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

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

For the quarterly period ended March 4, 1999

OR

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

Commission File Number: 1-10658

Micron Technology, Inc.

State or other jurisdiction of incorporation or organization: Delaware

Internal Revenue Service -- Employer Identification No. 75-1618004

8000 S. Federal Way, Boise, Idaho 83716-9632
(208) 368-4000

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

The number of outstanding shares of the registrant's Common Stock as of
April 5, 1999, was 250,395,896.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

MICRON TECHNOLOGY, INC.

Consolidated Balance Sheets
(Dollars in millions, except for par value data)

| As of | March 4, 1999 | September 3, 1998 |
|---|------------------|----------------------|
| (Unaudited) | | |
| ASSETS | | |
| Cash and equivalents | \$ 428.9 | \$ 558.8 |
| Liquid investments | 1,353.7 | 90.8 |
| Receivables | 591.9 | 489.5 |
| Inventories | 364.9 | 291.6 |
| Prepaid expenses | 20.0 | 8.5 |
| Deferred income taxes | 65.4 | 61.7 |
| | ----- | ----- |
| Total current assets | 2,824.8 | 1,500.9 |
| Product and process technology, net | 215.9 | 84.9 |
| Property, plant and equipment, net | 3,581.6 | 3,035.3 |
| Other assets | 148.9 | 82.4 |
| | ----- | ----- |
| Total assets | \$ 6,771.2 | \$ 4,703.5 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Accounts payable and accrued expenses | \$ 560.2 | \$ 460.7 |
| Short-term debt | -- | 10.1 |
| Deferred income | 7.5 | 7.5 |
| Equipment purchase contracts | 71.1 | 168.8 |
| Current portion of long-term debt | 102.9 | 98.6 |
| | ----- | ----- |
| Total current liabilities | 741.7 | 745.7 |
| Long-term debt | 1,574.4 | 758.8 |
| Deferred income taxes | 263.9 | 284.2 |
| Other liabilities | 85.7 | 61.4 |
| | ----- | ----- |
| Total liabilities | 2,665.7 | 1,850.1 |
| | ----- | ----- |
| Minority interests | 160.4 | 152.1 |
| Commitments and contingencies | | |
| Common stock, \$0.10 par value, authorized 1.0 billion shares, issued and outstanding 250.2 million and 217.1 million shares, respectively | 25.0 | 21.7 |
| Class A Common Stock, \$0.10 par value, authorized 32 million shares, issued and outstanding 15.8 million shares | 1.6 | -- |
| Additional capital | 1,829.3 | 565.4 |
| Retained earnings | 2,090.5 | 2,114.3 |
| Accumulated other comprehensive loss | (1.3) | (0.1) |
| | ----- | ----- |
| Total shareholders' equity | 3,945.1 | 2,701.3 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 6,771.2 | \$ 4,703.5 |
| | ===== | ===== |

Certain fiscal 1998 amounts have been restated as a result of a pooling-of-interests merger. See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

Consolidated Statements of Operations
(Amounts in millions, except for per share data)
(Unaudited)

| For the quarter ended | March 4, 1999 | February 26, 1998 |
|--|------------------|----------------------|
| Net sales | \$ 1,025.8 | \$ 763.2 |
| Costs and expenses: | | |
| Cost of goods sold | 745.1 | 740.5 |
| Selling, general and administrative | 125.5 | 138.6 |
| Research and development | 85.5 | 72.0 |
| Other operating expense, net | 18.4 | 24.2 |
| Total costs and expenses | 974.5 | 975.3 |
| Operating income (loss) | 51.3 | (212.1) |
| Gain on sale of investments | -- | 157.1 |
| Gain on issuance of subsidiary stock, net | 0.4 | 0.5 |
| Interest income (expense), net | (11.7) | 1.8 |
| Income (loss) before income taxes and minority interests | 40.0 | (52.7) |
| Income tax benefit (provision) | (16.1) | 10.8 |
| Minority interests in net income | (1.5) | (9.0) |
| Net income (loss) | \$ 22.4 | \$ (50.9) |
| Earnings (loss) per share: | | |
| Basic | \$ 0.08 | \$ (0.24) |
| Diluted | 0.08 | (0.24) |
| Number of shares used in per share calculations: | | |
| Basic | 264.3 | 215.2 |
| Diluted | 272.9 | 215.2 |

Certain fiscal 1998 amounts have been restated as a result of a pooling-of-interests merger. See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

Consolidated Statements of Operations
(Amounts in millions, except for per share data)
(Unaudited)

| For the six months ended | March 4, 1999 | February 26, 1998 |
|--|------------------|----------------------|
| ----- | ----- | ----- |
| Net sales | \$ 1,819.4 | \$ 1,720.4 |
| | ----- | ----- |
| Costs and expenses: | | |
| Cost of goods sold | 1,422.8 | 1,487.6 |
| Selling, general and administrative | 228.5 | 264.6 |
| Research and development | 153.2 | 139.1 |
| Other operating expense, net | 26.1 | 28.8 |
| | ----- | ----- |
| Total costs and expenses | 1,830.6 | 1,920.1 |
| | ----- | ----- |
| Operating loss | (11.2) | (199.7) |
| Gain (loss) on sale of investments | (0.1) | 157.1 |
| Gain on issuance of subsidiary stock, net | 1.6 | 0.6 |
| Interest income (expense), net | (19.6) | 0.5 |
| | ----- | ----- |
| Loss before income taxes and minority interests | (29.3) | (41.5) |
| Income tax benefit | 11.4 | 6.3 |
| Minority interests in net income | (5.8) | (9.2) |
| | ----- | ----- |
| Net loss | \$ (23.7) | \$ (44.4) |
| | ===== | ===== |
| Loss per share: | | |
| Basic | \$ (0.09) | \$ (0.21) |
| Diluted | (0.09) | (0.21) |
| Number of shares used in per share calculations: | | |
| Basic | 255.0 | 214.9 |
| Diluted | 255.0 | 214.9 |

Certain fiscal 1998 amounts have been restated as a result of a pooling-of-interests merger. See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

Consolidated Statements of Cash Flows
(Dollars in millions)
(Unaudited)

| For the six months ended | March 4, 1999 | February 26, 1998 |
|--|------------------|----------------------|
| ----- | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (23.7) | \$ (44.4) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 408.9 | 283.6 |
| Change in assets and liabilities, net of effects of acquisition | | |
| Decrease in receivables | 2.0 | 62.1 |
| Increase in inventories | (40.9) | (16.9) |
| Increase in accounts payable and accrued expenses, net of plant and equipment payables | 15.5 | 31.0 |
| Decrease (increase) in deferred income taxes | (1.1) | 10.3 |
| Increase (decrease) in long-term product and process rights liability | 1.3 | (34.1) |
| Gain on sale and issuance of subsidiary stock | (1.6) | (157.7) |
| Other | 17.5 | (21.2) |
| | ----- | ----- |
| Net cash provided by operating activities | 377.9 | 112.7 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Expenditures for property, plant and equipment | (306.2) | (381.3) |
| Proceeds from sale of subsidiary stock, net of MCMS cash | -- | 235.9 |
| Purchase of available-for-sale and held-to-maturity securities | (1,945.8) | (482.4) |
| Proceeds from sales and maturities of securities | 655.5 | 490.5 |
| Proceeds from sale of equipment | 18.6 | 31.0 |
| Other | (5.4) | (17.2) |
| | ----- | ----- |
| Net cash used for investing activities | (1,583.3) | (123.5) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash received in conjunction with acquisition | 681.1 | -- |
| Proceeds from issuance of common stock | 576.7 | 9.9 |
| Proceeds from issuance of debt | 34.0 | 31.4 |
| Repayments of debt | (66.3) | (72.5) |
| Payments on equipment purchase contracts | (153.5) | (20.1) |
| Other | 3.5 | 3.1 |
| | ----- | ----- |
| Net cash provided by (used for) financing activities | 1,075.5 | (48.2) |
| | ----- | ----- |
| Net decrease in cash and equivalents | (129.9) | (59.0) |
| Cash and equivalents at beginning of period | 558.8 | 619.5 |
| | ----- | ----- |
| Cash and equivalents at end of period | \$ 428.9 | \$ 560.5 |
| | ===== | ===== |
| | | |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest paid | \$ (30.9) | \$ (30.0) |
| Income taxes (paid) refunded, net | 171.4 | (3.4) |
| Noncash investing and financing activities: | | |
| Equipment acquisitions on contracts payable and capital leases | 55.8 | 48.7 |
| Cash received in conjunction with acquisition: | | |
| Fair value of assets acquired | \$ 949.3 | \$ -- |
| Liabilities assumed | (138.0) | -- |
| Debt issued | (836.0) | -- |
| Stock issued | (656.4) | -- |
| | ----- | ----- |
| | \$ 681.1 | \$ -- |
| | ===== | ===== |

Certain fiscal 1998 amounts have been restated as a result of a pooling-of-interests merger. See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements
(All tabular dollar amounts are stated in millions)

1. Unaudited interim financial statements

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the consolidated financial position of Micron Technology, Inc., and subsidiaries (the "Company" or "MTI"), and their consolidated results of operations and cash flows. The Company has restated its prior period financial statements, as a result of the merger with Rendition, Inc. ("Rendition") which was accounted for as a pooling-of-interests.

These unaudited interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Form 10-K for the year ended September 3, 1998.

2. Supplemental balance sheet information

| | March 4, 1999 | September 3, 1998 |
|--|------------------|----------------------|
| <hr/> | | |
| Receivables | | |
| <hr/> | | |
| Trade receivables | \$ 443.4 | \$ 294.4 |
| Income taxes receivable | 75.0 | 191.9 |
| Allowance for returns and discounts | (14.7) | (11.9) |
| Allowance for doubtful accounts | (6.3) | (6.5) |
| Other receivables | 94.5 | 21.6 |
| | <hr/> | <hr/> |
| | \$ 591.9 | \$ 489.5 |
| | ===== | ===== |
| Inventories | | |
| <hr/> | | |
| Finished goods | \$ 159.2 | \$ 93.3 |
| Work in progress | 146.1 | 139.6 |
| Raw materials and supplies | 59.6 | 58.7 |
| | <hr/> | <hr/> |
| | \$ 364.9 | \$ 291.6 |
| | ===== | ===== |
| Product and process technology | | |
| <hr/> | | |
| Product and process technology, at cost | \$ 307.8 | \$ 161.7 |
| Less accumulated amortization | (91.9) | (76.8) |
| | <hr/> | <hr/> |
| | \$ 215.9 | \$ 84.9 |
| | ===== | ===== |
| Property, plant and equipment | | |
| <hr/> | | |
| Land | \$ 42.2 | \$ 34.8 |
| Buildings | 1,128.6 | 915.5 |
| Equipment | 3,635.3 | 3,025.7 |
| Construction in progress | 736.7 | 704.6 |
| | <hr/> | <hr/> |
| Less accumulated depreciation and amortization | 5,542.8 | 4,680.6 |
| | (1,961.2) | (1,645.3) |
| | <hr/> | <hr/> |
| | \$ 3,581.6 | \$ 3,035.3 |
| | ===== | ===== |

As of March 4, 1999, property, plant and equipment included unamortized costs of \$709.5 million for the Company's semiconductor memory manufacturing facility in Lehi, Utah, of which \$648.8 million has not been

Notes to Consolidated Financial Statements, continued

placed in service and is not being depreciated. Timing of the completion of the remainder of the Lehi production facilities is dependent upon market conditions. Market conditions which the Company expects to evaluate include, but are not limited to, worldwide market supply and demand of semiconductor products and the Company's operations, cash flows and alternative uses of capital. The Company continues to evaluate the carrying value of the facility and as of March 4, 1999, it was determined to have no impairment.

