

Fiscal Q2 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 Q2 2012 Financial Results

\$ Millions

	For the Three Months Ended December 30, 2011	For the Six Months Ended December 30, 2011
GAAP net income	\$ 563	\$ 703
Non-GAAP adjustments:		
Total operating expenses	A 25	19
Other expense, net	B -	12
Provision for (benefit from) income taxes	C (7)	(7)
Non-GAAP net income	<u>\$ 581</u>	<u>\$ 727</u>
Diluted net income per share:		
GAAP	\$ 1.28	\$ 1.61
Non-GAAP	\$ 1.32	\$ 1.67
Shares used in diluted net income per share calculation	439	436

A For the three months ended December 30, 2011, Total operating expenses on a GAAP basis totaled \$2,590 million, while Non-GAAP Total operating expenses, which excludes the net impact of certain adjustments was \$2,565 million. The non-GAAP adjustments include costs associated with the Samsung acquisition completed in December 2011, amortization expense of other intangible assets, an increase in expected exit costs related to certain leased facilities exited during the three months ended December 30, 2011, and an increase in reserves related to post-employment benefits related to existing restructuring plans.

For the six months ended December 30, 2011, Total operating expenses on a GAAP basis totaled \$5,166 million, while Non-GAAP Total operating expenses, which excludes the net impact of certain adjustments was \$5,147 million. The non-GAAP adjustments reflect the net impact from costs associated with the Samsung acquisition completed in December 2011, amortization expense of other intangible assets, adjustments to the expected exit costs related to certain leased and sub-leased facilities and an increase in reserves related to post-employment benefits related to existing restructuring plans, offset by the reversal of previously accrued litigation costs and a gain on the sale of a building.

B For the six months ended December 30, 2011, Non-GAAP adjustments to Other expense, net on a GAAP basis was an expense of 132 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 expense, net was \$120 million.

C For the three and six months ended December 30, 2011, Non-GAAP net income excludes \$7 million discrete tax item for release of valuation allowance on U.S. deferred tax assets associated with increases in the Company's forecasted U.S. taxable income.

Gross Margin as a Percent of Revenue

Fiscal Q2 2012 (December Quarter)

	<i>Gross Margin (\$M)</i>	<i>Gross Margin %</i>
GAAP Reported	\$1,010	31.6%
Non- GAAP Adjustments:		
- Amortization of acquisition-related intangibles	\$2	
Non-GAAP Reported	\$1,012	31.7%

Cash from Operations and Free Cash Flow

Fiscal Q2 2012 (December Quarter)

\$ Millions	<i>FQ2'12</i>	<i>YTD</i>
Net Cash Provided by Operating Activities	\$719	\$879
Less: Acquisition of Property, Equipment and Leasehold Improvements	(\$143)	(\$361)
Free Cash Flow	\$576	\$518

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

Preliminary Results

Financial Highlights – 8 Quarter Trend

\$ Millions

	<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>	<u>Q2 FY12</u>
Total Revenue	\$3,049	\$2,656	\$2,697	\$2,719	\$2,695	\$2,859	\$2,811	\$3,195
\$ Aggregate Customer Mix								
OEM	72%	73%	70%	68%	67%	72%	67%	72%
Distribution	21%	20%	22%	21%	23%	20%	23%	20%
Retail	7%	7%	8%	11%	10%	8%	10%	8%
\$ Geographic								
North America	26%	28%	29%	29%	29%	27%	28%	26%
Europe	23%	19%	21%	21%	21%	18%	21%	19%
Asia Pacific	51%	53%	50%	50%	50%	55%	51%	55%
Inventory Breakdown								
Raw Materials	\$241	\$263	\$244	\$266	\$281	\$286	\$268	\$408
WIP	\$159	\$145	\$152	\$159	\$176	\$201	\$167	\$162
Finished Goods	<u>\$285</u>	<u>\$349</u>	<u>\$347</u>	<u>\$383</u>	<u>\$377</u>	<u>\$385</u>	<u>\$390</u>	<u>\$257</u>
	\$685	\$757	\$743	\$808	\$834	\$872	\$825	\$827
Drive Units by Market Category (000's)								
Enterprise Storage	6,930	6,470	6,850	7,080	7,420	7,800	6,900	6,450
Client Compute	34,880	31,800	33,310	31,520	32,010	35,470	33,390	32,670
Client Non-Compute	<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>	<u>7,790</u>
	50,240	46,770	49,220	48,920	48,740	52,250	50,750	46,910
Cash Flow Related Items								
Capital Additions	\$180	\$267	\$358	\$202	\$125	\$158	\$218	\$143
Depreciation/Amortization	\$188	\$196	\$189	\$190	\$188	\$187	\$182	\$191
Inventory Turns	12.5	10.2	11.6	10.9	10.5	10.6	11.0	10.6
Days Sales Outstanding	43	48	51	47	47	48	47	46
World-Wide Employees *	51,197	51,672	51,400	52,835	52,201	52,726	52,864	53,010

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

Long-term Debt Maturity Profile

(as of December 30, 2011)

\$Millions

Facility	Rate	Due	Carrying Value \$M
Senior Secured Notes	10.0%	May-14	\$376
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