

Amounts in millions, except per share amounts, ASP, percentages		Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16 ⁹	Q3 FY16 ^{13,15} Low High	
TAM		146.4	156.7	139.1	135.8	135.9	133.3	140.2	142.2	138.1	138.0	147.3	140.8	125.0	111.0	118.7	115.1		
HDD Share		30.2%	45.3%	44.9%	43.6%	44.3%	44.9%	44.7%	44.4%	43.8%	45.7%	44.0%	43.4%	43.8%	43.7%	43.6%	43.2%		
Units (HDD) ²		44.2	71.0	62.5	59.2	60.2	59.9	62.6	63.1	60.4	63.1	64.7	61.0	54.5	48.5	51.7	49.7		
ASP (HDD)		\$68	\$65	\$62	\$62	\$61	\$60	\$58	\$60	\$58	\$56	\$58	\$60	\$61	\$60	\$60	\$61		
Revenue		\$3,035	\$4,754	\$4,035	\$3,824	\$3,764	\$3,728	\$3,804	\$3,972	\$3,703	\$3,651	\$3,943	\$3,888	\$3,550	\$3,191	\$3,360	\$3,317	\$2,800	\$2,900
Gross Profit		\$977	\$1,472	\$1,193	\$1,059	\$1,061	\$1,050	\$1,099	\$1,156	\$1,076	\$1,029	\$1,149	\$1,110	\$1,032	\$930	\$955	\$906		
Gross Margin		32.2%	31.0%	29.6%	27.7%	28.2%	28.2%	28.9%	29.1%	29.1%	28.2%	29.1%	28.5%	29.1%	29.1%	28.4%	27.3%		
R&D		\$265	\$406	\$396	\$378	\$396	\$402	\$401	\$416	\$418	\$426	\$437	\$426	\$402	\$381	\$385	\$389		
SG&A		122	178	179	162	185	180	132	226	201	202	220	164	199	190	192	207		
Other		48	80	26	41	63	689	24	36	38	49	23	54	10	104	56	59		
Total Operating Expenses		\$435	\$664	\$601	\$581	\$644	\$1,271	\$557	\$678	\$657	\$677	\$680	\$644	\$611	\$675	\$633	\$655		
Operating Income (Loss)		\$542	\$808	\$592	\$478	\$417	\$(221)	\$542	\$478	\$419	\$352	\$469	\$466	\$421	\$255	\$322	\$251		
Net Income (Loss)		\$483	\$745	\$519	\$335	\$391	\$(265)	\$495	\$430	\$375	\$317	\$423	\$438	\$384	\$220	\$283	\$251		
EPS		\$1.96	\$2.87	\$2.06	\$1.36	\$1.60	\$(1.12)	\$2.05	\$1.77	\$1.55	\$1.32	\$1.76	\$1.84	\$1.63	\$0.94	\$1.21	\$1.07		
Diluted Shares Outstanding		246	260	252	246	245	236	242	243	242	241	240	238	236	235	234	234		
Non-GAAP Results																			
Gross Profit ¹⁰		\$1,077	\$1,511	\$1,231	\$1,097	\$1,099	\$1,085	\$1,135	\$1,196	\$1,115	\$1,078	\$1,188	\$1,187	\$1,069	\$951	\$972	\$944		
Gross Margin ¹⁰		35.5%	31.8%	30.5%	28.7%	29.2%	29.1%	29.8%	30.1%	30.1%	29.5%	30.1%	30.5%	30.1%	29.8%	28.9%	28.5%	Up from Q2'16	
Operating Expenses ¹⁰		\$383	\$572	\$564	\$529	\$559	\$564	\$574	\$616	\$605	\$598	\$638	\$620	\$591	\$560	\$567	\$542	\$500	
Net Income		\$619	\$872	\$594	\$513	\$514	\$477	\$514	\$532	\$470	\$445	\$504	\$539	\$441	\$356	\$366	\$374		
EPS ⁶		\$2.52	\$3.35	\$2.36	\$2.09	\$2.10	\$1.96	\$2.12	\$2.19	\$1.94	\$1.85	\$2.10	\$2.26	\$1.87	\$1.51	\$1.56	\$1.60	\$1.20	\$1.30
Revenue By Channel																			
OEM	64%	69%	63%	61%	60%	66%	64%	62%	62%	65%	63%	63%	64%	67%	67%	65%			
Distributors	28%	21%	24%	24%	26%	23%	24%	24%	25%	23%	24%	23%	23%	21%	21%	21%			
Retail	8%	10%	13%	15%	14%	11%	12%	14%	13%	12%	13%	14%	13%	12%	12%	14%			
Revenue by Geography																			
Americas	21%	27%	23%	27%	27%	28%	26%	25%	25%	24%	27%	27%	29%	32%	30%	31%			
EMEA	18%	18%	18%	23%	22%	19%	20%	23%	21%	20%	21%	24%	21%	21%	21%	23%			
Asia/ANZ	61%	55%	59%	50%	51%	53%	54%	52%	54%	56%	52%	49%	50%	47%	49%	46%			
Top 10 Customers Revenue																			
Enterprise SSD Revenue	\$11	\$54	\$70	\$89	\$92	\$104	\$106	\$155	\$134	\$113	\$156	\$187	\$224	\$244	\$233	\$270			
Non-PC Revenue ¹²	31%	45%	46%	51%	51%	52%	53%	54%	53%	54%	55%	56%	60%	65%	66%	65%			
PC Units⁵																			
Notebook	18,067	32,773	25,887	21,300	21,547	23,989	22,912	22,662	21,814	22,899	23,396	21,178	18,785	15,513	15,804	15,318			
Desktop	15,975	21,211	16,819	17,717	18,383	16,185	17,307	16,825	16,635	16,182	16,320	15,375	13,523	11,601	11,683	12,458			
Non-PC Units																			
Consumer Electronics ⁴	3,643	4,155	8,019	6,452	6,517	6,544	8,474	8,794	8,573	10,906	10,485	9,295	8,610	9,056	11,484	8,461			
Branded	2,926	4,986	5,767	7,139	6,517	5,281	6,146	7,018	6,272	6,012	6,780	7,156	6,090	5,151	5,575	6,443			
Enterprise	3,816	7,913	5,988	6,633	7,211	7,897	7,771	7,783	7,129	7,098	7,783	8,041	7,519	7,199	7,185	7,008			
Total HDD	44,227	71,038	62,480	59,241	60,175	59,896	62,610	63,082	60,423	63,097	64,744	61,045	54,527	48,520	51,731	49,688			
Average GB Shipped																			
EB Shipped	581	668	708	804	805	797	811	874	888	875	1,001	1,088	1,123	1,159	1,228	1,390			
R4Q EB Shipped	25.7	47.4	44.3	47.6	48.4	47.7	50.8	55.1	53.6	55.2	64.8	66.4	61.3	56.2	63.5	69.1			
R4Q EB Shipped	111.5	126.3	133.9	165.1	187.8	188.0	194.5	202.0	207.2	214.7	228.7	240.0	247.7	248.7	247.4	250.1			

