UNIVERSAL COMPRESSION HOLDINGS INC
Form 4
March 14, 2006

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
LEONG RICHARD

(Last) (First) (Middle)

4444 BRITTMOORE ROAD

(Street)

HOUSTON, TX 77041

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
UNIVERSAL COMPRESSION HOLDINGS INC [UCO]

3. Date of Earliest Transaction (Month/Day/Year)
03/10/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr. Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $0.01	03/10/2006		F		736	D	$ 41.85	30,460 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LEONG RICHARD 4444 BRITTMOORE ROAD HOUSTON, TX 77041			Sr. Vice President	

Signatures

Richard Leong	03/14/2006
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Includes 3,905 shares purchased through the Employee Stock Purchase Plan and 1,034 shares through the 401(k) Plan.

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Amounts exclude intercompany balances that were eliminated in our consolidated balance sheets.

Our ability to access IM Flash's cash and marketable investment securities to finance our other operations is subject to agreement by our joint venture partner. The creditors of each IM Flash entity have recourse only to the assets of each of the respective IM Flash entities and do not have recourse to any other of our assets.

IM Flash manufactures NAND Flash memory products using designs and technology we develop with Intel. We generally share product design and other NAND Flash R&D costs equally with Intel. As a result, R&D expenses were reduced by reimbursements from Intel of $22 million and $23 million for the first quarters of 2012 and 2011, respectively.

MP Mask

In 2006, we formed a joint venture with Photronics to produce photomasks for leading-edge and advanced next generation semiconductors. At inception and through December 1, 2011, we owned 50.01% and Photronics owned 49.99% of MP Mask. In the first quarter of 2012, we contributed $8 million and Photronics contributed $7 million to MP Mask. In connection with the formation of the joint venture, we received $72 million in 2006 in exchange for entering into a license agreement with Photronics, which is being recognized over the term of the 10-year agreement. As of December 1, 2011 and September 1, 2011, deferred income and other noncurrent liabilities included an aggregate of $32 million and $34 million, respectively, related to this agreement. We purchase a substantial majority of the reticles produced by MP Mask pursuant to a supply arrangement.

Total MP Mask assets and liabilities included in our consolidated balance sheets were as follows:

As of	December 1, 2011	September 1, 2011
Current assets	$17	$24
Noncurrent assets (primarily property, plant and equipment)	156	143
Current liabilities	23	31

Amounts exclude intercompany balances that were eliminated in our consolidated balance sheets.

The creditors of MP Mask have recourse only to the assets of MP Mask and do not have recourse to any other of our assets.

Segment Information

Segment information reported herein is consistent with how it is reviewed and evaluated by our chief operating decision makers. Factors used to identify our segments include, among others, products, technologies and customers. We have the following four reportable segments:

NAND Solutions Group ("NSG"): Includes high-volume NAND Flash products sold into data storage, personal music players, and the high-density computing markets, as well as NAND Flash products sold to Intel through our consolidated IM Flash joint ventures.
DRAM Solutions Group ("DSG"): Includes DRAM products sold to the PC, consumer electronics, networking and server markets.
Wireless Solutions Group ("WSG"): Includes DRAM, NAND Flash and NOR Flash products, including multi-chip packages, sold to the mobile device market.
Embedded Solutions Group ("ESG"): Includes DRAM, NAND Flash and NOR Flash products sold into automotive and industrial applications, as well as NOR and NAND flash sold to consumer electronics, networking, PC and server markets.

Our other operations do not meet the quantitative thresholds of a reportable segment and are reported under All Other. All Other includes our CMOS image sensor, LED, microdisplay and solar operations.

We do not identify or report internally our assets or capital expenditures by segment, nor do we allocate gains and losses from equity method investments, interest, other non-operating income or expense items or taxes to operating segments. There are no differences in the accounting policies for segment reporting and our consolidated results of operations.

Quarter ended	December 1, 2011	December 2, 2010
Net sales:		
NSG	$683	$502
DSG	656	903
WSG	373	511
ESG	262	266
All Other	116	70
	$2,090	$2,252
Operating income (loss):		
NSG	$94	$57

DSG	(139)	225
WSG	(58)	56
ESG	38	78
All Other	(17)	(26)
	$(82)	$390

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Explanation of Responses:

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used herein, "we," "our," "us" and similar terms include Micron Technology, Inc. and its subsidiaries, unless the context indicates otherwise. The following discussion contains trend information and other forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements such as those made in "Operating Results by Business Segment" regarding future increases in NAND Flash production resulting from the ramp of production at IM Flash's fabrication facility and increases in our share of the supply from the IM Flash fabrication facility in future periods; in "Selling, General and Administrative" regarding SG&A costs for the second quarter of 2012; in "Research and Development" regarding R&D costs for the second quarter of 2012; in "Liquidity and Capital Resources" regarding capital spending in 2012, future distributions from, or contributions to, IM Flash and the timing of payments for certain contractual obligations; and in "Recently Issued Accounting Standards" regarding the impact from the adoption of new accounting standards. Our actual results could differ materially from our historical results and those discussed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those identified in "Item 1A. Risk Factors." This discussion should be read in conjunction with the Consolidated Financial Statements and accompanying notes for the year ended September 1, 2011. All period references are to our fiscal periods unless otherwise indicated. Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Our fiscal 2012, which ends on August 30, 2012, contains 52 weeks. Our first quarter of fiscal 2012 ended December 1, 2012. All production data includes the production of our consolidated joint ventures and our other partnering arrangements. All tabular dollar amounts are in millions.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

- Overview: An overview of our business and operations.
- Results of Operation: An analysis of our financial results consisting of the following:
  - Consolidated results
  - Operating results by business segment
  - Operating results by product
  - Operating expenses and other
- Liquidity and Capital Resources: An analysis of changes in our balance sheets and cash flows and discussion of our financial condition and potential sources of liquidity.
- Critical Accounting Estimates: Accounting estimates that we believe are most important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.

Overview

We are a global manufacturer and marketer of semiconductor devices, principally NAND Flash, DRAM and NOR Flash memory, as well as other innovative memory technologies, packaging solutions and semiconductor systems for use in leading-edge computing, consumer, networking, automotive, industrial and mobile products. In addition, we manufacture semiconductor components for CMOS image sensors and other semiconductor products. We market our products through our internal sales force, independent sales representatives and distributors primarily to original equipment manufacturers ("OEMs") and retailers located around the world. Our success is largely dependent on the market acceptance of our diversified portfolio of semiconductor products, efficient utilization of our manufacturing infrastructure, successful ongoing development of advanced process technologies and the return on R&D investments.

We obtain products from three primary sources: (1) production from our joint venture manufacturing facilities, (2) production from our wholly-owned manufacturing facilities, and (3) to a lesser degree, from third party manufacturers. In recent years, we have increased our manufacturing scale and product diversity through strategic acquisitions and various partnering arrangements, including joint ventures, which have helped us to attain lower costs than we could otherwise achieve through internal investments alone.

We have made significant investments to develop the proprietary product and process technologies that are implemented in our worldwide manufacturing facilities and through our joint ventures to enable the production of semiconductor products with increasing functionality and performance at lower costs. We generally reduce the manufacturing cost of each generation of product through advancements in product and process technology such as our leading-edge line-width process technology and innovative array architecture. We continue to introduce new generations of products that offer improved performance characteristics, such as higher data transfer rates, reduced package size, lower power consumption and increased memory density. To leverage our significant investments in R&D, we have formed various strategic joint ventures that have allowed us to share the costs of developing memory product and process technologies with our joint venture partners. In addition, from time to time, we have also sold and/or licensed technology to other parties. We continue to pursue additional opportunities to monetize our investment in intellectual property through partnering and other arrangements.