Depreciation expense was \$191.1 million and \$372.2 million, respectively, for the second quarter and first six months of 1999, and \$138.4 million and \$267.9 million for the second quarter and first six months of 1998.

| | March 4, 1999 | September 3, 1998 |
|--|------------------|----------------------|
| ----- | | |
| Accounts payable and accrued expenses | | |
| ----- | | |
| Accounts payable | \$ 313.3 | \$ 235.6 |
| Salaries, wages and benefits | 102.3 | 85.6 |
| Interest payable | 32.1 | 7.7 |
| Taxes payable other than income | 31.3 | 44.5 |
| Product and process technology payable | 27.6 | 46.4 |
| Other | 53.6 | 40.9 |
| | ----- | ----- |
| | \$ 560.2 | \$ 460.7 |
| | ===== | ===== |
| Debt | | |
| ----- | | |
| Convertible Subordinated Notes payable, due October 2005, with an effective yield-to-maturity of 8.4%, net of unamortized discount of \$68.8 million | \$ 671.2 | \$ -- |
| Convertible Subordinated Notes payable, due July 2004, interest rate of 7% | 500.0 | 500.0 |
| Subordinated Notes payable, due October 2005, with an effective yield-to-maturity of 10.6%, net of unamortized discount of \$40.3 million | 169.7 | -- |
| Notes payable in periodic installments through July 2015, weighted average interest rate of 7.39% and 7.38%, respectively | 299.0 | 315.2 |
| Capitalized lease obligations payable in monthly installments through August 2004, weighted average interest rate of 7.57% and 7.61%, respectively | 37.4 | 42.2 |
| | ----- | ----- |
| | 1,677.3 | 857.4 |
| Less current portion | (102.9) | (98.6) |
| | ----- | ----- |
| | \$ 1,574.4 | \$ 758.8 |
| | ===== | ===== |

The convertible subordinated notes due October 2005 (the "Convertible Notes") with an effective yield-to-maturity of 8.4% have a face value of \$740 million, a stated interest rate of 6.5% and are convertible into shares of the company's common stock at \$60 per share. The Convertible Notes are not subject to redemption prior to October 2000 and are redeemable from that date through October 2002 only if the common stock price is at least \$78.00 for a specified trading period. The Convertible Notes have not been registered with the Securities and Exchange Commission, however the holder has registration rights. (See note 7 - "Acquisition").

The 7% convertible subordinated notes due July 2004 are convertible into shares of the company's common stock at \$67.44 per share. The notes are not subject to redemption prior to July 1999 and are redeemable from that date through July 2001 only if the common stock price is at least \$87.67 for a specified trading period. The notes were offered under a \$1 billion shelf registration statement pursuant to which the Company may issue from time to time up to \$500 million of additional debt or equity securities. The subordinated notes due October 2005 with a yield-to-maturity of 10.6% have a face value of \$210 million and a stated interest rate of 6.5%.

The Company has a \$400 million revolving credit agreement which expires May 2000. The interest rate on borrowed funds is based on various pricing options at the time of borrowing. The agreement contains certain restrictive covenants pertaining to the Company's semiconductor operations, including a maximum debt to equity covenant. As of March 4, 1999, MTI had no borrowings outstanding under the agreement.

Micron Electronics, Inc., an approximately 63% owned subsidiary of the Company ("MEI"), has a \$100 million unsecured credit facility expiring in June 2001. Under the credit facility, MEI is subject to certain financial and other covenants including certain financial ratios and limitations on the amount of dividends paid by MEI. As of March 4, 1999, MEI was eligible to borrow the full amount under its credit agreements and had no borrowings outstanding under the credit agreement.

3. Other operating expense, net

Other operating expense for the second quarter of 1999 includes a \$15 million charge to write down certain flat panel display assets, \$5 million of loss recognized on joint venture investments, and a \$4 million charge for the cost of consolidating the Company's PC operations in Japan. Other operating expense for the first quarter of 1999 was partially offset by \$5 million from cancellation of a compensation program.

Other operating expense for the second quarter of 1998 includes charges of \$13 million associated with the Company's PC operations resulting from employee termination benefits and consolidation of domestic and international operations, \$3 million for the write off of abandoned in-development software projects, and \$4 million related to the disposal and write down of semiconductor memory operations equipment.

4. Income taxes

The effective tax rate for the second quarter and first six months of 1999 was 40% and 39%, respectively, primarily reflecting the U.S. corporate income tax rate and the net effect of state taxation. In April 1999, certain of the Company's foreign operations were granted favorable tax treatment. The Company is currently evaluating permanent reinvestment of foreign earnings and anticipates the effective rate will decline by several percentage points. Taxes on earnings of domestic subsidiaries not consolidated for tax purposes may cause the effective tax rate to vary significantly from period to period.

The effective tax rate for the second quarter and first six months of 1998 was 20% and 15%, respectively. The income tax rate for the second quarter and first six months of 1998 also reflects the impact of the write-off of a \$4 million deferred tax asset relating to the Company's consolidation of its NetFRAME enterprise server operations.

5. Earnings (loss) per share

Basic earnings per share is calculated using the average number of common shares outstanding. Diluted earnings per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options using the "treasury stock method" and convertible debentures using the "if-converted" method. Earnings per share computations exclude stock options and potential shares for convertible debentures to the extent that their effect would have been antidilutive.

| | Quarter ended | | Six months ended | |
|---|------------------|----------------------|--------------------|----------------------|
| | March 4, 1999 | February 26, 1998 | March 4, 1999 | February 26, 1998 |
| Net income (loss) available for common shareholders, Basic and Diluted | \$ 22.4 ===== | \$ (50.9) ===== | \$ (23.7) ===== | \$ (44.4) ===== |
| Weighted average common stock outstanding - Basic | 264.3 | 215.2 | 255.0 | 214.9 |
| Net effect of dilutive stock options | 8.6 ----- | -- ----- | -- ----- | -- ----- |
| Weighted average common stock and common stock equivalents - Diluted | 272.9 ===== | 215.2 ===== | 255.0 ===== | 214.9 ===== |
| Basic earnings (loss) per share | \$ 0.08 ===== | \$ (0.24) ===== | \$ (0.09) ===== | \$ (0.21) ===== |
| Diluted earnings (loss) per share | \$ 0.08 ===== | \$ (0.24) ===== | \$ (0.09) ===== | \$ (0.21) ===== |
| Antidilutive shares excluded from computation | 0.3 ===== | 12.8 ===== | 0.7 ===== | 11.0 ===== |

6. Comprehensive Income

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," as of the first quarter of 1999. SFAS No. 130 establishes rules for the reporting and display of comprehensive income and its components.

The components of comprehensive income are as follows:

| For the quarter ended | March 4, 1999 | February 26, 1998 |
|---|--------------------|----------------------|
| Net income (loss) | \$ 22.4 | \$ (50.9) |
| Foreign currency translation adjustment | 0.2 | (1.2) |
| Unrealized loss on investments | (1.3) ----- | -- ----- |
| Total comprehensive income (loss) | \$ 21.3 ===== | \$ (52.1) ===== |
| For the six months ended | March 4, 1999 | February 26, 1998 |
| Net loss | \$ (23.7) | \$ (44.4) |
| Foreign currency translation adjustment | -- | (0.5) |
| Unrealized loss on investments | (1.3) ----- | -- ----- |
| Total comprehensive loss | \$ (25.0) ===== | \$ (44.9) ===== |

7. Acquisition

On September 30, 1998, the Company completed its acquisition (the "Acquisition") of substantially all of the memory operations of Texas Instruments, Inc. ("TI") for a net purchase price of approximately \$832.8 million. The Acquisition was consummated through the issuance of debt and equity securities. In connection with the transaction, the Company issued 28.9 million shares of MTI common stock, \$740 million principal amount of Convertible Notes and \$210 million principal amount of Subordinated Notes. In addition to TI's net memory assets, the Company received \$681.1 million in cash. The Acquisition was accounted for as a business combination using the purchase method of accounting. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The Company and TI also entered into a ten-year, royalty-free, life-of-patents, patent cross license that commenced on January 1, 1999. The Company made royalty payments to TI under a prior cross license agreement for operations through December 31, 1998.

The following unaudited pro forma information presents the consolidated results of operations of the Company as if the Acquisition had taken place at the beginning of each period presented.

| For the six months ended | March 4, 1999 | February 26, 1998 |
|--------------------------|------------------|----------------------|
| Net sales | \$ 1,874.7 | \$ 2,203.1 |
| Net loss | (39.5) | (132.2) |
| Basic loss per share | (0.15) | (0.54) |
| Diluted loss per share | (0.15) | (0.54) |

These pro forma results of operations have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the Acquisition occurred on the dates indicated, or which may result in the future.

8. Merger

On September 14, 1998, the Company completed its merger with Rendition. The Company issued approximately 3.6 million shares of Common Stock in exchange for all of the outstanding stock of Rendition. The merger qualified as a tax-free exchange and was accounted for as a business combination using the "pooling-of-interests" method. Accordingly, the Company's financial statements have been restated to include the results of Rendition for all periods presented. The following table presents a reconciliation of net sales and net income (loss) as previously reported by the Company for the quarter and six months ended February 26, 1998, to those presented in the accompanying consolidated financial statements.

| For the quarter ended | MTI | Rendition | Combined |
|--------------------------|-----------|-----------|------------|
| Net sales | \$ 755.4 | \$ 7.8 | \$ 763.2 |
| Net loss | \$ (48.1) | \$ (2.8) | \$ (50.9) |
| For the six months ended | MTI | Rendition | Combined |
| Net sales | \$1,710.0 | \$ 10.4 | \$ 1,720.4 |
| Net loss | \$ (38.5) | \$ (5.9) | \$ (44.4) |

9. Equity investment

On October 19, 1998, the Company issued to Intel approximately 15.8 million stock rights (the "Rights") for a purchase price of \$500 million. The Rights were converted into non-voting Class A Common Stock of the Company on January 14, 1999. The Class A Common Stock represented approximately 6% of the Company's outstanding common stock as of March 4, 1999. The Class A Common Stock will automatically be exchanged for (or converted into) the Company's common stock upon a transfer to a holder other than Intel or a 90% owned subsidiary of Intel. The Class A Common Stock issued to Intel has not been registered under the Securities Act of 1933, as amended, and is therefore subject to certain restrictions on resale. The Company and Intel entered into a securities rights and restrictions agreement which provides Intel with certain registration rights and places certain restrictions on Intel's voting rights and other activities with respect to the shares of MTI Class A Common Stock or common stock. Intel also has the right to designate a director nominee, acceptable to the Company, to the Company's Board of Directors.

In consideration for Intel's investment, the Company has agreed to commit to the development of direct Rambus DRAM ("RDRAM") and to certain production and capital expenditure milestones and to make available to Intel a certain percentage of its semiconductor memory output over a five-year period, subject to certain limitations. The conversion ratio of the Class A Common Stock is subject to adjustment under certain formulae at the election of Intel in the event MTI fails to meet the production or capital expenditure milestones. No adjustment will occur to the conversion ratio under such formulae (i) unless the price of the Company's common stock for a twenty day period ending two days prior to such milestone dates is lower than \$31.625 (the market price of the Company's common stock at the time of investment), or (ii) if the Company achieves the production and capital expenditure milestones. In addition, if an adjustment occurs, in no event will the Company be obligated to issue more than: (a) a number of additional shares having a value exceeding \$150 million, or (b) 15,810,277 shares.

