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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): October 28, 2014**

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**Western Digital Corporation**  
(Exact Name of Registrant as Specified in its Charter)

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**Delaware**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**001-08703**  
(Commission  
File Number)

**33-0956711**  
(I.R.S. Employer  
Identification No.)

**3355 Michelson Drive, Suite 100**  
**Irvine, California**  
(Address of Principal Executive Offices)

**92612**  
(Zip Code)

**(949) 672-7000**  
(Registrant's Telephone Number, Including Area Code)

**Not applicable**  
(Former name or former address, if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 240.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On October 28, 2014, Western Digital Corporation (“Western Digital”) announced financial results for the first fiscal quarter ended October 3, 2014. A copy of the press release making this announcement is attached hereto as Exhibit 99.1 and is incorporated herein by reference. A copy of Western Digital’s Quarterly Fact Sheet for the first fiscal quarter ended October 3, 2014 is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in this Item 2.02, including Exhibit 99.1 and Exhibit 99.2, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

- 99.1 Press Release issued by Western Digital Corporation on October 28, 2014 announcing financial results for the first fiscal quarter ended October 3, 2014.
- 99.2 First Quarter Fiscal Year 2015 Western Digital Corporation Quarterly Fact Sheet.

**SIGNATURE**

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.

**Western Digital Corporation**  
(Registrant)

By: \_\_\_\_\_  
/s/ Michael C. Ray  
Michael C. Ray  
Senior Vice President, General Counsel  
and Secretary

Date: October 28, 2014



## Company contacts:

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**FOR IMMEDIATE RELEASE:****WESTERN DIGITAL ANNOUNCES FINANCIAL RESULTS FOR  
FIRST QUARTER FISCAL 2015**

IRVINE, Calif. — Oct. 28, 2014 — Western Digital® Corp. (NASDAQ: WDC) today reported revenue of \$3.9 billion and net income of \$423 million, or \$1.76 per share, for its first fiscal quarter ended Oct. 3, 2014. On a non-GAAP basis, net income was \$504 million or \$2.10 per share. In the year-ago quarter, the company reported revenue of \$3.8 billion and net income of \$495 million, or \$2.05 per share. Non-GAAP net income in the year-ago quarter was \$514 million, or \$2.12 per share.

The company generated \$827 million in cash from operations during the September quarter, ending with total cash and cash equivalents of \$5.2 billion. During the September quarter, the company utilized \$223 million to repurchase 2.2 million shares of common stock. On Aug. 5, the company declared a \$0.40 per common-share dividend, which was paid on Oct. 15.

“We achieved solid revenue, gross margins and EPS in the September quarter, along with continued strong cash flow generation, as the company continued its crisp execution and consistent financial performance,” said Steve Milligan, president and chief executive officer of Western Digital. “We were pleased to see strength and momentum in our capacity enterprise hard drive and flash platform solutions businesses. Our client and branded products businesses were seasonally strong as expected and our performance enterprise business was steady. Overall, we believe industry dynamics are stable in terms of supply and demand and inventory levels.”

The investment community conference call to discuss these results will be broadcast live over the Internet today at 2 p.m. Pacific/5 p.m. Eastern. The live and archived conference call webcast can be accessed online at [investor.wdc.com](http://investor.wdc.com). The telephone replay number is 1-800-839-2325 in the U.S. or +1-402-998-1125 for international callers.

### **About Western Digital**

Founded in 1970, Western Digital Corp. (NASDAQ: WDC), Irvine, Calif., is an industry-leading developer and manufacturer of storage solutions that enable people to create, manage, experience and preserve digital content. Its HGST and WD® subsidiaries are long-time innovators in the storage industry. Western Digital Corporation is responding to changing market needs by providing a full portfolio of compelling, high-quality storage products with effective technology deployment, high efficiency, flexibility and speed. Our products are marketed under the HGST, WD and G-Technology™ brands to OEMs, distributors, resellers, cloud infrastructure providers and consumers. Financial and investor information is available on the company's Investor Relations website at [investor.wdc.com](http://investor.wdc.com).

