

---

---

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

---

**FORM 8-K**

---

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

**Date of Report (Date of earliest event reported): August 14, 2013**

---

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

---

**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.)

---

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))
- 
-

**Item 2.02 Results of Operations and Financial Condition.**

On July 24, 2013, Western Digital Corporation (“Western Digital” or the “Company”) announced financial results for the fourth fiscal quarter and fiscal year ended June 28, 2013.

On July 22, 2013, Western Digital reported in a Current Report on Form 8-K that the Court of Appeals of the State of Minnesota (the “Appellate Court”) had reversed the decision of the District Court of Hennepin County, Minnesota (the “District Court”), which had vacated a \$630.4 million final arbitration award against the Company and ordered a rehearing of certain claims in the arbitration between Western Digital and Seagate Technology, LLC.

Western Digital stated in its July 24, 2013 earnings press release that the financial information reported in the press release did not include any additional accrual for the arbitration award. The press release further stated that Western Digital was reviewing the decision of the Appellate Court and would make a determination of whether or not to record an accrual in its results for the quarter ended June 28, 2013, after it completed its review.

Western Digital has now completed its review. The Company continues to strongly disagree with the decision of the Appellate Court, believes that the District Court’s decision was correct, and will file a petition for review with the Minnesota Supreme Court. The Company will continue to vigorously defend this matter. Nevertheless, in light of uncertainties, including the fact that the review of the Appellate Court’s decision by the Minnesota Supreme Court is discretionary, the Company has determined it will record an accrual of \$681 million for this matter in its financial statements for the three months ended June 28, 2013. This amount is in addition to the \$25 million previously accrued in the fourth quarter of fiscal 2011. The total amount accrued of \$706 million represents the amount of the final arbitration award, plus interest accrued on the initial arbitration award at the statutory rate of 10% from January 24, 2012 through June 28, 2013.

A copy of financial information attached to our July 24, 2013 press release, updated to reflect the accrual, is attached hereto as Exhibit 99.1 and is incorporated herein by reference. A copy of Western Digital’s Quarterly Fact Sheet for the fourth quarter ended June 28, 2013, updated to reflect the accrual, 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, 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, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On August 14, 2013, the Compensation Committee established the performance goals for cash bonus awards to be made under the Company’s Incentive Compensation Plan (the “ICP”) for the six-month period beginning June 29, 2013 and ending December 27, 2013. Under the ICP, the Company’s executive officers and certain other employees are eligible to receive cash bonus awards that are determined based on the Company’s achievement of the established performance goals as well as other discretionary factors, including non-financial and strategic operating objectives, business and industry conditions and individual and business group performance. For the six-month period beginning June 29, 2013 and ending December 27, 2013, the Compensation Committee selected earnings per share as the financial performance goal for each of the Company’s Chief Executive Officer and Chief Financial Officer, and selected operating income as the financial performance goal for the Company’s other named executive officers. The Compensation Committee then established the specific earnings per share and operating income goals, as applicable, that correspond to specific achievement percentages ranging between 0% and 200%.

For executive officers, the Compensation Committee has previously approved an ICP target bonus under the ICP for each executive officer that is expressed as a percentage of the executive's semi-annual base salary and that currently ranges from 85% to 150% for the executive officers. At the end of the six-month performance period, the ICP will fund in an amount ranging from 0% to 200% based on an interpolation between the Company's performance as measured against the applicable pre-established goals and a consideration of the Company's overall achievement of key non-financial and strategic operating objectives as well as changes in the business and industry that occur during the performance period. Each executive will be eligible to receive a bonus in an amount equal to his target bonus multiplied by the funding percentage approved by the Compensation Committee, subject to further adjustment by the Compensation Committee depending upon the executive's individual and business group's performance.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits**

- 99.1 Updated financial information for the fourth fiscal quarter and fiscal year ended June 28, 2013.
- 99.2 Updated Fourth Quarter Fiscal Year 2013 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)*

Date: August 15, 2013

By:

