30M – \$35M
CapEx	\$565M	FY-14: \$2.6B – \$3.2B
D&A	\$561M	FY-14: Approx. \$2.3B
* Includes imputed interest expense on convertible notes and Elpida's installment debt.		

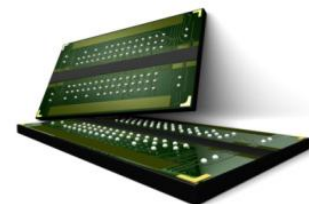
# Summary Impact from Recent Convertible Debt Transactions



- Nov-13 Transactions: Exchanged portion of 2027, 2031 A and 2031 B notes. Terminated conversion rights of remaining 2027 notes and settled with ~\$179M of cash. Redeemed remaining Series A notes for ~\$440M of cash.
- Jan-14 Transactions: Repurchased portion of B, C and D notes for ~\$400M of cash .
- Jan-14 Transactions: Called for redemption the remaining 2014 notes.

# Business Unit Financial Summary

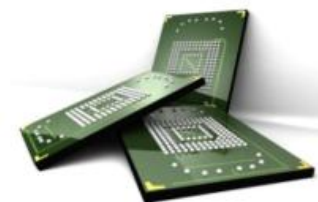
<b>DSG</b> Dollars in Millions	<b>FQ2 -14</b>	<b>FQ1-14</b>
Sales	<b>\$1,888</b>	<b>\$1,785</b>
Operating income (loss)	<b>\$520</b>	<b>\$432</b>
Operating income %	27.5%	24.2%



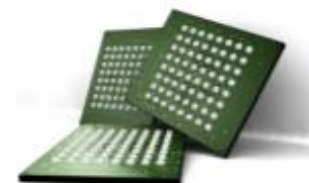
<b>WSG</b> Dollars in Millions	<b>FQ2-14</b>	<b>FQ1-14</b>
Sales	<b>\$910</b>	<b>\$1,054</b>
Operating income (loss)	<b>\$185</b>	<b>\$176</b>
Operating income %	20.3%	16.7%



<b>NSG</b> Dollars in Millions	<b>FQ2-14</b>	<b>FQ1-14</b>
Sales	<b>\$902</b>	<b>\$806</b>
Operating income (loss)	<b>\$77</b>	<b>\$95</b>
Operating income %	8.5%	11.8%



<b>ESG</b> Dollars in Millions	<b>FQ2-14</b>	<b>FQ1-14</b>
Sales	<b>\$365</b>	<b>\$366</b>
Operating income (loss)	<b>\$59</b>	<b>\$66</b>
Operating income %	16.2%	18.0%



# Convertible Debt and Capped Call Dilution Table



# Convertible Notes Dilution Overview

Convertible Note	Dilutive Shares in M (Rounded)							
	\$18	\$20	\$22	\$24	\$26	\$28	\$30	\$32
2031 B Notes	6	6	7	7	8	8	8	8
2032 C Notes	22	24	26	28	29	31	32	33
2032 D Notes	18	21	23	24	25	27	28	28
2033 E Notes	11	12	14	15	16	17	17	18
2033 F Notes	11	12	14	15	16	17	17	18
2043 G Notes							1	3
<b>Total dilutive shares</b>	<b>68</b>	<b>75</b>	<b>84</b>	<b>89</b>	<b>94</b>	<b>100</b>	<b>103</b>	<b>108</b>
<b>Benefit from capped calls*</b>	<b>-53</b>	<b>-48</b>	<b>-43</b>	<b>-40</b>	<b>-37</b>	<b>-34</b>	<b>-32</b>	<b>-30</b>
<b>Net dilution</b>	<b>15</b>	<b>27</b>	<b>41</b>	<b>49</b>	<b>57</b>	<b>66</b>	<b>71</b>	<b>78</b>

Note: Assumes extinguishment of 2014 notes, which will be completed in FQ3-14.

\*The effect from capped calls is excluded from the Company's calculation of basic and diluted earnings per share and reflects the share effect of capped calls at the indicated average stock price.