10. Joint Ventures

In connection with the Acquisition, the Company acquired a 30% ownership interest in TECH Semiconductor Singapore Pte. Ltd. ("TECH") and a 25% ownership interest in KMT Semiconductor Limited ("KMT"), formerly KTI Semiconductor Limited. TECH and KMT operate wafer fabrication facilities for the manufacture of DRAM products. TECH, which operates in Singapore, is a joint venture between the Company, the Singapore Economic Development Board, Canon Inc., and Hewlett-Packard Singapore (Private) Limited, a subsidiary of Hewlett-Packard Company. KMT, which operates in Japan, is a joint venture between the Company and Kobe Steel, Ltd. TECH and KMT are collectively referred to herein as the "JVs."

The Company has rights and obligations to purchase all of the JVs' production meeting the Company's specifications at pricing determined quarterly. The Company accounts for its investments in these JVs under the equity method. The Company recognized losses on its equity investments in the JVs of \$5.4 million and \$7.6 million in the second quarter and first six months of 1999, respectively.

Product purchases from the JVs aggregated \$103.5 million and \$149.6 million in the second quarter and first six months of 1999, respectively. The Company performed assembly/test services for the JVs totaling \$21.5 million and \$34.4 million for the second quarter and first six months of 1999, respectively. Aggregate receivables from and payables to the JVs were \$22.5 million and \$34.0 million, respectively, as of March 4, 1999.

11. Commitments and contingencies

As of March 4, 1999, the Company had commitments of approximately \$583.8 million for equipment purchases and \$23.0 million for the construction of buildings.

The Company has from time to time received, and may in the future receive, communications alleging that its products or its processes may infringe on product or process technology rights held by others. The Company has accrued a liability and charged operations for the estimated costs of settlement or adjudication of asserted and unasserted claims for alleged infringement prior to the balance sheet date. Determination that the Company's manufacture of products has infringed on valid rights held by others could have a material adverse effect on the Company's financial position, results of operations or cash flows and could require changes in production processes and products.

The Company is currently a party to various other legal actions arising out of the normal course of business, none of which are expected to have a material effect on the Company's financial position or results of operations.

12. Subsequent Event

On March 19, 1999, the Company entered into an agreement to sell certain of its flat panel display assets to PixTech, Inc. ("PixTech"). Pursuant to the terms of the transaction, in exchange for the transfer of certain assets and liabilities to PixTech, the Company will receive 7,133,562 shares of PixTech common stock and warrants to purchase an additional 310,000 shares of PixTech common stock at an approximate exercise price of \$2.25. The Company wrote down its flat panel display assets to be sold by \$15 million during the second quarter of 1999.

Item 2. Management's Discussion and Analysis of Financial Condition and

Results of Operations

The following discussion contains trend information and other forward looking statements (including statements regarding future operating results, future capital expenditures and facility expansion, new product introductions, technological developments, acquisitions and the effect thereof and industry trends) that involve a number of risks and uncertainties. The Company's actual results could differ materially from the Company's historical results of operations 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 "Certain Factors." This discussion should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended September 3, 1998. All period references are to the Company's fiscal periods ended March 4, 1999, September 3, 1998, or February 26, 1998, unless otherwise indicated. All per share amounts are presented on a diluted basis unless otherwise stated. All 1998 financial data of the Company has been restated to include the results of operations of Rendition, Inc., which was merged with the Company on September 11, 1998.

Overview

Micron Technology, Inc. and its subsidiaries are hereinafter referred to collectively as the "Company" or "MTI." The Company designs, develops, manufactures and markets semiconductor memory products, primarily DRAM, and through its approximately 63% owned subsidiary, Micron Electronics, Inc. ("MEI"), develops, markets, manufactures and supports PC systems.

The semiconductor industry in general, and the DRAM market in particular, experienced severe price declines in recent years. Per megabit prices declined approximately 60% in 1998 following a 75% decline in fiscal 1997 and a 45% decline in fiscal 1996. These market conditions have had an adverse effect on the Company's results of operations. The Company experienced stable per megabit sales prices in the second quarter of 1999 after an 18% increase for the first quarter of 1999, however the Company has experienced per megabit price declines in the third quarter of 1999. The Company is unable to predict pricing conditions for future periods.

On September 30, 1998, the Company completed the acquisition (the "Acquisition") of substantially all of the semiconductor memory operations (the "Acquired Operations") of Texas Instruments, Inc. ("TI"). The Company's results of operations for the first six months of 1999 reflect five months' results of operations for the Acquired Operations.

Results of Operations

| | Second Quarter | | Six Months | |
|---------------------------|----------------|----------|------------|-----------|
| | 1999 | 1998 | 1999 | 1998 |
| Net sales | \$1,025.8 | \$ 763.2 | \$1,819.4 | \$1,720.4 |
| Net income (loss) | 22.4 | (50.9) | (23.7) | (44.4) |
| Earnings (loss) per share | 0.08 | (0.24) | (0.09) | (0.21) |

Results of operations for the second quarter and first six months of 1999 were adversely affected by a \$15 million write down of certain of the Company's flat panel display assets resulting in an after tax loss of \$0.03 and \$0.04, per share, respectively. (See "Subsequent Event.") For the first quarter of 1999, net loss was \$46.2 million, or \$0.19 per share, on net sales of \$793.6 million.

Net Sales

| | Second Quarter | | | | Six Months | | | |
|-------------------------------|----------------|-------|-----------|-------|------------|-------|-----------|-------|
| | 1999 | | 1998 | | 1999 | | 1998 | |
| | Net sales | % | Net sales | % | Net sales | % | Net sales | % |
| Semiconductor memory products | \$ 697.1 | 68.0 | \$ 283.4 | 37.1 | \$1,106.6 | 60.8 | \$ 723.5 | 42.1 |
| PC systems | 309.5 | 30.1 | 396.5 | 52.0 | 661.6 | 36.4 | 841.6 | 48.9 |
| Other | 19.2 | 1.9 | 83.3 | 10.9 | 51.2 | 2.8 | 155.3 | 9.0 |
| Total net sales | \$1,025.8 | 100.0 | \$ 763.2 | 100.0 | \$1,819.4 | 100.0 | \$1,720.4 | 100.0 |

Semiconductor memory products' net sales include MTI semiconductor memory products incorporated in MEI PC products. Such sales totaled \$14.8 million and \$5.2 million in the second quarters of 1999 and 1998, respectively, and \$25.1 million and \$17.6 million in the first six months of 1999 and 1998, respectively. "Other" net sales for the second quarter and first six months of 1998 include revenue of \$63.0 million and \$123.6 million, respectively from MEI's contract manufacturing subsidiary, which was sold in February 1998.

Net sales of semiconductor memory products for the second quarter and first six months of 1999 increased by 146% and 53%, respectively, as compared to the corresponding periods of 1998. The increase in net sales for these periods was primarily due to an increase in megabits of semiconductor memory sold and was partially offset by comparatively lower average selling prices. Total megabits shipped increased by 272% and 175% for the second quarter and first six months of 1999, respectively, as compared to the corresponding periods of 1998. Megabit shipments increased due to production gains principally resulting from shifts in the Company's mix of semiconductor memory products to higher average density products, ongoing transitions to successive reduced die size ("shrink") versions of existing memory products and additional output from the Acquired Operations. Average selling prices per megabit of memory declined 33% comparing the second quarter of 1999 to the second quarter of 1998 and declined 44% comparing the first six months of 1999 to the first six months of 1998. The Company's principal memory product in the second quarter and first six months of 1999 was the 64 Meg synchronous DRAM ("SDRAM"), which comprised approximately 73% and 67%, respectively, of the net sales of semiconductor memory.

Net sales of semiconductor memory products increased by 70% in the second quarter of 1999 as compared to the first quarter of 1999 principally due to a 75% increase in megabits shipped. Megabit shipments increased primarily due to significant increases in the amount of megabits produced by the Company in the second quarter. In the second quarter of 1999, the Company produced approximately 90% more megabits of memory than in the first quarter due primarily to the transition to the .21(mu) shrink version of the 64 Meg SDRAM and resolution of backend production constraints. Resolution of backend constraints associated with the Company's rapid transition to .21(mu) devices in the first quarter accounted for approximately one-third of the production increases for the second quarter. Also contributing to the increased production was the continued shift in the Company's mix of semiconductor memory products to a higher average density and enhanced yields on existing memory products. Average selling prices per megabit of memory were flat for the second quarter of 1999 as compared to the first quarter of 1999.

Net sales of PC systems were lower in the second quarter and first six months of 1999 compared to the corresponding periods of 1998 primarily as a result of declines in overall average selling prices of 9% and 14%, respectively. Unit sales declined by 3% comparing the second quarter of 1999 with the second quarter of 1998 and were flat comparing the first six months of 1999 with the first six months of 1998. Net sales of PC systems for the second quarter of 1999 were lower than for the first quarter of 1999 primarily as a result of a 14% decrease in unit sales. Average selling prices for PC systems increased 4%, comparing the second quarter of fiscal 1999 to the first quarter, as a result of a product mix shift to more richly configured systems. Despite the increase in overall average selling price, the Company's full line of PC systems experienced considerable pricing pressure in the second quarter.

Gross Margin

| | Second Quarter | | | Six Months | | |
|---------------------|----------------|----------|---------|------------|----------|---------|
| | 1999 | % Change | 1998 | 1999 | % Change | 1998 |
| Gross margin | \$280.7 | 1136.6% | \$ 22.7 | \$396.6 | 70.4% | \$232.8 |
| as a % of net sales | 27.4% | | 3.0% | 21.8% | | 13.5% |

The Company's gross margin percentage on sales of semiconductor memory products for the second quarter and first six months of 1999 was 32% and 23%, respectively, compared to 5% and 22% for the corresponding periods of 1998. The increase in gross margin percentage on sales of semiconductor memory products for the second quarter and first six months of 1999 compared to the corresponding periods in 1998 was primarily the result of decreases in per megabit manufacturing costs. Comparative decreases in per megabit manufacturing costs were achieved primarily through shifts in the Company's mix of semiconductor memory products to higher average density products and transitions to shrink versions of existing products. The effect of these factors was partially offset by

decreases in average selling prices, and to a lesser extent, the inclusion of five months of results for the Acquired Operations which have higher per-unit manufacturing costs.

The gross margin percentage on sales of semiconductor memory products for the first quarter of 1999 was 9%. The increase in gross margin percentage for semiconductor memory products sold in the second quarter of 1999 as compared to the first quarter of 1999 was primarily the result of stable pricing and significant increases in megabit production resulting in decreases in per megabit manufacturing costs. In the second quarter, the Company produced approximately 90% more megabits of memory than in the first quarter due primarily to the transition to the .21(μ) shrink version of the 64 Meg SDRAM and resolution of backend production constraints. Resolution of backend constraints associated with the Company's rapid transition to .21(μ) devices in the first quarter accounted for approximately one-third of the production increases for the second quarter. Also contributing to the increased production was the continued shift in the Company's mix of semiconductor memory products to a higher average density and enhanced yields on existing memory products.

In connection with the Acquisition, the Company acquired the right and obligation to purchase all of the production meeting its specifications from two joint ventures, TECH Semiconductor Singapore Pte. Ltd. ("TECH") and KMT Semiconductor Limited ("KMT"), formerly KTI Semiconductor Limited. The Company purchases assembled and tested components from the joint ventures at prices determined quarterly and generally representing discounts from the Company's average sales prices. These discounts were lower than gross margins realized by the Company in the second quarter of 1999 on similar products manufactured in the Company's wholly-owned facilities, but were higher than gross margins historically realized in periods of excess supply. In any future reporting period, gross margins resulting from the Company's purchase of joint venture products may positively or negatively impact gross margins otherwise realized for semiconductor memory products manufactured in the Company's wholly-owned facilities.