WD - HGST Expected Integration Savings

Non-GAAP Operating Expenses Baseline¹⁴ (Q1 FY16)

\$570 million per quarter

Expected Run Rate Savings¹⁵

Cost of revenue
\$250 million per year

Operating expenses
\$400 million per year

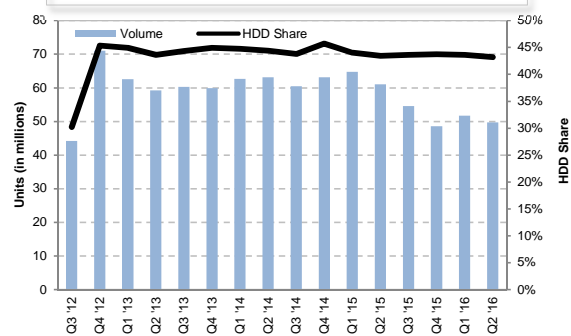
Timing
50% by the end of Q2 FY17
and the remainder by the end of Q2 FY18

Expected Cash Expenditures to Achieve Savings¹⁵

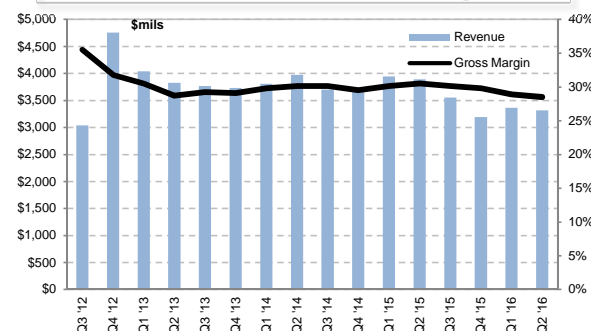
\$800 million

Timing
75% by the end of Q2 FY17
and the remainder by the end of Q2 FY18

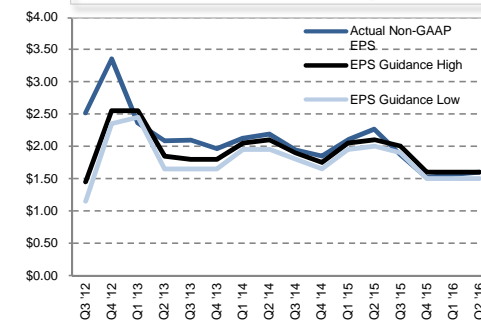
Volume and HDD Share²



Revenue and Non-GAAP Gross Margin¹⁰



Non-GAAP EPS Analysis



Note: Refer to "Non-GAAP Financial Measures" for information about non-GAAP financial measures included in this quarterly fact sheet.

Balance sheet, cash flows, earnings, dividends and share repurchase amounts in millions	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	FY12	FY12	FY13	FY13	FY13	FY13	FY14	FY14	FY14	FY14	FY15	FY15	FY15	FY15	FY16	FY16
Cash and Cash Equivalents	\$3,377	\$3,208	\$3,537	\$3,816	\$4,060	\$4,309	\$4,869	\$4,655	\$4,569	\$4,804	\$5,159	\$4,902	\$4,812	\$5,024	\$5,081	\$5,363
Available-for-Sale (AFS) Securities	-	-	-	-	-	-	-	-	470	499	454	465	523	590	704	732
Debt	(2,743)	(2,185)	(2,128)	(2,128)	(2,013)	(1,955)	(2,398)	(2,340)	(2,469)	(2,438)	(2,406)	(2,375)	(2,344)	(2,567)	(2,536)	(2,505)
Net Cash, Cash Equivalents & AFS Securities	\$634	\$1,023	\$1,409	\$1,688	\$2,047	\$2,354	\$2,471	\$2,315	\$2,570	\$2,865	\$3,207	\$2,992	\$2,991	\$3,047	\$3,249	\$3,590
Cash Flow From Operations	\$1,208	\$1,128	\$936	\$772	\$727	\$684	\$680	\$727	\$697	\$713	\$827	\$243	\$684	\$488	\$545	\$598
Free Cash Flow	\$1,069	\$804	\$554	\$526	\$539	\$548	\$544	\$557	\$536	\$552	\$667	\$97	\$534	\$332	\$394	\$449
Capital Expenditures	\$139	\$324	\$382	\$246	\$188	\$136	\$136	\$170	\$161	\$161	\$160	\$146	\$150	\$156	\$151	\$149
Depreciation and Amortization	\$188	\$339	\$313	\$309	\$309	\$302	\$312	\$317	\$307	\$308	\$289	\$290	\$285	\$250	\$236	\$252
EBITDA	\$730	\$1,147	\$905	\$787	\$726	\$81	\$854	\$795	\$726	\$660	\$758	\$756	\$706	\$505	\$558	\$503
