

# Micron Technology

## Financial Conference Call

### Third Quarter of Fiscal 2014

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# Safe Harbor

During the course of this meeting, we may make projections or other forward-looking statements regarding future events or the future financial performance of the Company and the 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 the Company files on a consolidated basis from time to time with Securities and Exchange Commission, specifically the Company's most recent Form 10-K and Form 10-Q. These documents contain and identify important factors that could cause the actual results for the Company 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://www.micron.com/certainfactors>. 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)

- FQ3-14 Operational & Financial Information
- Guidance

## FQ3-14 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

## FQ3-14 Operational &amp; Financial Data and Guidance

Product Categories	Approximate % of Revenue
DRAM	69%
NAND / Trade NAND*	Trade 25%, Total 28%
NOR	3%
Other	0%

Bit Growth	FQ3-14 Sales Actual	FQ4-14 Production Estimate
DRAM	0%	up low single digits
Trade NAND	-6%	up low to mid teens

ASP	FQ3-14 Actual	FQ4-14 Quarter to Date Estimate*
DRAM	-2%	flat
Trade NAND	0%	down low to mid single digits

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

Cost / Bit	FQ3-14 Actual	FQ4-14 Estimate
DRAM	-3%	down low single digits
Trade NAND	0%	flat

P&L and Cash Flow	FQ3-14 Actual (million)	FQ4-14 Estimate (millions)
Revenue	\$3,982	\$4,000-\$4,200
R&D	\$349	\$355-\$365
SG&A	\$174	\$175-\$185
Net Interest Expense	\$75	\$70-\$80
Income Tax (Provision) Benefit	(\$72)	(\$85)-(\$95)
Income/(Loss) on Equity Investments	\$135	Primarily ~33% of Inotera NI on a 2 month lag
Equity Comp Expense	\$32	\$30-\$35
Diluted Shares	1,190	~1,210 Based on \$32 share price. Refer to the Convertible Notes Dilution Overview provided in our Earnings Data File.
Operating Cash flow	\$1,455	NA
Cap Ex (Capital Cash flow)	\$576	>\$1,000, FY14 \$2,800-\$3,200
D&A	\$578	\$590-\$600

Consolidated Statements of Operations - Non-GAAP Disclosures	FQ3-14 (millions except per share data)	FQ4-14 Estimate (millions)
GAAP net income attributable to Micron	\$806	
Non-GAAP adjustments:		
Restructure and asset impairment	\$9	\$15-\$25
Loss on restructure of debt	\$16	NA
Amortization of debt discount and other costs	\$36	~\$40
(Gain) loss from changes in currency exchange rates	\$5	NA
(Gain) on Inotera Issuance of shares	--	~(\$90)
(Gain) on sale of equity interest in Aptina	--	~(\$100)
Estimated tax effects of above items	(\$8)	~(\$5)-(\$10)
Non-cash taxes from Elpida purchase accounting	\$49	\$65-\$75
Total non-GAAP adjustments	\$107	
Non-GAAP net income attributable to Micron	\$913	
GAAP shares used in diluted EPS calculations	1,190	
Anti-dilutive effect of capped calls (a)	(38)	
Non-GAAP shares used in diluted EPS calculations	1,152	
GAAP diluted earnings per share	\$.68	
Effects of above	\$.11	
Non-GAAP diluted earnings per share	\$.79	

\*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.