The gross margin percentage for the Company's PC operations for the second quarter and first six months of 1999 was 14%, compared to negative 2% and 6% for the corresponding periods of 1998. The gross margin for the Company's PC operations was 15% for the first quarter of 1999. Gross margins in the second quarter of 1998 were significantly adversely affected by write-downs of notebook product inventories. The Company's PC gross margins in the second quarter and first six months of 1999 were affected by increased pricing pressure on PC products. The Company expects to continue to experience significant pressure on its gross margins on sales of its PC systems, particularly for desktop and notebook products, as a result of intense competition in the PC industry and consumer expectations of more powerful PC systems at lower prices.

Selling, General and Administrative

| | Second Quarter | | | Six Months | | |
|--|------------------|----------|------------------|------------------|----------|------------------|
| | 1999 | % Change | 1998 | 1999 | % Change | 1998 |
| Selling, general and administrative as a % of net sales | \$125.5 12.2% | (9.5)% | \$138.6 18.2% | \$228.5 12.6% | (13.6)% | \$264.6 15.4% |

Selling, general and administrative expenses were lower in the second quarter and first six months of 1999 as compared to the corresponding periods of 1998 primarily as a result of enhanced operational efficiencies and cost reductions at MEI and the sale of 90% of MEI's interest in its contract manufacturing subsidiary in fiscal 1998. Selling, general and administrative expenses for the second quarter and first six months of 1999 include approximately \$15 million and \$22 million, respectively, in expense associated with the Acquired Operations. Selling, general and administrative expenses for the first six months of 1998 reflect a \$6 million contribution to a university in support of engineering education. The Company is migrating to a comprehensive enterprise resource planning ("ERP") system beginning in the first quarter of 2000. Total capitalized costs for this ERP system may be in excess of \$20 million, and the associated depreciation will increase selling, general and administrative expenses in subsequent periods.

Selling, general and administrative expenses for the second quarter of 1999 increased by 22% as compared to the first quarter of 1999, primarily due to increased costs associated with the Company's semiconductor operations, and to a lesser extent, increased labor costs for the Company's PC operations. The Company's semiconductor operations experienced higher overall levels of selling, general and administrative expenses in the second quarter of

1999 as compared to the first quarter primarily due to its larger and more geographically dispersed operations, particularly in higher labor and information technology expenses. In addition, selling, general and administrative expenses for the second quarter of 1999 include three months of operations for the Acquired Operations, compared to only two months included in the first quarter of 1999.

Research and Development

| | Second Quarter | | | Six Months | | |
|--------------------------|----------------|----------|---------|------------|----------|---------|
| | 1999 | % Change | 1998 | 1999 | % Change | 1998 |
| Research and development | \$ 85.5 | 18.8% | \$ 72.0 | \$153.2 | 10.1% | \$139.1 |
| as a % of net sales | 8.3% | | 9.4% | 8.4% | | 8.1% |

Research and development expenses relating to the Company's semiconductor memory operations, which constitute substantially all of the Company's research and development expenses, vary primarily with the number of wafers processed, personnel costs, and the cost of advanced equipment dedicated to new product and process development. Research and development efforts are focused on advanced process technology, which is the primary determinant in transitioning to next generation products. Application of advanced process technology currently is concentrated on design of shrink versions of the Company's 64 Meg SDRAM and design and development of the Company's 128 Meg SDRAM and direct Rambus DRAM ("RDRAM"), Double Data Rate ("DDR"), SyncLink DRAM ("SLDRAM"), Flash and SRAM memory products. Other research and development efforts are currently devoted to the design and development of graphics accelerator products, PC systems and PC core logic.

Research and development expenses in the second quarter and first six months of 1999 include costs of resources obtained in the Acquisition being utilized to broaden the Company's range of DRAM product offerings. The expansion of product offerings is considered necessary to support the customer base required for the Company's increased production.

The Company substantially completed its transition from .25(mu) to .21(mu) process technology at its Boise site early in the second quarter of 1999 and expects the transition from .21(mu) to .18(mu) to occur at its Boise site in late calendar 1999. The Company anticipates that process technology will move to .15(mu) line widths in the next few years as needed for the development of future generation semiconductor products. Transitions to smaller line widths at the Acquired Operations are expected to lag behind transitions at the Boise site by several months as process technology development and initial manufacturing is expected to be completed first at the Boise site.

Other Operating expense, net

Other operating expense for the second quarter of 1999 includes a \$15 million charge to write down certain flat panel display assets to be sold, \$5 million of loss recognized on joint venture investments, and a \$4 million charge for the cost of consolidating the Company's PC operations in Japan. Other operating expense for the second quarter of 1999 was partially offset by a \$5 million from cancellation of a compensation program.

Other operating expense for the second quarter of 1998 includes charges of \$13 million associated with the Company's PC operations resulting from employee termination benefits and consolidation of domestic and international operations and \$3 million for the write-off of abandoned in-development software projects. In addition, other operating expense for the second quarter of 1998 includes \$4 million related to the disposal and write-down of semiconductor memory operations equipment.

Income Taxes

The effective tax rate for the second quarter and first six months of 1999 was 40% and 39%, respectively, primarily reflecting the U.S. corporate income tax rate and the net effect of state taxation. In April 1999, certain of the Company's foreign operations were granted favorable tax treatment. The Company is currently evaluating permanent reinvestment of foreign earnings and anticipates the effective rate will decline by several percentage points. Taxes on earnings of domestic subsidiaries not consolidated for tax purposes may cause the effective tax rate to vary significantly from period to period.

The effective tax rate for the second quarter and first six months of 1998 was 20% and 15%, respectively. The income tax rate for the second quarter and first six months of 1998 also reflects the impact of the write-off of a \$4 million deferred tax asset relating to the Company's consolidation of its NetFRAME enterprise server operations.

Recently Issued Accounting Standards

Recently issued accounting standards include Statement of Financial Accounting Standards ("SFAS") No. 131 "Disclosures about Segments of an Enterprise and Related Information," issued by the FASB in June 1997, Statement of Position ("SOP") 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," issued by the AICPA in March 1998 and SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," issued by the FASB in June 1998.

SFAS No. 131 requires public companies to report financial and other information about key revenue-producing segments of the entity for which such information is available and is utilized by the chief operation decision-maker. Implementation of SFAS No. 131 is required for the Company's year end 1999.

SOP 98-1 requires companies to capitalize certain costs of computer software developed or obtained for internal use. The Company, which currently capitalizes costs of purchased internal-use computer software and expenses costs of internally developed internal-use software as incurred, expects to adopt the standard in the first quarter of 2000 for developmental costs incurred in that quarter and thereafter. The adoption is expected to result in an initial decrease in selling, general and administrative expense due to the capitalization of certain ERP costs that are not being capitalized under the Company's current practice. Subsequent period expenses are expected to reflect a higher level of amortization expense resulting from the relatively higher carrying value of the Company's capitalized software accounted for under SOP 98-1.

SFAS No. 133 requires that all derivatives be recorded as either assets or liabilities in the balance sheet and marked-to-market on an ongoing basis. SFAS No. 133 applies to all derivatives including stand-alone instruments, such as forward currency exchange contracts and interest rate swaps, or embedded derivatives, such as call options contained in convertible debt investments. Along with the derivatives, the underlying hedged items are also to be marked-to-market on an ongoing basis. These market value adjustments are to be included either in the statement of operations or as a component of comprehensive income, depending on the nature of the transaction. Implementation of SFAS No. 133 is required for the Company by the first quarter of 2000. The Company is currently evaluating the effect SFAS 133 will have on its future results of operations and financial position.

Liquidity and Capital Resources

As of March 4, 1999, the Company had cash and liquid investments totaling \$1,783 million, representing an increase of \$1,133 million during the first six months of 1999. In the first quarter of 1999, the Company received \$681 million in conjunction with the Acquisition and \$500 million from the sale of stock to Intel Corporation. The Company's other principal source of liquidity during the first six months of 1999 was net cash flow from operations of \$378 million. The principal uses of funds during the first six months of 1999 were \$306 million for property, plant and equipment expenditures and \$220 million for repayments of equipment contracts and debt.

The Company believes that in order to transition the Acquired Operations to the Company's product and process technology, develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, it must continue to invest in manufacturing technology, facilities and capital equipment, research and development, and product and process technology. The Company currently estimates it will spend approximately \$1 billion in 1999 for purchases of equipment and for construction and improvement of buildings, of which it has spent approximately \$362 million to date. As of March 4, 1999, the Company had entered into contracts extending into 2000 for approximately \$584 million for equipment purchases and approximately \$23 million for the construction of facilities.

The Company has an aggregate of \$500 million in revolving credit agreements, including a \$400 million agreement expiring in May 2000 which contains certain restrictive covenants pertaining to the Company's semiconductor memory operations, including a maximum total debt to equity ratio. As of March 4, 1999, the Company was in compliance with all covenants under the facilities and had no borrowings outstanding under the agreements. There can be no assurance that the Company will continue to be able to meet the terms of the covenants and conditions in the agreements, borrow under the agreements or negotiate satisfactory successor agreements.

As of March 4, 1999, approximately \$369 million of the Company's consolidated cash and liquid investments were held by MEI. Cash generated by MEI is not readily available to finance operations or other expenditures of MTI's semiconductor memory operations.

Significant Transactions - Acquisition

On September 30, 1998, the Company completed its acquisition of substantially all of TI's memory operations. The Acquisition was consummated through the issuance of debt and equity securities. TI received 28.9 million shares of MTI common stock, \$740 million principal amount of convertible notes (the "Convertible Notes") and \$210 million principal amount of subordinated notes (the "Subordinated Notes"). In addition to TI's net memory assets, the Company received \$681 million in cash. The Company and TI also entered into a ten-year, royalty-free, life-of-patents, patent cross license that commenced on January 1, 1999.

The MTI common stock, Convertible Notes and Subordinated Notes issued in the transaction have not been registered under the Securities Act of 1933, as amended, and are therefore subject to certain restrictions on resale. The Company and TI entered into a securities rights and restrictions agreement as part of the transaction which provides TI with certain registration rights and places certain restrictions on TI's voting rights and other activities with respect to shares of MTI common stock. The Convertible Notes and the Subordinated Notes issued in the transaction bear interest at the rate of 6.5% and have a term of seven years. The Convertible Notes are convertible into 12.3 million shares of MTI common stock at a conversion price of \$60 per share. The Convertible Notes are not subject to redemption prior to October 2000 and are redeemable from that date through October 2002 only if the common stock price is at least \$78.00 for a specified trading period. The Subordinated Notes are subordinated to the Convertible Notes, the Company's outstanding 7% Convertible Subordinated Notes due July, 2004, and substantially all of the Company's other indebtedness.

The assets acquired by the Company in the Acquisition include a wafer fabrication operation in Avezzano, Italy, an assembly/test operation in Singapore, and an inactive wafer fabrication facility in Richardson, Texas. Also included in the Acquisition was TI's interest in two joint ventures, TECH and KMT, and TI's rights and obligations to purchase 100% of the joint venture production meeting the Company's specifications. TECH, which operates in Singapore, is now owned by the Company, Canon, Inc., Hewlett-Packard Singapore (Private) Limited, a subsidiary of Hewlett Packard Company, and EDB Investments Pte. Ltd., which is controlled by the Economic Development Board of the Singapore government; and KMT, which operates in Japan, is now owned by the Company and Kobe Steel, Ltd. MTI acquired a 30% interest in TECH and a 25% interest in KMT. The Company filed Form 8-K/A on October 16, 1998, which incorporates historical and pro forma financial information with respect to the Acquisition. Pro forma financial information is also included in the notes to the financial statements in this Form 10-Q.