Accounts Receivable, Net	\$2,377	\$2,364	\$1,951	\$1,732	\$1,700	\$1,793	\$1,791	\$1,959	\$1,802	\$1,989	\$1,915	\$1,880	\$1,696	\$1,532	\$1,616	\$1,650
Raw Materials	\$329	\$245	\$237	\$193	\$191	\$167	\$208	\$201	\$204	\$168	\$178	\$154	\$173	\$168	\$135	\$130
Work in Process	667	552	559	581	583	575	579	581	519	493	509	510	498	500	507	474
Finished Goods	286	413	508	430	423	446	457	511	554	565	585	618	651	700	618	634
Total Inventory	\$1,282	\$1,210	\$1,304	\$1,204	\$1,197	\$1,188	\$1,244	\$1,293	\$1,277	\$1,226	\$1,272	\$1,282	\$1,322	\$1,368	\$1,260	\$1,238
Property, Plant and Equipment, Net	\$4,171	\$4,067	\$4,027	\$3,938	\$3,803	\$3,700	\$3,638	\$3,509	\$3,406	\$3,293	\$3,202	\$3,099	\$3,051	\$2,965	\$2,890	\$2,801
Accounts Payable	\$2,774	\$2,773	\$2,545	\$2,185	\$2,037	\$1,990	\$2,061	\$2,106	\$1,902	\$1,971	\$2,016	\$2,071	\$2,020	\$1,881	\$1,799	\$1,806
Days Sales Outstanding ¹¹	71	45	44	41	41	44	43	45	44	50	48	44	44	44	44	45
Days Inventory Outstanding ¹¹	57	34	42	40	40	40	42	42	44	42	45	42	48	55	48	47
Days Payables Outstanding ¹¹	123	77	82	72	69	67	69	68	65	68	71	68	73	76	68	68
Cash Conversion Cycle ¹¹	5	2	4	9	12	17	16	19	23	24	22	18	19	23	24	24
Inventory Turns ¹¹	6	11	9	9	9	9	9	9	8	9	8	9	8	7	8	8
Dividends Paid	\$ -	\$ -	\$ -	\$121	\$ -	\$60	\$59	\$59	\$71	\$70	\$94	\$94	\$93	\$116	\$115	\$116
Shares Repurchased	-	16.4	5.2	4.2	5.2	4.4	2.3	2.0	2.8	3.2	2.2	3.2	2.2	2.0	0.7	-
Shares Repurchased	\$ -	\$604	\$218	\$146	\$243	\$235	\$150	\$150	\$244	\$272	\$223	\$309	\$240	\$198	\$60	\$ -
Remaining Amount Authorized	\$416	\$1,312	\$2,594	\$2,448	\$2,205	\$1,970	\$1,820	\$1,670	\$1,426	\$1,154	\$931	\$622	\$2,382	\$2,184	\$2,124	\$2,124
R4Q Economic Profit ⁸	\$(83)	\$542	\$801	\$976	\$884	\$(59)	\$(176)	\$(109)	\$(158)	\$415	\$332	\$328	\$320	\$203	\$52	\$(157)
R4Q ROIC ⁸	14.8%	20.4%	21.3%	21.0%	20.0%	10.1%	9.7%	10.5%	10.2%	15.1%	14.2%	14.1%	14.1%	13.1%	11.7%	10.0%
R4Q ROA ⁸	10.5%	14.3%	14.9%	14.7%	14.2%	7.0%	6.7%	7.2%	7.0%	10.6%	10.0%	10.1%	10.2%	9.6%	8.7%	7.5%
Worldwide Headcount ³	106,604	103,111	96,002	93,820	87,565	85,777	87,586	87,976	84,556	84,072	83,277	83,993	80,767	76,449	76,052	74,891

