

# **Fiscal Q3 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 Adjustments

Fiscal Q3 2012 (\$ millions, except per share amounts)

	<b>For the Three Months Ended March 30, 2012</b>	<b>For the Nine Months Ended March 30, 2012</b>
GAAP net income	\$ 1,146	\$ 1,849
Non-GAAP adjustments:		
Total operating expenses	<b>A</b> 76	95
Other expense, net	<b>B</b> -	12
Provision for (benefit from) income taxes	<b>C</b> -	(7)
Non-GAAP net income	<u>\$ 1,222</u>	<u>\$ 1,949</u>
Diluted net income per share:		
GAAP	\$ 2.48	\$ 4.16
Non-GAAP	\$ 2.64	\$ 4.38
Shares used in diluted net income per share calculation	463	445

**A** For the three months ended March 30, 2012, Total operating expenses on a GAAP basis totaled \$3,240 million, while Non-GAAP Total operating expenses, which excludes the net impact of certain adjustments was \$3,164 million. The non-GAAP adjustments primarily include acquisition and integration costs associated with the acquisition of Samsung's HDD business, which was completed in December 2011, amortization expense of other intangible assets, and the accrual of the 2012 Voluntary Early Retirement Program ("2012 VERP") offered by the Company to certain of its employees in the U.S. in January 2012.

For the nine months ended March 30, 2012, Total operating expenses on a GAAP basis totaled \$8,406 million, while Non-GAAP Total operating expenses, which excludes the net impact of certain adjustments, was \$8,311 million. The non-GAAP adjustments reflect the net impact from acquisition and integration costs associated with the acquisition of Samsung's HDD business, which was completed in December 2011, amortization expense of other intangible assets, the accrual of the 2012 VERP offered by the Company to certain of its employees in the U.S. in January 2012, 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 three months ended March 30, 2012, Other expense, net on a GAAP and a Non-GAAP basis was an expense of \$51 million. The non-GAAP adjustments include a loss recognized on the redemption of \$66 million principal amount of our 10% secured notes, offset by a gain recognized upon sales of certain strategic investments during the quarter.

For the nine months ended March 30, 2012, Other expense, net on a GAAP basis was an expense of \$182 million, while on a Non-GAAP basis, which excludes the net impact of certain adjustments, it was an expense of \$170 million. The non-GAAP adjustments include a loss recognized on the redemption of \$96 million principal amount of our 10% secured notes and a write-down of a strategic investment, offset by a gain recognized upon sales of certain other strategic investments.

**C** For the nine months ended March 30, 2012, Non-GAAP net income excludes a 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 Q3 2012 (March Quarter)

\$ Millions	Gross Margin \$	Gross Margin %
GAAP Reported	\$1,641	36.9%
Non-GAAP Adjustments		
Amortization of acquisition related other intangibles	\$17	
Acquisition & integration related expenses	\$7	
Voluntary early retirement expenses	\$3	
Non-GAAP Reported	\$1,668	37.5%

# Product Development and Marketing & Administrative Fiscal Q3 2012 (March Quarter)

\$ Millions	Product Development	Marketing & Admin	Total
GAAP Reported	\$270	\$142	\$412
Non-GAAP Adjustments			
Acquisition & integration related expenses			(\$10)
Voluntary early retirement expenses			(\$20)
Non-GAAP Reported			\$382

# Cash from Operations and Free Cash Flow

## Fiscal Q3 2012 (March Quarter)

\$ Millions	FQ3'12	YTD F2012
Net Cash Provided by Operating Activities	\$938	\$1,817
Less: Acquisition of Property, Equipment and Leasehold Improvements	(\$136)	(\$497)
Free Cash Flow	\$802	\$1,320

Source: Consolidated Statements of Cash Flows (unaudited) for the period ended March 30, 2012

# Long-term Debt Maturity Profile (as of March 30, 2012)

Facility	Rate	Due	Carrying Value \$M
Senior Secured Notes	10.0%	May-14	\$313
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

## Financial Highlights – 8 Quarter Trend (\$ Millions)

	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12
Customer Mix (\$)								
OEM	73%	70%	68%	67%	72%	67%	72%	73%
Distribution	20%	22%	21%	23%	20%	23%	20%	21%
Retail	7%	8%	11%	10%	8%	10%	8%	6%
Geographic Mix (\$)								
North America	28%	29%	29%	29%	27%	28%	26%	26%
Europe	19%	21%	21%	21%	18%	21%	19%	19%
Asia Pacific	53%	50%	50%	50%	55%	51%	55%	55%
Inventory Composition								
Raw Materials	\$263	\$244	\$266	\$281	\$286	\$268	\$408	\$366
WIP	\$145	\$152	\$159	\$176	\$201	\$167	\$162	\$273
Finished Goods	\$349	\$347	\$383	\$377	\$385	\$390	\$257	\$202
Units Shipped by Market (000's)								
Enterprise Storage	6,470	6,850	7,080	7,420	7,800	6,900	6,450	7,390
Client Compute	31,800	33,310	31,520	32,020	35,470	33,390	32,670	43,830
Client Non-Compute	8,580	9,130	10,420	9,380	9,070	10,510	7,820	9,520
Cash Flow Related Items								
Capital Additions	\$267	\$358	\$202	\$125	\$158	\$218	\$143	\$136
Depreciation & Amortization	\$196	\$189	\$190	\$188	\$187	\$182	\$191	\$224
Inventory Turns	10.2	11.6	10.9	10.5	10.6	11.0	10.6	13.4
Days Sales Outstanding	48	51	47	47	48	47	46	51
World Wide Employees *	51,672	51,400	52,835	52,201	52,726	52,864	53,010	57,145