



November 7, 2013

Micron Technology Convertible Debt Transaction Q&A

November 6, 2013

What did the company announce today?

- o We announced the following actions with respect to certain of our convertible notes:
 - o We entered into separate privately negotiated exchange transactions with certain holders of our convertible notes pursuant to which we will exchange \$80 million of our 1.875% Convertible Senior Notes due 2027 (the "2027 Notes"), \$155 million of our 1.50% Convertible Senior Notes due 2031 (the "2031A Notes") and \$205 million of our 1.875% Convertible Senior Notes due 2031 (the "2031B Notes") for \$1,025 million in aggregate principal amount at maturity of our 3.00% Convertible Senior Notes due 2043 (the "New Notes").
 - o We elected to terminate the conversion rights of holders of the 2027 Notes effective as of December 13, 2013 and to settle entirely in cash any conversions of the 2027 Notes that occur prior to the conversion right termination date.
 - o We elected to redeem the 2031A Notes on December 7, 2013 and we currently intend to settle any conversions of the 2031A Notes entirely in cash, although under the applicable indenture we may elect to settle conversion values in excess of the principal amount of the notes with our shares, cash or a combination of both.
- o We expect that all the 2027 Notes and 2031A Notes that remain outstanding after the exchange transactions will be converted prior to the expiration of their conversion rights because the effective conversion prices of the 2027 Notes and 2031A Notes are \$10.90 and \$9.50, respectively, representing a substantial discount to the current market price of our common stock.

What are the resulting benefits of these transactions?

- o We expect these transactions to reduce fully diluted share count by approximately 34 million shares assuming an \$18 stock price.
- o The exchange transactions reduce our share dilution exposure by exchanging certain of our existing notes that have low in-the-money conversion prices with new notes that have a much higher conversion price. The New Notes will not contribute to share dilution until the stock price exceeds \$29.16.
- o The transactions add financial flexibility by extending maturities and providing features allowing the redemption of the New Notes at any time based on certain stock price thresholds relative to the conversion price applicable to the New Notes, redemption rights at any time after year 5 and a put option by investors at year 15.
- o The transactions will result in extinguishment of the debt obligations of the remaining 2027 and 2031A notes, as well as approximately 59 percent of the 2031B Notes.

- **What was the strategy behind these transactions?**
 - o From a capital structure stand-point, we have been focused on our overall leverage, debt-to-capital ratios, debt amortization and dilution associated with our convertible notes. The announced convertible debt transactions will significantly reduce the current and future potential dilutive effect of our convertible notes as well as push out debt maturities, while keeping leverage and debt-to-capital ratios essentially flat compared to pre-transaction levels.
 - o At the completion of the transactions, we expect to eliminate approximately 34 million shares or approximately 3 percent from our current dilutive share count. In addition, our New Notes push out our debt maturities and further reduce our share dilution exposure until the stock price exceeds \$29.16.

- **What is the accounting impact from these transactions?**
 - o We expect to recognize a non-cash charge in the first quarter of fiscal 2014 of approximately \$50 million associated with the exchange of the notes. We also expect to recognize an additional loss of approximately \$60 million, substantially all of which would be recognized in the second quarter of fiscal 2014, associated with the anticipated conversions of the 2027 and 2031A Notes.
 - o We may also record a gain or loss associated with the mark-to-market accounting for changes in the share price until the anticipated conversions are completed.

- **Why did you do this in private transactions?**
 - o These notes were all held in large amounts by large institutions, which permitted us to privately negotiate terms that were favorable to Micron.

- **Why are you using cash (as opposed to stock) to extinguish the remainder not exchanged, which is well in the money?**
 - o We believed that the use of our cash to extinguish these notes, even at well in-the-money prices, is an efficient way both to reduce debt and to retire shares that would be otherwise issued at the \$10.90 or \$9.50 conversion price.

- **Why don't you exercise your capped calls?**
 - o The capped calls have a significant time value discount and we would rather wait and capture the full value of those contracts as we near maturity.

- **Can you update the dilution and other impacts from your convertible notes before and after these transactions assuming an \$18 stock price?**
 - o Pre-Transactions – 116 million dilutive shares
 - o Impact from Transactions – 34 million share dilution reduction
 - o Post-Transactions – 82 million dilutive shares (~29% reduction)
 - o Economic Benefit of Existing Capped Calls – 53 million dilutive share reduction
 - o Post-Transactions Economic Impact of Convertible Notes, Net of Existing Capped Calls – 29 million dilutive shares (~54 percent reduction)

- o For further details, please see the attached Exhibit 1.

· **Why is the interest rate higher than certain convertible notes we have seen recently and why exchange lower interest rate convertible notes? Are you considering purchasing capped calls associated with the issuance of the New Notes?**

- o By exchanging the lower interest convertible notes for the New Notes, we were able to eliminate share dilution until the stock price exceeds \$29.16, extend our debt maturities and add flexibility to redeem the New Notes prior to maturity.
- o This issue discount together with the cash coupon of 3.00% results in an effective annual yield to investors on the New Notes that starts out at approximately 4.5% (and declines slightly over time), however, the structure of the New Notes enables a much higher effective conversion price over time, as compared to a standard lower coupon convertible note.
- o We do not anticipate purchasing capped calls associated with the issuance of the New Notes. The benefit of a higher conversion price is embedded in the terms of the New Notes.

· **Have you considered simply buying your convertible notes?**

- o We have purchased convertible notes in privately negotiated transactions previously, but are limited by our open market windows as well as other legal considerations.
- o By doing private exchanges, we were able to expediently execute the transactions and take advantage of market conditions.
- o We believe the announced actions accomplish our goals by significantly reducing the share dilution associated with our convertible notes while providing us with additional financial flexibility.
- o Dilution associated with our convertible notes is expected to be reduced by approximately 29 percent and the economic dilution from our convertible notes, taking into consideration the effect from existing capped calls, is expected to be reduced by approximately 54 percent assuming an \$18 stock price.