Business Model (Non-GAAP)

Gross Margin*
27%-32%

Operating Expense*
10%-12%

Operating Income*
15%-22%

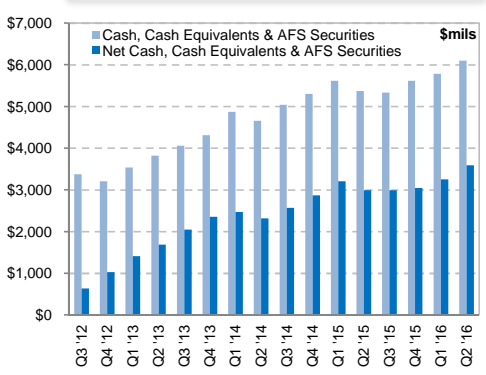
Tax
7%-10% of Income Before Tax

Capital Expenditures*
5%-7%

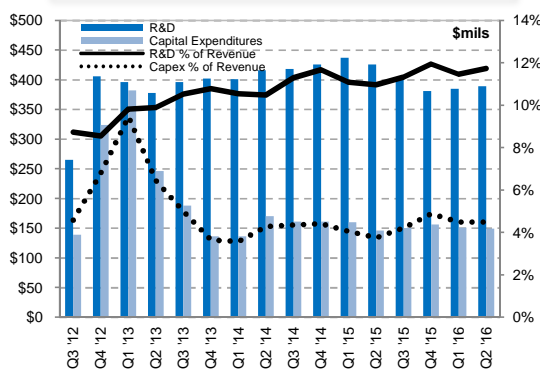
Conversion Cycle
4-8 Days

*Percent of Revenue

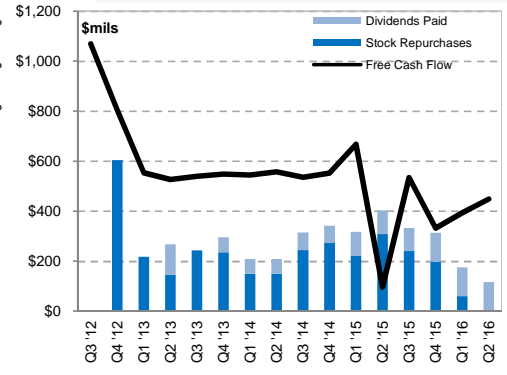
Gross vs. Net Cash, Cash Equivalents & AFS Securities