Although the Company believes the Acquisition further leverages its technology, the Company anticipates that the Acquisition will continue to have a near term adverse impact upon the Company's results of operations and cash flows. The Company is in the process of transferring its .21(mu) product and process technology into the Acquired Operations (primarily the wholly owned fabrication facilities in Avezzano, Italy and the joint-venture facilities) and expects the transfer to be substantially complete by 1999 calendar year end. Output of the Company's semiconductor memory products has increased directly as a result of the manufacturing capacity obtained in the Acquisition and should increase further as a result of the transfer of the Company's product and process technology to the Acquired Operations. Until the Company is able to complete the transfer of its product and process technology into the Acquired Operations, the Company expects that the per unit costs associated with products manufactured at the Acquired Operations will continue to significantly exceed the per unit costs of products

manufactured at the Company's Boise, Idaho facility, resulting in a near-term adverse impact on the Company's gross margin percentage. The ten-year, royalty-free, life-of-patents, patent cross license entered into with TI resulted in a reduction in the Company's royalty expenses beginning January 1999.

Subsequent Event

On March 19, 1999, the Company announced an agreement to sell certain of its flat panel display assets to PixTech, Inc. ("PixTech"). Pursuant to the terms of the transaction, in exchange for the transfer of certain assets (including manufacturing equipment and \$4.35 million in cash) and liabilities to PixTech, the Company will receive 7,133,562 shares of PixTech Common Stock and warrants to purchase an additional 310,000 shares of PixTech Common Stock at an approximate exercise price of \$2.25. The Company wrote down its flat panel display assets by \$15 million during the second quarter of 1999. The agreement is contingent upon approval of the Federal Trade Commission and approval of PixTech's stockholders as well as customary closing conditions.

Year 2000

Like many other companies, the Year 2000 computer issue creates risks for the Company. If internal systems do not correctly recognize and process date information beyond the year 1999, the Company's operations could be adversely impacted as a result of system failures and business process interruption.

Semiconductor Operations

The Company has been addressing the Year 2000 computer issue for its semiconductor operations with a plan that began in early 1996. To manage its Year 2000 program, the Company has divided its efforts into the primary program areas of: (i) information technology ("IT"), which includes computer and network hardware, operating systems, purchased development tools, third-party and internally developed software, files and databases, end-user extracts and electronic interfaces; (ii) embedded technology within manufacturing and facilitation equipment; and (iii) external dependencies, which include relationships with suppliers and customers.

The Company is following four general steps for each of these program areas: "Ownership," wherein each department manager is responsible for assigning ownership for the various Year 2000 issues to be tested; "Identification" of systems and equipment and the collection of Year 2000 data in a centralized place to track results of compliance testing and subsequent remediation; "Compliance Testing," which includes the determination of the specific test routine to be performed on the software or equipment and determination of year 2000 compliance for the item being tested; and "Remediation," which involves implementation of corrective action, verification of successful implementation, finalization of, and, if need be, execution of, contingency plans.

As of March 4, 1999, the Ownership and Identification steps were essentially complete for all three program areas: IT, manufacturing and facilitation equipment and external dependencies. The Compliance Testing and Remediation steps are substantially complete for the IT area at the Boise site. The Company is relying in part on TI computer networks, information technology services and licensed software with respect to certain of the recently acquired semiconductor operations, much of which is currently used by TI in its manufacturing processes. The Company is taking various steps to remove its dependence on the TI systems, including the migration to a comprehensive ERP system beginning in September 1999. Nonetheless, dependency upon TI systems will span calendar years 1999 and 2000, and Year 2000 issues may arise. The Company is working with TI to identify and correct any Year 2000 issues, and at this time does not anticipate any material Year 2000 issues with respect to the TI systems. (See "Certain Factors")

Compliance Testing of semiconductor manufacturing and facilitation equipment is over 80% complete, and Remediation efforts for equipment thus tested is in excess of 85% complete. The Company is working with suppliers of products and services to determine and monitor their level of compliance and Compliance Testing. Year 2000 readiness of significant customers is also being assessed. The Company's evaluation of Year 2000 compliance as it

relates to the Company's external dependencies is expected to be substantially complete by the second calendar quarter of 1999.

As of March 4, 1999, the Company had incurred aggregate incremental costs of approximately \$2 million and estimates it will spend an additional \$2 million to address the Year 2000 issue with respect to its semiconductor operations. The Company is executing its Year 2000 readiness plan solely through its employees. Year 2000 Compliance Testing and reprogramming is being done in conjunction with other ongoing maintenance and reprogramming efforts.

With respect to Remediation, the Company has prepared various types of contingency plans to address potential problem areas with internal systems and with suppliers and other third parties. Internally, each software and hardware system has been assigned to on-call personnel who are responsible for bringing the system back on line in the event of a failure. Externally, the Company's Year 2000 plan includes identification of alternate sources for providers of goods and services. The Company has completed its internal contingency plans and expects its external contingency plans to be substantially complete by the second calendar quarter of 1999.

PC operations

The Company's PC operations have been addressing the Year 2000 issue independently of the Company's semiconductor operations. PC operations are addressing the plan in a manner similar to the semiconductor operations.

With respect to IT systems for the Company's PC operations, MEI believes, as of March 4, 1999, that the inventory and assessment phases are essentially complete and the remediation phase is approximately two-thirds complete. With respect to non-IT systems, the inventory and assessment phases are approximately 95% complete and the remediation phase is approximately 90% complete. MEI estimates August 1999 for completion of remediation of its mission critical IT and non-IT systems, with the remainder of calendar 1999 to be used for resolution of any unforeseen difficulties and quality assurance testing. It is anticipated that risk assessment with respect to mission critical external dependencies will be completed within the third quarter of fiscal 1999. As of March 4, 1999, MEI had incurred aggregate incremental costs of approximately \$2 million and estimates it will spend an additional \$1 to \$2 million to address the Year 2000 issue with respect to its PC operations.

MEI is in the process of preparing various types of contingency plans to address potential Year 2000 issues. It is currently anticipated that these contingency plans will focus on the possible interruption of supply of key components or services from third-party providers. MEI expects that development of contingency plans for its PC operations will continue through calendar 1999.

Certain Factors

In addition to the factors discussed elsewhere in this Form 10-Q and in the Company's Form 10-K for the fiscal year ended September 3, 1998, 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 the Company.

The semiconductor memory industry is characterized by rapid technological change, frequent product introductions and enhancements, difficult product transitions, relatively short product life cycles, and volatile market conditions. These characteristics historically have made the semiconductor industry highly cyclical, particularly in the market for DRAMs, which are the Company's primary products. The semiconductor industry has a history of declining average sales prices as products mature. Long-term average decreases in sales prices for semiconductor memory products approximate 30% on an annualized basis; however, significant fluctuations from this rate have occurred from time to time, including in recent years.

The selling prices for the Company's semiconductor memory products fluctuate significantly with real and perceived changes in the balance of supply and demand for these commodity products. Growth in worldwide supply has outpaced growth in worldwide demand in recent years, resulting in a significant decrease in average selling

prices for the Company's semiconductor memory products. The semiconductor industry in general, and the DRAM market in particular, has experienced a severe downturn. Per megabit prices declined approximately 60% in 1998 following a 75% decline in 1997 and a 45% decline in 1996. Per megabit prices were stable in the second quarter of 1999 following an increase in the first quarter of 1999 as compared to the fourth quarter of 1998. The improved per megabit pricing for the first six months of 1999 may not be indicative of pricing in future periods, and in fact the Company has experienced price declines in the third quarter of 1999. In the event that average selling prices decline at a faster rate than the rate at which the Company is able to decrease per unit manufacturing costs, the Company's operations, cash flows and financial condition could be materially adversely affected. Competitors are also aggressively seeking improved yields, smaller die size and fewer mask levels in their product designs. These improvements could result in a significant increase in worldwide capacity leading to further downward pressure on prices.

In 1998, many of the Company's Korean and Japanese semiconductor memory competitors were impacted by deteriorating economic conditions in Southeast Asia, resulting in decreased capital investment by Korean and Japanese DRAM manufacturers. Improved economic conditions could increase sources of capital available to finance technology advancements and expansion projects, and likely would result in a significant increase in worldwide supply leading to further downward pricing pressure. In addition, if the Company is successful in the transfer of its product and process technology into the acquired facilities, the amount of worldwide semiconductor memory capacity could increase, resulting in further downward pricing pressure on the Company's semiconductor memory products.

Approximately 80% of the Company's sales of semiconductor memory products during the second quarter of 1999 were directly into the PC or peripheral markets. DRAMs are the most widely used semiconductor memory component in most PC systems. Should the rate of growth of sales of PC systems or the rate of growth in the amount of memory per PC system decrease, the growth rate for sales of semiconductor memory could also decrease, placing further downward pressure on selling prices for the Company's semiconductor memory products. The Company is unable to predict changes in industry supply, major customer inventory management strategies, or end user demand, which are significant factors influencing pricing for the Company's semiconductor memory products.

On September 30, 1998, the Company acquired substantially all of TI's memory operations. The integration and successful operation of the Acquired Operations is dependent upon a number of factors, including, but not limited to, the Company's ability to transfer its product and process technology in a timely and cost-effective manner into the wholly-owned acquired fabrication facilities in Avezzano, Italy and joint venture facilities. The Company is in the process of transferring its .21(μ) product and process technology into these fabrication facilities and expects the transfer to be substantially complete by the end of calendar 1999. However, there can be no assurance that the Company will be able to meet this timeline. Until such time as the Company is able to complete the transfer of its product and process technology into the acquired fabrication facilities, it is expected that the per unit costs associated with the products manufactured at the acquired fabrication facilities will continue to significantly exceed the per unit costs of products manufactured at the Company's Boise, Idaho, facility. As a result, it is expected that the Acquisition will continue to have a near term adverse effect on the Company's results of operations and cash flows.

As the semiconductor industry transitions to higher bandwidth products including RDRAM, DDR and SDRAM, the Company may encounter difficulties in achieving the semiconductor manufacturing efficiencies that it has historically achieved. The Company's productivity levels, die per wafer yields, and in particular, backend equipment requirements are expected to be affected by a transition to higher bandwidth products. There can be no assurance that the Company will successfully transition to these products or that it will be able to achieve its historical rate of cost per megabit reductions.

The Company is engaged in ongoing efforts to enhance its production processes to reduce per unit costs by reducing the die size of existing products. The result of such efforts has generally led to significant increases in megabit production. There can be no assurance that the Company will be able to maintain or approximate increases in megabit production at a level approaching that experienced in recent years or that the Company will not experience decreases in manufacturing yield or production as it attempts to implement future technologies. Further, from time to time, the Company experiences volatility in its manufacturing yields, as it is not unusual to encounter difficulties in ramping latest shrink versions of existing devices or new generation devices to commercial volumes.

The semiconductor memory industry is characterized by frequent product introductions and enhancements. The Company's ability to reduce per unit manufacturing costs of its semiconductor memory products is largely dependent on its ability to design and develop new generation products and shrink versions of existing products and its ability to ramp such products at acceptable rates to acceptable yields, of which there can be no assurance. In addition, there can be no assurance that the Company will be able to continue to reduce its per unit manufacturing costs at the rate historically achieved by the Company.

The Acquisition is expected to continue to have a significant effect on the Company's future results of operations and cash flows, including, but not limited to: a negative impact on gross margin in the near term due in part to significantly higher per unit manufacturing costs at the Acquired Operations; costs related to the assimilation of the Acquired Operations; increased selling, general and administrative expenses in support of the larger and more geographically dispersed operations; increased research and development expense associated with the Company's efforts to broaden its range of DRAM product offerings; increased interest expense associated with the Convertible Notes and Subordinated Notes issued in the transaction and increased capital spending relating to the wholly-owned Acquired Operations in Avezzano, Italy and Singapore.

