
**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): January 27, 2015

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 January 27, 2015, Western Digital Corporation (“Western Digital”) announced financial results for the second fiscal quarter ended January 2, 2015. 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 second fiscal quarter ended January 2, 2015 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 January 27, 2015 announcing financial results for the second fiscal quarter ended January 2, 2015.
- 99.2 Second Quarter Fiscal Year 2015 Western Digital Corporation Quarterly Fact Sheet.



Company contacts:

Bob Blair
Western Digital Investor Relations
949.672.7834
robert.blair@wdc.com

Steve Shattuck
Western Digital Public Relations
949.672.7817
steve.shattuck@wdc.com

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

IRVINE, Calif. — Jan. 27, 2015 — Western Digital® Corp. (NASDAQ: WDC) today reported revenue of \$3.9 billion and net income of \$460 million, or \$1.93 per share, for its second fiscal quarter ended Jan. 2, 2015. On a non-GAAP basis, net income was \$539 million or \$2.26 per share. In the year-ago quarter, the company reported revenue of \$4.0 billion and net income of \$430 million, or \$1.77 per share. Non-GAAP net income in the year-ago quarter was \$532 million, or \$2.19 per share.

The company generated \$243 million in cash from operations during the December quarter, net of the Seagate arbitration award payment of \$773 million, ending with total cash and cash equivalents of \$4.9 billion. During the December quarter, the company utilized \$309 million to repurchase 3.2 million shares of common stock. On Nov. 4, the company declared a \$0.40 per common-share dividend, which was paid on Jan. 15.

“We delivered strong financial results in the December quarter, with better-than-anticipated revenues, gross margins, and earnings,” said Steve Milligan, president and chief executive officer. “The diversified nature of our business and solid execution by our HGST and WD® subsidiaries are enabling us to consistently deliver strong financial performance. Also, I am encouraged by the market’s response to our strategic growth initiatives, which we believe position the company to thrive in the evolving data storage ecosystem.”

The investment community conference call to discuss these results will be broadcast live over the Internet today at the revised time of 3PM Pacific/6PM Eastern. The live and archived conference call webcast can be accessed online at investor.wdc.com. The telephone replay number is 1-866-443-4169 in the U.S. or +1-203-369-1117 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.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning the company's strategic investments positioning, execution and financial performance. 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 volatility in global economic conditions; business conditions and growth in the storage ecosystem; pricing trends and fluctuations in average selling prices; the availability and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; the development and introduction of products based on new technologies and expansion into new data storage markets; 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-Q filed with the SEC on Nov. 4, 2014, and the company's registration statement on Form S-3 filed with the SEC on Nov. 5, 2014, to which your attention is directed. You should not 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 new information or events.

###

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
PRELIMINARY¹ CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions; unaudited)

	<u>Jan. 2, 2015</u>	<u>Jun. 27, 2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,902	\$ 4,804
Short-term investments	241	284
Accounts receivable, net	1,880	1,989
Inventories	1,282	1,226
Other current assets	355	417
Total current assets	<u>8,660</u>	<u>8,720</u>
Property, plant and equipment, net	3,099	3,293
Goodwill	2,566	2,559
Other intangible assets, net	359	454
Other non-current assets	455	473
Total assets	<u>\$15,139</u>	<u>\$15,499</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,071	\$ 1,971
Accrued arbitration award	—	758
Accrued expenses	496	412
Accrued compensation	451	460
Accrued warranty	146	119
Current portion of long-term debt	125	125
Total current liabilities	<u>3,289</u>	<u>3,845</u>
Long-term debt	2,250	2,313
Other liabilities	496	499
Total liabilities	<u>6,035</u>	<u>6,657</u>
Total shareholders' equity	<u>9,104</u>	<u>8,842</u>
Total liabilities and shareholders' equity	<u>\$15,139</u>	<u>\$15,499</u>

¹ On Jan. 15, 2015, the Higher Regional Court of Munich declared that Western Digital must pay levies on certain hard drives sold in Germany from January 2008 through December 2010. This decision pertains to third party claims previously disclosed in Western Digital's periodic filings, and the Company believes this will not have a material adverse effect on its business. No accrual for this matter has been previously recorded and the Company is reviewing the decision to determine whether or not to record an accrual in its results for the quarter ended Jan. 2, 2015.