\_\_\_\_\_  
/s/ Michael C. Ray

Michael C. Ray  
Senior Vice President, General Counsel  
and Secretary

**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(in millions; unaudited)

|   | Jun. 28,<br>2013 | Jun. 29,<br>2012 |
|---|------------------|------------------|
| <b>ASSETS</b>                               |                  |                  |
| Current assets:                             |                  |                  |
| Cash and cash equivalents                   | \$ 4,309         | \$ 3,208         |
| Accounts receivable, net                    | 1,793            | 2,364            |
| Inventories                                 | 1,188            | 1,210            |
| Other                                       | 308              | 359              |
| Total current assets                        | 7,598            | 7,141            |
| Property, plant and equipment, net          | 3,700            | 4,067            |
| Goodwill                                    | 1,954            | 1,975            |
| Other intangible assets, net                | 605              | 799              |
| Other assets                                | 179              | 224              |
| Total assets                                | <u>\$14,036</u>  | <u>\$14,206</u>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                  |                  |
| Current liabilities:                        |                  |                  |
| Accounts payable                            | \$ 1,990         | \$ 2,773         |
| Accrued arbitration award                   | 706              | 25               |
| Accrued expenses                            | 480              | 457              |
| Accrued compensation                        | 453              | 376              |
| Accrued warranty                            | 114              | 171              |
| Current portion of long-term debt           | 230              | 230              |
| Total current liabilities                   | 3,973            | 4,032            |
| Long-term debt                              | 1,725            | 1,955            |
| Other liabilities                           | 445              | 550              |
| Total liabilities                           | 6,143            | 6,537            |
| Total shareholders' equity                  | 7,893            | 7,669            |
| Total liabilities and shareholders' equity  | <u>\$14,036</u>  | <u>\$14,206</u>  |

**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share amounts)  
(unaudited)

|   | Three Months Ended |                  | Years Ended      |                  |
|---|--------------------|------------------|------------------|------------------|
|   | Jun. 28,<br>2013   | Jun. 29,<br>2012 | Jun. 28,<br>2013 | Jun. 29,<br>2012 |
| Revenue, net                                    | \$ 3,728           | \$ 4,754         | \$15,351         | \$12,478         |
| Cost of revenue                                 | 2,678              | 3,282            | 10,988           | 8,840            |
| Gross profit                                    | <u>1,050</u>       | <u>1,472</u>     | <u>4,363</u>     | <u>3,638</u>     |
| Operating expenses:                             |                    |                  |                  |                  |
| Research and development                        | 402                | 406              | 1,572            | 1,055            |
| Selling, general and administrative             | 180                | 178              | 706              | 518              |
| Charge related to arbitration award             | 681                | —                | 681              | —                |
| Employee termination benefits and other charges | 8                  | 80               | 138              | 80               |
| Charges related to flooding, net                | —                  | —                | —                | 214              |
| Total operating expenses                        | <u>1,271</u>       | <u>664</u>       | <u>3,097</u>     | <u>1,867</u>     |
| Operating income (loss)                         | (221)              | 808              | 1,266            | 1,771            |
| Net interest and other                          | (9)                | (7)              | (44)             | (14)             |
| Income (loss) before income taxes               | (230)              | 801              | 1,222            | 1,757            |
| Income tax provision                            | 35                 | 56               | 242              | 145              |
| Net income (loss)                               | <u>\$ (265)</u>    | <u>\$ 745</u>    | <u>\$ 980</u>    | <u>\$ 1,612</u>  |
| Income (loss) per common share:                 |                    |                  |                  |                  |
| Basic   | <u>\$ (1.12)</u>   | <u>\$ 2.93</u>   | <u>\$ 4.07</u>   | <u>\$ 6.69</u>   |
| Diluted   | <u>\$ (1.12)</u>   | <u>\$ 2.87</u>   | <u>\$ 3.98</u>   | <u>\$ 6.58</u>   |
| Weighted average shares outstanding:            |                    |                  |                  |                  |
| Basic   | <u>236</u>         | <u>254</u>       | <u>241</u>       | <u>241</u>       |
| Diluted   | <u>236</u>         | <u>260</u>       | <u>246</u>       | <u>245</u>       |

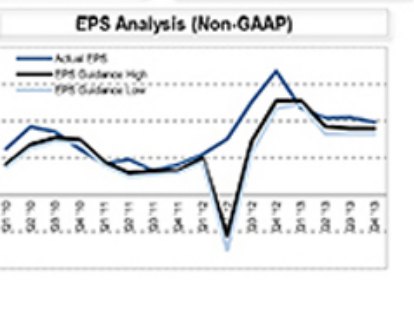
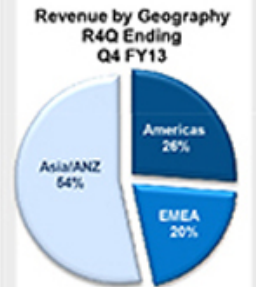
## WESTERN DIGITAL CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

