

MICRON TECHNOLOGY INC

Form 10-Q

January 10, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended December 1, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-10658

Micron Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

75-1618004

(IRS Employer
Identification No.)

8000 S. Federal Way, Boise, Idaho

(Address of principal executive offices)

83716-9632

(Zip Code)

Registrant's telephone number, including area code (208) 368-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of outstanding shares of the registrant's common stock as of January 3, 2012, was 987,819,681.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions except per share amounts)

(Unaudited)

Quarter Ended	December 1, 2011	December 2, 2010
Net sales	\$2,090	\$2,252
Cost of goods sold	1,785	1,728
Gross margin	305	524
Selling, general and administrative	151	140
Research and development	230	185
Other operating (income) expense, net	6	(191)
Operating income (loss)	(82)	) 390
Interest income	2	8
Interest expense	(35)	) (38)
Other non-operating income (expense), net	—	(114)
	(115)	) 246
Income tax (provision) benefit	2	(48)
Equity in net income (loss) of equity method investees, net of tax	(74)	) (26)
Net income (loss)	(187)	) 172
Net income attributable to noncontrolling interests	—	(17)
Net income (loss) attributable to Micron	\$(187)	) \$155
Earnings (loss) per share:		
Basic	\$(0.19)	) \$0.16
Diluted	(0.19)	) 0.15
Number of shares used in per share calculations:		
Basic	981.4	972.9
Diluted	981.4	1,031.3

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

(in millions except par value amounts)

(Unaudited)

As of	December 1, 2011	September 1, 2011
Assets		
Cash and equivalents	\$1,915	\$2,160
Receivables	1,383	1,497
Inventories	2,097	2,080
Other current assets	96	95
Total current assets	5,491	5,832
Intangible assets, net	401	414
Property, plant and equipment, net	7,472	7,555
Equity method investments	397	483
Other noncurrent assets	450	468
Total assets	\$14,211	\$14,752
Liabilities and equity		
Accounts payable and accrued expenses	\$1,413	\$1,830
Deferred income	406	443
Equipment purchase contracts	56	67
Current portion of long-term debt	146	140
Total current liabilities	2,021	2,480
Long-term debt	1,973	1,861
Other noncurrent liabilities	508	559
Total liabilities	4,502	4,900
Commitments and contingencies		
Micron shareholders' equity:		
Common stock, \$0.10 par value, 3,000 shares authorized, 987.7 shares issued and outstanding (984.3 as of September 1, 2011)	99	98
Additional capital	8,628	8,610
Accumulated deficit	(557	) (370
Accumulated other comprehensive income	101	132
Total Micron shareholders' equity	8,271	8,470
Noncontrolling interests in subsidiaries	1,438	1,382
Total equity	9,709	9,852
Total liabilities and equity	\$14,211	\$14,752

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(Unaudited)

Quarter ended	December 1, 2011	December 2, 2010	
Cash flows from operating activities			
Net income (loss)	\$(187	) \$172	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation expense and amortization of intangible assets	564	500	
Amortization of debt discount and other costs	17	17	
Equity in net (income) losses of equity method investees, net of tax	74	26	
Stock-based compensation	20	19	
Loss on extinguishment of debt	—	111	
Change in operating assets and liabilities:			
Receivables	101	173	
Inventories	(17	) (128)
Accounts payable and accrued expenses	(97	) (192)
Deferred income	(37	) 29	
Other	(34	) 5	
Net cash provided by operating activities	404	732	
Cash flows from investing activities			
Expenditures for property, plant and equipment	(697	) (465)
Proceeds from sales of property, plant and equipment	9	34	
Other	(26	) (5)
Net cash used for investing activities	(714	) (436)
Cash flows from financing activities			
Cash received from noncontrolling interests	138	—	
Proceeds from equipment sale-leaseback transactions	110	—	
Distributions to noncontrolling interests	(83	) (49)
Payments on equipment purchase contracts	(49	) (105)
Repayments of debt	(48	) (635)
Other	(3	) (9)
Net cash provided by (used for) financing activities	65	(798)
Net decrease in cash and equivalents	(245	) (502)
Cash and equivalents at beginning of period	2,160	2,913	
Cash and equivalents at end of period	\$1,915	\$2,411	
Supplemental disclosures			
Income taxes refunded (paid), net	\$34	\$(46)
Interest paid, net of amounts capitalized	(17	) (27)
Noncash investing and financing activities:			
Equipment acquisitions on contracts payable and capital leases	192	63	
Exchange of convertible notes	—	175	

See accompanying notes to consolidated financial statements.