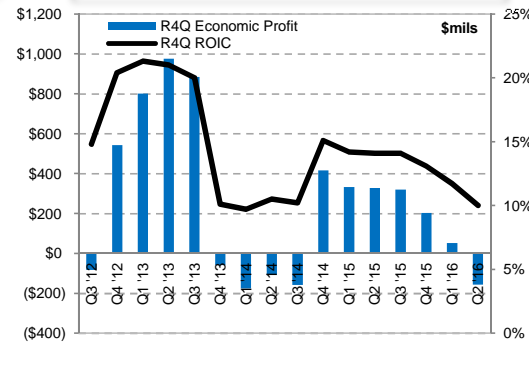
R&D¹⁰ and Capital Expenditures



Free Cash Flow



R4Q ROIC & R4Q Economic Profit⁸



Note: Refer to "Non-GAAP Financial Measures" for information about non-GAAP financial measures included in this quarterly fact sheet.

Non-GAAP Financial Measures

Free Cash Flow: Free cash flow is a non-GAAP financial measure defined as cash flows from operations less capital expenditures. We consider free cash flow to be useful as an indicator of our overall liquidity, as the amount of free cash flow generated in any period is representative of cash that is available for strategic opportunities including, among others, investing in the Company's business, making strategic acquisitions, strengthening the balance sheet, repaying debt, paying dividends and repurchasing stock. Free cash flow should not be construed as an alternative to cash flows from operations or other cash flow measurements determined in accordance with GAAP.

EBITDA: EBITDA is a non-GAAP financial measure defined as net income before interest, income tax expense, depreciation and amortization. We include information concerning EBITDA because we believe it is a useful measure to evaluate our operating performance. As a measure of our operating performance, we believe EBITDA provides a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. While EBITDA is a relevant and widely used measure of operating performance, it does not represent net income as defined by GAAP and it should not be considered as an alternative to that measure in evaluating operating performance.

Non-GAAP Gross Margin and Non-GAAP Gross Profit: Non-GAAP gross margin is a non-GAAP measure defined as non-GAAP gross profit divided by revenue. Non-GAAP gross profit is a non-GAAP measure defined as gross profit before any charges to cost of goods sold that may not be indicative of ongoing operations. We believe that non-GAAP gross profit is a useful measure to investors as an alternative method for measuring our operating performance and comparing it against prior periods' performance.

Non-GAAP Operating Expenses: Non-GAAP operating expenses is a non-GAAP measure defined as operating expenses before any charges that may not be indicative of ongoing operations. We believe that non-GAAP operating expenses is a useful measure to investors as an alternative method for measuring our expense management and comparing it against prior periods' performance.

Non-GAAP Net Income and Non-GAAP EPS: Non-GAAP net income and non-GAAP EPS are non-GAAP measures defined as net income and EPS, respectively, before any charges that may not be indicative of ongoing operations, or any tax impact related to those charges. We believe that non-GAAP net income and non-GAAP EPS are useful measures to investors as an alternative method for measuring our earnings performance and comparing it against prior periods' performance.

Non-GAAP Income Tax Provision as a Percentage of Non-GAAP Pre-Tax Income: Non-GAAP income tax provision is a non-GAAP measure defined as income tax provision before any income tax adjustments that may not be indicative of ongoing operations. We believe that non-GAAP income tax provision as a percentage of non-GAAP pre-tax income is a useful measure to investors as an alternative method for measuring our effective tax rate and comparing it against prior periods' performance.