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning industry dynamics. 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 impact of continued uncertainty and volatility in global economic conditions; supply and demand conditions in the hard drive industry; uncertainties concerning the availability and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; uncertainties related to the development and introduction of products based on new technologies and expansion into new data storage markets; business conditions and growth in the various hard drive markets; pricing trends and fluctuations in average selling prices; and other risks and

uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC"), including the company's Form 10-K filed with the SEC on Aug. 15, 2014, to which your attention is directed. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

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Western Digital, WD and the WD logo are registered trademarks in the U.S. and other countries. HGST trademarks are intended and authorized for use only in countries and jurisdictions in which HGST has obtained the rights to use, market and advertise the brand. Other marks may be mentioned herein that belong to other companies.

**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in millions; unaudited)

	Oct. 3, 2014	Jun. 27, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,159	\$ 4,804
Short-term investments	222	284
Accounts receivable, net	1,915	1,989
Inventories	1,272	1,226
Other current assets	422	417
Total current assets	8,990	8,720
Property, plant and equipment, net	3,202	3,293
Goodwill	2,559	2,559
Other intangible assets, net	406	454
Other non-current assets	495	473
Total assets	<u>\$15,652</u>	<u>\$15,499</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,016	\$ 1,971
Accrued arbitration award	772	758
Accrued expenses	433	412
Accrued compensation	438	460
Accrued warranty	134	119
Current portion of long-term debt	125	125
Total current liabilities	3,918	3,845
Long-term debt	2,281	2,313
Other liabilities	490	499
Total liabilities	6,689	6,657
Total shareholders' equity	8,963	8,842
Total liabilities and shareholders' equity	<u>\$15,652</u>	<u>\$15,499</u>

**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(in millions, except per share amounts; unaudited)

	<b>Three Months Ended</b>	
	<b>Oct. 3, 2014</b>	<b>Sept. 27, 2013</b>
Revenue, net	\$ 3,943	\$ 3,804
Cost of revenue	2,794	2,705
Gross profit	1,149	1,099
Operating expenses:		
Research and development	437	401
Selling, general and administrative	220	132
Charges related to arbitration award	14	13
Employee termination, asset impairment and other charges	9	11
Total operating expenses	680	557
Operating income	469	542
Net interest and other	(9)	(10)
Income before income taxes	460	532
Income tax provision	37	37
Net income	<u>\$ 423</u>	<u>\$ 495</u>
Income per common share:		
Basic	<u>\$ 1.81</u>	<u>\$ 2.10</u>
Diluted	<u>\$ 1.76</u>	<u>\$ 2.05</u>
Weighted average shares outstanding:		
Basic	<u>234</u>	<u>236</u>
Diluted	<u>240</u>	<u>242</u>



**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions; unaudited)

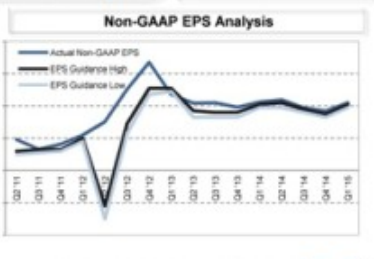
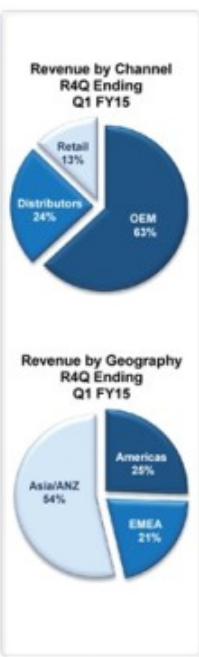
	<b>Three Months Ended</b>	
	<b>Oct. 3, 2014</b>	<b>Sept. 27, 2013</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 423	\$ 495
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	289	312
Stock-based compensation	39	42
Deferred income taxes	10	(10)
Gain from insurance recovery	—	(65)
Loss on disposal of assets	4	—
Non-cash portion of employee termination, asset impairment and other charges	1	7
Changes in operating assets and liabilities, net	61	(101)
Net cash provided by operating activities	<u>827</u>	<u>680</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(160)	(136)
Acquisitions, net of cash acquired	—	(263)
Purchases of investments	(120)	—
Proceeds from sales of investments	166	—
Other investing activities, net	(12)	39
Net cash used in investing activities	<u>(126)</u>	<u>(360)</u>
<b>Cash flows from financing activities</b>		
Employee stock plans, net	2	7
Repurchases of common stock	(223)	(150)
Dividends to shareholders	(94)	(59)
Proceeds from debt, net of issuance costs	—	500
Repayment of debt	(31)	(58)
Net cash provided by (used in) financing activities	<u>(346)</u>	<u>240</u>
Net increase in cash and cash equivalents	355	560
Cash and cash equivalents, beginning of period	4,804	4,309
Cash and cash equivalents, end of period	<u>\$ 5,159</u>	<u>\$ 4,869</u>