We have the following four reportable segments:

NAND Solutions Group ("NSG"): Includes high-volume NAND Flash products sold into data storage, personal music players, and portions of computing markets, as well as NAND Flash products sold to Intel through our consolidated IM Flash joint ventures.
DRAM Solutions Group ("DSG"): Includes high-volume DRAM products sold to the PC, consumer electronics, networking and server markets.
Wireless Solutions Group ("WSG"): Includes DRAM, NAND Flash and NOR Flash products, including multi-chip packages, sold to the mobile device market.
Embedded Solutions Group ("ESG"): Includes DRAM, NAND Flash and NOR Flash products sold into automotive and industrial applications, as well as NOR and NAND Flash sold to consumer electronics, networking, PC and server markets.

Our other operations do not meet the quantitative thresholds of a reportable segment and are reported under All Other. All Other includes our CMOS image sensor, LED, microdisplay and solar operations.

Results of Operations

Consolidated Results

	First Quarter				Fourth Quarter		
	2012	% of net sales	2011	% of net sales	2011	% of net sales	
	(amounts in millions and as a percent of net sales)						
Net sales	$2,090	100	%	$2,252	100	%	$2,140	100	%
Cost of goods sold	1,785	85	%	1,728	77	%	1,819	85	%
Gross margin	305	15	%	524	23	%	321	15	%
SG&A	151	7	%	140	6	%	155	7	%
R&D	230	11	%	185	8	%	209	10	%
Other operating (income) expense, net	6	—	%	(191)	(8)	%	8	—	%
Operating income (loss)	(82)	(4)	%	390	17	%	(51)	(2)	%
Interest income (expense), net	(33)	(2)	%	(30)	(1)	%	(28)	(1)	%
Other non-operating income (expense), net	—	—	%	(114)	(5)	%	1	—	%
Income tax (provision) benefit	2	—	%	(48)	(2)	%	(16)	(1)	%
	(74)	(4)	%	(26)	(1)	%	(40)	(2)	%

Equity in net income (loss) of equity method investees										
Net (income) loss attributable to noncontrolling interests	—		—	%	(17	)	(1	)%	(1	)	—	%
Net income (loss) attributable to Micron	$(187	)	(9	)%	$155		7	%	$(135	)	(6	)%

Net Sales

	First Quarter					Fourth Quarter		
	2012	% of net sales		2011	% of net sales	2011	% of net sales	
NSG	$683	33	%	$502	22 %	$637	30	%
DSG	656	31	%	903	40 %	685	32	%
WSG	373	18	%	511	23 %	445	21	%
ESG	262	13	%	266	12 %	243	11	%
All Other	116	5	%	70	3 %	130	6	%
	$2,090	100	%	$2,252	100 %	$2,140	100	%

Total net sales for the first quarter of 2012 decreased 2% as compared to the fourth quarter of 2011 primarily due to declines in WSG and DSG sales, partially offset by increases in NSG and ESG sales. WSG sales for the first quarter of 2012 decreased 16% as compared to the fourth quarter of 2011 primarily due to declines in sales of wireless NOR products. DSG sales for the first quarter of 2012 decreased 4% as compared to the fourth quarter of 2011 primarily due to declines in average selling prices for DRAM products mitigated by increases in gigabit sales. NSG sales for the first quarter of 2012 increased 7% as compared to the fourth quarter of 2011 primarily due to increases in NAND Flash gigabit sales partially offset by declines in average selling prices. ESG sales for the first quarter of 2012 increased 8% as compared to the fourth quarter of 2011 primarily due to increases in the volume of embedded DRAM sales.

Total net sales for the first quarter of 2012 decreased 7% as compared to the first quarter of 2011 primarily due to a 27% decrease in DSG sales as a result of declines in DRAM average selling prices and a 27% decrease in WSG sales as a result of declines in sales of wireless NOR products. NSG sales for the first quarter of 2012 increased 36% as compared to the first quarter of 2011 primarily due to higher sales volumes partially offset by declines in average selling prices.

Gross Margin

Our overall gross margin percentage of 15% for the first quarter of 2012 was essentially unchanged from the fourth quarter of 2011 as a slight increase in the gross margin percentage for NSG offset a slight decrease in the gross margin for DSG. Cost reductions from improvements in product and process technologies mitigated declines in average selling prices for all reportable operating segments in the first quarter of 2012 as compared to the fourth quarter of 2011. Costs of our underutilized capacity, primarily associated with decreased production in our NOR Flash fabrication facilities and the ramp of our IMFS NAND Flash fabrication facility, were $44 million, $18 million and $59 million for the first quarter of 2012, fourth quarter of 2011 and first quarter of 2011, respectively.

Our overall gross margin percentage declined from 23% for the first quarter of 2011 to 15% for the first quarter of 2012 primarily due to decreases in the gross margin percentage for DSG and to a lesser extent WSG and ESG. NSG's gross margin percentage for the first quarter of 2012 improved from the first quarter of 2011. Cost reductions partially mitigated significant declines in average selling prices for all reportable operating segments for the first quarter of 2012 as compared to the fourth quarter of 2011.

Operating Results by Business Segments

NAND Solutions Group ("NSG")

	First Quarter 2012	Fourth Quarter 2011	First Quarter 2011

Net sales	$683	$637	$502
Operating income (loss)	94	72	57

NSG sales and operating results track closely with our average selling prices, gigabit sales volumes and cost per gigabit for our consolidated sales of NAND Flash products. (See "Operating Results by Product Groups – NAND Flash" for further detail.) NSG sales for the first quarter of 2012 increased 7% from the fourth quarter of 2011 primarily due to increases in gigabits sold partially offset by declines in average selling prices. We sell NSG products in three principal channels: (1) to OEMs and other resellers, (2) to Intel through our IM Flash consolidated joint ventures at long-term negotiated prices approximating cost, and (3) to retailers.

NSG sales through IM Flash to Intel were $261 million for the first quarter of 2012, $255 million for the fourth quarter of 2011 and $209 million for the first quarter of 2011. The ramp of production at IM Flash's wafer fabrication facility in Singapore increased our NAND Flash production in the first quarter of 2012 and we expect it will increase our NAND Flash production for the second quarter of 2012 as compared to the first quarter of 2012. Our share of the operating costs and supply of NAND Flash from IMFS adjusts in proportion to changes in our ownership share either 12 months or 8 months (depending on the status of IMFS' production ramp) from the date of the applicable ownership change. Accordingly, we anticipate that our share of IMFS costs and supply will increase from 71% as of December 1, 2011 to our current ownership interest in IMFS during the course of 2012. The following table presents the contributions and ownership percentages of IMFS:

	Contributions		Period-End Ownership Percentage	
	Micron	Intel	Micron	Intel
Prior to the second quarter of 2010			51 %	49 %
Second quarter of 2010	$25	$—	53 %	47 %
Third quarter of 2010	26	24	53 %	47 %
Fourth quarter of 2010	77	14	57 %	43 %
First quarter of 2011	392	—	71 %	29 %
Second quarter of 2011	343	—	78 %	22 %
Third quarter of 2011	409	—	83 %	17 %
Fourth quarter of 2011	421	—	86 %	14 %
First quarter of 2012	103	131	82 %	18 %

NSG sales of NAND Flash products to our trade customers (excluding IM Flash sales to Intel) increased 10% for the first quarter of 2012 as compared to the fourth quarter of 2011 primarily due to an increase in gigabits sold partially offset by declines in average selling prices. Despite the declines in average selling prices, NSG operating income increased for the first quarter of 2012 as compared to the fourth quarter of 2011 primarily due to reductions in manufacturing costs per gigabit. Manufacturing cost reductions resulted from improved production efficiencies and increased utilization of IMFS's wafer fabrication facility in Singapore.