# FQ3-14 Quarterly Results

# Financial Results Summary

Amounts in millions, except per share	FQ3-14	% of Sales	FQ2-14	% of Sales
Net sales	\$ 3,982	100%	\$ 4,107	100%
Gross margin	1,368	34%	1,403	34%
Operating income	839	21%	869	21%
Adjustment to gain on acquisition of Elpida	--		(33)	
Equity in net income of equity method investees	135		134	
Other non-operating income (expense)	(21)	-1%	(122)	-3%
Net income attributable to Micron shareholders	\$ 806	20%	\$ 731	18%
Diluted earnings per share	\$ 0.68		\$ 0.61	
Shares in diluted EPS calculations	1,190		1,201	

# Non-GAAP Information with Reconciliation



# Consolidated Statements of Operations

## Non-GAAP Disclosures

Amounts in millions, except per share amounts	FQ3-14	FQ2-14
GAAP net income attributable to Micron	\$ 806	\$ 731
Non-GAAP adjustments:		
Flow-through of Elpida inventory step up	--	42
Restructure and asset impairments	9	12
Amortization of debt discount and other costs	36	44
Loss on restructure of debt	16	80
Adjustment to gain on acquisition of Elpida	--	33
(Gain) loss from changes in currency exchange rates	5	14
Estimated tax effects of above items	(8)	(22)
Non-cash taxes from Elpida purchase accounting	49	55
Total non-GAAP adjustments	<u>107</u>	<u>258</u>
Non-GAAP net income attributable to Micron	<u>\$ 913</u>	<u>\$ 989</u>
GAAP shares used in diluted EPS calculations	1,190	1,201
Anti-dilutive effect of capped calls <sup>(a)</sup>	<u>(38)</u>	<u>(42)</u>
Non-GAAP shares used in diluted EPS calculations	<u>1,152</u>	<u>1,159</u>
GAAP diluted earnings per share	\$ 0.68	\$ 0.61
Effects of above	<u>0.11</u>	<u>0.24</u>
Non-GAAP diluted earnings per share	<u>\$ 0.79</u>	<u>\$ 0.85</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 – FQ3-14 Actual and FQ4-14 Estimates

Amounts in millions, except per share amounts	FQ3-14	FQ4-14
GAAP net income attributable to Micron	\$ 806	
Non-GAAP adjustments:		
Flow-through of Elpida inventory step up	--	
Restructure and asset impairments	9	~\$15-\$25
Amortization of debt discount and other costs	36	~\$40
Loss on restructure of debt	16	
Adjustment to gain on acquisition of Elpida	--	
(Gain) loss from changes in currency exchange rates	5	
(Gain) on Inotera issuance of shares	--	~\$(90)
(Gain) on sale of equity interest in Aptina	--	~\$(100)
Estimated tax effects of above items	(8)	~\$(5)-\$(10)
Non-cash taxes from Elpida purchase accounting	49	~\$65-\$75
<b>Total non-GAAP adjustments</b>	<b>107</b>	
Non-GAAP net income attributable to Micron	<u>\$ 913</u>	
GAAP shares used in diluted EPS calculations	1,190	
Anti-dilutive effect of capped calls <sup>(a)</sup>	(38)	
Non-GAAP shares used in diluted EPS calculations	<u>1,152</u>	
GAAP diluted earnings per share	\$ 0.68	
Effects of above	0.11	
Non-GAAP diluted earnings per share	<u>\$ 0.79</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

FQ3-14 Actual and FQ4-14 Estimates

Bit Growth*	FQ3-14 Actual (Sales)	FQ4-14 Estimate (Production)
Total DRAM	0%	Up low single digits
Trade NAND*	(6%)	Up low to mid teens
* Includes purchases from third parties.		
ASP	FQ3-14 Actual	FQ4-14 QTD**
Total DRAM	(2%)	Flat
Trade NAND*	0%	Down low to mid 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	FQ3-14 Actual	FQ4-14 Estimate
Total DRAM	(3%)	Down low single digits
Trade NAND*	0%	Flat
* Trade NAND excludes the portion of sales to Intel which are at long term negotiated prices approximating cost.		

