

# Inotera Acquisition & Technology Transfer and Licensing Agreement with Nanya

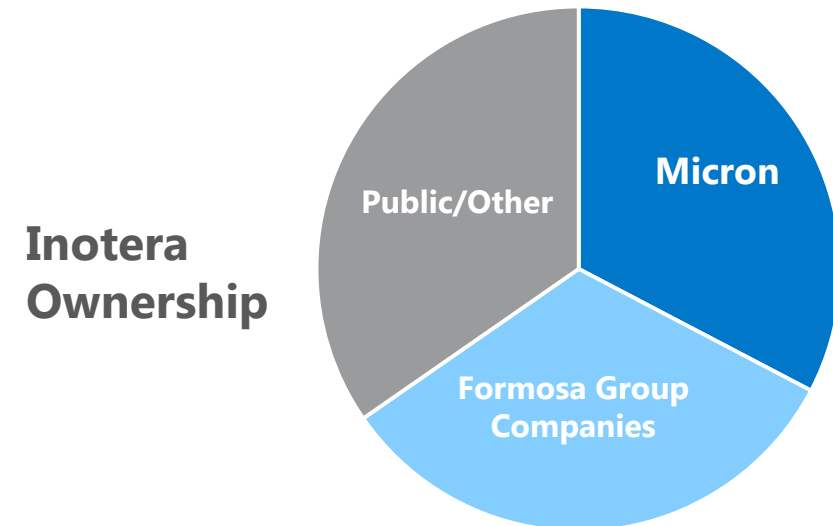
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# Safe Harbor

This presentation contains forward-looking statements regarding: the proposed transaction, the expected timetable for completing the transaction, future financial and operating results, benefits and synergies of the transaction, future opportunities for the combined operations and any other statements about managements' future expectations, beliefs, goals, plans or prospects. Any statements that are not statements of historical facts may be deemed to be forward-looking statements. When used in this presentation, the words "may," "could," "anticipate," "plan," "continue," "project," "intend," "estimate," "believe," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially, including: the ability to consummate the transaction; the risk that regulatory approvals required for the transaction are not obtained or are obtained subject to conditions that are not anticipated; the risk that the financing required to fund the transaction is not obtained; the risk that the other conditions to the closing of the transaction are not satisfied; potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the transaction; uncertainties as to the timing of the transaction; competitive responses to the proposed transaction; uncertainty of the expected financial performance of the combined operations following completion of the proposed transaction; the ability to successfully integrate the Inotera's operations and employees; the ability to realize anticipated synergies and cost savings; unexpected costs, charges or expenses resulting from the transaction; as well as other risks and uncertainties identified in our Annual Report for the year ended September 3, 2015, filed on Form 10-K with the Securities and Exchange Commission. The forward-looking statements speak only as of the date of this report and undue reliance should not be placed on these statements. The Company disclaims any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

# Inotera Snapshot

- Inotera Memories, Inc. (Taoyuan City, Taiwan)
  - Micron JV since 2008
  - Capacity ~100K WPM
  - Running Micron process technology since 2009
  - 100% converted to 20nm by ~mid 2016
  - Employees: ~3,300
- Current Micron Supply Agreement
  - Micron takes 100% of output
    - Market price discount until Jan. 2016
    - Margin sharing Jan. 2016 forward
  - Equity method accounting, not consolidated



# Financial and Strategic Rationale

Solidifies a 7 Year Successful Partnership with Formosa Group / Inotera and Creates Shareholder Value

No change to industry capacity or Micron's end-market exposure as a result of the acquisition

Immediately accretive to gross margin, EBITDA, EPS, and free cash flow

Access to 100% of free cash flow from Inotera (Over \$2B since 2013)

Simplifies operations and business model

Technology license enhances value while continuing strategic Nanya relationship

# Inotera Transaction Overview

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## Purchase Price

- \$30 New Taiwan Dollar (equivalent to \$0.92 USD) per share in cash
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## Transaction Value

- ~\$3.2B transaction value net of cash and debt
  - ~\$4.1B incremental equity value for ~67% equity not owned by Micron
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## Transaction Financing

- ~\$2.5B of new debt, up to ~\$1B of new equity to Nanya and cash on hand
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## Financial Impact

- Expected to be accretive to gross margin, EBITDA, EPS & free cash flow immediately after close
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## Closing

- Expected in mid-2016
  - Approved by Micron & Inotera Board of Directors
  - Subject to approval by 2/3<sup>rds</sup> of Inotera Shareholders
    - Micron and Formosa Group companies own ~65% of shares
  - Subject to regulatory approvals, customary conditions and satisfactory arrangement of ~\$2.5B of new debt to finance acquisition
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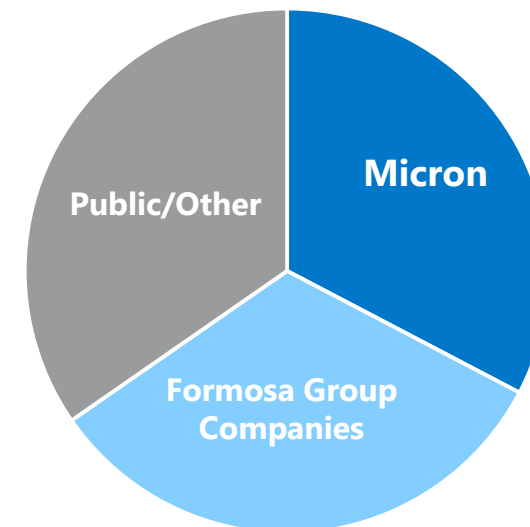
FX Rate: \$1 USD = ~ NT\$32.7

# Transaction Value for Inotera

Transaction Value	NTD	USD
Consideration per Share	NT\$30.00	\$0.92
Market Capitalization at NT\$30	~197	~\$6.0
Cash <sup>1</sup>	~35	~\$1.1
Debt <sup>1</sup>	~7	~\$0.2
Enterprise Value at NT\$30	~168	~\$5.1
LTM EBITDA		~\$1.4
EV/LTM Sales		~2.3x
EV/LTM EBITDA		~3.6x

Micron Transaction Cost	NTD	USD
Incremental Equity Purchased	~133	~\$4.1
Cash <sup>1</sup>	~35	~\$1.1
Debt <sup>1</sup>	~7	~\$0.2
Net Transaction Cost	~104	~\$3.2
LTM EBITDA		~\$1.4
EV/LTM Sales		~1.4x
EV/LTM EBITDA		~2.2x

## Inotera Ownership






- Purchase price of NT\$30 per share
- Transaction translates to ~1.4x enterprise value to sales and ~2.2x enterprise value to EBITDA for non-owned equity
- Micron takes 100% of capacity today, so no incremental revenue will result from transaction, but will capture incremental EBITDA and free cash flow

<sup>1</sup> Based on last reported figures (Micron FQ4-15, Inotera CQ3-15). EBITDA estimated from reported Op income + depreciation & amortization  
 All figures in billions unless otherwise noted. Numbers may not tie due to rounding.

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# Improved and Simplified Financial Model

	 LTM 9/3/15	 LTM 9/30/15	Transaction Adjustments <sup>1</sup>	
Revenue	\$16.2B	\$2.2B	(\$2.2B)	\$16.2B
Gross Profit	5.2B	1.0B	~(0.3B)	~5.9B
Gross Margin %	32%	44%		~36%
Operating Income	3.0B	0.9B	~(0.3B)	~3.6B
Operating Income %	19%	42%		~22%
EBITDA	5.7B	1.4B		7.1B
EBITDA Margin %	35%	64%		44%
Cash & Investments	5.6B	1.1B	~(0.5B)	~6.2B
Debt	7.3B	0.2B	~2.5B	~10.0B
Debt/EBITDA	1.3x	0.1x		~1.4x
Net Debt/EBITDA	0.3x	NM		~0.5x
Book Value	12.3B	4.1B	~(3.0B)	~13.4B

## Transaction Impact

- No change in revenue
- Gross/Operating margin accretive, but magnitude dependent on purchase accounting
- LTM EBITDA improvement of ~\$1.4B
- LTM EBITDA Margin improvement of ~9%
- Minimal impact to leverage ratios
- Increased book value

1. Preliminary estimates. Actual transaction adjustments to be determined through final purchase accounting. Source: Company data. Assumes transaction funded with \$2.5B debt, \$1B equity, and cash on balance sheet. Numbers may not tie due to rounding

FX Rate: \$1 USD = ~ NT\$32.7

# Technology Transfer and License with Nanya

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## Scope

- Nanya option to license next two DRAM technology nodes (1X & 1Y nm)
- Enhanced terms compared to existing 20nm license
- MOU with 60 days to complete definitive agreements

## Financial Terms

- Royalty arrangement
- Equity stake in Nanya based on milestone achievements

## License Restrictions

- License is not transferable
- Limited to specific facility/capacity footprint
- Terminates on Nanya change of control

## Financial Impact

- Earliest revenue in calendar year 2017
- Accretive to revenue, gross margin, EPS, and free cash flow

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