NSG sales for the first quarter of 2012 increased 36% from the first quarter of 2011 primarily due to an increase in gigabits produced partially offset by a decline in average selling prices per gigabit. The increase in NSG operating income for the first quarter of 2012 was primarily due to reductions in manufacturing costs per gigabit and lower charges for underutilized capacity, partially offset by the declines in overall average selling prices per gigabit and a $39 million gain from a license agreement with Samsung in the first quarter of 2011.

DRAM Solutions Group ("DSG")

	First Quarter 2012	Fourth Quarter 2011	First Quarter 2011
Net sales	$656	$685	$903
Operating income (loss)	(139)	(95)	225

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DSG sales and operating results track closely with our average selling prices, gigabit sales volumes and cost per gigabit for our consolidated sales of DRAM products. (See "Operating Results by Product Groups – DRAM" for further detail.) DSG sales for the first quarter of 2012 decreased 4% from the fourth quarter of 2011 primarily due to significant declines in average selling prices partially offset by an increase in sales volume. The increase in gigabits sold for the first quarter of 2012 was largely due to improvements in production efficiency through the implementation of advanced technology. DSG operating income decreased 46% from the fourth quarter of 2011 to the first quarter of 2012 primarily as a result of the significant declines in average selling prices, mitigated by reductions in manufacturing costs per gigabit as a result of improved production efficiencies. DSG operating income for the first quarter of 2012 was also impacted by increased R&D costs due to a higher volume of development wafers processed.

The significant declines in DSG sales and operating margins for the first quarter of 2012 compared to the fourth quarter of 2011 was primarily attributable to a decrease in demand for PC DRAM, particularly for DDR3 DRAM, due to overall weakness in the PC market. The effects of decreases in PC DRAM margins for the first quarter of 2012 were mitigated by sales of products in server and other premium markets with relatively higher margins.

DSG sales for the first quarter of 2012 decreased 27% from the first quarter of 2011 primarily due to decreases in average selling prices per gigabit partially offset by increases in gigabits sold. The decrease in average selling prices in the first quarter of 2012 for DSG products was impacted by a shift in product mix as most of the increase in sales volume was from our DDR3 DRAM products that had significantly lower average selling prices per gigabit than our other DSG products. The decline in DSG operating income for the first quarter of 2012 was primarily due to the declines in average selling prices mitigated by cost reductions. In addition, DSG operating income for the first quarter of 2011 benefited from a $59 million gain from a license arrangement with Samsung.

Wireless Solutions Group ("WSG")

	First Quarter 2012	Fourth Quarter 2011	First Quarter 2011
Net sales	$373	$445	$511
Operating income (loss)	(58)	(56)	56

In the first quarter of 2012, WSG sales were comprised of NOR Flash, NAND Flash and DRAM in decreasing order of revenue. The 16% decrease in WSG sales for the first quarter of 2012 as compared to the fourth quarter of 2011 was primarily due to declines in sales of wireless NOR Flash products as a result of weakness in demand from certain customers and a continued transition by customers to NAND Flash. WSG operating income for the first quarter of 2012 declined slightly from the fourth quarter of 2011 primarily due to lower margins for wireless NOR Flash products as a result of continued pricing pressure, partially offset by improved margins on NAND Flash and DRAM products.

The 27% decrease in WSG sales for the first quarter of 2012 as compared to the first quarter of 2011 was primarily due to declines in sales of wireless NOR Flash. The decreases in sales of NOR Flash products also contributed to a decline in WSG operating margin for the first quarter of 2012 as compared to the first quarter of 2011. In addition, WSG operating income for for the first quarter of 2011 included a $68 million gain from a license agreement with Samsung.

Embedded Solutions Group ("ESG")

	First Quarter 2012	Fourth Quarter 2011	First Quarter 2011
Net sales	$262	$243	$266
Operating income (loss)	38	46	78

In the first quarter of 2012, ESG sales were comprised of NOR Flash, DRAM and NAND Flash in decreasing order of revenue. The 8% increase in ESG sales for the first quarter of 2012 as compared to the fourth quarter of 2011 was primarily due to growth in sales of specialty DRAM, primarily within the automotive market. The decline in ESG operating income for the first quarter of 2011 as compared to the fourth quarter of 2011 was primarily due to the cost of underutilized capacity in our NOR facilities, write downs of certain products and higher R&D expenses.

The decline in ESG operating income for first quarter of 2012 as compared to the first quarter of 2011 was primarily due to a $24 million gain from a license agreement with Samsung in the first quarter of 2011. In addition, ESG gross margins for the first quarter of 2012 also declined from the first quarter of 2011 due to significant declines in average selling prices and costs associated with the cost of underutilized capacity in our NOR facilities.

Operating Results by Product

Net Sales by Product

	First Quarter					Fourth Quarter		
	2012	% of net sales		2011	% of net sales	2011	% of net sales	
NAND Flash	$909	43	%	$753	33 %	$858	40	%
DRAM	778	37	%	1,009	45 %	778	36	%
NOR Flash	287	14	%	422	19 %	373	17	%
Other	116	6	%	68	3 %	131	7	%
	$2,090	100	%	$2,252	100 %	$2,140	100	%

NAND Flash

	First Quarter 2012 Versus Fourth Quarter 2011	First Quarter 2011
	(percentage change from prior quarter)	
NAND Flash sales to trade customers:		
Net sales	7 %	19 %
Average selling prices per gigabit	(11)%	(32)%
Gigabits sold	21 %	76 %
Cost reduction per gigabit	(16)%	(42)%
NAND Flash sales to Intel:		
Net sales	2 %	25 %
Average selling prices per gigabit	(12)%	(35)%
Gigabits sold	16 %	91 %
Cost reduction per gigabit	(12)%	(36)%

We sell a portion of our output of NAND Flash products to Intel through our IM Flash consolidated joint ventures at long-term negotiated prices approximating cost. (See "Segment Operating Results – NAND Solutions Group" for further detail.) The remainder of our sales of NAND Flash products is to "trade" customers (i.e., customers other than Intel).

Our mix of single-level cell ("SLC") and multi-level cell ("MLC") NAND Flash products impacts our average selling prices and sales volumes. SLC products have fewer bits per wafer and therefore higher costs but have higher average selling prices per gigabit as compared to MLC products. The ramp of the IMFS fabrication facility has increased our mix of MLC products in the first quarter of 2012 as compared to the fourth quarter of 2011, which resulted in greater declines in average selling prices, increased production volumes and cost reductions.

Increases in gigabits sold for the first quarter of 2012 as compared to the fourth quarter and first quarter of 2011 was primarily due to the ramp of the IMFS fabrication facility and increased production efficiencies.

The gross margin percentage on sales of NAND Flash products to trade customers for the first quarter of 2012 improved from the fourth and first quarters of 2011 as cost reductions outpaced the declines in average selling prices.

DRAM

	First Quarter 2012 Versus	
	Fourth Quarter 2011	First Quarter 2011
	(percentage change from prior quarter)	
Net sales	— %	(23)%
Average selling prices per gigabit	(12)%	(51)%
Gigabits sold	14 %	57 %
Cost reduction per gigabit	(10)%	(31)%

The increase in gigabit sales of DRAM products for the first quarter of 2012 as compared to the fourth and first quarters of 2011 was primarily due to increased output obtained from our Inotera joint venture, the effects of a shift in mix to higher-density products and improved production efficiencies. Average selling prices for DDR3 DRAM sold into the PC market have declined significantly faster than other DRAM products.

The gross margin percentage on sales of DRAM products for the first quarter of 2012 declined slightly from the fourth quarter of 2011 and significantly from the first quarter of 2011 as declines in average selling prices outpaced cost reductions from improvements in manufacturing efficiencies.