The Company has limited experience in integrating or operating geographically dispersed manufacturing facilities. The integration and operation of the acquired facilities has placed, and continues to place, strains on the Company's management and information systems resources. Failure by the Company to effectively manage the integration of the acquired facilities could have a material adverse effect on the Company's results of operations.

In connection with the Acquisition, the Company and TI entered into a transition services agreement requiring TI to provide certain services and support to the Company for specified periods following the Acquisition. Among other items, TI is to provide information technology, finance and accounting, human resources, equipment maintenance, facilities and purchasing services under the services agreement. The successful integration and operation of the acquired facilities is partially dependent upon the continued successful provision of services by TI under the services agreement. There can be no assurance that the services and support called for under the services agreement will be provided in a manner sufficient to meet anticipated requirements. The failure to obtain sufficient services and support could impair the Company's ability to successfully integrate the acquired facilities and could have a material adverse affect on the Company's results of operations.

In accordance with the transition services agreement, the Company will rely in part on TI computer networks and information technology services with respect to certain of the Acquired Operations. During this period and beyond, the Company will also be utilizing software obtained or licensed from TI to conduct specific portions of the business. Dependency upon TI systems will span calendar years 1999 and 2000, during which period Year 2000 issues may arise. The Company is planning for the migration to a comprehensive ERP system beginning in September 1999, which is expected to eliminate some of the Company's dependence on TI systems. Failure to successfully implement the first stages of this ERP system would complicate the Company's dependence upon TI systems. If unforeseen difficulties are encountered in ending the Company's reliance upon TI's software, hardware or services or in segregating the companies' information technology operations or with Year 2000 issues, the Company's results of operations could be materially adversely affected.

International sales comprised approximately 30% and 29%, respectively, of the Company's net sales in the second quarter and first six months of 1999, as compared to 20% in 1998. The Company expects international sales to continue to increase in 1999 as a result of the Acquisition. International sales and operations are subject to a variety of risks, including those arising from currency fluctuations, export duties, changes to import and export regulations, possible restrictions on the transfer of funds, employee turnover, labor unrest, longer payment cycles, greater difficulty in collecting accounts receivable, the burdens and costs of compliance with a variety of foreign laws and, in certain parts of the world, political instability. While to date these factors have not had a significant adverse impact on the Company's results of operations, there can be no assurance that there will not be such an impact in the future.

In connection with the Acquisition, the Company acquired the right and obligation to purchase all of the production meeting its specifications from two joint ventures, TECH and KMT. The Company purchases assembled and tested components from the joint ventures at prices determined quarterly, which generally results in discounts

from the Company's worldwide average sales prices. These discounts were lower than gross margins realized by the Company in the second quarter of 1999 on similar products manufactured in the Company's wholly-owned facilities, but are higher than gross margins historically realized in periods of relatively abundant supply. At any future reporting period, gross margins for semiconductor memory products resulting from the Company's purchase of joint venture products may positively or negatively impact gross margins depending on the then existing relationship of average selling prices to the Company's cost per unit sold for product manufactured in its wholly-owned facilities.

The Company's operating results are significantly impacted by the operating results of its consolidated subsidiaries, particularly MEI. MEI's past operating results have been, and its future operating results may be, subject to seasonality and other fluctuations, on a quarterly and an annual basis, as a result of a wide variety of factors, including, but not limited to, industry competition, MEI's ability to accurately forecast demand and selling prices for its PC products, fluctuating market pricing for PCs and semiconductor memory products, seasonal government purchasing cycles, inventory obsolescence, MEI's ability to effectively manage inventory levels, changes in product mix, manufacturing and production constraints, fluctuating component costs, the effects of product reviews and industry awards, critical component availability, seasonal cycles common in the PC industry, the timing of new product introductions by MEI and its competitors and global market and economic conditions. Changing circumstances, including but not limited to, changes in the Company's core operations, uses of capital, strategic objectives and market conditions, could result in the Company changing its ownership interest in its subsidiaries.

The PC industry is highly competitive and has been characterized by intense pricing pressure, generally low gross margin percentages, rapid technological advances in hardware and software, frequent introduction of new products, and rapidly declining component costs. The Company's PC operations compete with a number of PC manufacturers, which sell their products primarily through direct channels, including Dell Computer, Inc. and Gateway 2000, Inc. The Company also competes with PC manufacturers, such as Apple Computer, Inc., Compaq Computer Corporation, Hewlett-Packard Company, International Business Machines Corporation, NEC Corporation and Toshiba Corporation among others, which have traditionally sold their products through national and regional distributors, dealers and value added resellers, retail stores and direct sales forces and are now beginning to sell their products through the direct channel. In addition, the Company expects to face increased competition in the U.S. direct sales market from foreign PC suppliers and from foreign and domestic suppliers of PC products that decide to implement, or devote additional resources to, a direct sales strategy. In order to gain an increased share of the United States PC direct sales market, these competitors may effect a pricing strategy that is more aggressive than the current pricing in the direct sales market or may have pricing strategies influenced by relative fluctuations in the U.S. dollar compared to other currencies. The Company continues to experience significant pressure on its PC operating results as a result of intense competition in the PC industry, consumer expectations of more powerful PC systems at lower prices and the relatively recent introduction and proliferation of products in the "sub-\$1,000" PC market.

Historically, the Company has reinvested substantially all cash flow from semiconductor memory operations in capacity expansion and enhancement programs. The Company's cash flow from operations depends primarily on average selling prices and per unit manufacturing costs of the Company's semiconductor memory products. If for any extended period of time average selling prices decline faster than the rate at which the Company is able to decrease per unit manufacturing costs, the Company may not be able to generate sufficient cash flows from operations to sustain operations. Cash generated by MEI is not readily available to finance operations or other expenditures of MTI's semiconductor memory operations. The Company has an aggregate of \$500 million in revolving credit agreements, including a \$400 million agreement expiring in May 2000, which contains certain restrictive covenants pertaining to the Company's semiconductor memory operations, including a maximum total debt to equity ratio. There can be no assurance that the Company will continue to be able to meet the terms of the covenants or be able to borrow the full amount of the credit facilities. There can be no assurance that, if needed, external sources of liquidity will be available to fund the Company's operations or its capacity and product and process technology enhancement programs. Failure to obtain financing could hinder the Company's ability to make continued investments in such programs, which could materially adversely affect the Company's business, results of operations and financial condition.

As of March 4, 1999, TI and Intel held an aggregate of 44,743,369 shares of common stock, representing 17% of the Company's total outstanding common stock. These shares have not been registered with the Securities and

Exchange Commission ("SEC"), however TI and Intel each have registration rights. Until such time as TI and Intel substantially reduce their holdings of Company common stock, the Company may be hindered in obtaining new equity capital. As of March 4, 1999, the Company had convertible subordinated notes with a face value of \$500 million outstanding which are registered with the SEC and are convertible into 7,413,997 shares of common stock. TI holds notes with a face value of \$740 million which are convertible into 12,333,333 shares of common stock. TI's resale of these notes could limit the Company's ability to raise capital through the issuance of additional convertible debt instruments.

Completion of the Company's semiconductor manufacturing facility in Lehi, Utah was suspended in February 1996, as a result of the decline in average selling prices for semiconductor memory products. As of March 4, 1999, the Company had invested approximately \$710 million in the Lehi facility. Timing of completion of the remainder of the Lehi production facilities is dependent upon market conditions. Market conditions which the Company expects to evaluate include, but are not limited to, worldwide market supply and demand of semiconductor products and the Company's operations, cash flows and alternative uses of capital. There can be no assurance that the Company will be able to fund the completion of the Lehi manufacturing facility. The failure by the Company to complete the facility would likely result in the Company being required to write off all or a portion of the facility's cost, which could have a material adverse effect on the Company's business and results of operations. In addition, in the event that market conditions improve, there can be no assurance that the Company can commence manufacturing at the Lehi facility in a timely, cost effective manner that enables it to take advantage of the improved market conditions.

The semiconductor and PC industries have experienced a substantial amount of litigation regarding patent and other intellectual property rights. In the future, litigation may be necessary to enforce patents issued to the Company, to protect trade secrets or know-how owned by the Company, or to defend the Company against claimed infringement of the rights of others. The Company has from time to time received, and may in the future receive, communications alleging that its products or its processes may infringe product or process technology rights held by others. The Company has entered into a number of patent and intellectual property license agreements with third parties, some of which require one-time or periodic royalty payments. It may be necessary or advantageous in the future for the Company to obtain additional patent licenses or to renew existing license agreements. The Company is unable to predict whether these license agreements can be obtained or renewed on terms acceptable to the Company. Adverse determinations that the Company's manufacturing processes or products have infringed on the product or process rights held by others could subject the Company to significant liabilities to third parties or require material changes in production processes or products, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is dependent upon a limited number of key management and technical personnel. In addition, the Company's future success will depend in part upon its ability to attract and retain highly qualified personnel, particularly as the Company engages in worldwide operations and adds different product types to its product line, which will require parallel design efforts and significantly increase the need for highly skilled technical personnel. The Company competes for such personnel with other companies, academic institutions, government entities and other organizations. The Company has experienced, and expects to continue to experience, increased recruitment of its existing personnel by other employers. The Company's ability to retain key acquired personnel will be a critical factor in the Company's ability to successfully integrate the Acquired Operations. There can be no assurance that the Company will be successful in hiring or retaining qualified personnel. Any loss of key personnel or the inability to hire or retain qualified personnel could have a material adverse effect on the Company's business and results of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Substantially all of the Company's liquid investments and long-term debt are at fixed interest rates, and therefore the fair value of these instruments is affected by changes in market interest rates. However, substantially all of the Company's liquid investments mature within one year. As a result, the Company believes that the market risk arising from its holdings of financial instruments is minimal. The Company's results of operations and financial position for the first six months of 1999 reflect a higher volume of foreign currency transactions and account balances than in previous periods related to the foreign operations obtained through the Acquisition. As of March 4, 1999, the Company held aggregate cash and receivables in foreign currency valued at approximately US \$32 million and aggregate foreign currency payables valued at approximately US \$64 (including long-term liabilities denominated in Italian Lira valued at approximately US \$18 million). Foreign currency receivables and payables are comprised primarily of Italian Lira, Singapore Dollars, British Pounds and Japanese Yen. The Company is currently evaluating its long-term risk management policy regarding foreign currency exposure.

Item 6. Exhibits and Reports on Form 8-K

(a) The following are filed as a part of this report:

| Exhibit Number ----- | Description of Exhibit ----- |
|----------------------------|---|
| 3.2 | Certificate of Sixth Amendment to the Certificate of Incorporation |
| 27 | Financial Data Schedule |

(b) The registrant did not file any reports on Form 8-K or Form 8-K/A during the fiscal quarter ended March 4, 1999:

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)

Dated: April 7, 1999

/s/ Wilbur G. Stover, Jr.

Wilbur G. Stover, Jr., Vice
President of Finance and Chief
Financial Officer (Principal
Financial and Accounting
Officer)

CERTIFICATE OF SIXTH AMENDMENT
TO THE CERTIFICATE OF INCORPORATION OF
MICRON TECHNOLOGY, INC.