# P&L and Cash Flow

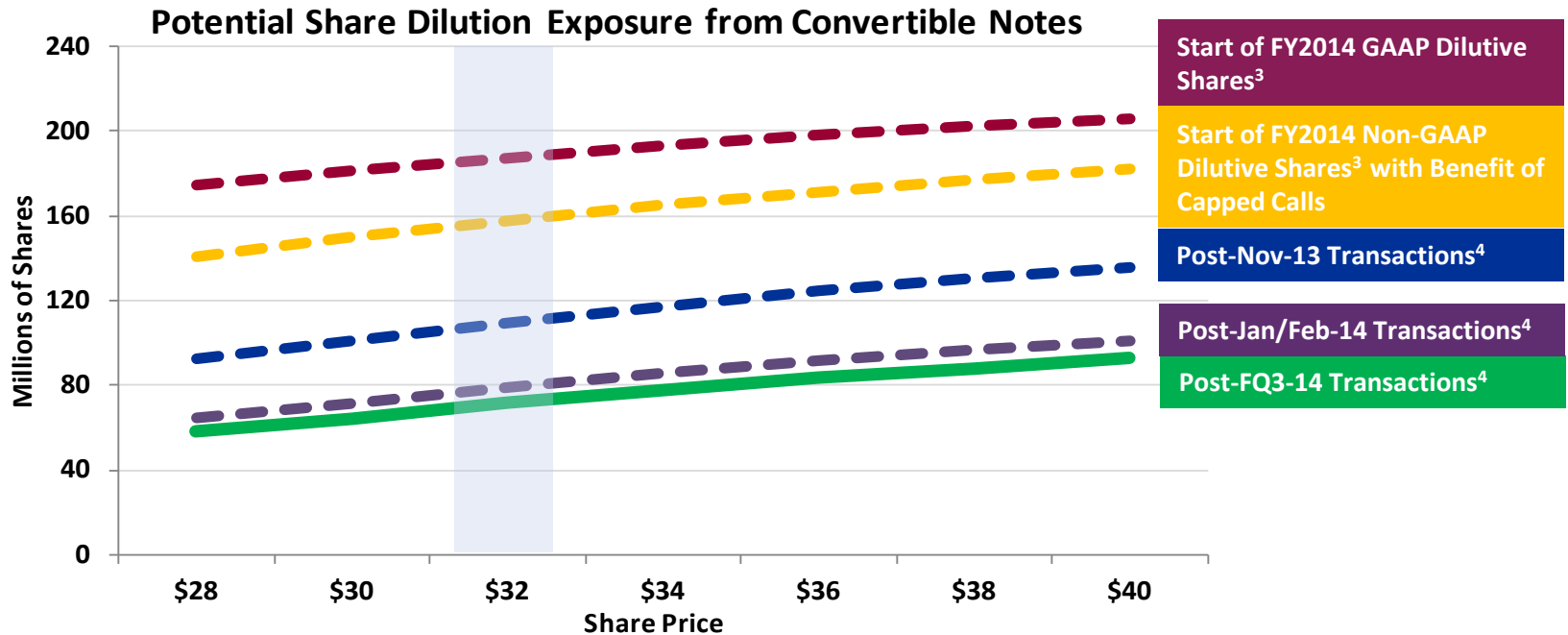
## FQ3-14 Actual and FQ4-14 Estimates

P&L and Cash Flow	FQ3-14 Actual	FQ4-14 Estimate
SG&A	\$174M	\$175M – \$185M
R&D	\$349M	\$355M – \$365M
Net interest expense*	\$75M	\$70M – \$80M
Stock-based compensation	\$32M	\$30M – \$35M
CapEx	\$576M	FY-14: \$2.8B – \$3.2B
D&A	\$578M	FY-14: Approx. \$2.3B

\* Includes imputed interest expense on convertible notes and Elpida's installment debt.