|   | Three Months Ended |                  | Year Ended       |                  |
|---|--------------------|------------------|------------------|------------------|
|   | Jun. 28,<br>2013   | Jun. 29,<br>2012 | Jun. 28,<br>2013 | Jun. 29,<br>2012 |
| <b>Cash flows from operating activities</b>                             |                    |                  |                  |                  |
| Net income (loss)   | \$ (265)           | \$ 745           | \$ 980           | \$ 1,612         |
| Adjustments to reconcile net income to net cash provided by operations: |                    |                  |                  |                  |
| Depreciation and amortization   | 302                | 339              | 1,233            | 825              |
| Stock-based compensation  | 30                 | 31               | 137              | 92               |
| Deferred income taxes   | (24)               | (8)              | 35               | 34               |
| Non-cash portion of employee termination benefits and other charges     | 3                  | 61               | 19               | 61               |
| Non-cash portion of charges related to flooding                         | —                  | —                | —                | 119              |
| Changes in operating assets and liabilities, net                        | 638                | (40)             | 715              | 324              |
| Net cash provided by operating activities                               | 684                | 1,128            | 3,119            | 3,067            |
| <b>Cash flows from investing activities</b>                             |                    |                  |                  |                  |
| Purchases of property, plant and equipment                              | (136)              | (324)            | (952)            | (717)            |
| Acquisitions, net   | —                  | 15               | (1)              | (3,526)          |
| Purchase of investments   | —                  | —                | (17)             | —                |
| Proceeds from sale of equipment   | —                  | 76               | —                | 76               |
| Net cash used in investing activities                                   | (136)              | (233)            | (970)            | (4,167)          |
| <b>Cash flows from financing activities</b>                             |                    |                  |                  |                  |
| Employee stock plans, net   | 53                 | 93               | 205              | 141              |
| Repurchases of common stock   | (235)              | (604)            | (842)            | (604)            |
| Dividends to shareholders   | (60)               | —                | (181)            | —                |
| Repayment of debt   | (57)               | (558)            | (230)            | (908)            |
| Proceeds from debt, net of issuance costs                               | —                  | —                | —                | 2,775            |
| Repayment of assumed debt   | —                  | —                | —                | (585)            |
| Net cash provided by (used in) financing activities                     | (299)              | (1,069)          | (1,048)          | 819              |
| Effect of exchange rate changes on cash                                 | —                  | 5                | —                | (1)              |
| Net increase (decrease) in cash and cash equivalents                    | 249                | (169)            | 1,101            | (282)            |
| Cash and cash equivalents, beginning of period                          | 4,060              | 3,377            | 3,208            | 3,490            |
| Cash and cash equivalents, end of period                                | \$4,309            | \$ 3,208         | \$ 4,309         | \$ 3,208         |