**WESTERN DIGITAL CORPORATION**  
**GAAP TO NON-GAAP RECONCILIATION**  
(in millions, except per share amounts; unaudited)

	<b>Three Months Ended</b>	
	<b>Oct. 3, 2014</b>	<b>Sept. 27, 2013</b>
GAAP net income	\$ 423	\$ 495
Non-GAAP adjustments:		
Amortization of intangibles	46	47
Employee termination, asset impairment and other charges	9	11
Charges related to arbitration award	14	13
Acquisition-related expense	—	13
Flood-related insurance recovery	—	(65)
Other expense, net	12	—
Non-GAAP net income	<u>\$ 504</u>	<u>\$ 514</u>
Diluted net income per common share:		
GAAP	<u>\$ 1.76</u>	<u>\$ 2.05</u>
Non-GAAP	<u>\$ 2.10</u>	<u>\$ 2.12</u>
Weighted average shares outstanding:		
Diluted	<u>240</u>	<u>242</u>

The table above sets forth non-GAAP net income and non-GAAP diluted net income per common share. These non-GAAP net income and diluted net income per common share measures exclude amortization of intangibles related to acquisitions, certain employee termination, asset impairment and other charges, certain charges related to an arbitration award and other charges that are unusual, non-recurring or may not be indicative of ongoing operations. The Company believes that non-GAAP net income and non-GAAP earnings per share are useful measures to investors as an alternative method for measuring the Company's earnings performance and comparing it against prior periods. The presentation of these adjusted amounts vary from numbers presented in accordance with U.S. GAAP and therefore may not be comparable to amounts reported by other companies.