WESTERN DIGITAL CORPORATION
PRELIMINARY¹ CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share amounts; unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Jan. 2, 2015</u>	<u>Dec. 27, 2013</u>	<u>Jan. 2, 2015</u>	<u>Dec. 27, 2013</u>
Revenue, net	\$ 3,888	\$ 3,972	\$7,831	\$7,776
Cost of revenue	2,756	2,816	5,550	5,521
Gross profit	<u>1,132</u>	<u>1,156</u>	<u>2,281</u>	<u>2,255</u>
Operating expenses:				
Research and development	426	416	863	817
Selling, general and administrative	164	226	384	358
Charges related to arbitration award	1	13	15	26
Employee termination, asset impairment and other charges	53	23	62	34
Total operating expenses	<u>644</u>	<u>678</u>	<u>1,324</u>	<u>1,235</u>
Operating income	488	478	957	1,020
Net interest and other	<u>(8)</u>	<u>(11)</u>	<u>(17)</u>	<u>(21)</u>
Income before income taxes	480	467	940	999
Income tax provision	20	37	57	74
Net income	<u>\$ 460</u>	<u>\$ 430</u>	<u>\$ 883</u>	<u>\$ 925</u>
Income per common share:				
Basic	<u>\$ 1.97</u>	<u>\$ 1.82</u>	<u>\$ 3.79</u>	<u>\$ 3.92</u>
Diluted	<u>\$ 1.93</u>	<u>\$ 1.77</u>	<u>\$ 3.69</u>	<u>\$ 3.81</u>
Weighted average shares outstanding:				
Basic	<u>233</u>	<u>236</u>	<u>233</u>	<u>236</u>
Diluted	<u>238</u>	<u>243</u>	<u>239</u>	<u>243</u>

WESTERN DIGITAL CORPORATION
PRELIMINARY¹ CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions; unaudited)

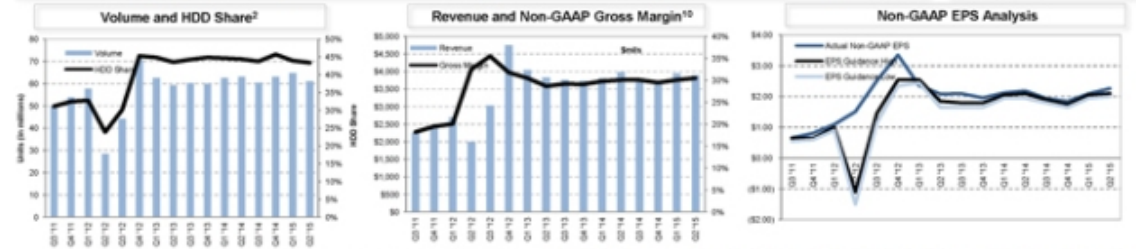
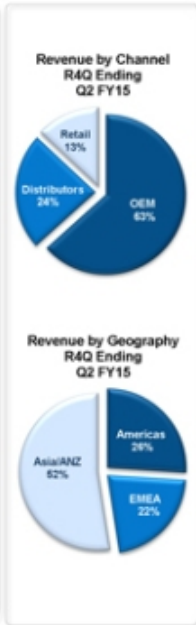
	Three Months Ended		Six Months Ended	
	Jan. 2, 2015	Dec. 27, 2013	Jan. 2, 2015	Dec. 27, 2013
Cash flows from operating activities				
Net income	\$ 460	\$ 430	\$ 883	\$ 925
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization	290	317	579	629
Stock-based compensation	41	42	80	84
Deferred income taxes	21	(29)	31	(39)
Gain from insurance recovery	(37)	—	(37)	(65)
Loss on disposal of assets	8	14	12	29
Non-cash portion of employee termination, asset impairment and other charges	18	2	19	9
Changes in operating assets and liabilities, net	(558)	(49)	(497)	(166)
Net cash provided by operating activities	<u>243</u>	<u>727</u>	<u>1,070</u>	<u>1,406</u>
Cash flows from investing activities				
Purchases of property, plant and equipment	(146)	(170)	(306)	(306)
Acquisitions, net of cash acquired	(6)	(560)	(6)	(823)
Purchases of investments	(475)	—	(595)	—
Proceeds from sales of investments	464	—	630	—
Proceeds from sale of property, plant and equipment	7	—	7	—
Other investing activities, net	28	(35)	16	4
Net cash used in investing activities	<u>(128)</u>	<u>(765)</u>	<u>(254)</u>	<u>(1,125)</u>
Cash flows from financing activities				
Employee stock plans, net	62	91	64	98
Repurchases of common stock	(309)	(150)	(532)	(300)
Dividends to shareholders	(94)	(59)	(188)	(118)
Proceeds from debt	—	—	—	500
Repayment of debt	(31)	(58)	(62)	(115)
Net cash provided by (used in) financing activities	<u>(372)</u>	<u>(176)</u>	<u>(718)</u>	<u>65</u>
Net increase (decrease) in cash and cash equivalents	(257)	(214)	98	346
Cash and cash equivalents, beginning of period	5,159	4,869	4,804	4,309
Cash and cash equivalents, end of period	<u>\$ 4,902</u>	<u>\$ 4,655</u>	<u>\$ 4,902</u>	<u>\$ 4,655</u>