| Amounts in millions, except per share amounts, ASP, percentages |  | Q1 FY10 | Q2 FY10 | Q3 FY10 | Q4 FY10 | Q1 FY11 | Q2 FY11 | Q3 FY11 | Q4 FY11 | Q1 FY12 | Q2 FY12 | Q3 FY12 | Q4 FY12 | Q1 FY13 | Q2 FY13 | Q3 FY13 | Q4 FY13 |
|---|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| TAM   |  | 152.4   | 160.4   | 163.3   | 156.2   | 164.0   | 167.5   | 159.5   | 165.8   | 178.3   | 119.1   | 148.4   | 156.7   | 130.1   | 135.8   | 135.9   | 133.3   |
| Share   |  | 28.2%   | 30.9%   | 31.3%   | 31.8%   | 30.9%   | 31.2%   | 31.2%   | 32.5%   | 32.8%   | 23.5%   | 30.2%   | 45.3%   | 44.9%   | 43.8%   | 44.3%   | 44.9%   |
| Units (HCO) <sup>2</sup>  |  | 44.1    | 46.5    | 51.1    | 49.7    | 50.7    | 52.2    | 49.8    | 53.8    | 57.8    | 28.5    | 44.2    | 71.0    | 62.5    | 59.2    | 60.2    | 59.9    |
| ASP (HCO)   |  | \$49    | \$52    | \$51    | \$47    | \$46    | \$47    | \$45    | \$44    | \$48    | \$69    | \$58    | \$65    | \$62    | \$62    | \$61    | \$60    |
| Revenue   |  | \$2,200 | \$2,619 | \$2,641 | \$2,332 | \$2,396 | \$2,475 | \$2,252 | \$2,400 | \$2,694 | \$1,995 | \$3,035 | \$4,754 | \$4,035 | \$3,824 | \$3,794 | \$3,728 |
| Gross Profit  |  | \$514   | \$687   | \$665   | \$535   | \$437   | \$475   | \$410   | \$469   | \$541   | \$648   | \$977   | \$1,472 | \$1,193 | \$1,059 | \$1,051 | \$1,050 |
| Gross Margin  |  | 23.3%   | 26.2%   | 25.2%   | 22.9%   | 18.2%   | 19.2%   | 18.2%   | 19.5%   | 20.1%   | 32.5%   | 32.2%   | 31.0%   | 29.6%   | 27.7%   | 28.2%   | 28.2%   |
| R&D   |  | \$142   | \$154   | \$160   | \$154   | \$167   | \$169   | \$179   | \$188   | \$193   | \$191   | \$305   | \$406   | \$396   | \$378   | \$396   | \$402   |
| SG&A  |  | \$3     | \$6     | \$4     | \$1     | \$9     | \$6     | \$3     | \$7     | \$1     | \$5     | \$12    | \$18    | \$19    | \$12    | \$15    | \$10    |
| Other   |  | -       | -       | -       | -       | -       | -       | \$10    | \$30    | \$8     | \$13    | \$8     | \$8     | \$5     | \$1     | \$3     | \$69    |
| Total Operating Expenses  |  | \$195   | \$214   | \$224   | \$242   | \$226   | \$235   | \$252   | \$297   | \$282   | \$466   | \$435   | \$604   | \$901   | \$591   | \$644   | \$1,271 |
| Operating Income (Loss)   |  | \$319   | \$473   | \$441   | \$293   | \$211   | \$243   | \$158   | \$172   | \$329   | \$162   | \$542   | \$506   | \$562   | \$478   | \$417   | \$2,221 |
| Net Income (Loss)   |  | \$288   | \$429   | \$400   | \$295   | \$197   | \$225   | \$146   | \$158   | \$239   | \$145   | \$483   | \$745   | \$519   | \$335   | \$391   | \$2,051 |
| EPS   |  | \$1.25  | \$1.85  | \$1.71  | \$1.13  | \$0.84  | \$0.96  | \$0.62  | \$0.67  | \$1.01  | \$0.61  | \$1.96  | \$2.87  | \$2.00  | \$1.36  | \$1.60  | \$1,123 |
| Diluted Shares Outstanding                                      |  | 230     | 232     | 234     | 235     | 234     | 235     | 236     | 237     | 237     | 237     | 246     | 230     | 252     | 246     | 245     | 236     |
| <b>Non-GAAP Results</b>   |  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Cross Profit  |  | \$514   | \$687   | \$665   | \$535   | \$437   | \$475   | \$410   | \$469   | \$541   | \$648   | \$1,077 | \$1,511 | \$1,231 | \$1,097 | \$1,099 | \$1,065 |
| Gross Margin  |  | 23.3%   | 26.2%   | 25.2%   | 22.9%   | 18.2%   | 19.2%   | 18.2%   | 19.5%   | 20.1%   | 32.5%   | 32.5%   | 31.0%   | 30.5%   | 28.7%   | 29.2%   | 29.1%   |
| Net Income  |  | \$288   | \$429   | \$400   | \$295   | \$197   | \$225   | \$156   | \$160   | \$260   | \$308   | \$619   | \$872   | \$594   | \$513   | \$514   | \$477   |