In millions, except gross margin and per share amounts	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
Reconciliation of Cash Flows from Operations to Free Cash Flow																
Cash Flows from Operations	\$1,208	\$1,128	\$936	\$772	\$727	\$684	\$680	\$727	\$697	\$713	\$827	\$243	\$684	\$488	\$545	\$598
Capital Expenditures	(139)	(324)	(382)	(248)	(188)	(138)	(138)	(170)	(181)	(181)	(180)	(148)	(150)	(158)	(151)	(149)
Free Cash Flow	\$1,069	\$804	\$554	\$526	\$539	\$548	\$544	\$557	\$536	\$552	\$667	\$97	\$534	\$332	\$394	\$449
Reconciliation of Net Income to EBITDA																
Net Income (Loss)	\$483	\$745	\$519	\$335	\$391	\$(265)	\$495	\$430	\$375	\$317	\$423	\$438	\$384	\$220	\$283	\$251
Interest	4	7	14	10	11	9	10	11	13	5	9	8	9	8	8	7
Income Tax Provision	55	56	59	133	15	35	37	37	31	30	37	20	28	27	31	(7)
Depreciation and Amortization	188	339	313	309	309	302	312	317	307	308	289	290	285	250	236	252
EBITDA	\$730	\$1,147	\$905	\$787	\$726	\$81	\$854	\$795	\$726	\$660	\$758	\$756	\$706	\$505	\$558	\$503
Reconciliation of Gross Margin to Non-GAAP Gross Margin & Gross Profit to Non-GAAP Gross Profit																
Gross Profit ⁽¹⁾	\$877	\$1,472	\$1,193	\$1,059	\$1,061	\$1,050	\$1,099	\$1,156	\$1,076	\$1,029	\$1,149	\$1,110	\$1,032	\$930	\$955	\$906
Acquisition-related charges	91	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges related to cost saving initiatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22
Other charges	-	-	-	-	-	-	-	-	-	10	-	39	-	1	-	-
Amortization of acquired intangible assets	9	39	38	38	38	35	36	40	39	39	39	38	37	20	17	16
Non-GAAP Gross Profit ⁽²⁾	\$1,077	\$1,511	\$1,231	\$1,097	\$1,099	\$1,085	\$1,135	\$1,196	\$1,115	\$1,078	\$1,188	\$1,187	\$1,069	\$951	\$972	\$944
Revenue	\$3,035	\$4,754	\$4,035	\$3,824	\$3,764	\$3,728	\$3,804	\$3,972	\$3,703	\$3,651	\$3,943	\$3,888	\$3,550	\$3,191	\$3,360	\$3,317
Gross Margin ⁽³⁾	32.2%	31.0%	29.6%	27.7%	28.2%	28.2%	28.9%	29.1%	29.1%	28.2%	29.1%	28.5%	29.1%	29.1%	28.4%	27.3%
Non-GAAP Gross Margin ⁽⁴⁾	35.5%	31.8%	30.5%	28.7%	29.2%	29.1%	29.8%	30.1%	30.1%	29.5%	30.1%	30.5%	30.1%	29.8%	28.9%	28.5%
Reconciliation of Operating Expenses to Non-GAAP Operating Expenses																
Total Operating Expenses	\$435	\$664	\$601	\$581	\$644	\$1,271	\$557	\$678	\$657	\$677	\$680	\$644	\$611	\$675	\$633	\$655
Less:																
Amortization of acquired intangible assets	(3)	(12)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(8)	(7)	(7)	(7)	(8)	(8)	(8)
Employee termination, asset impairment and other charges	-	(80)	(26)	(41)	(63)	(8)	(11)	(23)	(25)	(26)	(9)	(36)	(10)	(104)	(56)	(27)
Charges related to cost saving initiatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15)
Charges related to arbitration award	-	-	-	-	-	(681)	(13)	(13)	(13)	(13)	(14)	(1)	-	-	-	(32)
Acquisition-related charges	(34)	-	-	-	-	(7)	(13)	-	-	-	-	-	(3)	-	-	(27)
Charges and insurance recoveries related to flooding, net	(15)	-	-	-	-	-	65	-	-	-	-	87	-	-	-	-
Other charges	-	-	-	-	(11)	-	-	(15)	(3)	(32)	(12)	(17)	-	(3)	(2)	(4)
Non-GAAP Operating Expenses	\$383	\$572	\$564	\$529	\$559	\$564	\$574	\$618	\$605	\$598	\$638	\$620	\$591	\$560	\$567	\$542
Reconciliation of Net Income (Loss) to Non-GAAP Net Income																
Net Income (Loss)	\$483	\$745	\$519	\$335	\$391	\$(265)	\$495	\$430	\$375	\$317	\$423	\$438	\$384	\$220	\$283	\$251
Amortization of acquired intangible assets	12	51	49	49	49	46	47	51	50	47	46	45	44	28	25	24
Employee termination, asset impairment and other charges	-	80	26	41	63	8	11	23	25	36	9	53	10	104	56	27
Charges related to cost saving initiatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32
Charges related to arbitration award	-	-	-	-	-	681	13	13	13	13	14	1	-	-	-	37
Acquisition-related charges	125	-	-	-	-	7	13	-	-	-	-	-	3	-	-	27
Charges and insurance recoveries related to flooding, net	15	-	-	-	-	-	(65)	-	-	-	-	(37)	-	-	-	-
Other charges	-	-	-	-	11	-	-	15	7	32	12	39	-	4	2	4
Income tax adjustments	(16)	(4)	-	88	-	-	-	-	-	-	-	-	-	-	-	(28)
Non-GAAP Net Income	\$619	\$872	\$594	\$513	\$514	\$477	\$514	\$532	\$470	\$445	\$504	\$539	\$441	\$356	\$366	\$374
EPS	\$1.96	\$2.87	\$2.06	\$1.36	\$1.60	\$(1.12)	\$2.05	\$1.77	\$1.55	\$1.82	\$1.76	\$1.84	\$1.63	\$0.94	\$1.21	\$1.07
Non-GAAP EPS	\$2.52	\$3.35	\$2.36	\$2.09	\$2.10	\$1.98	\$2.12	\$2.19	\$1.94	\$1.85	\$2.10	\$2.26	\$1.87	\$1.51	\$1.56	\$1.60
Diluted Shares Outstanding	246	260	252	246	245	236	242	243	242	241	240	238	236	235	234	234
Non-GAAP Diluted Shares Outstanding ⁽⁵⁾	246	260	252	246	245	243	242	243	242	241	240	238	236	235	234	234
Reconciliation of Income Tax Provision as a Percentage of Pre-Tax Income to Non-GAAP Income Tax Provision as a Percentage of Non-GAAP Pre-Tax Income																
Net Income (Loss)	\$483	\$745	\$519	\$335	\$391	\$(265)	\$495	\$430	\$375	\$317	\$423	\$438	\$384	\$220	\$283	\$251
Income tax provision	55	56	59	133	15	35	37	37	31	30	37	20	28	27	31	(7)
Pre-tax income	\$538	\$801	\$578	\$468	\$406	\$(230)	\$532	\$467	\$406	\$347	\$460	\$458	\$412	\$247	\$314	\$244
Income tax provision as a percentage of pre-tax income	10%	7%	10%	28%	4%	-15%	7%	8%	8%	9%	8%	4%	7%	11%	10%	-3%
Non-GAAP Net Income	\$619	\$872	\$594	\$513	\$514	\$477	\$514	\$532	\$470	\$445	\$504	\$539	\$441	\$356	\$366	\$374
Add:																
Income tax provision	55	56	59	133	15	35	37	37	31	30	37	20	28	27	31	(7)
Income tax adjustments	18	4	-	(88)	-	-	-	-	-	-	-	-	-	-	-	28
Non-GAAP income tax provision	71	60	59	45	15	35	37	37	31	30	37	20	28	27	31	21
Non-GAAP pre-tax income	\$690	\$932	\$653	\$558	\$529	\$512	\$551	\$569	\$501	\$475	\$541	\$559	\$469	\$383	\$397	\$395
Non-GAAP income tax provision as a percentage of pre-tax income	10%	6%	9%	8%	3%	7%	7%	7%	6%	6%	7%	4%	6%	7%	8%	5%