WESTERN DIGITAL CORPORATION
PRELIMINARY¹ GAAP TO NON-GAAP RECONCILIATION
(in millions, except per share amounts; unaudited)

	Three Months Ended		Six Months Ended	
	Jan. 2, 2015	Dec. 27, 2013	Jan. 2, 2015	Dec. 27, 2013
GAAP net income	\$ 460	\$ 430	\$ 883	\$ 925
Non-GAAP adjustments:				
Amortization of intangibles	45	51	91	98
Employee termination, asset impairment and other charges	53	23	62	34
Charges related to arbitration award	1	13	15	26
Acquisition-related expense	—	—	—	13
Flood-related insurance recovery	(37)	—	(37)	(65)
Other	17	15	29	15
Non-GAAP net income	<u>\$ 539</u>	<u>\$ 532</u>	<u>\$1,043</u>	<u>\$1,046</u>
Diluted net income per common share:				
GAAP	<u>\$ 1.93</u>	<u>\$ 1.77</u>	<u>\$ 3.69</u>	<u>\$ 3.81</u>
Non-GAAP	<u>\$ 2.26</u>	<u>\$ 2.19</u>	<u>\$ 4.36</u>	<u>\$ 4.30</u>
Weighted average shares outstanding:				
Diluted	<u>238</u>	<u>243</u>	<u>239</u>	<u>243</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. The tax effect of the aforementioned items was not material to the condensed consolidated statements of income for the three and six month periods ended January 2, 2015 and December 27, 2013.