| EPS   |  | \$1.25  | \$1.85  | \$1.71  | \$1.13  | \$0.84  | \$0.96  | \$0.66  | \$0.81  | \$1.10  | \$1.51  | \$2.52  | \$3.35  | \$2.36  | \$2.09  | \$2.10  | \$1.96  |
| <b>Revenue By Channel</b>                                       |  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| OEM   |  | 52%     | 48%     | 49%     | 54%     | 50%     | 45%     | 47%     | 55%     | 53%     | 56%     | 64%     | 69%     | 63%     | 61%     | 62%     | 66%     |
| Distributors  |  | 31%     | 30%     | 33%     | 29%     | 32%     | 33%     | 33%     | 29%     | 29%     | 25%     | 28%     | 21%     | 24%     | 24%     | 26%     | 23%     |
| Retail  |  | 17%     | 22%     | 18%     | 17%     | 18%     | 22%     | 20%     | 16%     | 18%     | 16%     | 8%      | 10%     | 13%     | 15%     | 14%     | 11%     |
| <b>Revenue by Geography</b>                                     |  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Americas  |  | 22%     | 25%     | 24%     | 21%     | 23%     | 22%     | 22%     | 20%     | 19%     | 22%     | 21%     | 27%     | 23%     | 27%     | 27%     | 28%     |
| EMEA  |  | 22%     | 25%     | 24%     | 21%     | 23%     | 25%     | 24%     | 20%     | 22%     | 21%     | 18%     | 18%     | 18%     | 23%     | 22%     | 19%     |
| Asia/ANZ  |  | 56%     | 50%     | 52%     | 54%     | 54%     | 52%     | 54%     | 60%     | 59%     | 57%     | 61%     | 55%     | 59%     | 52%     | 51%     | 52%     |
| <b>Top 10 Customers Revenue</b>                                 |  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
|   |  | 59%     | 56%     | 51%     | 52%     | 50%     | 48%     | 49%     | 53%     | 49%     | 51%     | 53%     | 53%     | 44%     | 45%     | 49%     | 48%     |
| <b>PC Units<sup>3</sup></b>                                     |  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Notebook  |  | 16,528  | 17,735  | 17,072  | 16,832  | 16,582  | 17,305  | 16,227  | 16,857  | 19,822  | 9,814   | 18,007  | 32,773  | 25,887  | 21,300  | 21,547  | 23,969  |
| Desktop   |  | 18,282  | 19,290  | 21,461  | 20,282  | 20,918  | 20,411  | 20,118  | 22,348  | 21,588  | 11,361  | 15,925  | 21,211  | 16,819  | 17,717  | 18,383  | 16,185  |
| <b>Non-PC Units</b>   |  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Consumer Electronics <sup>4</sup>                               |  | 3,054   | 4,083   | 4,643   | 5,306   | 5,230   | 4,709   | 4,785   | 6,450   | 7,188   | 2,302   | 3,643   | 4,130   | 8,019   | 6,452   | 6,517   | 6,544   |
| Branded   |  | 4,539   | 6,219   | 5,565   | 5,005   | 5,678   | 7,427   | 6,404   | 5,672   | 7,060   | 3,191   | 2,926   | 4,066   | 5,267   | 7,139   | 6,517   | 5,281   |
| Enterprise  |  | 1,699   | 2,170   | 2,356   | 2,396   | 2,319   | 2,261   | 2,318   | 2,463   | 2,369   | 1,724   | 3,616   | 7,913   | 5,988   | 6,633   | 7,211   | 7,897   |
| Total HCO   |  | 44,082  | 49,497  | 51,007  | 49,741  | 50,736  | 52,216  | 49,832  | 53,800  | 57,827  | 28,472  | 44,227  | 71,038  | 62,480  | 59,241  | 60,175  | 59,896  |
| <b>Average CO Shipped</b>                                       |  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| EB Shipped  |  | 396     | 443     | 463     | 433     | 512     | 581     | 578     | 608     | 634     | 578     | 581     | 668     | 708     | 804     | 805     | 797     |
| R&D CO Shipped  |  | 17.0    | 21.9    | 23.7    | 22.5    | 26.0    | 30.3    | 28.8    | 32.7    | 36.7    | 18.5    | 25.7    | 47.4    | 44.3    | 47.6    | 48.4    | 47.7    |
|   |  | 54.0    | 64.3    | 76.5    | 85.1    | 94.1    | 102.5   | 107.7   | 117.8   | 128.5   | 114.6   | 111.5   | 126.3   | 133.9   | 165.1   | 197.8   | 180.0   |