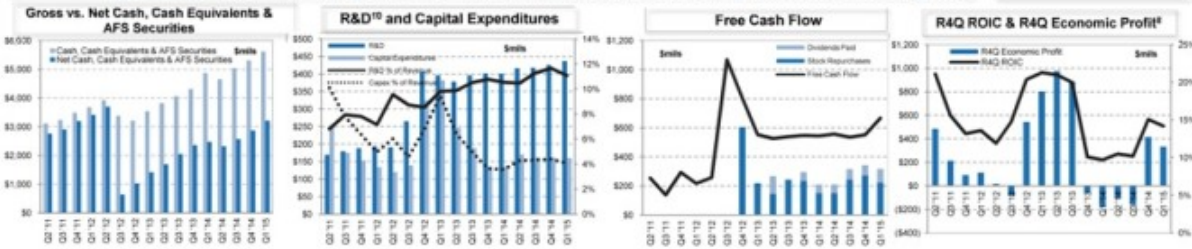
Amounts in millions, except per share amounts, ASP, percentages	FY13			FY14			FY15			FY16			FY17			FY18		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
TAM	167.5	159.5	165.8	176.3	118.1	146.4	156.7	139.1	135.8	135.9	133.3	140.2	142.2	138.1	138.0	147.3		
HDD Share	31.2%	31.2%	32.5%	32.8%	23.9%	30.2%	45.2%	44.9%	43.6%	44.3%	44.9%	44.7%	44.4%	43.8%	45.7%	44.0%		
Units (HDD) <sup>7</sup>	52.2	49.8	53.8	57.8	28.5	44.2	71.0	62.5	59.2	60.2	59.9	62.6	63.1	60.4	63.1	64.7		
ASP (HDD)	\$47	\$45	\$44	\$46	\$69	\$68	\$65	\$62	\$62	\$61	\$60	\$58	\$60	\$58	\$56	\$58		
Revenue	\$2,475	\$2,252	\$2,403	\$2,694	\$1,905	\$3,035	\$4,754	\$4,035	\$3,824	\$3,764	\$3,728	\$3,804	\$3,972	\$3,703	\$3,651	\$3,943		
Gross Profit	\$475	\$410	\$489	\$541	\$648	\$977	\$1,472	\$1,193	\$1,059	\$1,061	\$1,050	\$1,099	\$1,156	\$1,076	\$1,029	\$1,149		
Gross Margin	19.2%	18.2%	19.5%	20.1%	32.5%	32.2%	31.0%	29.8%	27.7%	28.2%	28.2%	28.9%	29.1%	29.1%	28.2%	29.1%		
R&D	\$189	\$179	\$188	\$193	\$191	\$265	\$400	\$396	\$378	\$396	\$402	\$401	\$418	\$418	\$426	\$437		
SG&A	66	63	77	71	85	122	178	179	162	185	180	132	226	201	202	220		
Other	-	10	32	18	210	48	80	25	41	63	889	24	36	38	49	23		
Total Operating Expenses	\$235	\$252	\$297	\$282	\$486	\$435	\$664	\$601	\$581	\$644	\$1,271	\$557	\$679	\$657	\$677	\$680		
Operating Income (Loss)	\$240	\$158	\$172	\$259	\$162	\$542	\$800	\$592	\$478	\$417	\$1,221	\$542	\$479	\$419	\$352	\$499		
Net Income (Loss)	\$225	\$156	\$158	\$239	\$145	\$483	\$745	\$519	\$335	\$391	\$1,265	\$495	\$430	\$375	\$317	\$423		
EPS	\$0.96	\$0.62	\$0.67	\$1.01	\$0.61	\$1.96	\$2.87	\$2.06	\$1.36	\$1.80	\$1.12	\$2.05	\$1.77	\$1.55	\$1.32	\$1.76		
Diluted Shares Outstanding	235	236	237	237	237	246	260	252	246	245	236	242	243	242	241	240		
<b>Non-GAAP Results</b>																		
Gross Profit <sup>11</sup>	\$475	\$410	\$489	\$541	\$648	\$1,077	\$1,511	\$1,231	\$1,097	\$1,099	\$1,085	\$1,135	\$1,196	\$1,115	\$1,078	\$1,188		
Gross Margin <sup>11</sup>	19.2%	18.2%	19.5%	20.1%	32.5%	35.6%	31.8%	30.6%	28.7%	29.2%	29.1%	29.8%	30.1%	30.1%	29.6%	30.1%		