3

MICRON TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All tabular amounts in millions except per share amounts)

(Unaudited)

Business and Basis of Presentation

Micron Technology, Inc. and its consolidated subsidiaries (hereinafter referred to collectively as "we," "our," "us" and similar terms unless the context indicates otherwise) is a global manufacturer and marketer of semiconductor devices, principally DRAM, NAND Flash and NOR Flash memory, as well as other innovative memory technologies, packaging solutions and semiconductor systems for use in leading-edge computing, consumer, networking, embedded and mobile products. In addition, we manufacture CMOS image sensors and other semiconductor products. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended September 1, 2011. In the opinion of our management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly our consolidated financial position and our consolidated results of operations and cash flows. Certain reclassifications have been made to prior period amounts to conform to current period presentation.

Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Our first quarters of fiscal 2012 and 2011 ended on December 1, 2011 and December 2, 2010, respectively. Our fiscal 2011 ended on September 1, 2011. All period references are to our fiscal periods unless otherwise indicated. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended September 1, 2011.

Variable Interest Entities

We have interests in joint venture entities that are Variable Interest Entities ("VIEs"). If we are the primary beneficiary of the VIE, we are required to consolidate it. To determine if we are the primary beneficiary, we evaluate whether we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our evaluation includes identification of significant activities and an assessment of our ability to direct those activities based on governance provisions and arrangements to provide or receive product and process technology, product supply, operations services, equity funding, financing and other applicable agreements and circumstances. Our assessments of whether we are the primary beneficiary of our VIEs require significant assumptions and judgment. For further information regarding our VIEs that we account for under the equity method, see "Equity Method Investments" note. For further information regarding our consolidated VIEs, see "Consolidated Variable Interest Entities" note.

Unconsolidated Variable Interest Entities

Inotera – Inotera Memories, Inc. ("Inotera") is a VIE because of the terms of its supply agreement with us and our partner, Nanya Technology Corporation ("Nanya"). We have determined that we do not have power to direct the activities of Inotera that most significantly impact its economic performance, primarily due to (1) limitations on our governance rights that require the consent of other parties for key operating decisions and (2) our dependence on our joint venture partner for financing and the ability to operate in Taiwan. Therefore, we account for our interest in Inotera under the equity method.

Transform – Transform Solar Pty Ltd. ("Transform") is a VIE because its equity is not sufficient to permit it to finance its activities without additional financial support from us or our partner, Origin Energy Limited ("Origin"). We have determined that we do not have power to direct the activities of Transform that most significantly impacts its economic performance, primarily due to limitations on our governance rights that require the consent of Origin for key operating decisions. Therefore, we account for our interest in Transform under the equity method.

Consolidated Variable Interest Entities

IMFT and IMFS – IM Flash Technologies, LLC ("IMFT") and IM Flash Singapore LLP ("IMFS") are both VIEs because all of their costs are passed to us and our partner, Intel Corporation ("Intel"), through product purchase agreements and they are dependent upon us or Intel for any additional cash requirements. For both IM Flash entities (i.e., IMFT and IMFS), we determined that we have the power to direct the activities of the entities that most significantly impact their economic performance. The primary activities of the IM Flash entities are driven by the constant introduction of product and process technology. Because we perform a significant majority of the technology development, we have the power to direct key activities of the entities. In addition, IMFT manufactures certain products exclusively for us using our technology. As a result of our 82% ownership interest in IMFS as of December 1, 2011, we have significantly greater economic exposure than Intel. We also determined that we have the obligation to absorb losses and the right to receive benefits from the IM Flash entities that could potentially be significant to these entities. Therefore, we consolidate the IM Flash entities.

MP Mask – MP Mask Technology Center, LLC ("MP Mask") is a VIE because all of its costs are passed to us and our partner, Photronics, Inc. ("Photronics"), through product purchase agreements and it is dependent upon us or Photronics for any additional cash requirements. We determined that we have the power to direct the activities of MP Mask that most significantly impact its economic performance, primarily due to (1) our tie-breaking voting rights over key operating decisions and (2) that nearly all key MP Mask activities are driven by our supply needs. We also determined that we have the obligation to absorb losses and the right to receive benefits from MP Mask that could potentially be significant to MP Mask. Therefore, we consolidate MP Mask.