· **Given the amount of free cash flow you are generating, what drove the amount of cash used and why not just use cash to reduce the convertible notes?**

- o We expect to use approximately \$525 million in cash assuming an \$18 stock price to settle conversions of a portion of the 2027 Notes and 2031A Notes as a result of our announced actions.
- o The announced transactions are a significant step by us to reduce the overall share dilution from our convertible notes. We will effectively reduce our dilution by approximately 34 million shares. For further details, please see the attached Exhibit 1.
- o In addition, the exchange transactions provide us with additional financial flexibility to potentially reduce future share dilution. The biggest component of our future share dilution is attributable to our other convertible notes which have conversion prices much lower than the New Notes.

· **Are you planning any other similar transactions?**

- o From a capital structure stand-point, we have been focused on our overall leverage, debt-to-capital ratios, debt amortization and the dilution associated with our convertible notes.
- o We are always evaluating ways to strengthen our balance sheet and reduce shareholder dilution.

Why did you issue this type of convertible note?

- o With the New Notes, we are providing a slightly higher coupon and overall yield to effectively embed the benefits of a capped call, namely a higher conversion price, without having the potential for timing mismatches between the maturity of the capped call and the retirement of the notes.
- o Also, while capped calls economically reduce potential dilution, from an earnings per share perspective, they do not reduce the fully diluted share count until maturity or settlement of the capped calls in shares.
- o The New Notes also provide us with additional flexibility not typical in a standard convertible. We may redeem the New Notes any time after year five, and we may redeem the New Notes at any time prior to year five if our common stock price hits certain thresholds relative to the conversion price applicable to the New Notes. The New Notes are puttable in year 15 at the option of the holders at their accreted principal amount.
- o Finally, the settlement of both convertible notes and capped calls are generally dependent on the stock price during a limited time period and do not necessarily provide the financial flexibility to retire the notes and capped calls early without losing significant value.

EXHIBIT 1

Convertible Notes Dilution Overview (Pre-Transactions*)

Dilutive Shares in Millions		Average Stock Price									
Convertible Note	Face \$	\$12	\$14	\$16	\$18	\$20	\$22	\$24	\$26	\$28	\$30
2014 Notes	\$485M	0	0	4	7	10	12	14	15	17	18
2027 Notes	\$175M	1	4	5	6	7	8	9	9	10	10
2031 A Notes	\$345M	8	12	15	17	19	21	22	23	24	25
2031 B Notes	\$345M	8	12	15	17	19	21	22	23	24	25
2032 C Notes	\$550M	11	18	23	27	30	32	34	36	37	39
2032 D Notes	\$450M	8	13	17	20	23	25	26	28	29	30
2033 E Notes	\$300M	2	6	9	11	12	14	15	16	17	17
2033 F Notes	\$300M	2	6	9	11	12	14	15	16	17	17
Total dilutive shares		40	70	95	116	132	146	157	166	175	182
Effect from capped calls**		(36)	(56)	(60)	(53)	(48)	(43)	(40)	(37)	(34)	(32)

*Before giving effect to the exchange and extinguishment of the 2027 Notes and 2031A Notes and exchange of 59.4% of the 2031B Notes.

** 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.

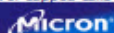
Convertible Notes Dilution Overview

(Post-Transactions*)

Dilutive Shares in Millions		Average Stock Price									
Convertible Note	Face \$	\$12	\$14	\$16	\$18	\$20	\$22	\$24	\$26	\$28	\$30
Net effect of transactions:											
2027 Notes	\$175M	(1)	(4)	(5)	(6)	(7)	(8)	(9)	(9)	(10)	(10)
2031 A Notes	\$345M	(8)	(12)	(15)	(17)	(19)	(21)	(22)	(23)	(24)	(25)
2031 B Notes	\$205M	(5)	(7)	(9)	(10)	(11)	(12)	(13)	(14)	(14)	(15)
New Notes	\$1,025M										1
		(14)	(22)	(29)	(34)	(38)	(41)	(44)	(46)	(48)	(49)
After transactions:											
2014 Notes	\$485M	0	0	4	7	10	12	14	15	17	18
2031 B Notes	\$140M	3	5	6	7	8	8	9	9	10	10
2032 C Notes	\$550M	11	18	23	27	30	32	34	36	37	39
2032 D Notes	\$450M	8	13	17	20	23	25	26	28	29	30
2033 E Notes	\$300M	2	6	9	11	12	14	15	16	17	17
2033 F Notes	\$300M	2	6	9	11	12	14	15	16	17	17
New Notes	\$1,025M										1
Total dilutive shares		27	48	67	82	95	105	113	120	126	133
Effect from capped calls**											
		(36)	(56)	(60)	(53)	(48)	(43)	(40)	(37)	(34)	(32)

*After giving effect to the exchange and extinguishment of the 2027 Notes and 2031A Notes and exchange of 59.4% of the 2031B Notes which are assumed to have been completed on November 6, 2013.

** 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.



November 7, 2013

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This document contains forward-looking statements regarding the amount of the charge to be recorded and the change to diluted shares. Actual events or results may differ materially from those contained in the forward-looking statements. Please refer to the documents Micron files on a consolidated basis from time to time with the Securities and Exchange Commission, specifically Micron's most recent Form 10-K and Form 10-Q. These documents contain and identify important factors that could cause the actual results for Micron on a consolidated basis to differ materially from those contained in our forward-looking statements (see Certain Factors). Although the company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements.