

This document contains non-GAAP financial measures. These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies.

Amounts in millions, except exabytes, ASP, headcount, percentages, and metrics		Q2	Q3	Q4	Q1	Q2
		FY16	FY16	FY16	FY17	FY17 ⁷
Revenue	Client Devices ¹	\$1,581	\$1,370	\$1,584	\$2,374	\$2,418
	Client Solutions ¹	459	346	666	976	1,076
	Data Center Devices & Solutions ¹	1,277	1,106	1,245	1,364	1,394
	Total Revenue	\$3,317	\$2,822	\$3,495	\$4,714	\$4,888
Exabytes Shipped	Client Devices ¹	35.3	31.7	32.0	39.2	39.2
	Client Solutions ¹	11.3	8.5	9.5	12.2	12.3
	Data Center Devices & Solutions ¹	22.5	22.8	24.6	28.6	26.3
	Total Exabytes Shipped²	69.1	63.0	66.1	80.0	77.8
Cash Flows from Operations		598	485	355	440	1,060
	Purchases of Property, Plant and Equipment, net	(149)	(133)	(151)	(183)	(146)
	Activity Related to Flash Ventures, net	-	-	(90)	(27)	(43)
	Free Cash Flow³	449	352	114	230	871
Days Sales Outstanding		45	40	38	39	37
	Days Inventory Outstanding	47	54	72	57	57
	Days Payables Outstanding	(68)	(69)	(70)	(58)	(59)
	Cash Conversion Cycle	24	25	40	38	35
Worldwide Headcount⁴	74,891	67,884	72,878	72,273	70,801	
HDD TAM		115.1	100.5	98.7	113.4	112.4
	HDD Share	43.2%	42.9%	40.6%	41.9%	39.9%
	HDD Units ⁵	49.7	43.1	40.1	47.5	44.8
	HDD ASP	\$61	\$60	\$63	\$61	\$62
	HDD Notebook Units	15.318	13.577	11.449	14.607	14.709
	HDD Desktop Units	12.458	10.681	7.924	8.998	9.920
	HDD Consumer Electronics Units ⁶	8.461	7.318	10.038	12.295	8.241
	HDD Branded Units	6.443	5.157	4.709	5.158	5.510
	HDD Enterprise Units	7.008	6.390	5.994	6.465	6.382
	Total HDD Units	49.688	43.123	40.114	47.523	44.762

Formulas

Free Cash Flow = Net Cash Provided by Operating Activities – Purchases of Property, Plant and Equipment (Non-Flash Ventures Related), Net – NAND Flash Ventures Activities Related, Net

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

Share = Units (HDD) / TAM

ASP = Revenue / Units (HDD)

Footnotes

- Client Devices is comprised of notebook and desktop HDD, consumer electronics HDD, client SSD, embedded, wafer sales and licensing and royalties. Client Solutions is comprised of branded HDD, branded flash, removables and licensing and royalties. Data Center Devices and Solutions is comprised of enterprise HDD, enterprise SSD, data center software, data center solutions and licensing and royalties.
- Excludes Non-Memory Products.
- Free cash flow is a non-GAAP financial measure defined as cash flows from operations less purchases of property, plant and equipment, net of proceeds from sales of property, plant, and equipment, and the activity related to Flash Ventures, net. 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.
- Worldwide Headcount excludes temporary and contracted employees.
- HDD Unit volume excludes SSD and media.
- PC includes shipments to distributors, second/third tier external HDD manufacturers, and white box manufacturers.
- HDD TAM is preliminary and based on internal information.

Debt Tranches and Interest Rates

Debt	Base Rate	Tenor	Maturity	Original Issued Principal Amount	Balance Outstanding as of 12/30/16 ^A (in millions)	Applicable Rates ^B
Revolver drawn ^C	L+200	5 years		\$0	\$0	2.770%
Term Loan A (floor of 0bps)	L+200	5 years	April 29, 2021	\$4,125	\$4,125	2.770%
Term Loan B-1 Dollar (floor of 75bps)	L+375	7 years	April 29, 2023	\$3,000	\$2,985	4.520%
Term Loan B-1 Euro (floor of 75 bps) ^D	E+325	7 years	April 29, 2023	\$992	\$929	4.000%
Sr. Secured Notes Due 2023 ^E	7.375%	7 years	April 1, 2023	\$1,875	\$1,875	7.375%
Sr. Unsecured Notes Due 2024 ^E	10.500%	8 years	April 1, 2024	\$3,350	\$3,350	10.500%
Total				\$13,342	\$13,264	5.85%^F

^A Excluding Original Issue Discount and fees

^B L = 1 Month LIBOR, E = 1 Month EURIBOR as of 12/30/2016

^B Based on current leverage ratios

^C Revolver capacity: \$1,000M as of 12/30/2016

^D Original Issued Principal in EURO denominated debt of Euro 885M and current balance of Euro 881M as of 12/30/16, converted at Fiscal Month EUR/USD balance sheet rate of 1.054963

^E Notes are callable beginning April 1, 2019

^F Weighted average interest rate as of December 30, 2016

The schedule above excludes convertible debt assumed in connection with the acquisition of SanDisk

Estimated Effective Tax Ranges (Non-GAAP) ¹

FY17: 12% - 14%

Footnotes

¹ This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements concerning the company's anticipated financial results for its third fiscal quarter ending March 31, 2017. 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. Other risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include: volatility in global economic conditions; business conditions and growth in the storage ecosystem; impact of competitive products and pricing; market acceptance and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; our development and introduction of products based on new technologies and expansion into new data storage markets; risks associated with acquisitions, mergers and joint ventures; difficulties or delays in manufacturing; 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 November 8, 2016, 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.