Recently Issued Accounting Standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued a new accounting standard on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. We are required to adopt this standard in the third quarter of 2012. We do not expect this adoption to have a material impact on our financial statements.

In June 2011, the FASB issued a new accounting standard on the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We are required to adopt this standard as of the beginning of 2013. The new standard also required presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented, which was indefinitely deferred by an update issued by the FASB in December 2011. The adoption of these standards will only impact the presentation of our financial statements.

Receivables

As of	December 1, 2011	September 1, 2011
Trade receivables (net of allowance for doubtful accounts of \$3 and \$3, respectively)	\$1,046	\$1,105
Income and other taxes	91	137
Related party receivables	66	72
Other	180	183
	\$1,383	\$1,497

As of December 1, 2011 and September 1, 2011, related party receivables included \$64 million and \$67 million, respectively, due from Aptina Imaging Corporation ("Aptina") primarily for sales of image sensor products under a wafer supply agreement. (See "Equity Method Investments" note.)

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As of December 1, 2011 and September 1, 2011, other receivables included \$30 million and \$34 million, respectively, due from Intel for amounts related to NAND Flash product design and process development activities under cost-sharing agreements. As of December 1, 2011 and September 1, 2011, other receivables also included \$25 million and \$25 million, respectively, due from Nanya for amounts related to DRAM product design and process development activities under a cost-sharing agreement. (See "Equity Method Investments" note and "Consolidated Variable Interest Entities" note.)

Inventories

As of	December 1, 2011	September 1, 2011
Finished goods	\$612	\$596
Work in process	1,336	1,342
Raw materials and supplies	149	142
	\$2,097	\$2,080

Intangible Assets

As of	December 1, 2011		September 1, 2011	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Product and process technology	\$575	\$(216)	\$571	\$(203)
Customer relationships	127	(86)	127	(82)
Other	1	—	1	—
	\$703	\$(302)	\$699	\$(285)

During the first quarters of 2012 and 2011, we capitalized \$9 million and \$8 million, respectively, for product and process technology with weighted-average useful lives of 10 years.

Amortization expense for intangible assets was \$22 million and \$19 million for the first quarters of 2012 and 2011, respectively. Annual amortization expense is estimated to be \$87 million for 2012, \$81 million for 2013, \$72 million for 2014, \$54 million for 2015 and \$47 million for 2016.

Property, Plant and Equipment

As of	December 1, 2011	September 1, 2011
Land	\$92	\$92
Buildings	4,536	4,481
Equipment	14,983	14,735
Construction in progress	173	155
Software	298	293
	20,082	19,756
Accumulated depreciation	(12,610)	(12,201)
	\$7,472	\$7,555

Depreciation expense was \$542 million and \$481 million for the first quarters of 2012 and 2011, respectively.

Other noncurrent assets included buildings, equipment, and other assets classified as held for sale of \$32 million as of December 1, 2011 and \$35 million as of September 1, 2011.

Equity Method Investments

As of	December 1, 2011		September 1, 2011		
	Investment Balance	Ownership Percentage	Investment Balance	Ownership Percentage	
Inotera	\$308	29.7	% \$388	29.7	%
Transform	85	50.0	% 87	50.0	%
Other	4	Various	8	Various	
	\$397		\$483		

We recognize our share of earnings or losses from these entities under the equity method on a two-month lag. Equity in net income (loss) of equity method investees, net of tax, included the following:

Quarter ended	December 1, 2011	December 2, 2010
Inotera:		
Equity method loss	\$(72)	\$(26)
Inotera Amortization	12	12
Other	(3)	—
	(63)	(14)
Transform	(7)	(7)
Other	(4)	(5)
	\$(74)	\$(26)

Our maximum exposure to loss from our involvement with our equity method investments that are VIEs was as follows:

As of	December 1, 2011
Inotera	\$265
Transform	87

The maximum exposure to loss primarily included our investment balance as well as related translation adjustments in accumulated other comprehensive income and receivables, if any. We may also incur losses in connection with our obligations under a supply agreement with Inotera (the "Inotera Supply Agreement") to purchase 50% of Inotera's wafer production capacity of DRAM products.

Inotera

We have partnered with Nanya in Inotera, a Taiwanese DRAM memory company. We acquired our initial ownership interest in Inotera in the first quarter of 2009. As of December 1, 2011, we held a 29.7% ownership interest in Inotera, Nanya held a 30.4% ownership interest and the remaining ownership interest was publicly held.

The carrying value of our initial investment in Inotera was less than our proportionate share of its equity. This difference is being amortized as a credit to earnings through equity in net income (loss) of equity method investees (the "Inotera Amortization"). As of December 1, 2011, \$62 million of Inotera Amortization remained to be recognized, of which \$37 million is scheduled to be amortized in the remainder of 2012 with the remaining amount to be amortized through 2034.

Because of significant market declines in the selling price of DRAM, Inotera incurred net losses of \$521 million for the nine-month period ended September 30, 2011. Also, Inotera's current liabilities exceeded its current assets by \$2.2 billion as of September 30, 2011, which exposes Inotera to liquidity risk. Inotera's management has developed plans to improve its liquidity. There can be no assurance that Inotera's plans to improve its liquidity will be successful.

In December, 2011, subsequent to the end of the first quarter of 2012, we lent \$133 million to Inotera under a 90-day note with a stated annual interest rate of 2% to facilitate the purchase of capital equipment necessary to implement new process technology.

In connection with the acquisition of our shares in Inotera, we and Nanya entered into the Inotera Supply Agreement. Our cost of wafers purchased under the Inotera Supply Agreement is based on a margin-sharing formula among Nanya, Inotera, and us. Under such formula, all parties' manufacturing costs related to wafers supplied by Inotera, as well as our and Nanya's revenue for the resale of products from wafers supplied by Inotera, are considered in determining costs for wafers acquired from Inotera. Under the Inotera Supply Agreement, we purchased \$156 million and \$137 million of DRAM products in the first quarters of 2012 and 2011, respectively. In addition, under the Inotera Supply Agreement, we accrued a liability and recognized a loss on our purchase commitment of \$40 million in the first quarter of 2012 and \$28 million in the fourth quarter of 2011.

As of December 1, 2011 and September 1, 2011, there were gains of \$44 million and \$65 million, respectively, in accumulated other comprehensive income (loss) for cumulative translation adjustments from our equity investment in Inotera.

As of December 1, 2011, based on the closing trading price of Inotera's shares in an active market, the market value of our equity interest in Inotera was \$187 million, which was below our net carrying value of \$264 million. The net carrying value is our investment balance of \$308 million less the cumulative translation adjustments in accumulated other comprehensive income (loss) of \$44 million. We evaluated our investment in Inotera and concluded that the decline in the market value below carrying value was not an other-than-temporary-impairment primarily for the following reasons: (1) the difference between market value and carrying value existed for less than two months, (2) the market value improved subsequent to the end of the first quarter of 2012, (3) Inotera's recent improvements in operational performance and (4) the volatility of Inotera's market value which is based on changes in pricing for Inotera's sole product, DRAM, that fluctuates significantly based on market cycles and other factors.

Under a cost-sharing arrangement, we share equally in DRAM development costs with Nanya. As a result, our research and development ("R&D") costs were reduced by \$37 million and \$30 million for the first quarters of 2012 and 2011, respectively. In addition, we received \$3 million and \$7 million of royalty revenue for the first quarters of 2012 and 2011, respectively, from Nanya for sales of stack DRAM products manufactured by or for Nanya on process nodes of 50nm or higher. We expect to continue receiving royalties from Nanya associated with technology developed prior to the cost-sharing arrangement.

Transform

In 2010, we acquired a 50% interest in Transform from Origin. As of December 1, 2011, we and Origin each held a 50% ownership interest in Transform. During the first quarters of 2012 and 2011, we and Origin each contributed \$3 million and \$7 million, respectively, of cash to Transform. Our results of operations for the first quarter of 2012 and 2011 included \$4 million and \$5 million, respectively, of net sales, which approximated our cost, for transition services provided to Transform.

Other

Included in other equity method investments is our 35% equity interest in Aptina. We manufacture components for CMOS image sensors for Aptina under a wafer supply agreement. For the first quarter of 2012, we recognized net sales of \$94 million and cost of goods sold of \$94 million from products sold to Aptina. For the first quarter 2011, we recognized net sales of \$59 million and cost of goods sold of \$72 million from products sold to Aptina.

Accounts Payable and Accrued Expenses

As of	December 1, 2011	September 1, 2011
Accounts payable	\$818	\$1,187
Salaries, wages and benefits	273	304
Related party payables	147	141
Income and other taxes	32	30
Other	143	168
	\$1,413	\$1,830

As of December 1, 2011 and September 1, 2011, related party payables included \$145 million and \$139 million, respectively, due to Inotera primarily for the purchase of DRAM products under the Inotera Supply Agreement.

As of December 1, 2011 and September 1, 2011, other accounts payable and accrued expenses included \$12 million and \$17 million, respectively, due to Intel for NAND Flash product design and process development and licensing fees pursuant to cost-sharing agreements. (See "Consolidated Variable Interest Entities" note.)

Debt

As of	December 1, 2011	September 1, 2011
2014 convertible senior notes, due June 2014 at stated rate of 1.875%, effective rate of 7.9%, net of discount of \$123 and \$134, respectively	\$826	\$815
Capital lease obligations, due in periodic installments through August 2050 at 5.6% and 6.1%, respectively	525	423
2031A convertible senior notes, due August 2031 at stated rate of 1.5%, effective rate of 6.5%, net of discount of \$88 and \$90, respectively	257	255
2031B convertible senior notes, due August 2031 at stated rate of 1.875%, effective rate of 7.0%, net of discount of \$109 and \$111, respectively	236	234
2013 convertible senior notes, due October 2013 at stated rate of 4.25%	139	139
2027 convertible senior notes, due June 2027 at stated rate of 1.875%, effective rate of 6.9%, net of discount of \$39 and \$40, respectively	136	135
	2,119	2,001
Less current portion	(146)	(140)
	\$1,973	\$1,861

In the first quarter of 2012, we received \$110 million in proceeds from sales-leaseback transactions and as a result recorded capital lease obligations aggregating \$110 million at a weighted-average effective interest rate of 4.3%, payable in periodic installments through December 2015.

Debt Restructure

In the first quarter of 2011, in connection with a series of debt restructure transactions with certain holders of our convertible notes, we recognized a loss of \$111 million as follows:

- \$15 million on the exchange of \$175 million in aggregate principal amount of our 2014 convertible senior notes (the "2014 Notes") for \$175 million in aggregate principal amount of new 2027 convertible senior notes;

\$17 million (including transaction fees) on the repurchase of \$176 million in aggregate principal amount of our 2014 Notes for \$171 million in cash; and
\$79 million (including transaction fees) on the repurchase of \$91 million in aggregate principal amount of our 2013 convertible senior notes for \$166 million in cash.

Contingencies

We have accrued a liability and charged operations for the estimated costs of adjudication or settlement of various asserted and unasserted claims existing as of the balance sheet date, including those described below. We are currently a party to other legal actions arising from the normal course of business, none of which is expected to have a material adverse effect on our business, results of operations or financial condition.

Patent Matters

As is typical in the semiconductor and other high technology industries, from time to time, others have asserted, and may in the future assert, that our products or manufacturing processes infringe their intellectual property rights.

We are engaged in litigation with Rambus, Inc. ("Rambus") relating to certain of Rambus' patents and certain of our claims and defenses. Our lawsuits with Rambus are pending in the U.S. District Court for the District of Delaware, U.S. District Court for the Northern District of California, Germany, France, and Italy. On August 28, 2000, we filed a complaint against Rambus in the U.S. District Court for the District of Delaware seeking declaratory and injunctive relief. The complaint alleges, among other things, various anticompetitive activities and also seeks a declaratory judgment that certain Rambus patents are invalid and/or unenforceable. Rambus subsequently filed an answer and counterclaim in Delaware alleging, among other things, infringement of twelve Rambus patents and seeking monetary damages and injunctive relief. We subsequently added claims and defenses based on Rambus' alleged spoliation of evidence and litigation misconduct. The spoliation and litigation misconduct claims and defenses were heard in a bench trial before Judge Robinson in October 2007. On January 9, 2009, Judge Robinson entered an opinion in our favor holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against us. Rambus subsequently appealed the decision to the U.S. Court of Appeals for the Federal Circuit. On May 13, 2011, the Federal Circuit affirmed Judge Robinson's finding of spoliation, but vacated the dismissal sanction and remanded the case to the Delaware District Court for analysis of the remedy based on the Federal Circuit's decision. On January 13, 2006, Rambus filed a lawsuit against us in the U.S. District Court for the Northern District of California alleging that certain of our DDR2, DDR3, RLDRAM and RLDRAM II products infringe as many as fourteen Rambus patents and seeking monetary damages, treble damages, and injunctive relief. The Northern District of California Court stayed the trial of the patent phase of the Northern District of California case upon appeal of the Delaware spoliation issue to the Federal Circuit.