We have rights and obligations to purchase 50% of Inotera's wafer production capacity under the Inotera Supply Agreement. DRAM products acquired from Inotera accounted for 43% of our DRAM gigabit production for the first quarter of 2012 as compared to 37% for the fourth quarter of 2011 and 25% for the first quarter of 2011. The higher level of production from Inotera was achieved through their continued transition to our process technology. Products obtained from Inotera in 2011 were primarily DDR3 for the PC market. 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. In the first quarter of 2012, the cost of wafers purchased from Inotera was significantly higher than our cost of wafers manufactured in our facilities. 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.

NOR Flash

The decreases in our sales of NOR Flash products for the first quarter of 2012 as compared to the fourth and first quarters of 2011 were primarily due to decreases in sales of wireless NOR Flash products, weakness in demand from certain customers and the continued transition of wireless applications to NAND Flash products. Sales of embedded NOR Flash products for the first quarter of 2012 were relatively stable as compared to the fourth quarter of 2011. Our gross margin percentage on sales of NOR products for the first quarter of 2012 declined as compared to the fourth and first quarters of 2011 due to costs of underutilized capacity and increased costs per part from lost efficiencies.

Operating Expenses and Other

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses for the first quarter of 2012 decreased 3% as compared to the fourth quarter of 2011 primarily due to lower costs associated with pending legal matters. SG&A expenses for the first

quarter of 2012 increased 8% from the first quarter of 2011 primarily due to higher legal costs and higher professional service costs partially offset by lower payroll costs. We expect that SG&A expenses will approximate $155 million to $165 million for the second quarter of 2012.

Research and Development

R&D expenses for the first quarter of 2012 increased 10% from the fourth quarter of 2011 primarily due to higher payroll costs, lower reimbursements under partnering arrangements and a higher volume of pre-qualification wafers processed. R&D expenses for the first quarter of 2012 increased 24% from the first quarter of 2011 primarily due to higher payroll costs and a higher volume of development wafers processed offset by higher reimbursements under partnering arrangements.

As a result of amounts reimbursable from Nanya under a DRAM R&D cost-sharing arrangement, R&D expenses were reduced by $37 million for the first quarter of 2012, $40 million for the fourth quarter of 2011 and $30 million for the first quarter of 2011. As a result of amounts reimbursable from Intel under a NAND Flash R&D cost-sharing arrangement, R&D expenses were reduced by $22 million for the first quarter of 2012, $24 million for the fourth quarter of 2011 and $23 million for the first quarter of 2011. We expect that R&D expenses, net of amounts reimbursable from our R&D partners, will be approximately $220 million to $230 million for the second quarter of 2012.

Our process technology R&D efforts are focused primarily on development of successively smaller line-width process technologies which are designed to facilitate our transition to next generation memory products. Additional process technology R&D efforts focus on the enablement of advanced computing and mobile memory architectures, the investigation of new opportunities that leverage our core semiconductor expertise and the development of new manufacturing materials. Product design and development efforts include our high density DDR3 DRAM and LP-DDR2 Mobile Low Power DRAM products as well as high density and mobile NAND Flash memory (including multi-level cell technology), NOR Flash memory, specialty memory, phase change memory, solid-state drives ("SSDs") and other memory systems.

Interest Income (Expense)

Interest expense for the first quarter of 2012, fourth quarter of 2011 and first quarter of 2011, included aggregate amounts of non-cash amortization of debt discount and issuance costs of $18 million, $16 million and $18 million, respectively. (See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Debt" note.)

Other Non-Operating Income (Expense), Net

Other non-operating expense for the first quarter of 2011 included a $111 million loss in connection with a series of debt restructure transactions with certain holders of our convertible notes. (See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Debt" note.)

Other Operating and Non-operating Income and Expenses

Further discussion of operating and non-operating income and expenses can be found in the following notes contained in "Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements":

- Other Operating (Income) Expense, Net
- Income Taxes
- Equity Method Investments
- Equity Plans

Liquidity and Capital Resources

As of December 1, 2011 and September 1, 2011, we had the following cash and equivalents:

As of	December 1, 2011	September 1, 2011
Bank deposit accounts	$278	$543
Money market accounts	1,488	1,462
Certificates of deposit	149	155
Aggregate cash and equivalents (includes $160 and $327, respectively, held by IM Flash)	$1,915	$2,160

To mitigate credit risk, we invest through high-credit-quality financial institutions and, by policy, generally limit the concentration of credit exposure by restricting investments with any single obligor. Our ability to access funds held by IM Flash to finance our other operations is subject to agreement by our joint venture partner and contractual limitations. Amounts held by IM Flash are not anticipated to be available to finance our other operations. As of December 1, 2011, the effect of repatriating cash held by foreign subsidiaries where undistributed earnings have been indefinitely reinvested would not be significant.

Cash generated by operations is our primary source of liquidity. Our liquidity is highly dependent on selling prices for our products and the timing and level of our capital expenditures, both of which can vary significantly from period to period. Depending on conditions in the semiconductor memory market, our cash flows from operations and current holdings of cash and investments may not be adequate to meet our needs for capital expenditures and operations. We may pursue additional financing alternatives in the future as cost effective and strategic opportunities arise.

Operating activities

Net cash provided by operating activities was $404 million for the first quarter of 2012, which reflected approximately $488 million generated from the production and sales of our products, offset by a net $84 million effect from changes in the amount invested in net working capital.

Investing activities

Net cash used for investing activities was $714 million for the first quarter of 2012, which consisted primarily of cash expenditures of $697 million for property, plant and equipment. We believe that to develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, we must continue to invest in manufacturing technologies, facilities and capital equipment and R&D. We expect that capital spending for 2012 will be approximately $2 billion, the majority of which is expected to be incurred in the first half of 2012. The actual amounts for 2012 will vary depending on market conditions. As of December 1, 2011, we had commitments of approximately $450 million for the acquisition of property, plant and equipment, substantially all of which is expected to be paid within one year.

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. Inotera plans to replace this note with longer term financing with one or more partners.

Financing activities

Net cash provided by financing activities was $65 million for the first quarter of 2012, which included $110 million of proceeds from equipment sale-leaseback financing transactions, $55 million of net contributions from noncontrolling interests partially offset by $49 million of payments on equipment purchase contracts and $48 million of payments on debt.

Joint ventures

In the first quarter of 2012, IM Flash distributed $83 million to Intel. Timing of future distributions to Intel is subject to market conditions and availability of cash. In 2011, IM Flash began installing tools at its new 300mm wafer fabrication facility in Singapore. In the first quarter of 2012, we made contributions to IM Flash of $103 million and Intel made contributions to IM Flash of $131 million. We may make additional contributions to IM Flash in future periods in connection with tool installations and the further ramp of production at the Singapore facility. The level of our future capital contributions to IM Flash will depend on market conditions and the extent to which Intel participates with us in future IM Flash capital calls.

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Explanation of Responses:

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 1, 2011:

	Total	Remainder of 2012	2013	2014	2015	2016	2017 and Thereafter
	(amounts in millions)						
Notes payable [1]	$2,122	$26	$39	$1,124	$15	$15	$903
Capital lease obligations [1]	611	132	106	105	99	82	87
Operating leases	99	19	24	14	9	8	25

[1] Includes interest

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Estimates and judgments are based on historical experience, forecasted events and various other assumptions that we believe to be reasonable under the circumstances. Estimates and judgments may vary under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis. Our management believes the accounting policies below are critical in the portrayal of our financial condition and results of operations and requires management's most difficult, subjective or complex judgments.

Business Acquisitions: Accounting for acquisitions requires us to estimate the fair value of consideration paid and the individual assets and liabilities acquired, which involves a number of judgments, assumptions and estimates that could materially affect the amount and timing of costs recognized. We typically obtain independent third party valuation studies to assist in determining fair values, including assistance in determining future cash flows, appropriate discount rates and comparable market values.