The undersigned, Steven R. Appleton, Chairman, Chief Executive Officer and President of Micron Technology, Inc. a Delaware corporation, hereby certifies that the following amendment to the Certificate of Incorporation of Micron Technology, Inc. has been duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware, as amended. Said amendment was adopted by a resolution of the Board of Directors on November 23, 1998 which set forth the proposed amendment, declared its advisability and directed that it be considered at the Company's Annual Meeting of Shareholders. At the regularly scheduled 1998 Annual Meeting of Shareholders duly held on January 14, 1999, after due notice thereof in accordance with applicable law, a majority of the outstanding stock entitled to vote thereon voted in favor of said amendment. Said amendment as adopted and approved amends the first paragraph of Section 4 of the Certificate of Amendment to read as follows:

4. (a) Shares Authorized. The total number of shares of stock

which the corporation shall have the authority to issue is one billion thirty two million (1,032,000,000), consisting of (i) one billion (1,000,000,000) shares of Common Stock, par value \$0.10 per share (the "Common Stock") and (ii) thirty two million (32,000,000) shares of Class A Common Stock, par value \$0.10 per share (the "Class A Common Stock").

(b) Class A Common Stock.

Section 1. Liquidation Rights. In the event of any voluntary or

involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of each share of Class A Common Stock shall be entitled to share ratably in any distribution of any of the assets or funds of the Corporation to the holders of the Common Stock (each share of the Class A Common Stock being treated as the number of shares of Common Stock into which it could then be converted for such purpose).

Section 2. Transfer of Class A Common Stock. No person or entity holding

shares of Class A Common Stock may transfer, sell, assign, devise or bequeath any of such holder's interest in his or its Class A Common Stock, and the Corporation and the transfer agent for the Class A Common Stock shall not register the transfer of such shares of Class A Common Stock, whether by sale, assignment, gift, devise, bequest, appointment or otherwise, except to a Permitted Transferee (as defined below) of such holder. For purposes of this

Section 2, the term "Permitted Transferee" with respect to any holder of Class A Common Stock shall mean (i) the Corporation, (ii) a Qualified Subsidiary (provided that if at any time such Qualified Subsidiary ceases to be a Qualified Subsidiary such Class A Common Stock will automatically convert into Common Stock pursuant to Section 3.b) or (iii) Intel Corporation. Notwithstanding the foregoing, the provisions of this Section 2 do not prohibit transfers that result in automatic conversion pursuant to Section 3.b, provided, that the transfer agent shall not register the transfer of such shares of Class A Common Stock or the Common Stock into which they automatically convert unless concurrently with such transfer, the certificate representing such shares of Class A Common Stock to be so transferred shall be surrendered and exchanged for a certificate

representing the applicable number of shares of Common Stock into which such shares of Class A Common Stock are automatically converted by virtue of such transfer.

Section 3. Conversion of Class A Common Stock.

a. Voluntary Conversion. At any time and from time to time after the

issuance of the Class A Common Stock, any holder of Class A Common Stock may convert any or all of the shares of Class A Common Stock held by such holder into shares of Common Stock at the then effective conversion ratio. The conversion ratio at which shares of Common Stock shall be deliverable upon conversion (the "Conversion Ratio") shall initially be one-for-one. Such

initial Conversion Ratio shall be subject to adjustment, in order to adjust the number of shares of Common Stock into which the Class A Common Stock is convertible, as hereinafter provided.

b. Automatic Conversion. Each share of Class A Common Stock shall

automatically be converted into shares of Common Stock at the then effective Conversion Ratio upon the transfer by any holder of Class A Common Stock to a person or entity who is not a Permitted Transferee of such holder.

c. Mechanics of Conversion. No fractional shares of Common Stock shall

be issued upon conversion of the Class A Common Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then fair market value of one share of Common Stock, as determined in good faith by the Board of Directors. Before any holder of Class A Common Stock shall be entitled to receive certificates for the shares of Common Stock issued upon conversion, such holder shall surrender the certificate or certificates for such Class A Common Stock, duly endorsed, at the principal office of the Corporation and shall state therein his name or the name, or names, of his nominees in which he wishes the certificate or certificates for shares of Common Stock to be issued. No voluntary conversion shall be permitted unless and until the holder shall submit to the Corporation either (i) evidence of compliance with the filing and waiting period requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act") or (ii) a certificate of an

officer of the holder that the conversion does not require any filing under the HSR Act. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Class A Common Stock or to such holder's nominee or nominees, a certificate or certificates for the number of shares of Common Stock to which such holder or such holder's nominee shall be entitled as aforesaid, together with cash in lieu of any fraction of a share. Subject to the foregoing, in the case of automatic conversion under Section 3.b, such conversion shall be deemed to have been made immediately prior to the close of business on the date of such automatic conversion and upon surrender of the certificate representing the Class A Common Stock to be converted in the case of a voluntary conversion pursuant to Section 3.a above (the "Conversion Date"). The person or persons entitled to receive the shares

of Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date; provided that the certificates representing the Class A Common Stock have been duly endorsed for transfer and delivered to the Corporation or its transfer agent.

d. Stock Splits, Mergers, etc. In case of any subdivision (by stock

split, stock dividend or otherwise) of the Common Stock or any combination of the Class A Common Stock (by reverse stock split or otherwise), the Conversion Ratio shall be proportionately increased, and conversely in the case of combination of the Common Stock (by reverse stock split or otherwise) or any subdivision of the Class A Common Stock (by stock split, stock dividend or otherwise), the Conversion Ratio shall be proportionately decreased, with such adjustment to the Conversion Ratio to be effective immediately after the opening of business on the day following the day which such subdivision or combination, as the case may be, becomes effective. In case of any reorganization, reclassification or change of shares of the Common Stock (other than a change in par value or from par value to no par value as a result of a subdivision or combination), or in the case of any consolidation of the Corporation with one or more corporations or a merger of the Corporation with another corporation (other than a consolidation or merger in which the Corporation is the resulting or surviving corporation and which does not result in any reclassification or change of outstanding shares of Common Stock), provision shall be made so that each holder of a share of Class A Common Stock shall have the right at any time thereafter as nearly as practicable, so long as the conversion right hereunder with respect to such share would exist had such event not occurred, to convert such share into the kind and amount of shares of stock and other securities and properties (including cash) receivable upon such reorganization, reclassification, change, consolidation or merger by a holder of the number of shares of Common Stock into which such shares of Class A Common Stock might have been converted immediately prior to such reorganization, reclassification, change, consolidation or merger. In the event of such a reorganization, reclassification, change, consolidation or merger, effective provision shall be made in the certificate of incorporation of the resulting or surviving corporation or otherwise for the protection of the conversion rights of the shares of Class A Common Stock that shall be applicable, as nearly as reasonably may be, to any such other shares of stock and other securities and property (including cash) deliverable upon conversion of shares of Common Stock into which Class A Common Stock might have been converted immediately prior to such event.

e. Special Conversion Adjustments. The number of shares of Common Stock

receivable upon conversion of a share of Class A Common Stock shall be adjusted in the event that the Corporation fails to achieve any one or more of the Qualified Expenditures Milestone, the First Minimum Production Milestone or the Second Minimum Production Milestone on the applicable milestone dates in the manner described below. On or prior to twenty five (25) days after an applicable milestone date, the Corporation shall deliver to Intel Corporation a certificate of an executive officer of the Corporation certifying whether the applicable milestone has been achieved, and if such milestone has not been achieved, such additional data (including, but not limited to the amount of Qualified Expenditures made and actual RDRAM production during the applicable period) required to calculate the appropriate conversion adjustment. Upon receipt of such certificate with the required information, Intel Corporation shall have thirty (30) days in which to notify the Corporation in writing of its irrevocable election to exercise a Special Conversion Adjustment. If Intel Corporation has not provided an irrevocable written notice electing to exercise a Special Conversion Adjustment within the such period, then no there shall be no Special Conversion Adjustment with respect to the applicable milestone. Except as specifically provided herein, the failure to exercise a Special Conversion Adjustment with

respect to one milestone shall not impair Intel Corporation's ability to exercise a Special Conversion Adjustment with respect to the failure to achieve a different milestone.

f. Postponement of Milestone Dates; Modification of Milestones. (i) In

the event that the Corporation's ability to achieve the Qualified Expenditure Milestone by the Qualified Expenditures Milestone Date is significantly impaired by events or circumstances outside of its control, such as Force Majeure or limited availability of required equipment or materials, the milestone date will be appropriately postponed.

(ii) In the event that any of the events specified in Section 7(f)(ii) of the Stock Rights Agreement occur, the First Minimum Production Milestone or the Second Minimum Production Milestone shall be either postponed or waived, respectively, as appropriate. In addition, if on the Maximum FGI Date, the RDRAM device finished goods inventory of the Corporation and its subsidiaries exceeds the Maximum FGI, the Second Minimum Production Milestone will be modified, as appropriate.

(iii) In the event of the occurrence of any of the foregoing events or circumstances, as a result of which either a milestone date or milestone is to be postponed, waived or modified, no Special Conversion Adjustment shall occur as a result of the failure to achieve the applicable milestone by the applicable milestone date, unless and until the Corporation and Intel Corporation shall have agreed upon the appropriate postponement, waiver or modification. Notwithstanding the above, upon such agreement, the Special Conversion Adjustment shall be applied as of the agreed upon date, notwithstanding that such agreement is reached after such date. If no agreement can be reached, the dispute will be settled in accordance with Section 8.12 of the Securities Purchase Agreement.

g. Failure to Achieve Qualified Expenditures Milestone. Subject to the

provisions hereof:

(i) If the Corporation fails to make at least the Minimum Qualified Expenditures on or prior to the Qualified Expenditures Milestone Date, the Conversion Ratio shall be adjusted by multiplying the current Conversion Ratio by a fraction, the numerator of which shall be the Initial Purchase Price and the denominator of which shall be the greater of (i) the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the Qualified Expenditures Milestone Date, or (ii) 50% of the Initial Purchase Price.

(ii) If the Corporation makes Qualified Expenditures of more than the Minimum Qualified Expenditures but less than the Required Qualified Expenditures on or prior to the Qualified Expenditures Milestone Date, the Conversion Ratio shall be increased. The amount of the increase in the Conversion Ratio (expressed as a decimal) shall be determined by first (w) dividing the Initial Purchase Price by the greater of (i) the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the applicable milestone date, or (ii) 50% of the Initial Purchase Price, then (x) subtracting 1.0 from the result, then (y) multiplying this result by a fraction, the numerator of which shall be (A) the Required Qualified Expenditures minus (B) the amount of Qualified

Expenditures and the denominator of which shall be the Required Qualified Expenditures, and (z) dividing the result by 2. The new Conversion Ratio shall then be the result of the above calculation plus the prior Conversion Ratio.

h. Failure to Achieve First Minimum Production Milestone. Subject to

the provisions hereof, if the Corporation fails to achieve the First Minimum Production Milestone, the increase in the Conversion Ratio (expressed as a decimal) shall be determined by first (w) dividing the Initial Purchase Price by the greater of (i) the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the applicable milestone date, or (ii) 50% of the Initial Purchase Price, then (x) subtracting 1.0 from the result, then (y) multiplying this result by a fraction, the numerator of which shall be the First Minimum Production Milestone for the quarter minus the actual RDRAM production achieved during the quarter and the denominator of which shall be the First Minimum Production Milestone for the quarter, and (z) dividing the result by 2. The new Conversion Ratio shall then be the result of the above calculation plus the prior Conversion Ratio.

i. Failure to Achieve Second Minimum Production Milestone. Subject to

the provisions hereof, if the Corporation fails to achieve the Second Minimum Production Milestone the increase in the Conversion Ratio (expressed as a decimal) shall be determined by first (w) dividing the Initial Purchase Price by greater of (A) the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the applicable milestone date, or (ii) 50% of the Initial Purchase Price, then (x) subtracting 1.0 from the result, then (y) multiplying this result by a fraction, the numerator of which shall be the Second Minimum Required Production for the quarter minus the actual RDRAM production achieved during the quarter and the denominator of which shall be the Second Minimum Required Production for the quarter and (z) dividing the result by 2. The new Conversion Ratio shall then be the result of the above calculation plus the prior Conversion Ratio.

