

Fiscal Q1 2012

Supplemental Financial Information

Financial Highlights – 8 Quarter Trend



Use of non-GAAP Financial Information

To supplement the condensed consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), the Company provides non-GAAP measures of net income, diluted net income per share and gross margin as a percentage of revenue, which are adjusted from results based on GAAP to exclude certain expenses, gains and losses. These non-GAAP financial measures are provided to enhance the user's overall understanding of the Company's current financial performance and our prospects for the future. Specifically, the Company believes non-GAAP results provide useful information to both management and investors as these non-GAAP results exclude certain expenses, gains and losses that we believe are not indicative of our core operating results and because it is consistent with the financial models and estimates published by financial analysts who follow the Company.

These non-GAAP results are some of the primary measurements management uses to assess the Company's performance, allocate resources and plan for future periods. Reported non-GAAP results should only be considered as supplemental to results prepared in accordance with GAAP, and not considered as a substitute for, or superior to, GAAP results. These non-GAAP measures may differ from the non-GAAP measures reported by other companies in our industry.

Summary of non-GAAP Items

Fiscal Q1 2012 Financial Results

\$ Millions

For the Three Months Ended
September 30, 2011

GAAP net income		\$140
Non-GAAP adjustments:		
Operating expenses	A	(6)
Other expense, net	B	12
Non-GAAP net income		\$146
Diluted net income per share:		
GAAP		\$0.32
Non-GAAP		\$0.34
Shares used in diluted net income per share calculation:		433

A Product development and Marketing and administrative on a GAAP basis totaled \$313 million for the September quarter, while Non-GAAP Product development and Marketing costs, which excludes the net impact of certain adjustments was \$319 million. The non-GAAP adjustments reflect the net impact from the reversal of previously accrued litigation costs and the gain on sale of a building, offset by costs associated with the previously announced transaction with Samsung and an adjustment to the expected costs related to exiting certain sub-leased facilities.

B Other income and expense for the quarter on a GAAP basis was an expense of \$84 million, which includes a \$5 million loss related to the early retirement of \$30 million of the principal amount of our 10% secured notes and a \$7 million write-down of an equity investment. Excluding these items, non-GAAP other income and expense was \$72 million. Included in other income and expense was a loss of \$12 million associated with the employee funded deferred compensation plan assets. The corresponding offset is reflected as a reduction in compensation related expenses in operating expenses.

Cash from Operations and Free Cash Flow

Fiscal Q1 2012 (September Quarter)

\$ Millions	<i>FQ1'12</i>
Net Cash Provided by Operating Activities	\$160
Less: Acquisition of Property, Equipment and Leasehold Improvements	(\$218)
Free Cash Flow	(\$58)

Source: Consolidated Statements of Cash Flows (unaudited) for the period ended September 30, 2011

Preliminary Results Financial Highlights – 8 Quarter Trend

\$ Millions

	<u>Q2 FY10</u>	<u>Q3 FY10</u>	<u>Q4 FY10</u>	<u>Q1 FY11</u>	<u>Q2 FY11</u>	<u>Q3 FY11</u>	<u>Q4 FY11</u>	<u>Q1 FY12</u>
Total Revenue	\$3,027	\$3,049	\$2,656	\$2,697	\$2,719	\$2,695	\$2,859	\$2,811
\$ Aggregate Customer Mix								
OEM	69%	72%	73%	70%	68%	67%	72%	67%
Distribution	22%	21%	20%	22%	21%	23%	20%	23%
Retail	9%	7%	7%	8%	11%	10%	8%	10%
\$ Geographic								
North America	26%	26%	28%	29%	29%	29%	27%	28%
Europe	24%	23%	19%	21%	21%	21%	18%	21%
Asia Pacific	50%	51%	53%	50%	50%	50%	55%	51%
Inventory Breakdown								
Raw Materials	\$188	\$241	\$263	\$244	\$266	\$281	\$286	\$268
WIP	\$165	\$159	\$145	\$152	\$159	\$176	\$201	\$167
Finished Goods	<u>\$292</u>	<u>\$285</u>	<u>\$349</u>	<u>\$347</u>	<u>\$383</u>	<u>\$377</u>	<u>\$385</u>	<u>\$390</u>
	\$645	\$685	\$757	\$743	\$808	\$834	\$872	\$825
Drive Units by Market Category (000's)								
Enterprise Storage	6,380	6,930	6,470	6,850	7,080	7,420	7,800	6,900
Client Compute	35,020	34,880	31,800	33,310	31,520	32,010	35,470	33,390
Client Non-Compute	<u>8,450</u>	<u>8,430</u>	<u>8,500</u>	<u>9,060</u>	<u>10,320</u>	<u>9,310</u>	<u>8,980</u>	<u>10,460</u>
	49,850	50,240	46,770	49,220	48,920	48,740	52,250	50,750
Cash Flow Related Items								
Capital Additions	\$103	\$180	\$267	\$358	\$202	\$125	\$158	\$218
Depreciation/Amortization	\$192	\$188	\$196	\$189	\$190	\$188	\$187	\$191
Inventory Turns	13.0	12.5	10.2	11.6	10.9	10.5	10.6	11.0
Days Sales Outstanding	40	43	48	51	47	47	48	47
World-Wide Employees *	50,337	51,197	51,672	51,400	52,835	52,201	52,726	52,864

Please note that some totals may not add due to rounding

* Historical World-Wide Employees revised to reflect updated reporting methodology

Long-term Debt Maturity Profile (as of September 30, 2011)

\$Millions

Facility	Rate	Due	Carrying Value \$M
Senior Notes ¹	6.375%	Oct-11	\$560
Senior Secured Notes	10.0%	May-14	\$375
Senior Notes	6.8%	Oct-16	\$599
Senior Notes	7.75%	Dec-18	\$750
Senior Notes	6.875%	May-20	\$600
Senior Notes	7.0%	Nov-21	\$600

¹ The 6.375% Senior Notes matured on October 1, 2011 and have been retired