Consolidations: We have interests in joint venture entities that are VIEs. Determining whether to consolidate a VIE may require judgment in assessing (1) whether an entity is a VIE and (2) if we are the entity's primary beneficiary. To determine if we are the primary beneficiary of a VIE, we evaluate whether we have (a) the power to direct the activities that most significantly impact the VIE's economic performance and (b) 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 and financing and other applicable agreements and circumstances. Our assessment of whether we are the primary beneficiary of our VIEs requires significant assumptions and judgment.

Contingencies: We are subject to the possibility of losses from various contingencies. Considerable judgment is necessary to estimate the probability and amount of any loss from such contingencies. An accrual is made when it is probable that a liability has been incurred or an asset has been impaired and the amount of loss can be reasonably estimated. We accrue a liability and charge operations for the estimated costs of adjudication or settlement of asserted and unasserted claims existing as of the balance sheet date.

Income Taxes: We are required to estimate our provision for income taxes and amounts ultimately payable or recoverable in numerous tax jurisdictions around the world. These estimates involve judgment and interpretations of regulations and are inherently complex. Resolution of income tax treatments in individual jurisdictions may not be known for many years after completion of any fiscal year. We are also required to evaluate the realizability of our

deferred tax assets on an ongoing basis in accordance with U.S. GAAP, which requires the assessment of our performance and other relevant factors. Realization of deferred tax assets is dependent on our ability to generate future taxable income.

Inventories: Inventories are stated at the lower of average cost or market value. Cost includes labor, material and overhead costs, including product and process technology costs. Determining market value of inventories involves numerous judgments, including projecting average selling prices and sales volumes for future periods and costs to complete products in work in process inventories. To project average selling prices and sales volumes, we review recent sales volumes, existing customer orders, current contract prices, industry analyses of supply and demand, seasonal factors, general economic trends and other information. When these analyses reflect estimated market values below our manufacturing costs, we record a charge to cost of goods sold in advance of when the inventory is actually sold. Differences in forecasted average selling prices used in calculating lower of cost or market adjustments can result in significant changes in the estimated net realizable value of product inventories and accordingly the amount of write-down recorded. For example, a 5% variance in the estimated selling prices would have changed the estimated market value of our memory inventory by approximately $143 million at December 1, 2011. Due to the volatile nature of the semiconductor memory industry, actual selling prices and volumes often vary significantly from projected prices and volumes and, as a result, the timing of when product costs are charged to operations can vary significantly.

U.S. GAAP provides for products to be grouped into categories in order to compare costs to market values. The amount of any inventory write-down can vary significantly depending on the determination of inventory categories. Our inventories have been categorized as memory, imaging and microdisplay products. The major characteristics we consider in determining inventory categories are product type and markets.

Property, Plant and Equipment: We review the carrying value of property, plant and equipment for impairment when events and circumstances indicate that the carrying value of an asset or group of assets may not be recoverable from the estimated future cash flows expected to result from its use and/or disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to the amount by which the carrying value exceeds the estimated fair value of the assets. The estimation of future cash flows involves numerous assumptions which require judgment by us, including, but not limited to, future use of the assets for our operations versus sale or disposal of the assets, future selling prices for our products and future production and sales volumes. In addition, judgment is required in determining the groups of assets for which impairment tests are separately performed.

Research and Development: Costs related to the conceptual formulation and design of products and processes are expensed as R&D as incurred. Determining when product development is complete requires judgment by us. We deem development of a product complete once the product has been thoroughly reviewed and tested for performance and reliability. Subsequent to product qualification, product costs are valued in inventory.

Stock-based Compensation: Stock-based compensation is estimated at the grant date based on the fair-value of the award and is recognized as expense using the straight-line amortization method over the requisite service period. For performance-based stock awards, the expense recognized is dependent on the probability of the performance measure being achieved. We utilize forecasts of future performance to assess these probabilities and this assessment requires considerable judgment.

Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility, expected option life and forfeiture rates. We develop these estimates based on historical data and market information which can change significantly over time. A small change in the estimates used can result in a relatively large change in the estimated valuation. We use the Black-Scholes option valuation model to value employee stock awards. We estimate stock price volatility based on an average of its historical volatility and the implied volatility derived from traded options on our stock.

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Explanation of Responses: 28

Recently Issued Accounting Standards

In May 2011, the 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of December 1, 2011, $2,072 million of our $2,119 million of debt was at fixed interest rates. As a result, the fair value of the debt fluctuates based on changes in market interest rates. The estimated fair value of our debt was $2,349 million as of December 1, 2011 and $2,281 million as of September 1, 2011. We estimate that, as of December 1, 2011, a 1% decrease in market interest rates would change the fair value of our fixed-rate debt instruments by approximately $73 million. As of December 1, 2011, $47 million of the debt had variable interest rates. The increase in interest expense caused by a 1% increase in the rates would be de minimis.

Foreign Currency Exchange Rate Risk

The information in this section should be read in conjunction with the information related to changes in the exchange rates of foreign currency in "Item 1A. Risk Factors." Changes in foreign currency exchange rates could materially adversely affect our results of operations or financial condition.

The functional currency for substantially all of our operations is the U.S. dollar. We held cash and other assets in foreign currencies valued at an aggregate of U.S. $469 million as of December 1, 2011 and U.S. $512 million as of September 1, 2011. We also had foreign currency liabilities valued at an aggregate of U.S. $669 million as of December 1, 2011, and U.S. $944 million as of September 1, 2011. Because the substantial majority of our sales are denominated in U.S. dollar, we do not have significant natural hedges to offset our expenditures denominated in other currencies. Significant components of assets and liabilities denominated in currencies other than the U.S. dollar (our reporting currency) were as follows (in U.S. dollar equivalents):

	December 1, 2011					September 1, 2011				
	SGD[1]	Yen	Euro	ILS[2]	Other	SGD[1]	Yen	Euro	ILS[2]	Other
	(amounts in millions)									
Cash and equivalents	$11	$10	$19	$5	$14	$22	$4	$33	$5	$16
Receivables	112	30	41	2	17	92	25	72	1	17
Deferred tax assets	—	37	5	—	1	—	39	7	—	1
Other assets	11	14	79	47	14	12	16	88	44	18
Accounts payable and accrued expenses	(107)	(78)	(109)	(19)	(20)	(124)	(194)	(240)	(25)	(19)
Debt	(98)	—	(3)	—	(4)	(81)	—	(3)	—	(3)
Other liabilities	(13)	(9)	(113)	(60)	(36)	(15)	(8)	(128)	(62)	(42)
Net assets (liabilities)	$(84)	$4	$(81)	$(25)	$(14)	$(94)	$(118)	$(171)	$(37)	$(12)

[1] Currency code indicates Singapore dollar.
[2] Currency code indicates Israeli shekel.

We estimate that, based on the assets and liabilities denominated in currencies other than the U.S. dollar as of December 1, 2011, a 1% change in the exchange rate versus the U.S. dollar would result in currency gains or losses of approximately U.S. $1 million for the Singapore dollar and the euro. Since 2010, we have been using derivative instruments to hedge our foreign currency exchange rate risk. (See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Derivative Financial Instruments" note.)

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to our management, including the principal executive officer and principal financial officer, to allow timely decision regarding disclosure.

During the quarterly period covered by this report, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Patent Matters

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. Among other things, our complaint (as amended) alleges violation of federal antitrust laws, breach of contract, fraud, deceptive trade practices, and negligent misrepresentation. The complaint also seeks a declaratory judgment (1) that we did not infringe on certain of Rambus' patents or that such patents are invalid and/or are unenforceable, (2) that we have an implied license to those patents, and (3) that Rambus is estopped from enforcing those patents against us. On February 15, 2001, Rambus filed an answer and counterclaim in Delaware denying that we are entitled to relief, alleging infringement of the eight Rambus patents (later amended to add four additional patents) named in our declaratory judgment claim, and seeking monetary damages and injunctive relief. In the Delaware action, 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 further analysis of the appropriate remedy.