Amounts in millions, except per share amounts, ASP, percentages		Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15
TAM		159.5	165.8	176.3	119.1	146.4	156.7	139.1	135.8	135.9	133.3	143.2	142.2	136.1	136.0	147.3	140.8
HDD Shave	31.2%	32.5%	32.8%	23.9%	32.2%	45.2%	44.9%	43.9%	44.2%	44.9%	44.7%	44.4%	43.9%	45.7%	44.0%	43.4%	43.4%
Units (HDD)		49.8	53.8	57.8	38.5	44.2	71.0	62.1	59.2	60.2	58.9	62.6	63.1	60.4	63.1	64.7	61.0
ASP (HDD)		\$45	\$44	\$46	\$69	\$66	\$65	\$62	\$62	\$61	\$60	\$56	\$60	\$56	\$56	\$56	\$60
Revenue		\$2,252	\$2,403	\$2,694	\$1,995	\$3,025	\$4,754	\$4,025	\$3,824	\$3,784	\$3,728	\$3,804	\$3,972	\$3,703	\$3,651	\$3,343	\$3,888
Gross Profit		\$410	\$469	\$541	\$648	\$977	\$1,472	\$1,193	\$1,059	\$1,061	\$1,050	\$1,099	\$1,156	\$1,076	\$1,029	\$1,149	\$1,132
Gross Margin	18.2%	19.5%	20.1%	32.5%	32.2%	31.0%	29.4%	27.7%	28.2%	28.2%	28.9%	29.1%	29.1%	29.1%	28.2%	29.1%	29.1%
R&D		\$179	\$188	\$193	\$191	\$265	\$406	\$396	\$378	\$396	\$402	\$401	\$416	\$418	\$426	\$437	\$426
SG&A		63	77	71	85	122	178	179	182	185	180	132	226	201	202	220	164
Other		10	32	18	252	46	80	26	41	63	689	24	36	38	46	22	54
Total Operating Expenses		\$252	\$297	\$282	\$486	\$435	\$964	\$901	\$951	\$944	\$1,271	\$557	\$678	\$657	\$677	\$690	\$644
Operating Income (Loss)		\$158	\$172	\$259	\$152	\$542	\$808	\$992	\$478	\$417	\$522	\$542	\$478	\$419	\$352	\$489	\$468
Net Income (Loss)		\$146	\$156	\$239	\$145	\$443	\$745	\$919	\$330	\$391	\$526	\$495	\$430	\$375	\$317	\$423	\$440
EPS		\$0.62	\$0.67	\$1.01	\$0.61	\$1.98	\$2.87	\$3.26	\$1.36	\$1.80	\$1.12	\$2.05	\$1.77	\$1.56	\$1.32	\$1.76	\$1.83
Diluted Shares Outstanding		236	237	237	248	260	252	242	246	245	239	242	243	242	241	240	238
Non-GAAP Results																	
Gross Profit ¹⁰		\$410	\$469	\$541	\$648	\$1,077	\$1,511	\$1,231	\$1,087	\$1,089	\$1,085	\$1,135	\$1,196	\$1,115	\$1,078	\$1,188	\$1,187
Gross Margin ¹⁰	18.2%	19.5%	20.1%	32.5%	32.9%	31.8%	30.9%	28.7%	28.2%	29.1%	29.8%	30.1%	30.1%	29.5%	30.1%	30.5%	
Net Income		\$156	\$193	\$280	\$358	\$619	\$872	\$984	\$513	\$514	\$477	\$514	\$532	\$470	\$445	\$504	\$539
EPS ¹⁰		\$0.66	\$0.81	\$1.10	\$1.51	\$2.52	\$3.35	\$3.36	\$2.09	\$2.10	\$1.96	\$2.12	\$2.19	\$1.94	\$1.85	\$2.10	\$2.26
Revenue By Channel																	
OEM	47%	55%	53%	59%	54%	69%	62%	61%	60%	66%	64%	62%	62%	65%	62%	63%	
Distributors	33%	29%	29%	29%	29%	21%	24%	24%	29%	23%	24%	24%	25%	23%	23%	23%	
Retail	20%	16%	18%	18%	8%	10%	13%	15%	14%	11%	12%	14%	13%	12%	15%	14%	
Revenue by Geography																	
Americas	22%	20%	19%	22%	21%	27%	23%	27%	27%	26%	26%	26%	25%	25%	24%	27%	27%
EMEA	24%	20%	22%	21%	18%	18%	18%	23%	23%	22%	19%	20%	23%	21%	20%	21%	24%
Asia/ANZ	54%	60%	59%	57%	61%	55%	59%	50%	51%	53%	54%	52%	54%	56%	52%	49%	
Top 10 Customers Revenue	49%	53%	49%	51%	53%	53%	44%	45%	45%	46%	46%	42%	44%	45%	45%	44%	
Enterprise SSD Revenue	\$ -	\$ -	\$ -	\$ -	\$11	\$54	\$70	\$89	\$92	\$104	\$106	\$155	\$134	\$113	\$156	\$187	
PC Units⁸																	
Notebook		16,227	16,607	19,622	9,814	18,067	32,773	25,987	21,300	21,547	23,989	22,912	22,662	21,814	22,899	23,396	21,178
Desktop		20,118	22,348	21,588	11,361	15,975	21,211	16,819	17,717	18,383	16,185	17,307	16,825	16,635	16,182	16,320	15,375
Non-PC Units																	
Consumer Electronics ⁹		4,765	4,459	7,188	2,352	3,643	4,155	6,019	4,452	6,517	6,544	8,474	8,794	8,573	10,906	10,485	9,295
Branded		6,404	5,672	7,060	3,191	2,826	4,986	5,787	7,139	6,517	5,281	6,146	7,018	6,272	6,012	6,780	7,198
Enterprise		3,316	2,463	2,369	1,724	3,610	7,833	5,986	6,633	7,211	7,897	7,771	7,783	7,126	7,098	7,763	8,041
Total HDD		49,832	53,809	57,827	28,472	44,227	71,038	62,480	59,241	60,175	59,896	62,610	63,062	60,423	63,057	64,744	61,045
Average QD Shipped		578	608	634	578	581	658	708	604	605	797	811	874	668	675	1,022	1,067
EB Shipped		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	66.4
R&Q EB Shipped		107.7	117.8	128.5	114.6	111.5	126.3	133.9	165.1	167.8	188.0	194.5	202.0	207.2	214.7	228.8	240.1