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 |  | Q1 FY10 | Q2 FY10 | Q3 FY10 | Q4 FY10 | Q1 FY11 | Q2 FY11 | Q3 FY11 | Q4 FY11 | Q1 FY12 | Q2 FY12 | Q3 FY12 | Q4 FY12 | Q1 FY13 | Q2 FY13 | Q3 FY13 | Q4 FY13 |
|---|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Cash and Cash Equivalents   |  | \$2,056 | \$2,435 | \$2,826 | \$2,734 | \$2,658 | \$3,110 | \$3,230 | \$3,490 | \$3,075 | \$3,904 | \$3,377 | \$3,208 | \$3,537 | \$3,816 | \$4,060 | \$4,309 |
| Debt  |  | 493     | 444     | 429     | 403     | 375     | 390     | 325     | 294     | 263     | 231     | 2,743   | 2,585   | 2,128   | 2,128   | 2,033   | 1,955   |
| Net Cash and Cash Equivalents   |  | \$1,563 | \$1,991 | \$2,401 | \$2,334 | \$2,483 | \$2,760 | \$2,905 | \$3,196 | \$3,412 | \$3,673 | \$634   | \$1,023 | \$1,409 | \$1,688 | \$2,047 | \$2,354 |
| Cash Flow From Operations   |  | \$434   | \$557   | \$568   | \$363   | \$390   | \$505   | \$313   | \$417   | \$302   | \$379   | \$1,206 | \$1,128 | \$906   | \$772   | \$727   | \$664   |
| Free Cash Flow  |  | \$256   | \$305   | \$411   | \$178   | \$190   | \$255   | \$130   | \$294   | \$218   | \$253   | \$1,069 | \$604   | \$554   | \$526   | \$539   | \$543   |
| Capital Expenditures  |  | \$176   | \$199   | \$177   | \$185   | \$200   | \$250   | \$175   | \$153   | \$134   | \$120   | \$130   | \$324   | \$382   | \$246   | \$188   | \$136   |
| Depreciation and Amortization   |  | \$121   | \$128   | \$128   | \$134   | \$150   | \$151   | \$151   | \$150   | \$158   | \$140   | \$188   | \$309   | \$313   | \$309   | \$309   | \$302   |
| EBITDA  |  | \$440   | \$569   | \$569   | \$427   | \$511   | \$391   | \$330   | \$322   | \$417   | \$322   | \$730   | \$1,147 | \$905   | \$767   | \$728   | \$611   |
| Accounts Receivable, Net  |  | \$1,131 | \$1,265 | \$1,257 | \$1,259 | \$1,225 | \$1,250 | \$1,171 | \$1,206 | \$1,356 | \$747   | \$2,377 | \$2,304 | \$1,951 | \$1,732 | \$1,700 | \$1,793 |
| Raw Materials   |  | \$96    | \$102   | \$115   | \$159   | \$155   | \$141   | \$151   | \$172   | \$170   | \$191   | \$329   | \$245   | \$237   | \$193   | \$191   | \$167   |
| Work in Process   |  | \$73    | \$212   | \$254   | \$255   | \$266   | \$274   | \$290   | \$263   | \$275   | \$85    | \$67    | \$52    | \$59    | \$81    | \$83    | \$75    |
| Finished Goods  |  | \$26    | \$30    | \$38    | \$45    | \$40    | \$53    | \$63    | \$42    | \$200   | \$9     | \$285   | \$413   | \$208   | \$300   | \$273   | \$446   |
| Total Inventory   |  | \$379   | \$453   | \$507   | \$560   | \$561   | \$568   | \$574   | \$577   | \$645   | \$469   | \$1,282 | \$1,210 | \$1,304 | \$1,204 | \$1,197 | \$1,188 |
| Property, Plant and Equipment, Net  |  | \$1,625 | \$1,886 | \$1,756 | \$2,159 | \$2,245 | \$2,277 | \$2,249 | \$2,224 | \$2,209 | \$2,061 | \$4,171 | \$4,067 | \$4,027 | \$3,938 | \$3,803 | \$3,700 |
| Accounts Payable  |  | \$1,342 | \$1,507 | \$1,508 | \$1,507 | \$1,703 | \$1,628 | \$1,486 | \$1,545 | \$1,708 | \$983   | \$2,774 | \$2,773 | \$2,545 | \$2,185 | \$2,037 | \$1,990 |
| Days Sales Outstanding  |  | 47      | 47      | 43      | 43      | 50      | 45      | 47      | 46      | 45      | 34      | 71      | 45      | 44      | 41      | 41      | 44      |
| Days Inventory Outstanding  |  | 21      | 21      | 23      | 28      | 26      | 26      | 28      | 27      | 27      | 31      | 57      | 34      | 42      | 40      | 40      | 43      |
| Days Payables Outstanding   |  | 72      | 71      | 69      | 74      | 79      | 74      | 73      | 73      | 72      | 63      | 123     | 77      | 82      | 72      | 69      | 67      |
| Cash Conversion Cycle   |  | (4)     | (3)     | (3)     | 2       | (3)     | (2)     | 2       | -       | 1       | 5       | 5       | 2       | 4       | 9       | 12      | 17      |
| Inventory Turn  |  | 17      | 17      | 16      | 13      | 14      | 14      | 13      | 13      | 13      | 12      | 6       | 11      | 9       | 9       | 9       | 9       |
| Dividends Paid  |  | \$-     | \$-     | \$-     | \$-     | \$-     | \$-     | \$-     | \$-     | \$-     | \$-     | \$-     | \$-     | \$-     | \$121   | \$-     | \$60    |
| Shares Repurchased  |  | -       | -       | -       | -       | 1.8     | -       | -       | -       | -       | -       | -       | 16.4    | 5.2     | 4.2     | 5.2     | 4.4     |
| Shares Repurchased  |  | \$-     | \$-     | \$-     | \$-     | \$50    | \$-     | \$-     | \$-     | \$-     | \$-     | \$-     | \$604   | \$215   | \$146   | \$243   | \$235   |
| Remaining Amount Authorized   |  | \$496   | \$465   | \$465   | \$465   | \$416   | \$416   | \$416   | \$416   | \$416   | \$416   | \$416   | \$1,312 | \$2,564 | \$2,448 | \$2,205 | \$1,970 |
| R4Q Economic Profit   |  | \$167   | \$574   | \$908   | \$964   | \$837   | \$579   | \$281   | \$145   | \$171   | \$74    | \$73    | \$687   | \$925   | \$1,172 | \$1,025 | \$706   |
| R4Q ROIC  |  | 15.3%   | 24.5%   | 31.2%   | 30.2%   | 26.4%   | 21.1%   | 15.8%   | 13.2%   | 13.6%   | 11.5%   | 14.8%   | 20.4%   | 21.3%   | 21.0%   | 20.0%   | 10.1%   |
| R4Q ROCA  |  | 13.4%   | 17.0%   | 21.2%   | 20.7%   | 18.1%   | 14.6%   | 10.9%   | 9.2%    | 9.5%    | 8.5%    | 10.5%   | 14.3%   | 14.6%   | 14.2%   | 14.2%   | 7.0%    |
| Worldwide Headcount   |  | 52,208  | 55,128  | 61,803  | 62,503  | 62,817  | 62,991  | 61,349  | 66,431  | 67,799  | 67,121  | 106,604 | 103,111 | 96,002  | 90,800  | 87,565  | 85,772  |