A number of other suits involving Rambus are currently pending in Europe alleging that certain of our SDRAM and DDR SDRAM products infringe various of Rambus' country counterparts to its European patent 525 068, including: on September 1, 2000, Rambus filed suit against Micron Semiconductor (Deutschland) GmbH in the District Court of Mannheim, Germany; on September 22, 2000, Rambus filed a complaint against us and Reptronic (a distributor of our products) in the Court of First Instance of Paris, France; on September 29, 2000, we filed suit against Rambus in the Civil Court of Milan, Italy, alleging invalidity and non-infringement. In addition, on December 29, 2000, we filed suit against Rambus in the Civil Court of Avezzano, Italy, alleging invalidity and non-infringement of the Italian counterpart to European patent 1 004 956. Additionally, on August 14, 2001, Rambus filed suit against Micron Semiconductor (Deutschland) GmbH in the District Court of Mannheim, Germany alleging that certain of our DDR SDRAM products infringe Rambus' country counterparts to its European patent 1 022 642. In the European suits against us, Rambus is seeking monetary damages and injunctive relief. Subsequent to the filing of the various European suits, the European Patent Office (the "EPO") declared Rambus' 525 068, 1 022 642, and 1 004 956 European patents invalid and revoked the patents. The declaration of invalidity with respect to the '068 and '642 patents was upheld on appeal. The original claims of the '956 patent also were declared invalid on appeal, but the EPO ultimately granted a Rambus request to amend the claims by adding a number of limitations.

On January 13, 2006, Rambus filed a lawsuit against us in the U.S. District Court for the Northern District of California. Rambus alleges that certain of our DDR2, DDR3, RLDRAM, and RLDRAM II products infringe as many as fourteen Rambus patents and seeks monetary damages, treble damages, and injunctive relief. The accused products account for a significant portion of our net sales. On June 2, 2006, we filed an answer and counterclaim against Rambus alleging, among other things, antitrust and fraud claims. On January 9, 2009, in another lawsuit involving Rambus and us and involving allegations by Rambus of patent infringement against us in the U.S. District Court for the District of Delaware, 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 Delaware Court's 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. The Northern District of California Court stayed the trial of the patent phase of the Northern District of California case upon appeal of the 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 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.

We are unable to predict the outcome of these suits. A court determination that our products or manufacturing processes infringe the product or process 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 results could have a material adverse effect on our business, results of operations or financial condition.

Antitrust Matters

On May 5, 2004, Rambus, Inc. 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.

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Explanation of Responses: 34

A number of purported class action price-fixing lawsuits have been filed against us and other DRAM suppliers. Four cases have been filed in the U.S. District Court for the Northern District of California asserting claims on behalf of a purported class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM from various DRAM suppliers during the time period from April 1, 1999 through at least June 30, 2002. The complaints allege 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. The complaints seek joint and several damages, trebled, monetary damages, restitution, costs, interest and attorneys' fees. In addition, at least sixty-four cases have been filed in various state courts asserting claims on behalf of a purported class of indirect purchasers of DRAM. 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 payable 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 purported class action cases alleging price-fixing of DRAM products have been filed against us in the following Canadian courts: Superior Court, District of Montreal, Province of Quebec; Ontario Superior Court of Justice, Ontario; and Supreme Court of British Columbia, Vancouver Registry, British Columbia. 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 have 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 ours, 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, 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. 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.

(See "Item 1A. Risk Factors.")

ITEM 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this Form 10-Q, the following are important factors which could cause actual results or events to differ materially from those contained in any forward-looking statements made by or on behalf of us.

We have experienced dramatic declines in average selling prices for our semiconductor memory products which have adversely affected our business.

If average selling prices for our memory products decrease faster than we can decrease per gigabit costs, our business, results of operations or financial condition could be materially adversely affected. In the first quarter of 2012 average selling prices per gigabit for our NAND Flash and DRAM products declined 10% and 12% respectively as compared to the fourth quarter of 2011. We have experienced significant decreases in our average selling prices per gigabit in recent years as noted in the table below. In some prior periods, average selling prices for our memory products have been below our manufacturing costs.

	DRAM	NAND Flash
	(percentage change in average selling prices)	
2011 from 2010	(39)%	(17)%
2010 from 2009	28 % *	(18)%
2009 from 2008	(52)%	(56)%
2008 from 2007	(51)%	(67)%
2007 from 2006	(23)%	(56)%

* Only increase in DRAM pricing since 2004.

We may be unable to reduce our per gigabit manufacturing costs at the rate average selling prices decline.

Our gross margins are dependent upon continuing decreases in per gigabit manufacturing costs achieved through improvements in our manufacturing processes, including reducing the die size of our existing products. In future periods, we may be unable to reduce our per gigabit manufacturing costs at sufficient levels to improve or maintain gross margins. Factors that may limit our ability to reduce costs include, but are not limited to, strategic product diversification decisions affecting product mix, the increasing complexity of manufacturing processes, technological barriers and changes in process technologies or products that may require relatively larger die sizes. Per gigabit manufacturing costs may also be affected by the relatively smaller production quantities and shorter product lifecycles of certain specialty memory products.

The semiconductor memory industry is highly competitive.

We face intense competition in the semiconductor memory market from a number of companies, including Elpida Memory, Inc.; Hynix Semiconductor Inc.; Samsung Electronics Co., Ltd.; SanDisk Corporation; Spansion Inc. and Toshiba Corporation. Some of our competitors are large corporations or conglomerates that may have greater resources to withstand downturns in the semiconductor markets in which we compete, invest in technology and capitalize on growth opportunities. Our competitors seek to increase silicon capacity, improve yields, reduce die size and minimize mask levels in their product designs. The transitions to smaller line-width process technologies and 300mm wafers in the industry have resulted in significant increases in the worldwide supply of semiconductor memory. Increases in worldwide supply of semiconductor memory also result from semiconductor memory fab capacity expansions, either by way of new facilities, increased capacity utilization or reallocation of other semiconductor production to semiconductor memory production. Our competitors may increase capital expenditures

resulting in future increases in worldwide supply. Increases in worldwide supply of semiconductor memory, if not accompanied with commensurate increases in demand, would lead to further declines in average selling prices for our products and would materially adversely affect our business, results of operations or financial condition.

The downturn in the worldwide economy may harm our business.

The downturn in the worldwide economy had an adverse effect on our business. A continuation or further deterioration of depressed economic conditions could have an even greater adverse effect on our business. Adverse economic conditions affect demand for devices that incorporate our products, such as personal computers and other computing and networking products, mobile devices, Flash memory cards and USB devices. Reduced demand for our products could result in continued market oversupply and significant decreases in our average selling prices. A continuation of current negative conditions in worldwide credit markets would limit our ability to obtain external financing to fund our operations and capital expenditures. In addition, we may experience losses on our holdings of cash and investments due to failures of financial institutions and other parties. Difficult economic conditions may also result in a higher rate of losses on our accounts receivables due to credit defaults. As a result, our business, results of operations or financial condition could be materially adversely affected.

Flooding in Thailand could adversely affect demand for our products.

In July 2011, Thailand began experiencing severe flooding that has disrupted the supply of hard disk drives and other components for our customers. If our customers are unable to obtain sufficient quantities of hard disk drives for systems that also include our products, they may postpone or cancel their orders for our products. As a result, pricing and demand for our products could be impacted and our business, results of operations and financial condition may be adversely affected.

Inotera's liquidity risk may adversely impact our ownership interest and supply agreement.

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. If Inotera is unable to adequately improve its liquidity, we may have to impair our investment in Inotera, which had a net carrying value of $264 million as of December 1, 2011. In addition, in December, 2011, we lent $133 million to Inotera under a 90-day note. In connection with our ownership equity interest in Inotera, we have rights and obligations to purchase 50% of the wafer production capacity of Inotera. In the first quarter of 2012, we purchased $156 million of DRAM products from Inotera, and our supply from Inotera accounted for 43% of our aggregate DRAM gigabit production. As a result, if our supply of DRAM from Inotera is impacted, our business, results of operations or financial condition could be materially adversely affected.