j. Multiple Special Conversion Adjustments; Prior Adjustments. If more

than one Special Conversion Adjustment occurs hereunder (or comparable adjustments under the Stock Rights Agreement ("Rights Special Conversion

Adjustments"), subsequent Special Conversion Adjustments shall be calculated

- -----

as provided herein, but only the number of additional shares in excess of the number issuable using the Initial Conversion Ratio (as defined in this Section 3.j) (appropriately adjusted to reflect the effect of any stock splits, reclassifications, stock dividends, recapitalizations, combinations or other similar events affecting the Common Stock occurring after the creation of the Class A Common Stock), shall be issuable in respect of such subsequent Special Conversion Adjustment upon conversion of the Class A Common Stock. For purposes of this Section 3.j, the "Initial Conversion Ratio" will be one-to-one (appropriately adjusted to reflect the effect of any stock splits, reclassifications, stock dividends, recapitalizations, combinations or other similar events affecting the Common Stock occurring after the creation of the Class A Common Stock), provided, however, that in the event of the occurrence

of a Rights Special Conversion Adjustment that resulted in an adjustment to the Exchange Ratio in accordance with the provisions of the Stock Rights Agreement prior to the creation of the Class A Common Stock, the Initial Conversion Ratio shall be equal to a fraction, the numerator of

which shall be one (appropriately adjusted to reflect the effect of any stock splits, reclassifications, stock dividends, recapitalizations, combinations or other similar events affecting the Common Stock occurring after creation of the Class A Common Stock), and the denominator of which shall be the exchange ratio in effect under the Stock Rights Agreement immediately prior to the creation of the Class A Common Stock. Notwithstanding anything else to the contrary set forth herein, the Conversion Ratio shall not be adjusted for any events, circumstances or milestones for which adjustments have been made (or may be made as a result of completion of an audit or resolution of any dispute as to the appropriate amount of an adjustment required thereunder) pursuant to the Stock Rights Agreement.

k. Cash Option. In lieu of all or a portion of a Special Conversion

Adjustment, the Corporation may elect to make a cash payment in respect of all or a portion of the dollar amount of the Special Conversion Adjustment (such election to be made within five (5) business days of Intel Corporation's Special Conversion Adjustment election, and such amount shall be paid within five (5) business days of the Corporation's election). The dollar amount in respect of any Special Conversion Adjustment to be paid in cash shall be calculated by multiplying the additional shares issuable to Intel Corporation upon conversion of the Class A Common Stock following the Special Conversion Adjustment by the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the applicable milestone date.

l. Limitations on Special Conversion Adjustments. Anything in Sections

3.h and 3.j to the contrary notwithstanding, no Special Conversion Adjustment will be made for failure to achieve the First Minimum Production Milestone or Second Minimum Production Milestone if a Special Conversion Adjustment election pursuant to clause (i) of Section 3.g above is made by Intel Corporation. In addition, anything in Sections 3.e through 3.j notwithstanding, Special Conversion Adjustments will be limited, and not given effect, to the extent required to ensure (1) that the value of additional shares of Common Stock and other securities or property and any related payments (including payments in lieu of adjustments pursuant to Section 3.k hereof) issued or issuable or payable as a result of such adjustments, together with any shares of Common Stock and other securities or property and any related payments issued or issuable or payable as a result of the Special Conversion Adjustments with respect to the Rights, does not exceed the Maximum Adjustment Amount (with the value of such additional shares, securities and property measured as of the milestone date with respect to the applicable Special Conversion Adjustments resulting in such additional shares, securities or property and any related payments, which, in the case of the Common Stock, shall be based on the average closing sales price on the New York Stock Exchange for the Common Stock during the 20 trading day period ending two trading days prior to the milestone date corresponding to such Special Conversion Adjustment); and (2) that the aggregate number of shares of Common Stock issued or issuable upon exercise of Rights or upon conversion of Class A Common Stock does not exceed the lesser of (i) the Maximum Percentage and (ii) the Maximum Shares.

m. Existing Stock Certificates. Irrespective of any adjustments in the

number or kind of shares issuable upon the conversion of the Class A Common Stock, certificates representing Class A Common Stock theretofore or thereafter issued may continue to express the same number and kind of shares as are stated in the certificates initially issuable pursuant hereto.

n. Payment of Taxes. The Corporation will pay all documentary stamp

taxes and other governmental charges (excluding all foreign, federal, state or local income, franchise, property, net worth, capital, estate, inheritance, gift or similar taxes) in connection with the issuance or delivery of the Class A Common Stock, as well as all such taxes attributable to the initial issuance or delivery of Common Stock upon the conversion of Class A Common Stock. The Corporation shall not, however, be required to pay any tax that may be payable in respect of any subsequent transfer of the Class A Common Stock or any transfer involved in the issuance and delivery of Common Stock in a name other than that in which the Class A Common Stock or Common Stock to which such issuance relates were registered, and, if any such tax would otherwise be payable by the Corporation, no such issuance or delivery shall be made unless and until the person requesting such issuance has paid to the Corporation the amount of any such tax, or it is established to the reasonable satisfaction of the Corporation that any such tax has been paid.

o. Common Stock Reserved. The Corporation shall reserve and keep

available out of its authorized but not outstanding Common Stock such number of shares of Common Stock as shall, from time to time be, sufficient for conversion of the Class A Common Stock.

Section 4. No Redemption. The Class A Common Stock shall not be

redeemable.

Section 5. Voting Rights; Non-Voting Security. The holders of shares of

Class A Common Stock shall have no voting rights except as provided in the Certificate of Incorporation or by applicable law.

Section 6. Dividend Rights. In the event any dividend or other distribution

payable in cash or other property is declared on the Common Stock (excluding any dividend or other distribution for which adjustment to the Conversion Ratio is provided by Section 3.d hereof), each holder of shares of Class A Common Stock on the record date for such dividend or distribution shall be entitled to receive on the date of payment or distribution of such dividend or other distribution the same cash or other property which such holder would have received if on such record date such holder was the holder of record of the number (including for purposes of this Section 6 any fraction) of shares of Common Stock into which the shares of Class A Common Stock then held by such holder are then convertible.

Section 7. Certain Definitions; Interpretation.

For purposes hereof the following terms shall have the meanings set forth below.

First Minimum Production Milestone. The First Minimum Production

Milestone shall have the meaning ascribed to such term in the Securities Purchase Agreement.

First Minimum Required Production. First Minimum Required Production

shall have the meaning ascribed to such term in the Securities Purchase Agreement.

First Production Milestone Date. The First Production Milestone Date

shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Force Majeure. Force Majeure shall mean an act of God, fire, flood,

accident, riot war, government intervention, embargoes, strikes, labor difficulties, equipment failure, late delivery of supplies, supplier shortages or other difficulties which are beyond the reasonable control and without the fault or negligence of a party whose performance has been affected.

Initial Purchase Price. Initial Purchase Price means \$31.625,

appropriately adjusted to reflect the effect of any stock splits, reclassifications, stock dividends, recapitalizations, combinations or other similar events affecting the Common Stock occurring after October 19, 1998.

Maximum Adjustment Amount. Maximum Adjustment Amount shall have the

meaning ascribed to such term in the Securities Purchase Agreement.

Maximum FGI. Maximum FGI shall have the meaning ascribed to such term

in the Securities Purchase Agreement.

Maximum FGI Date. Maximum FGI Date shall have the meaning ascribed to

such term in the Securities Purchase Agreement.

Maximum Percentage. Maximum Percentage shall have the meaning

ascribed to such term in the Securities Purchase Agreement.

Maximum Shares. Maximum Shares shall have the meaning ascribed to

such term in the Securities Purchase Agreement.

Minimum Qualified Expenditures. Minimum Qualified Expenditures shall

have the meaning ascribed to such term in the Securities Purchase Agreement.

Qualified Expenditures. Qualified Expenditures shall have the

meaning ascribed to such term in the Securities Purchase Agreement.

Qualified Expenditures Milestone. The Qualified Expenditures Milestone

means the expenditure of at least the Required Qualified Expenditures on or before the Qualified Expenditures Milestone Date.

Qualified Expenditures Milestone Date. The Qualified Expenditures

Milestone Date shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Qualified Subsidiary. Qualified Subsidiary shall have the meaning

ascribed to such term in the Rights and Restrictions Agreement.

Rambus. Rambus means Rambus, Inc. , a Delaware corporation, and any

successor to all or substantially all of Rambus Inc.'s business (by acquisition or otherwise).

RDRAM. RDRAM shall have the meaning ascribed to such term in the

Supply Agreement.

Required Qualified Expenditures. Required Qualified Expenditures

shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Rights. Rights shall have the meaning ascribed to such term in the

Stock Rights Agreement.

Rights and Restrictions Agreement. Rights and Restrictions

Agreement shall mean that certain Securities Rights and Restrictions Agreement, dated as of October 19, 1998, as amended from time to time, by and between the Corporation and Intel Corporation.

Second Minimum Production Milestone. The Second Minimum Production

Milestone shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Second Minimum Required Production. Second Minimum Required

Production shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Second Production Milestone Date. The Second Production Milestone

Date shall have the meaning ascribed to such term in the Securities Purchase Agreement.

Securities Purchase Agreement. Securities Purchase Agreement shall

mean that certain Securities Purchase Agreement, dated October 15, 1998, as amended from time to time, by and between the Corporation and Intel Corporation.

Special Conversion Adjustment. A Special Conversion Adjustment shall

mean an adjustment to the number of shares of Common Stock receivable upon conversion of Class A Common Stock, as provided in Section 3 hereof.

Stock Rights Agreement. Stock Rights Agreement shall mean that

certain Stock Rights Agreement, dated as of October 19, 1998, as amended from time to time, by and between the Corporation and Intel Corporation.

Supply Agreement. Supply Agreement shall mean that certain Supply

Agreement, dated as of October 19, 1998, as amended from time to time, by and between the Corporation and Intel Corporation.

Volume Production. Volume Production shall have the meaning ascribed

to such term in the Securities Purchase Agreement.

IN WITNESS WHEREOF, this Certificate of Sixth Amendment to the Certificate of Incorporation of Micron Technology, Inc. has been executed this 27th day of January, 1999.

/s/ Steven R. Appleton

Steven R. Appleton, Chairman, Chief
Executive Officer and President

This schedule contains summary financial information extracted from the accompanying financial statements and is qualified in its entirety by reference to such financial statements.

1,000,000

| | | | |
|-------|-------------|-------|-------|
| 6-MOS | | | |
| | SEP-02-1999 | | |
| | SEP-02-1999 | | |
| | MAR-04-1999 | | 429 |
| | | 1,354 | |
| | | 613 | |
| | | (21) | |
| | | 365 | |
| | 2,825 | | 5,543 |
| | (1,961) | | |
| | 6,771 | | |
| 742 | | | 0 |
| | 0 | | 0 |
| | | 0 | 27 |
| | | 3,918 | |
| 6,771 | | 1,819 | |
| | 1,819 | | 1,423 |
| | | 1,831 | |
| | | 0 | |
| | | 0 | |
| | (20) | | |
| | (35) | | |
| | | 11 | |
| | 0 | | |
| | | 0 | |
| | | 0 | |
| | | | 0 |
| | | (24) | |
| | (0.09) | | |
| | (0.09) | | |