Non-GAAP Financial Measures

Economic Profit: Economic profit (EP) is a non-GAAP financial measure defined as net operating profit after taxes less the value of invested capital multiplied by the weighted average cost of capital, where net operating profit after taxes is defined as income from operations minus tax expense and invested capital is defined as the sum of current debt, long-term debt and equity. Management uses EP to evaluate business performance and allocate resources, and it is a component in determining management's incentive compensation. Management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit.

In millions	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
Reconciliation of Operating Income (Loss) to R4Q Economic Profit																			
Operating Income (Loss)	\$172	\$259	\$162	\$542	\$808	\$592	\$478	\$417	\$(221)	\$542	\$478	\$419	\$352	\$469	\$466	\$421	\$255	\$322	\$251
Income Tax Provision	(12)	(19)	(15)	(55)	(56)	(59)	(133)	(15)	(35)	(37)	(37)	(31)	(30)	(37)	(20)	(28)	(27)	(31)	7
Net Operating Profit After Taxes	160	240	147	487	752	533	345	402	(256)	505	441	388	322	432	446	393	228	291	258
R4Q Net Operating Profit After Taxes	728	771	692	1,034	1,626	1,919	2,117	2,032	1,024	996	1,092	1,078	1,656	1,583	1,588	1,593	1,499	1,358	1,170
Invested Capital x WACC	(636)	(658)	(677)	(1,117)	(1,084)	(1,118)	(1,141)	(1,148)	(1,083)	(1,172)	(1,201)	(1,236)	(1,241)	(1,251)	(1,260)	(1,273)	(1,296)	(1,306)	(1,327)
R4Q Economic Profit	\$92	\$113	\$15	\$(83)	\$542	\$801	\$976	\$884	\$(59)	\$(176)	\$(109)	\$(158)	\$415	\$332	\$328	\$320	\$203	\$52	\$(157)