Our supply agreement with Inotera involves numerous risks.

Our supply agreement with Inotera involves numerous risks including the following:

- we have experienced difficulties and delays in ramping production at Inotera on our technology and may continue to experience difficulties and delays in the future;
- we may experience continued difficulties in transferring technology to Inotera;
- costs associated with manufacturing inefficiencies resulting from underutilized capacity;
- difficulties in obtaining high yield and throughput due to differences in Inotera's manufacturing processes from our other fabrication facilities;
- uncertainties around the timing and amount of wafer supply we will receive under the supply agreement; and
- the cost of our product obtained from Inotera is impacted by Nanya's revenue and back-end manufacturing costs for product obtained from Inotera.

The acquisition of our ownership interest in Inotera from Qimonda has been legally challenged by the administrator of the insolvency proceedings for Qimonda.

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. 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.

Our future success may depend on our ability to develop and produce competitive new memory technologies.

Our key semiconductor memory technologies of DRAM, NAND Flash and NOR Flash face technological barriers to continue to meet long-term customer needs. These barriers include potential limitations on the ability to shrink products in order to reduce costs, meet higher density requirements, and improve power consumption and reliability. To meet these requirements, we expect that new memory technologies will be developed by the semiconductor memory industry. Our competitors are working to develop new memory technologies that may offer performance and/or cost advantages to our existing memory technologies and render existing technologies obsolete. Accordingly, our future success may depend on our ability to develop and produce viable and competitive new memory technologies. There can be no assurance of the following:

- that we will be successful in developing competitive new semiconductor memory technologies;
- that we will be able to cost-effectively manufacture new products;
- that we will be able to successfully market these technologies; and
- that margins generated from sales of these products will allow us to recover costs of development efforts.

If our efforts to develop new semiconductor memory technologies are unsuccessful, our business results of operations or financial condition may be adversely affected.

We may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations and make adequate capital investments.

Our cash flows from operations depend primarily on the volume of semiconductor memory sold, average selling prices and per unit manufacturing costs. To develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, we must make significant capital investments in manufacturing technology, capital equipment, facilities, R&D and product and process technology. We estimate that capital spending for 2012 will be approximately $2 billion, of which $746 million was spent in the first quarter of 2012. The actual amounts for 2012 will vary depending on funding participation by joint venture partners and market conditions. As of December 1, 2011, we had cash and equivalents of $1,915 million, of which $160 million consisted of cash and investments of IM Flash that is generally not available to finance our other operations. In the past we have utilized external sources of financing when needed. As a result of the downturn in general economic conditions and the adverse conditions in the credit markets, it may be difficult for us to obtain financing on terms acceptable to us. We cannot assure you that we will be able to generate sufficient cash flows or find other sources of financing to fund our operations, make adequate capital investments to remain competitive in terms of technology development and cost efficiency, or access capital markets. Our inability to do the foregoing could have a material adverse effect on our business and results of operations.

Our joint ventures and strategic partnerships involve numerous risks.

We have entered into partnering arrangements to manufacture products and develop new manufacturing process technologies and products. These arrangements include our IM Flash NAND Flash joint ventures with Intel, our Inotera DRAM joint venture with Nanya, our MP Mask joint venture with Photronics, our Transform joint venture with Origin Energy and our CMOS image sensor wafer supply agreement with Aptina. These joint ventures and strategic partnerships are subject to various risks that could adversely affect the value of our investments and our results of operations. These risks include the following:

- our interests could diverge from our partners or we may not be able to agree with partners on ongoing manufacturing and operational activities, or on the amount, timing or nature of further investments in our joint venture;
- we may experience difficulties in transferring technology to joint ventures;

- we may experience difficulties and delays in ramping production at joint ventures;
- our control over the operations of our joint ventures is limited;
- we may need to recognize our share of losses from Inotera, Aptina or Transform in our future results of operations;
- due to financial constraints, our joint venture partners may be unable to meet their commitments to us or our joint ventures and may pose credit risks for our transactions with them;
- due to differing business models or long-term business goals, our partners may decide not to join us in capital contributions to our joint ventures, which may result in us increasing our capital contributions to such ventures, resulting in additional cash expenditures by us; for example, our contributions to IM Flash Singapore in 2011 and 2010 totaled $1,580 million and $128 million, respectively, while Intel's contributions totaled $0 million and $38 million, respectively;
- the terms of our partnering arrangements may turn out to be unfavorable;

- cash flows may be inadequate to fund increased capital requirements; and
- changes in tax, legal or regulatory requirements may necessitate changes in the agreements with our partners.

If our joint ventures and strategic partnerships are unsuccessful, our business, results of operations or financial condition may be adversely affected.

An adverse outcome relating to allegations of anticompetitive conduct could materially adversely affect our business, results of operations or financial condition.

On May 5, 2004, Rambus, Inc. ("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. We anticipate that Rambus will file post-trial motions and appeal the jury verdict.

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 DRAM price-fixing 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. An adverse court determination in any of these lawsuits alleging 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.

An adverse determination that our products or manufacturing processes infringe the intellectual property rights of others could materially adversely affect our business, results of operations or financial condition.

On January 13, 2006, Rambus filed a lawsuit against us in the U.S. District Court for the Northern District of California. Rambus alleges that certain of our DDR2, DDR3, RLDRAM, and RLDRAM II products infringe as many as fourteen Rambus patents and seeks monetary damages, treble damages, and injunctive relief. The accused products account for a significant portion of our net sales. On June 2, 2006, we filed an answer and counterclaim against Rambus alleging, among other things, antitrust and fraud claims. On January 9, 2009, in another lawsuit involving us and Rambus and involving allegations by Rambus of patent infringement against us in the U.S. District Court for the District of Delaware, Judge Robinson entered an opinion in favor of us holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against us. Rambus subsequently appealed the Delaware Court's 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. The Northern District of California Court stayed the trial of the patent phase of the Northern District of California case upon appeal of the spoliation issue to the Federal Circuit. (See "Item 1. Legal Proceedings" for additional details on this lawsuit and other Rambus matters pending in the U.S. and Europe.)

We are unable to predict the outcome of assertions of infringement made against us. 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 results could have a material adverse effect on our business, results of operations or financial condition.

We have a number of patent and intellectual property license agreements. Some of these license agreements require us to make one time or periodic payments. We may need to obtain additional patent licenses or renew existing license agreements in the future. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms.

Products that fail to meet specifications, are defective or that are otherwise incompatible with end uses could impose significant costs on us.

Products that do not meet specifications or that contain, or are perceived by our customers to contain, defects or that are otherwise incompatible with end uses could impose significant costs on us or otherwise materially adversely affect our business, results of operations or financial condition. In recent periods we have further diversified and expanded our product offerings which could potentially increase the chance that one of our products could fail to meet specifications in a particular application. If problems with nonconforming, defective or incompatible products occur after we have shipped such products, we could be adversely affected in several ways, including the following:

- we may be required to replace product or otherwise compensate customers for costs incurred or damages caused by defective or incompatible product, and
- we may encounter adverse publicity, which could cause a decrease in sales of our products.

New product development may be unsuccessful.

We are developing new products that complement our traditional memory products or leverage their underlying design or process technology. We have made significant investments in product and process technologies and anticipate expending significant resources for new semiconductor product development over the next several years. The process to develop DRAM, NAND Flash, NOR Flash and certain specialty memory products requires us to demonstrate advanced functionality and performance, many times well in advance of a planned ramp of production, in order to secure design wins with our customers. There can be no assurance that our product development efforts will be successful, that we will be able to cost-effectively manufacture new products, that we will be able to successfully market these products or that margins generated from sales of these products will allow us to recover costs of development efforts.