On March 6, 2009, Panavision Imaging, LLC filed suit against us and Aptina Imaging Corporation, then a wholly-owned subsidiary, in the U.S. District Court for the Central District of California. The complaint alleged that certain of our and Aptina's image sensor products infringed four Panavision Imaging U.S. patents and sought injunctive relief, damages, attorneys' fees, and costs. On February 7, 2011, the Court ruled that one of the four patents in suit was invalid for indefiniteness. On March 10, 2011, claims relating to the remaining three patents in suit were dismissed with prejudice. Panavision subsequently filed a motion for reconsideration of the Court's decision regarding invalidity of the first patent, and we filed a motion for summary judgment of non-infringement of such patent. On July 8, 2011, the Court issued an order that rescinded its prior indefiniteness decision, and held that the disputed term does not render the claims in suit indefinite. A hearing on motions for summary judgment regarding infringement and validity is scheduled for April 2, 2012.

On September 1, 2011, HSM Portfolio LLC and Technology Properties Limited LLC filed a patent infringement action in the U.S. District Court for the District of Delaware against us and seventeen other defendants. The complaint alleges that certain of our DRAM and image sensor products infringe two U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On September 9, 2011, Advanced Data Access LLC filed a patent infringement action in the U.S. District Court for the Eastern District of Texas against us and seven other defendants. On November 16, 2011, Advanced Data Access

filed an amended complaint. The amended complaint alleges that certain of our DRAM products infringe two U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

On September 14, 2011, Smart Memory Solutions LLC filed a patent infringement action in the U.S. District Court for the District of Delaware against us and Winbond Electronics Corporation of America. The complaint alleges that certain of our NOR Flash products infringe a single U.S. patent and seeks injunctive relief, damages, attorneys' fees, and costs.

On December 5, 2011, the Board of Trustees for the University of Illinois filed a patent infringement action against us in the U.S. District Court for the Central District of Illinois. The complaint alleges that unspecified semiconductor products of ours infringe three U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs.

Among other things, the above lawsuits pertain to certain of our SDRAM, DDR SDRAM, DDR2 SDRAM, DDR3 SDRAM, RDRAM, NOR Flash and image sensor products, which account for a significant portion of our net sales.

We are unable to predict the outcome of assertions of infringement made against us and therefore cannot estimate the range of possible loss. A court determination that our products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes. Any of the foregoing could have a material adverse effect on our business, results of operations or financial condition.

Antitrust Matters

On May 5, 2004, Rambus filed a complaint in the Superior Court of the State of California (San Francisco County) against us and other DRAM suppliers which alleged that the defendants harmed Rambus by engaging in concerted and unlawful efforts affecting Rambus DRAM ("RDRAM") by eliminating competition and stifling innovation in the market for computer memory technology and computer memory chips. Rambus' complaint alleged various causes of action under California state law including, among other things, a conspiracy to restrict output and fix prices, a conspiracy to monopolize, intentional interference with prospective economic advantage, and unfair competition. Rambus is seeking a judgment for damages of approximately \$3.9 billion, joint and several liability, trebling of damages awarded, punitive damages, a permanent injunction enjoining the defendants from the conduct alleged in the complaint, interest, and attorneys' fees and costs. Trial began on June 20, 2011, and the case went to the jury on September 21, 2011. On November 16, 2011, the jury found for us on all claims.

