

This document contains non-GAAP financial measures. These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies.

Amounts in millions, except exabytes, ASP, headcount, percentages, and metrics		Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17
Revenue	Client Devices ¹	\$1,370	\$1,584	\$2,374	\$2,418	\$2,318
	Client Solutions ¹	346	666	976	1,076	1,003
	Data Center Devices & Solutions ¹	<u>1,106</u>	<u>1,245</u>	<u>1,364</u>	<u>1,394</u>	<u>1,328</u>
	Total Revenue	\$2,822	\$3,495	\$4,714	\$4,888	\$4,649
Exabytes Shipped	Client Devices ¹	31.7	32.0	39.2	39.2	36.4
	Client Solutions ¹	8.5	9.5	12.2	12.3	11.3
	Data Center Devices & Solutions ¹	<u>22.8</u>	<u>24.6</u>	<u>28.6</u>	<u>26.3</u>	<u>26.5</u>
	Total Exabytes Shipped²	63.0	66.1	80.0	77.8	74.2
Cash Flows from Operations	485	355	440	1,060	998	
Purchases of Property, Plant and Equipment, net	(133)	(151)	(183)	(146)	(103)	
Activity Related to Flash Ventures, net	-	(90)	(27)	(43)	(154)	
Free Cash Flow³	352	114	230	871	741	
Days Sales Outstanding	40	38	39	37	38	
Days Inventory Outstanding	54	72	57	57	66	
Days Payables Outstanding	<u>(69)</u>	<u>(70)</u>	<u>(58)</u>	<u>(59)</u>	<u>(69)</u>	
Cash Conversion Cycle	25	40	38	35	35	
Worldwide Headcount⁴	67,884	72,878	72,273	70,801	71,245	
HDD TAM	100.5	98.7	113.8	111.5	N/A ⁵	
HDD Share	42.9%	40.6%	41.7%	40.2%	N/A ⁵	
HDD Units ⁶	43.1	40.1	47.5	44.8	39.1	
HDD ASP	\$60	\$63	\$61	\$62	\$63	
HDD Notebook Units ⁷	13.6	11.5	14.6	14.7	11.3	
HDD Desktop Units ⁷	10.7	7.9	9.0	9.9	9.4	
HDD Consumer Electronics Units ⁸	7.3	10.0	12.3	8.3	7.7	
HDD Branded Units	5.1	4.7	5.2	5.5	4.9	
HDD Enterprise Units	<u>6.4</u>	<u>6.0</u>	<u>6.4</u>	<u>6.4</u>	<u>5.8</u>	
Total HDD Units	43.1	40.1	47.5	44.8	39.1	

Formulas

Free Cash Flow = Cash Flows from Operations – Purchases of Property, Plant and Equipment, Net – Activity Related to Flash Ventures, net

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

Share = Units (HDD) / TAM (HDD)

ASP = Revenue (HDD) / Units (HDD)

Footnotes

- Client Devices is comprised of notebook and desktop HDD, consumer electronics HDD, client SSD, embedded, wafer sales and licensing and royalties. Client Solutions is comprised of branded HDD, branded flash, removables and licensing and royalties. Data Center Devices and Solutions is comprised of enterprise HDD, enterprise SSD, data center software, data center solutions and licensing and royalties.
- Excludes Non-Memory Products.
- Free cash flow is a non-GAAP financial measure defined as cash flows from operations less purchases of property, plant and equipment, net of proceeds from sales of property, plant, and equipment, and the activity related to Flash Ventures, net. 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.
- Worldwide Headcount excludes temporary and contracted employees.
- HDD TAM and Share are based on market data and provided on a quarter lag based on availability of information.
- HDD Unit volume excludes SSD and media.
- PC includes shipments to distributors, second/third tier external HDD manufacturers, and white box manufacturers.
- Consumer Electronics includes gaming.

Debt Tranches and Interest Rates

Debt	Base Rate ^A	Tenor	Maturity	Original Issued Principal Amount (in millions)	Balance Outstanding as of 3/31/2017 ^B (in millions)	Applicable Rates
Revolver drawn ^C	L+200	5 years		\$0	\$0	2.982%
Term Loan A (floor of 0bps)	L+200	5 years	April 29, 2021	\$4,125	\$4,125	2.982%
Term Loan B-2 U.S. Dollar (floor of 75bps)	L+275	7 years	April 29, 2023	\$3,000	\$2,978	3.732%
Term Loan B-2 Euro (floor of 75 bps) ^D	E+200	7 years	April 29, 2023	\$992	\$938	2.750%
Sr. Secured Notes Due 2023 ^E	7.375%	7 years	April 1, 2023	\$1,875	\$1,875	7.375%
Sr. Unsecured Notes Due 2024 ^E	10.500%	8 years	April 1, 2024	\$3,350	\$3,350	10.500%
Convertible Debt ^F	0.500%	7 years	October 15, 2020	\$1,500	\$35	0.500%
Total				\$14,842	\$13,301	5.640%^G

^A All-in applicable rates as of March 31, 2017. Applicable spread for Term Loan A and Revolver over LIBOR based on leverage ratio as of March 31, 2017.

^B Excluding Original Issue Discount and fees

^C Revolver capacity: \$1.0B as of March 31, 2017

^D Original Issued Principal in EURO denominated debt of Euro 885M and current balance of Euro 881M as of March 31, 2017, converted at Fiscal Month USD/EUR balance sheet rate of 1.068490

^E Notes are callable beginning April 1, 2019

^F Debt assumed in connection with the acquisition of SanDisk Corporation in May 2016

^G Weighted average interest rate as of March 31, 2017

Discrete Pro Forma Financial Information

Amounts in millions, except percentages	Western Digital Historical Q3 FY16	SanDisk Historical Q3 FY16	Pro Forma Combined Company
Pro Forma Revenue by End Market			
Client Devices	\$1,370	\$522	\$1,892
Client Solutions	346	597	943
Data Center Devices and Solutions	1,106	247	1,353
Total Revenue	<u>\$2,822</u>	<u>\$1,366</u>	<u>\$4,188</u>
Reconciliation of Pro Forma Gross Margin			
GAAP Pro Forma Gross Profit	\$753	\$543	\$1,296
Amortization of acquired intangible assets	16	28	44
Stock-based compensation expense	4	6	10
Charges related to cost saving initiatives	25	-	25
Other	(2)	-	(2)
Non-GAAP Pro Forma Gross Profit	<u>\$796</u>	<u>\$577</u>	<u>\$1,373</u>
Pro Forma Revenue	\$2,822	\$1,366	\$4,188
GAAP Pro Forma Gross Margin	26.7%	39.8%	30.9%
Non-GAAP Pro Forma Gross Margin	28.2%	42.2%	32.8%

The pro forma revenue, gross profit and gross margin in the table above is calculated based on combining the historically reported financial information for Western Digital Corporation and SanDisk Corporation, acquired in May 2016. The pro forma gross profit for the period presented reflects results historically presented in accordance with U.S. GAAP and is presented on a GAAP basis and a non-GAAP basis excluding amortization of acquired intangible assets, stock-based compensation expense, charges related to cost saving initiatives, and other charges. The pro forma financial information as presented above is for informational purposes only to facilitate a comparison to the company's financial results for the third fiscal quarter ended March 31, 2017 and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the third fiscal quarter ended April 1, 2016.