We may make future acquisitions and alliances, which involve numerous risks.

Acquisitions and the formation of alliances, such as joint ventures and other partnering arrangements, involve numerous risks including the following:

- integrating the operations, technologies and products of acquired or newly formed entities into our operations;
- increasing capital expenditures to upgrade and maintain facilities;
- increasing debt to finance an acquisition or formation of a new business;
- diverting management's attention from normal daily operations;
- managing larger or more complex operations and facilities and employees in separate and diverse geographic areas; and
- hiring and retaining key employees.

Acquisitions of, or alliances with, high-technology companies are inherently risky, and future transactions may not be successful and may materially adversely affect our business, results of operations or financial condition.

Consolidation of industry participants and governmental assistance to some of our competitors may contribute to uncertainty in the semiconductor memory industry and negatively impact our ability to compete.

In recent years, supply of memory products has significantly exceeded customer demand resulting in significant declines in average selling prices of DRAM, NAND Flash and NOR Flash products and substantial operating losses by us and our competitors. The operating losses as well as limited access to sources of financing have led to the deterioration in the financial condition of a number of industry participants. Some of our competitors may try to enhance their capacity and lower their cost structure through consolidation. In addition, some governments have

provided, or are considering providing, significant financial assistance to some of our competitors. Consolidation of industry competitors could put us at a competitive disadvantage.

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The limited availability of raw materials, supplies or capital equipment could materially adversely affect our business, results of operations or financial condition.

Our operations require raw materials that meet exacting standards. We generally have multiple sources of supply for our raw materials. However, only a limited number of suppliers are capable of delivering certain raw materials that meet our standards. In some cases, materials are provided by a single supplier. Various factors could reduce the availability of raw materials such as silicon wafers, photomasks, chemicals, gases, photoresist, lead frames and molding compound. Shortages may occur from time to time in the future. In addition, disruptions in transportation lines could delay our receipt of raw materials. Lead times for the supply of raw materials have been extended in the past. If our supply of raw materials is disrupted or our lead times extended, our business, results of operations or financial condition could be materially adversely affected.

Our operations are dependent on our ability to procure advanced semiconductor equipment that enables the transition to lower cost manufacturing processes. For certain key types of equipment, including photolithography tools, we are sometimes dependent on a single supplier. In recent periods we have experienced difficulties in obtaining some equipment on a timely basis due to the supplier's limited capacity. Our inability to obtain this equipment timely could adversely affect our ability to transition to next generation manufacturing processes and reduce costs. Delays in obtaining equipment could also impede our ability to ramp production at new facilities and increase our overall costs of the ramp. If we are unable to obtain advanced semiconductor equipment timely, our business, results of operations or financial condition could be materially adversely affected.

Our net operating loss and tax credit carryforwards may be limited.

We have a valuation allowance against substantially all U.S. net deferred tax assets. As of September 1, 2011, our federal, state and foreign net operating loss carryforwards were $2.9 billion, $2.0 billion and $529 million, respectively. If not utilized, substantially all of our federal and state net operating loss carryforwards will expire in 2022 to 2031 and the foreign net operating loss carryforwards will begin to expire in 2015. As of September 1, 2011, our federal and state tax credit carryforwards were $206 million and $215 million respectively. If not utilized, substantially all of our federal and state tax credit carryforwards will expire in 2013 to 2031. As a consequence of prior business acquisitions, utilization of the tax benefits for some of the tax carryforwards is subject to limitations imposed by Section 382 of the Internal Revenue Code and some portion or all of these carryforwards may not be available to offset any future taxable income. The determination of these tax limitations is complex and requires a significant amount of judgment by us with respect to analysis of past transactions.

Changes in foreign currency exchange rates could materially adversely affect our business, results of operations or financial condition.

Across our multi-national operations, there are transactions and balances denominated in currencies other than the U.S. dollar (our reporting currency), primarily the Singapore dollar, euro, Israeli shekel and yen. We recorded net losses from changes in currency exchange rates of $6 million for 2011 and $23 million for 2010. To the extent our assets and liabilities denominated in currencies other than the U.S. dollar as of December 1, 2011 are not hedged, we estimate that a 1% change in the exchange rate versus the U.S. dollar would expose us to foreign currency gains or losses of approximately U.S. $1 million for the Singapore dollar and the euro. In the event that the U.S. dollar weakens significantly compared to the Singapore dollar, euro, Israeli shekel or yen, our results of operations or financial condition may be adversely affected.

We face risks associated with our international sales and operations that could materially adversely affect our business, results of operations or financial condition.

Sales to customers outside the United States approximated 84% of our consolidated net sales for the first quarter of 2012. In addition, a substantial portion of our manufacturing operations are located outside the United States. In particular, a significant portion of our manufacturing operations are concentrated in Singapore. Our international sales and operations are subject to a variety of risks, including:

- export and import duties, changes to import and export regulations, and restrictions on the transfer of funds;
- compliance with U.S. and international laws involving international operations, including the Foreign Corrupt Practices Act, export control laws and similar rules and regulations;
- political and economic instability;
- problems with the transportation or delivery of our products;
- issues arising from cultural or language differences and labor unrest;
- longer payment cycles and greater difficulty in collecting accounts receivable;

- compliance with trade, technical standards and other laws in a variety of jurisdictions;
- contractual and regulatory limitations on our ability to maintain flexibility with our staffing levels;
- disruptions to our manufacturing operations as a result of actions imposed by foreign governments;
- changes in economic policies of foreign governments; and
- difficulties in staffing and managing international operations.

These factors may materially adversely affect our business, results of operations or financial condition.

If our manufacturing process is disrupted, our business, results of operations or financial condition could be materially adversely affected.

We manufacture products using highly complex processes that require technologically advanced equipment and continuous modification to improve yields and performance. Difficulties in the manufacturing process or the effects from a shift in product mix can reduce yields or disrupt production and may increase our per gigabit manufacturing costs. Additionally, our control over operations at our IM Flash, Inotera, MP Mask and Transform joint ventures is limited by our agreements with our partners. From time to time, we have experienced disruptions in our manufacturing process as a result of power outages, improperly functioning equipment and equipment failures. If production at a fabrication facility is disrupted for any reason, manufacturing yields may be adversely affected or we may be unable to meet our customers' requirements and they may purchase products from other suppliers. This could result in a significant increase in manufacturing costs or loss of revenues or damage to customer relationships, which could materially adversely affect our business, results of operations or financial condition.

We may incur additional material restructure charges in future periods.

In response to severe downturns in the semiconductor memory industry and global economic conditions, we implemented restructure plans in prior periods and may need to implement restructure initiatives in future periods. As a result, we could incur restructure charges, lose production output, lose key personnel and experience disruptions in our operations and difficulties in the timely delivery of products.

ITEM 2. ISSUER PURCHASES OF EQUITY SECURITIES, UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the first quarter of 2012, we acquired, as payment of withholding taxes in connection with the vesting of restricted stock and restricted stock unit awards, 457,328 shares of our common stock at an average price per share of $5.01. We retired these shares in the first quarter of 2012.

Period		(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
September 2, 2011	- October 6, 2011	218,285	$4.86	N/A	N/A
October 7, 2011	- November 3, 2011	186,454	5.08	N/A	N/A
November 4, 2011	- December 1, 2011	52,589	5.43	N/A	N/A
		457,328	5.01		

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Restated Certificate of Incorporation of the Registrant (1)
3.2	Bylaws of the Registrant, as amended (2)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2001
(2) Incorporated by reference to Current Report on Form 8-K/A dated April 7, 2011

Explanation of Responses:

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Micron Technology, Inc.
(Registrant)

Date: January 10, 2012

/s/ Ronald C. Foster
Ronald C. Foster
Vice President of Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)