At least sixty-eight purported class action price-fixing lawsuits have been filed against us and other DRAM suppliers in various federal and state courts in the United States and in Puerto Rico on behalf of indirect purchasers alleging a conspiracy to increase DRAM prices in violation of federal and state antitrust laws and state unfair competition law, and/or unjust enrichment relating to the sale and pricing of DRAM products during the period from April 1999 through at least June 2002. The complaints seek joint and several damages, trebled, in addition to restitution, costs and attorneys' fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California for consolidated pre-trial proceedings. In July, 2006, the Attorneys General for approximately forty U.S. states and territories filed suit in the U.S. District Court for the Northern District of California. The complaints allege, among other things, violations of the Sherman Act, Cartwright Act, and certain other states' consumer protection and antitrust laws and seek joint and several damages, trebled, as well as injunctive and other relief. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law. On June 23, 2010, we executed a settlement agreement resolving these purported class-action indirect purchaser cases and the pending cases of the Attorneys General relating to alleged DRAM price-fixing in the United States. Subject to certain conditions, including final court approval of the class settlements, we agreed to pay approximately \$67 million in aggregate in three equal installments over a two-year period. As of December 1, 2011, we paid \$45 million into an escrow account in accordance with the settlement agreement.

Three putative class action lawsuits alleging price-fixing of DRAM products also have been filed against us in Quebec, Ontario, and British Columbia, Canada, on behalf of direct and indirect purchasers, asserting violations of the Canadian Competition Act and other common law claims. The claims were initiated between December 2004 (British Columbia) and June 2006 (Quebec). The plaintiffs seek monetary damages, restitution, costs, and attorneys' fees. The substantive allegations in these cases are similar to those asserted in the DRAM antitrust cases filed in the United States. Plaintiffs' motion for class certification was denied in the British Columbia and Quebec cases in May and June 2008, respectively. Plaintiffs subsequently filed an appeal of each of those decisions. On November 12, 2009, the British Columbia Court of Appeal reversed, and on November 16, 2011, the Quebec Court of Appeal also reversed, the denial of class certification and remanded the cases for further proceedings.

On June 21, 2010, the Brazil Secretariat of Economic Law of the Ministry of Justice ("SDE") announced that it had initiated an investigation relating to alleged anticompetitive activities within the DRAM industry. The SDE's Notice of Investigation names various DRAM manufacturers and certain executives, including us, and focuses on the period from July 1998 to June 2002.

On September 24, 2010, Oracle America Inc. ("Oracle"), successor to Sun Microsystems, a DRAM purchaser that opted-out of a direct purchaser class action suit that was settled, filed suit against us in U.S. District Court for the Northern District of California. The complaint alleges a conspiracy to increase DRAM prices and other violations of federal and state antitrust and unfair competition laws based on purported conduct for the period from August 1, 1998 through at least June 15, 2002. Oracle is seeking joint and several damages, trebled, as well as restitution, disgorgement, attorneys' fees, costs and injunctive relief.

We are unable to predict the outcome of these matters and therefore cannot estimate the range of possible loss, except as noted in the U.S. indirect purchasers cases above. The final resolution of these alleged violations of antitrust laws could result in significant liability and could have a material adverse effect on our business, results of operations or financial condition.

Commercial Matters

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda AG ("Qimonda") insolvency proceedings, filed suit against us and Micron Semiconductor B.V., our Netherlands subsidiary, in the District Court of Munich, Civil Chamber. The complaint seeks to void under Section 133 of the German Insolvency Act a share purchase agreement between us and Qimonda in fall 2008 pursuant to which we purchased all of Qimonda's shares of Inotera Memories, Inc. and seeks an order requiring us to retransfer the Inotera shares to the Qimonda estate. The complaint also seeks to terminate under Sections 103 or 133 of the German Insolvency Code a patent cross license between us and Qimonda entered into at the same time as the share purchase agreement. A hearing scheduled to begin on November 9, 2011 was continued and has not yet been rescheduled. We are unable to predict the outcome of this lawsuit and therefore cannot estimate the range of possible loss. The final resolution of this lawsuit could result in the loss of the Inotera shares or equivalent monetary damages and the termination of the patent cross license, which could have a material adverse effect on our business, results of operation or financial condition.

In the normal course of business, we are a party to a variety of agreements pursuant to which we may be obligated to indemnify the other party. It is not possible to predict the maximum potential amount of future payments under these types of agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, our payments under these types of agreements have not had a material adverse effect on our business, results of operations or financial condition.

Micron Shareholders' Equity and Noncontrolling Interests in Subsidiaries

Changes in the components of equity were as follows:

Quarter Ended December 1, 2011
Attributable to
Micron

Quarter Ended December 2, 2010