## Business Model

Gross Margin\*  
27%-32%

Operating Expense\*  
10%-12%

Operating Income\*  
15%-22%

Tax  
7%-10% of Income  
Before Tax

Capital Expenditures\*  
5%-7%

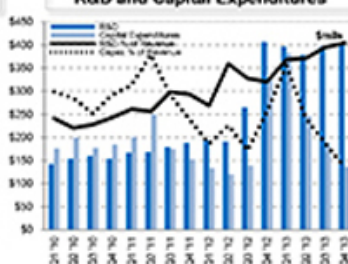
Conversion Cycle  
4-8 Days

\*Percent of Revenue

Gross vs. Net Cash & Cash Equivalents



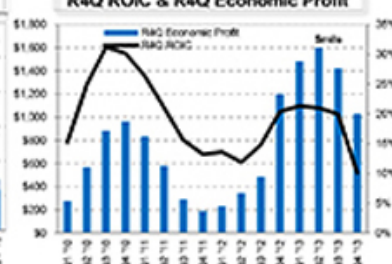
R&D and Capital Expenditures



Free Cash Flow



R4Q ROIC & R4Q Economic Profit



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.

| In millions, except gross margin and per share amounts   | Q1 FY10 | Q2 FY10 | Q3 FY10 | Q4 FY10 | Q1 FY11 | Q2 FY11 | Q3 FY11 | Q4 FY11 | Q1 FY12 | Q2 FY12 | Q3 FY12 | Q4 FY12 | Q1 FY13 | Q2 FY13 | Q3 FY13 | Q4 FY13 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Reconciliation of Cash Flows from Operations to Free Cash Flow</b>                                      |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Cash Flows from Operations   | \$434   | \$557   | \$588   | \$363   | \$300   | \$626   | \$313   | \$447   | \$352   | \$378   | \$1,208 | \$1,128 | \$606   | \$772   | \$727   | \$684   |
| Capital Expenditures   | (176)   | (196)   | (177)   | (185)   | (200)   | (290)   | (175)   | (153)   | (134)   | (120)   | (136)   | (104)   | (262)   | (245)   | (158)   | (130)   |
| Free Cash Flow   | \$258   | \$358   | \$411   | \$178   | \$100   | \$336   | \$138   | \$294   | \$218   | \$258   | \$1,072 | \$1,024 | \$344   | \$527   | \$569   | \$554   |
| <b>Reconciliation of Net Income to EBITDA</b>  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Net Income (Loss)  | \$288   | \$429   | \$400   | \$265   | \$197   | \$225   | \$146   | \$156   | \$230   | \$145   | \$483   | \$745   | \$519   | \$305   | \$391   | \$265   |
| Interest   | 2       | 2       | 1       | 1       | -       | 1       | (1)     | 2       | 1       | 2       | 4       | 7       | 14      | 10      | 11      | 9       |
| Income Tax Expense   | 29      | 42      | 40      | 27      | 14      | 14      | 13      | 12      | 19      | 15      | 36      | 56      | 59      | 133     | 15      | 35      |
| Depreciation and Amortization  | 121     | 126     | 128     | 134     | 150     | 151     | 151     | 150     | 156     | 142     | 180     | 309     | 313     | 309     | 306     | 302     |
| EBITDA   | \$440   | \$599   | \$569   | \$427   | \$361   | \$391   | \$309   | \$322   | \$417   | \$302   | \$730   | \$1,147 | \$905   | \$787   | \$726   | \$61    |
| <b>Reconciliation of Gross Margin to Non-GAAP Gross Margin &amp; Gross Profit to Non-GAAP Gross Profit</b> |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Gross Profit   | \$514   | \$687   | \$995   | \$535   | \$437   | \$475   | \$410   | \$409   | \$541   | \$648   | \$977   | \$1,472 | \$1,193 | \$1,099 | \$1,091 | \$1,060 |
| Acquisition-Related Fair Value Adjustments   | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | 91      | -       | -       | -       | -       | -       |
| Amortization of Intangibles Related to the Acquisition of HGGT   | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | 9       | 39      | 38      | 38      | 38      | 35      |
| Non-GAAP Gross Profit  | \$514   | \$687   | \$995   | \$535   | \$437   | \$475   | \$410   | \$409   | \$541   | \$648   | \$1,077 | \$1,511 | \$1,231 | \$1,097 | \$1,099 | \$1,065 |
| Revenue  | \$2,208 | \$2,610 | \$2,641 | \$2,302 | \$2,366 | \$2,475 | \$2,252 | \$2,403 | \$2,694 | \$1,965 | \$3,035 | \$4,754 | \$4,055 | \$3,824 | \$3,754 | \$3,728 |