Net Income	\$225	\$156	\$193	\$280	\$358	\$619	\$872	\$594	\$513	\$514	\$477	\$514	\$532	\$470	\$445	\$504		
EPS <sup>9</sup>	\$0.96	\$0.66	\$0.81	\$1.10	\$1.51	\$2.52	\$3.35	\$2.36	\$2.09	\$2.10	\$1.96	\$2.12	\$2.19	\$1.94	\$1.85	\$2.10		
<b>Revenue By Channel</b>																		
OEM	45%	47%	55%	53%	59%	64%	69%	63%	61%	60%	66%	64%	62%	62%	65%	63%		
Distributors	33%	32%	29%	29%	25%	28%	21%	24%	24%	26%	23%	24%	24%	25%	23%	24%		
Retail	22%	20%	16%	18%	16%	8%	10%	13%	15%	14%	11%	12%	14%	13%	12%	13%		
<b>Revenue by Geography</b>																		
Americas	22%	22%	20%	19%	22%	21%	27%	23%	27%	27%	28%	26%	25%	25%	24%	27%		
EMEA	25%	24%	20%	22%	21%	18%	18%	18%	23%	22%	22%	20%	23%	21%	20%	21%		
Asia/ANZ	53%	54%	60%	59%	57%	61%	55%	59%	50%	51%	53%	54%	52%	54%	56%	52%		
Top 10 Customers Revenue	48%	49%	53%	49%	51%	53%	53%	44%	45%	45%	48%	48%	42%	44%	45%	45%		
Enterprise SSD Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$11	\$54	\$70	\$89	\$92	\$104	\$106	\$155	\$134	\$113	\$156		
<b>PC Units<sup>8</sup></b>																		
Notebook	17,385	16,227	16,967	19,622	9,814	18,067	32,773	25,887	21,300	21,547	23,989	22,912	22,662	21,814	22,899	23,398		
Desktop	20,411	20,118	22,348	21,588	11,301	15,975	21,211	16,819	17,717	18,383	16,195	17,307	16,825	16,635	16,182	16,320		
<b>Non-PC Units</b>																		
Consumer Electronics <sup>7</sup>	4,709	4,785	6,459	7,188	2,352	3,643	4,155	8,019	6,452	6,517	6,544	8,474	8,794	8,573	10,906	10,485		
Branded	7,427	6,404	5,672	7,060	3,191	2,926	4,986	5,787	7,129	6,517	5,281	6,146	7,018	6,272	6,012	6,780		
Enterprise	2,284	2,318	2,463	2,369	1,724	3,616	7,913	5,988	6,523	7,211	7,897	7,771	7,793	7,129	7,598	7,763		
Total HDD	\$2,216	\$9,832	\$3,909	\$7,827	\$8,472	\$4,227	\$1,038	\$2,480	\$8,241	\$8,175	\$8,896	\$2,610	\$3,082	\$6,423	\$3,097	\$4,744		
Average Q3 Shipped	581	578	608	634	578	581	668	708	804	805	797	811	874	888	875	1,022		
EB Shipped	30.3	28.8	32.7	36.7	16.5	25.7	47.4	44.3	47.6	48.4	47.7	50.8	55.1	53.6	55.2	64.9		
R4Q EB Shipped	102.5	107.7	117.8	128.5	114.6	111.5	128.3	133.9	165.1	187.8	186.0	194.5	202.0	207.2	214.7	228.8		