Formulas

Share = Units (HDD) / TAM

ASP = Revenue / Units (HDD)

Free Cash Flow = Cash Flow from Operations – Capital Expenditures

EBITDA = Net Income (Loss) + Interest + Income Tax Expense + Depreciation and Amortization

Days Sales Outstanding (DSO) = Accounts Receivable / (Revenue / 91 days)

Days Inventory Outstanding (DIO) = Inventory / (Cost of Revenue / 91 days)

Days Payables Outstanding (DPO) = Accounts Payable / (Cost of Revenue / 91 days)

Cash Conversion Cycle = DSO + DIO – DPO

Inventory Turns = 364 days / DIO

R4Q Economic Profit = R4Q Net Operating Profit After Taxes – (Invested Capital x WACC)

- Invested Capital = Short-term debt + Current portion of long-term debt + Long-term debt + Total shareholders' equity
- WACC⁷ = 11%

R4Q ROIC = R4Q (Net Income (Loss) + Interest Expense) / R4Q Average (Short-term debt + Current portion of long-term debt + Long-term debt + Total shareholders' equity)

R4Q ROA = R4Q Net Income (Loss) / R4Q Average Total Assets

Footnotes

1. ASP, Revenue by Channel and Revenue by Geography exclude external sales of media/substrates.
2. Unit volume excludes WD TV Media Players without hard drives, WD Livewire, SSD and media.
3. Worldwide Headcount excludes temporary and contracted employees.
4. Consumer Electronics includes gaming.
5. PC includes shipments to distributors, second/third tier external HDD manufacturers, and white box manufacturers.
6. Q4 FY13 non-GAAP EPS is calculated using the same number of shares used for Q4 FY13 GAAP EPS plus 7 million dilutive shares. Dilutive shares are not included in the Q4 FY13 GAAP EPS calculation as Q4 FY13 resulted in a net loss.
7. WACC of 11% is an internal assumption.
8. Q2 FY12 includes charges related to the flooding. Q4 FY13 includes charges related to the arbitration award.
9. TAM is preliminary and based on internal information.
10. Certain FY14 prior quarter amounts have been reclassified from gross profit, R&D and SG&A to the other charges line within operating expenses to conform to the annual presentation of FY14 in Part II, Item 8, Note 18 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K.
11. Q1 FY15 cash conversion cycle calculated using 98 days due to a 14 week quarter. Q1 FY15 inventory turns calculated using 371 days due to a 53 week year.
12. Non-PC revenue percentage includes consumer electronics, enterprise applications, branded products, and SSD.
13. Guidance, other than revenue, is presented on a non-GAAP basis and excludes amortization of intangibles related to acquisitions of 0.6% of gross margin, \$6 million of operating expenses and \$0.09 of EPS. GAAP operating expense guidance is \$506 million and GAAP EPS guidance is between \$1.11 and 1.21 assuming diluted shares outstanding of 234 million.
14. Operating expense baseline is presented on a non-GAAP basis and excludes amortization of acquired intangible assets of \$8 million, employee termination, asset impairment and other charges of \$56 million, and other charges of \$2 million from Q1 FY16 operating expenses of \$633 million. This represents management's baseline against expected integration savings.
15. This Quarterly Fact Sheet contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning the Company's expected third quarter fiscal year 2016 financial performance and the amount and timing of expected integration savings and total cash expenditures. These forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including the Company's inability to successfully integrate the business and operations of HGST or achieve the expected savings in the expected fiscal periods; the possibility that the total cash expenditures may be in excess of the estimated amounts or may occur in different fiscal periods than expected; volatility in global economic conditions; business conditions and growth in the storage ecosystem; pricing trends and fluctuations in average selling prices; the availability and cost of commodity materials and specialized product components; unexpected advances in competing technologies; the development and introduction of products based on new technologies and expansion into new data storage markets; actions by competitors; and other risks and uncertainties in the Company's filings with the Securities and Exchange Commission, including the Company's Quarterly Report on Form 10-Q filed on November 10, 2015. You should not place undue reliance on these forward-looking statements, which speak only as of the date of publication of this Quarterly Fact Sheet, and the Company undertakes no obligation to update these forward-looking statements to reflect new information or circumstances.