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														
	Q3 FY11		Q4 FY11		Q1 FY12		Q2 FY12		Q3 FY12		Q4 FY12		Q1 FY13	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cash and Cash Equivalents	\$3,330	\$3,490	\$3,670	\$3,924	\$3,377	\$3,208	\$3,337	\$3,816	\$4,060	\$4,309	\$4,809	\$4,650	\$4,804	\$5,159
Available-for-Sale (AFS) Securities	-	-	-	-	-	-	-	-	-	-	-	470	499	454
Debt	(329)	(284)	(263)	(231)	(2,743)	(2,185)	(2,129)	(2,120)	(2,213)	(1,950)	(2,369)	(2,349)	(2,469)	(2,435)
Net Cash, Cash Equivalents & AFS Securities	\$2,905	\$3,196	\$3,412	\$3,693	\$634	\$1,023	\$1,409	\$1,698	\$2,047	\$2,354	\$2,471	\$2,315	\$2,570	\$2,865
Cash Flow From Operations	\$313	\$447	\$352	\$378	\$1,208	\$1,128	\$936	\$772	\$727	\$684	\$660	\$727	\$697	\$713
Free Cash Flow	\$138	\$294	\$216	\$258	\$1,069	\$804	\$554	\$526	\$539	\$546	\$544	\$557	\$536	\$552
Capital Expenditures	\$175	\$153	\$134	\$120	\$139	\$324	\$382	\$246	\$198	\$136	\$130	\$170	\$161	\$161
Depreciation and Amortization	\$151	\$150	\$156	\$142	\$168	\$338	\$313	\$309	\$309	\$302	\$312	\$317	\$307	\$308
EBITDA	\$309	\$322	\$417	\$302	\$730	\$1,147	\$805	\$797	\$726	\$81	\$654	\$795	\$726	\$662
Accounts Receivable, Net	\$1,171	\$1,206	\$1,356	\$747	\$2,377	\$2,364	\$1,961	\$1,732	\$1,700	\$1,790	\$1,791	\$1,959	\$1,802	\$1,989
Raw Materials	\$151	\$172	\$170	\$191	\$329	\$245	\$237	\$193	\$191	\$167	\$208	\$201	\$204	\$168
Work in Process	280	263	275	185	667	552	589	581	583	575	579	581	519	493
Finished Goods	583	742	200	90	286	433	358	430	423	446	497	511	554	595
Total Inventory	\$924	\$927	\$645	\$469	\$1,262	\$1,210	\$1,304	\$1,204	\$1,197	\$1,168	\$1,244	\$1,290	\$1,277	\$1,226
Property, Plant and Equipment, Net	\$2,249	\$2,224	\$2,209	\$2,091	\$4,171	\$4,067	\$4,027	\$3,936	\$3,803	\$3,700	\$3,638	\$3,509	\$3,406	\$3,293
Accounts Payable	\$1,486	\$1,545	\$1,708	\$683	\$2,774	\$2,773	\$2,345	\$2,185	\$2,037	\$1,990	\$2,061	\$2,106	\$1,902	\$1,971
Days Sales Outstanding ¹	47	46	46	34	71	45	44	41	41	44	43	45	44	50
Days Inventory Outstanding ¹	28	27	27	31	57	34	42	40	40	40	42	42	44	42
Days Payables Outstanding ¹	73	73	72	60	123	77	82	72	69	67	69	66	65	68
Cash Conversion Cycle ¹	2	-	1	5	5	2	4	9	12	17	16	19	23	24
Inventory Turns ¹	13	13	13	12	6	11	9	9	9	9	9	9	8	9
Dividends Paid	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$121	\$-	\$90	\$59	\$59	\$71	\$70
Shares Repurchased	-	-	-	-	-	164	5.2	4.2	5.2	4.4	2.3	2.0	2.8	3.2
Shares Repurchased	\$-	\$-	\$-	\$-	\$-	\$604	\$218	\$146	\$343	\$235	\$150	\$150	\$244	\$272
Remaining Amount Authorized	\$416	\$416	\$416	\$416	\$1,312	\$2,584	\$2,448	\$2,205	\$1,970	\$1,820	\$1,670	\$1,426	\$1,154	\$931
R4Q Economic Profit ²	\$213	\$92	\$113	\$15	\$(93)	\$542	\$801	\$876	\$884	\$556	\$(176)	\$(106)	\$(156)	\$415
R4Q ROIC ²	15.6%	13.2%	13.8%	11.9%	14.8%	20.4%	21.3%	21.0%	20.0%	10.1%	9.7%	10.5%	10.2%	15.1%
R4Q ROCA ²	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%
Worldwide Headcount ³	61,349	65,431	67,799	67,121	106,604	103,111	96,002	93,620	87,585	85,777	87,586	87,976	84,556	84,072