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																
	Q2 FY11				Q3 FY11				Q4 FY11				Q1 FY12			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Cash and Cash Equivalents	\$3,110	\$3,230	\$3,490	\$3,675	\$3,924	\$3,377	\$3,208	\$3,537	\$3,816	\$4,000	\$4,309	\$4,969	\$4,605	\$4,569	\$4,804	\$5,159
Available-for-Sale (AFS) Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt	(200)	(335)	(294)	(263)	(231)	(2,743)	(2,185)	(2,128)	(2,128)	(2,013)	(1,955)	(2,398)	(2,340)	(2,469)	(2,438)	(2,400)
Net Cash, Cash Equivalents & AFS Securities	\$2,760	\$2,905	\$3,196	\$3,412	\$3,693	\$634	\$1,023	\$1,409	\$1,688	\$2,047	\$2,354	\$2,471	\$2,315	\$2,570	\$2,865	\$3,207
Cash Flow From Operations	\$505	\$313	\$447	\$352	\$378	\$1,208	\$1,128	\$936	\$772	\$727	\$694	\$680	\$727	\$697	\$713	\$627
Free Cash Flow	\$255	\$138	\$294	\$218	\$258	\$1,009	\$804	\$554	\$526	\$539	\$548	\$544	\$557	\$536	\$552	\$667
Capital Expenditures	\$250	\$175	\$153	\$134	\$120	\$139	\$324	\$382	\$246	\$188	\$136	\$136	\$170	\$161	\$161	\$160
Depreciation and Amortization	\$151	\$151	\$150	\$158	\$140	\$188	\$339	\$313	\$309	\$309	\$302	\$312	\$317	\$307	\$308	\$289
EBITDA	\$391	\$309	\$322	\$417	\$302	\$730	\$1,147	\$905	\$797	\$726	\$81	\$854	\$795	\$728	\$660	\$758
Accounts Receivable, Net	\$1,250	\$1,171	\$1,206	\$1,356	\$747	\$2,377	\$2,364	\$1,951	\$1,732	\$1,700	\$1,793	\$1,791	\$1,959	\$1,802	\$1,989	\$1,915
Raw Materials	\$141	\$151	\$172	\$170	\$191	\$329	\$245	\$237	\$193	\$191	\$167	\$208	\$201	\$204	\$168	\$178
Work in Process	274	280	263	275	185	667	552	559	581	583	575	579	581	519	493	509
Finished Goods	153	163	142	200	90	296	413	508	430	423	448	457	511	554	565	585
Total Inventory	\$568	\$574	\$577	\$645	\$466	\$1,282	\$1,210	\$1,304	\$1,204	\$1,197	\$1,188	\$1,244	\$1,293	\$1,277	\$1,226	\$1,272
Property, Plant and Equipment, Net	\$2,277	\$2,249	\$2,224	\$2,209	\$2,091	\$4,171	\$4,067	\$4,027	\$3,938	\$3,803	\$3,700	\$3,638	\$3,509	\$3,406	\$3,290	\$3,202
Accounts Payable	\$96	\$93	\$92	\$1,708	\$883	\$2,774	\$2,773	\$2,545	\$2,185	\$2,037	\$1,990	\$2,061	\$2,106	\$1,902	\$1,971	\$2,016
Days Sales Outstanding <sup>1</sup>	48	47	46	46	34	71	45	44	41	41	44	43	45	44	50	49
Days Inventory Outstanding <sup>1</sup>	26	28	27	27	31	57	34	42	40	40	40	42	42	44	42	45
Days Payables Outstanding <sup>1</sup>	74	73	73	72	60	123	77	82	72	69	67	69	68	65	68	71
Cash Conversion Cycle <sup>1</sup>	(2)	2	-	1	5	5	2	4	9	12	17	16	19	23	24	22
Inventory Turns <sup>1</sup>	14	13	13	13	12	6	11	9	9	9	9	9	9	8	9	8
Dividends Paid	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$121	\$-	\$90	\$59	\$59	\$71	\$70	\$94
Shares Repurchased	-	-	-	-	-	-	10.4	5.2	4.2	5.2	4.4	2.3	2.0	2.8	3.2	2.2
Shares Repurchased	\$-	\$-	\$-	\$-	\$-	\$-	\$604	\$218	\$146	\$243	\$235	\$150	\$150	\$244	\$272	\$223
Remaining Amount Authorized	\$416	\$416	\$416	\$416	\$416	\$1,312	\$2,594	\$2,448	\$2,205	\$1,970	\$1,820	\$1,670	\$1,426	\$1,154	\$951	
R4Q Economic Profit <sup>2</sup>	\$484	\$213	\$92	\$113	\$15	\$833	\$542	\$801	\$976	\$894	\$559	\$176	\$109	\$158	\$415	\$332
R4Q ROIC <sup>2</sup>	21.1%	15.6%	13.2%	13.6%	11.9%	14.8%	20.4%	21.3%	21.0%	20.0%	10.1%	9.7%	10.5%	10.2%	15.1%	14.2%
R4Q ROA <sup>2</sup>	14.6%	10.9%	9.2%	9.5%	8.5%	10.5%	14.3%	14.9%	14.7%	14.2%	7.0%	6.7%	7.2%	7.0%	10.6%	10.0%
Worldwide Headquarters <sup>1</sup>	62,991	61,349	65,431	67,799	67,121	106,604	103,111	96,002	93,820	87,565	85,777	87,586	87,976	84,556	84,072	83,277