| Gross Margin   | 23.3%   | 26.2%   | 25.2%   | 22.5%   | 18.2%   | 19.2%   | 18.2%   | 16.5%   | 20.1%   | 32.5%   | 32.2%   | 31.6%   | 29.6%   | 27.7%   | 28.2%   | 28.2%   |
| Non-GAAP Gross Margin  | 23.3%   | 26.2%   | 25.2%   | 22.5%   | 18.2%   | 19.2%   | 18.2%   | 16.5%   | 20.1%   | 32.5%   | 35.5%   | 31.8%   | 30.5%   | 28.7%   | 29.2%   | 29.1%   |
| <b>Reconciliation of Net Income (Loss) to Non-GAAP Net Income</b>  |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Net Income (Loss)  | \$ 288  | \$ 429  | \$ 400  | \$ 265  | \$197   | \$ 225  | \$ 146  | \$156   | \$230   | \$ 145  | \$ 483  | \$ 745  | \$519   | \$ 305  | \$ 391  | \$ 265  |
| Acquisition-Related Expense  | -       | -       | -       | -       | -       | -       | 10      | 10      | 14      | 14      | 34      | -       | -       | -       | -       | 7       |
| Litigation Accruals  | -       | -       | -       | 27      | -       | -       | -       | 25      | 7       | -       | -       | -       | -       | -       | -       | 681     |
| Charges Related to Flooding, Net   | -       | -       | -       | -       | -       | -       | -       | -       | -       | 199     | 16      | -       | -       | -       | -       | -       |
| Acquisition-Related Fair Value Adjustments   | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | 91      | -       | -       | -       | -       | -       |
| Amortization of Intangibles Related to the Acquisition of HGGT   | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | 12      | 51      | 49      | 49      | 49      | 45      |
| Restructuring  | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | 60      | 20      | 41      | 63      | 8       |
| Tax Impact   | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | (16)    | (4)     | -       | 83      | -       | -       |
| Other  | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | 11      | -       |
| Non-GAAP Net Income  | \$288   | \$429   | \$400   | \$260   | \$197   | \$225   | \$156   | \$150   | \$240   | \$308   | \$619   | \$872   | \$664   | \$513   | \$514   | \$477   |
| EPS  | \$1.25  | \$1.85  | \$1.71  | \$1.13  | \$0.84  | \$0.96  | \$0.62  | \$0.67  | \$1.01  | \$0.61  | \$1.96  | \$2.87  | \$2.06  | \$1.36  | \$1.60  | \$1.12  |
| Non-GAAP EPS   | \$1.25  | \$1.85  | \$1.71  | \$1.24  | \$0.84  | \$0.96  | \$0.66  | \$0.81  | \$1.10  | \$1.51  | \$2.52  | \$3.35  | \$2.36  | \$2.09  | \$2.10  | \$1.96  |
| Diluted Shares Outstanding   | 230     | 232     | 234     | 235     | 234     | 235     | 236     | 237     | 237     | 237     | 246     | 260     | 252     | 246     | 245     | 236     |
| Non-GAAP Diluted Shares Outstanding <sup>1</sup>   | 230     | 232     | 234     | 235     | 234     | 235     | 236     | 237     | 237     | 237     | 246     | 260     | 252     | 246     | 245     | 243     |

## 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 retailers and white box manufacturers
6. Q4 FY13 non-GAAP EPS is calculated using the same number of shares used for Q413 GAAP EPS plus 7 million dilutive shares . Dilutive shares are not included in the Q4FY13 GAAP EPS calculation as Q4 FY13 resulted in a net loss.

## 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** = Net Operating Profit After Taxes – (Invested Capital x WACC)

- Invested Capital = Debt + Equity
- WACC = 11%

**R4Q ROIC** = R4Q (Operating Income (Loss) + Interest Expense) / R4Q Average (Equity + Debt)