Business Model (Non-GAAP)

Gross Margin* 27%-32%

Operating Expense* 10%-12%

Operating Income* 15%-22%

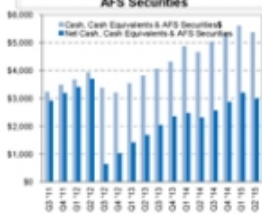
Tax 7%-10% of Income Before Tax

Capital Expenditures* 5%-7%

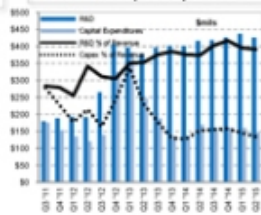
Conversion Cycle 4-8 Days

*Percent of Revenue

Gross vs. Net Cash, Cash Equivalents & AFS Securities



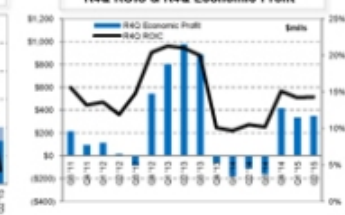
R&D¹ and Capital Expenditures



Free Cash Flow



R4Q ROIC & R4Q Economic Profit²



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	Q3		Q2		Q1		Q4		Q3		Q2		Q1		Q4	
	FY11	FY11	FY12	FY12	FY12	FY12	FY13	FY13	FY13	FY13	FY14	FY14	FY14	FY14	FY15	FY15
Reconciliation of Cash Flows from Operations to Free Cash Flow																
Cash Flows from Operations	\$313	\$447	\$362	\$378	\$1,208	\$1,128	\$936	\$772	\$727	\$684	\$690	\$727	\$697	\$713	\$827	\$243
Capital Expenditures	(172)	(153)	(134)	(120)	(326)	(324)	(382)	(248)	(188)	(136)	(136)	(120)	(161)	(161)	(162)	(148)
Free Cash Flow	\$138	\$294	\$218	\$258	\$1,099	\$804	\$554	\$526	\$539	\$548	\$554	\$607	\$536	\$552	\$667	\$97
Reconciliation of Net Income to EBITDA																
Net Income (Loss)	\$146	\$158	\$239	\$145	\$483	\$745	\$519	\$335	\$391	\$260	\$495	\$430	\$375	\$317	\$423	\$480
Interest	(1)	2	1	2	4	7	14	10	11	9	10	11	13	5	9	8
Income Tax Expense	13	12	19	15	55	56	59	133	15	25	37	37	31	30	37	20
Depreciation and Amortization	151	150	158	140	188	336	313	309	309	302	312	317	307	308	289	280
EBITDA	\$309	\$322	\$417	\$302	\$730	\$1,147	\$905	\$787	\$726	\$681	\$854	\$795	\$726	\$660	\$758	\$778
Reconciliation of Gross Margin to Non-GAAP Gross Margin & Gross Profit to Non-GAAP Gross Profit																
Gross Profit ¹	\$410	\$469	\$541	\$648	\$977	\$1,472	\$1,193	\$1,059	\$1,061	\$1,050	\$1,099	\$1,156	\$1,076	\$1,029	\$1,149	\$1,132
Acquisition-Related Fair Value Adjustments	-	-	-	-	91	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	17
Amortization of Intangibles	-	-	-	-	9	30	36	36	36	35	36	40	36	36	36	36
Non-GAAP Gross Profit ²	\$410	\$469	\$541	\$648	\$1,077	\$1,511	\$1,231	\$1,097	\$1,099	\$1,085	\$1,135	\$1,196	\$1,115	\$1,078	\$1,188	\$1,187
Revenue	\$2,252	\$2,423	\$2,694	\$1,995	\$3,235	\$4,754	\$4,025	\$3,824	\$3,764	\$3,729	\$3,804	\$3,972	\$3,703	\$3,651	\$3,943	\$3,888
Gross Margin ³	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%	29.1%
Non-GAAP Gross Margin ⁴	18.2%	19.5%	20.1%	32.5%	35.5%	31.6%	30.5%	28.7%	29.2%	29.1%	29.6%	30.1%	30.1%	29.5%	30.1%	30.5%
Reconciliation of Net Income (Loss) to Non-GAAP Net Income																
Net Income (Loss)	\$146	\$158	\$239	\$145	\$483	\$745	\$519	\$335	\$391	\$260	\$495	\$430	\$375	\$317	\$423	\$480
Acquisition-Related Expense	10	10	14	14	34	-	-	-	-	7	13	-	-	-	-	-
Litigation	-	25	7	-	-	-	-	-	-	681	13	25	13	13	26	1
Charges and Insurance Recoveries Related to Flooding, Net	-	-	-	199	15	-	-	-	-	-	(65)	-	-	-	-	(37)
Acquisition-Related Fair Value Adjustments	-	-	-	-	91	-	-	-	-	-	-	-	-	-	-	-
Amortization of Intangibles	-	-	-	-	12	51	49	49	49	46	47	51	50	47	46	46
Restructuring and other	-	-	-	-	-	80	26	41	74	8	11	26	28	68	9	70
Write-off of debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	4	-	-	-
Tax Impact	-	-	-	-	(16)	(4)	-	88	-	-	-	-	-	-	-	-
Non-GAAP Net Income	\$156	\$193	\$290	\$358	\$619	\$872	\$564	\$513	\$514	\$477	\$514	\$532	\$470	\$445	\$504	\$539
EPS	\$0.62	\$0.67	\$1.01	\$0.61	\$1.96	\$2.87	\$2.06	\$1.36	\$1.60	\$1.12	\$2.05	\$1.77	\$1.55	\$1.32	\$1.76	\$1.93
Non-GAAP EPS	\$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	\$2.26
Diluted Shares Outstanding	236	237	237	237	246	290	252	246	245	236	242	243	242	241	240	238
Non-GAAP Diluted Shares Outstanding ⁵	236	237	237	237	246	290	252	246	245	243	242	243	242	241	240	238