**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



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. We also believe that free cash flow is one of several benchmarks used by investors for comparison of our liquidity with other companies in our industry, although our measure of free cash flow may not be directly comparable to similar measures reported by other companies. 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 are unusual, non-recurring, or may not be indicative of ongoing operations. Because we believe some charges 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 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 are unusual, non-recurring, or may not be indicative of ongoing operations, or any tax impact related to those charges. Because we believe some charges may not be indicative of ongoing operations, 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.

In millions, except gross margin and per share amounts	Q2			Q3			Q4			Q1			Q2			Q3			Q4			Q1		
	FY11	FY11	FY11	FY12	FY12	FY12	FY12	FY12	FY12	FY13	FY13	FY13	FY13	FY13	FY13	FY13	FY13	FY13	FY14	FY14	FY14	FY14	FY14	
<b>Reconciliation of Cash Flows from Operations to Free Cash Flow</b>																								
Cash Flows from Operations	\$505	\$313	\$447	\$352	\$378	\$1,208	\$1,128	\$936	\$772	\$727	\$684	\$685	\$727	\$697	\$713	\$827								
Capital Expenditures	(250)	(173)	(153)	(134)	(120)	(139)	(124)	(262)	(246)	(188)	(136)	(136)	(170)	(161)	(163)	(180)								
Free Cash Flow	\$255	\$138	\$294	\$218	\$258	\$1,069	\$804	\$674	\$526	\$539	\$548	\$544	\$557	\$536	\$552	\$647								
<b>Reconciliation of Net Income to EBITDA</b>																								
Net Income (Loss)	\$225	\$146	\$158	\$239	\$145	\$483	\$745	\$519	\$335	\$391	\$(265)	\$495	\$430	\$375	\$317	\$423								
Interest	1	(1)	2	1	2	4	7	14	10	11	9	10	11	13	5	9								
Income Tax Expense	14	13	12	19	15	55	56	59	133	15	35	37	37	31	30	37								
Depreciation and Amortization	151	151	155	158	140	188	338	312	309	309	302	312	317	307	308	289								
EBITDA	\$391	\$309	\$322	\$417	\$302	\$730	\$1,147	\$905	\$787	\$726	\$81	\$854	\$795	\$726	\$660	\$758								
<b>Reconciliation of Gross Margin to Non-GAAP Gross Margin &amp; Gross Profit</b>																								
Gross Profit <sup>(1)</sup>	\$475	\$410	\$489	\$541	\$648	\$977	\$1,472	\$1,160	\$1,059	\$1,061	\$1,050	\$1,099	\$1,156	\$1,076	\$1,029	\$1,149								
Acquisition-Related Fair Value Adjustments	-	-	-	-	-	91	-	-	-	-	-	-	-	-	-	-								
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Amortization of Intangibles	-	-	-	-	-	9	39	38	38	38	35	36	40	39	39	39								
Non-GAAP Gross Profit <sup>(2)</sup>	\$475	\$410	\$489	\$541	\$648	\$1,077	\$1,511	\$1,231	\$1,097	\$1,099	\$1,085	\$1,135	\$1,196	\$1,115	\$1,078	\$1,188								
Revenue	\$2,475	\$2,252	\$2,403	\$2,604	\$1,995	\$3,035	\$4,754	\$4,035	\$3,824	\$3,764	\$3,728	\$3,804	\$3,972	\$3,703	\$3,651	\$3,943								
Gross Margin <sup>(1)</sup>	19.2%	18.2%	19.5%	20.1%	32.5%	32.2%	31.0%	29.6%	27.7%	28.2%	28.2%	28.9%	29.1%	29.1%	28.2%	29.1%								
Non-GAAP Gross Margin <sup>(2)</sup>	19.2%	18.2%	19.5%	20.1%	32.5%	35.5%	31.8%	30.5%	28.7%	29.2%	29.1%	29.8%	30.1%	30.1%	29.5%	30.1%								
<b>Reconciliation of Net Income (Loss) to Non-GAAP Net Income</b>																								
Net Income (Loss)	\$225	\$146	\$158	\$239	\$145	\$483	\$745	\$519	\$335	\$391	\$(265)	\$495	\$430	\$375	\$317	\$423								
Acquisition-Related Expense	-	10	10	14	14	34	-	-	-	-	9	13	-	-	-	-								
Litigation	-	-	25	7	-	-	-	-	-	-	-	681	13	25	13	13								
Charges Related to Flooding, Net	-	-	-	-	199	15	-	-	-	-	-	-	-	-	-	-								
Acquisition-Related Fair Value Adjustments	-	-	-	-	-	91	-	-	-	-	-	-	-	-	-	-								
Amortization of Intangibles	-	-	-	-	-	12	51	49	49	49	46	47	51	50	47	46								
Restructuring and other	-	-	-	-	-	-	80	26	41	74	8	11	26	28	68	9								
Insurance Recovery	-	-	-	-	-	-	-	-	-	-	-	(65)	-	-	-	-								
Write-off of debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	-								
Tax Impact	-	-	-	-	-	(16)	(4)	-	88	-	-	-	-	-	-	-								
Non-GAAP Net Income	\$225	\$156	\$193	\$260	\$358	\$619	\$872	\$594	\$513	\$514	\$477	\$514	\$532	\$470	\$445	\$504								
EPS	\$0.96	\$0.62	\$0.67	\$1.01	\$0.61	\$1.96	\$2.87	\$2.06	\$1.38	\$1.60	\$(1.12)	\$2.05	\$1.77	\$1.55	\$1.32	\$1.76								
Non-GAAP EPS	\$0.96	\$0.66	\$0.81	\$1.10	\$1.51	\$2.52	\$3.35	\$2.36	\$2.09	\$2.10	\$1.96	\$2.12	\$2.19	\$1.94	\$1.85	\$2.10								
Divided Shares Outstanding	235	236	237	237	237	246	260	252	246	245	236	242	243	242	241	240								
Non-GAAP Diluted Shares Outstanding <sup>(3)</sup>	235	236	237	237	237	246	260	252	246	245	243	242	243	242	241	240								