# Summary Impact from Recent Debt Transactions

In Millions	Debt - GAAP	Cash <sup>1</sup>	Equity	Dilutive Share Reduction @ \$32 <sup>2</sup>
Net Financial Impact from Transactions	-\$49	-\$1,520	-\$1,278	-89 <sup>2</sup>



- Nov-13 Transactions: Exchanged portion of 2027, 2031A, and 2031B notes. Announced termination of conversion rights for remaining 2027 notes and redemption of remaining 2031A notes, resulting in the conversion of both notes. Settled these conversions for an aggregate ~\$619M of cash.
- Jan/Feb-14 Transactions: Repurchased portion of 2031B, 2032C, and 2032D notes with ~\$407M of cash. Called for redemption the remaining 2014 notes, resulting in conversion of the notes, which was settled in FQ3-14 with ~\$827M of cash.
- Fiscal Q3-14: Repurchased portion of 2032C and 2032D notes with ~\$253M of cash and unwound a portion of capped calls for shares

<sup>1</sup> Includes \$586M of cash inflow from High Yield issuance in February-2014 net of fees.

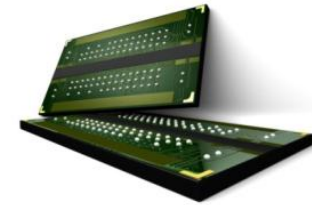
<sup>2</sup> Reduction is 89M from non-GAAP dilutive share count

<sup>3</sup> Prior to transactions beginning in November 2013

<sup>4</sup> Includes the benefit of capped calls

# Business Unit Financial Summary

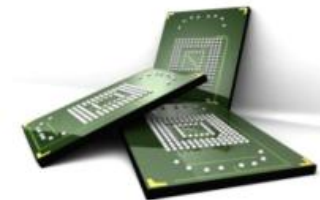
<b>CNBU</b> Dollars in Millions	<b>FQ3 -14</b>	<b>FQ2-14</b>
Sales	\$1,857	\$1,835
Operating income (loss)	\$531	\$504
Operating income %	28.6%	27.5%



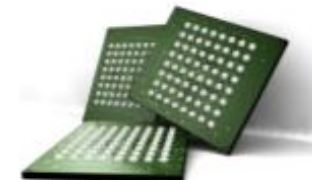
<b>SBU</b> Dollars in Millions	<b>FQ3-14</b>	<b>FQ2-14</b>
Sales	\$867	\$901
Operating income (loss)	\$55	\$79
Operating income %	6.3%	8.8%



<b>MBU</b> Dollars in Millions	<b>FQ3-14</b>	<b>FQ2-14</b>
Sales	\$757	\$908
Operating income (loss)	\$135	\$178
Operating income %	17.8%	19.6%



<b>EBU</b> Dollars in Millions	<b>FQ3-14</b>	<b>FQ2-14</b>
Sales	\$467	\$422
Operating income (loss)	\$96	\$80
Operating income %	20.6%	19.0%



# Convertible Debt and Capped Call Dilution Table



# Convertible Notes Dilution Overview as of Quarter-Ending FQ3-14

Non-GAAP Dilutive Shares in Millions (Rounded)												
Stock Price	\$28	\$30	\$32	\$34	\$36	\$38	\$40	\$42	\$44	\$46	\$48	\$50
<u>Convertible Notes</u>												
2031 B Notes	8	8	8	9	9	9	9	9	9	10	10	10
2032 C Notes	27	28	28	29	30	30	31	31	32	32	32	33
2032 D Notes	24	25	26	26	27	28	28	29	29	29	30	30
2033 E Notes	17	17	18	19	19	20	20	20	21	21	21	21
2033 F Notes	17	17	18	19	19	20	20	20	21	21	21	21
2043 G Notes		1	3	5	7	8	10	11	12	13	14	15
Total dilutive shares	93	96	101	107	111	115	118	120	124	126	128	130
Benefit from capped calls	-31	-29	-27	-25	-24	-23	-22	-21	-20	-19	-18	-17
Net dilution	62	67	74	82	87	92	96	99	104	107	110	113

Note: Reflects convertible notes repurchases and capped call unwinds completed in April and May 2014.