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 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	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15
Reconciliation of Operating Income (Loss) to RAQ Economic Profit																						
Operating Income (Loss)	\$319	\$473	\$441	\$293	\$211	\$240	\$158	\$172	\$259	\$162	\$242	\$408	\$582	\$478	\$417	\$221	\$542	\$478	\$419	\$352	\$489	\$488
Income Tax Provision	(29)	(62)	(80)	(27)	(14)	(14)	(13)	(12)	(13)	(15)	(26)	(66)	(59)	(133)	(15)	(35)	(32)	(27)	(31)	(20)	(37)	(22)
Net Operating Profit After Taxes	290	411	361	266	197	226	145	160	246	147	216	342	523	345	402	(29)	510	451	388	332	452	466
RAQ Net Operating Profit After Taxes	\$12	1,220	1,288	1,295	1,090	824	728	771	692	1,024	1,826	1,919	2,117	2,032	1,024	986	1,092	1,078	1,098	1,563	1,810	1,810
Invested Capital + WACC	(488)	(534)	(262)	(281)	(854)	(821)	(636)	(658)	(873)	(1,115)	(1,654)	(1,118)	(1,145)	(1,148)	(1,652)	(1,173)	(1,207)	(1,238)	(1,241)	(1,251)	(1,263)	(1,263)
RAQ Economic Profit	\$484	\$178	\$102	\$714	\$484	\$213	\$92	\$113	\$113	\$115	\$172	\$542	\$401	\$887	\$884	\$198	\$119	\$108	\$158	\$415	\$552	\$547

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

RAQ Economic Profit = RAQ Net Operating Profit After Taxes – (Invested Capital x WACC)

• WACC = 11%
 • Invested Capital = Short-term debt + Current portion of long-term debt + Long-term debt + Total shareholders' equity

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

RAQ ROA = RAQ Net Income (Loss) / RAQ Average Total Assets

Footnotes

1. ASP, Revenue by Channel and Revenue by Geography exclude external sales of media/subscribers.
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 with non-operating expenses to conform to the annual presentation of FY14 in Part II, Item 8, Note 18 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K.
11. Q1 FY15 cash conversion cycle calculated using 96 days due to a 14 week quarter. Q1 FY15 inventory turns calculated using 371 days due to a 53 week year.