### 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	Q1				Q2				Q3				Q4				Q1				Q2				Q3				Q4				
	FY10	FY10	FY10	FY10	FY11	FY11	FY11	FY11	FY12	FY12	FY12	FY12	FY13	FY13	FY13	FY13	FY14	FY14	FY14	FY14	FY15	FY15	FY15	FY15	FY16	FY16	FY16	FY16	FY17	FY17	FY17	FY17	
Reclassification of Operating Income (Loss) (1)																																	
R4Q Economic Profit																																	
Operating Income (Loss)	\$319	\$473	\$441	\$293	\$211	\$240	\$158	\$172	\$259	\$162	\$542	\$808	\$592	\$478	\$417	\$221	\$542	\$478	\$419	\$352	\$469												
Income Tax Provision	(26)	(62)	(60)	(27)	(15)	(15)	(13)	(12)	(39)	(10)	(95)	(95)	(19)	(33)	(15)	(35)	(37)	(32)	(31)	(26)	(27)												
Net Operating Profit After Taxes	290	411	381	266	197	225	145	160	220	152	447	713	573	445	402	186	505	446	388	326	442												
R4Q Net Operating Profit After Taxes	972	1,320	1,388	1,295	1,090	834	728	771	692	1,034	1,624	1,624	1,919	2,117	2,032	1,024	996	1,062	1,078	1,656	1,583												
Invested Capital x WACC	(488)	(534)	(562)	(581)	(600)	(621)	(636)	(656)	(677)	(1,113)	(1,084)	(1,084)	(1,118)	(1,141)	(1,148)	(1,083)	(1,172)	(1,201)	(1,230)	(1,241)	(1,251)												
R4Q Economic Profit	\$484	\$786	\$826	\$714	\$484	\$213	\$92	\$113	\$15	\$93	\$542	\$542	\$801	\$976	\$884	\$939	\$1176	\$1109	\$1158	\$415	\$332												

### 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

• WACC = 11%

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

R4Q ROA = R4Q Operating 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 15 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.