

WESTERN DIGITAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	July 3, 2015	June 27, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,024	\$ 4,804
Short-term investments	262	284
Accounts receivable, net	1,532	1,989
Inventories	1,368	1,226
Other current assets	331	417
Total current assets	8,517	8,720
Property, plant and equipment, net	2,965	3,293
Goodwill	2,766	2,559
Other intangible assets, net	332	454
Other non-current assets	601	473
Total assets	<u>\$15,181</u>	<u>\$15,499</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,881	\$ 1,971
Accrued arbitration award	—	758
Accrued expenses	470	412
Accrued compensation	330	460
Accrued warranty	150	119
Revolving credit facility	255	—
Current portion of long-term debt	156	125
Total current liabilities	3,242	3,845
Long-term debt	2,156	2,313
Other liabilities	564	499
Total liabilities	5,962	6,657
Commitments and contingencies (Notes 4 and 5)		
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized — 5 shares; issued and outstanding — none	—	—
Common stock, \$.01 par value; authorized — 450 shares; issued — 261 shares; outstanding — 230 and 234 shares, respectively	3	3
Additional paid-in capital	2,428	2,331
Accumulated other comprehensive income (loss)	(20)	12
Retained earnings	9,107	8,066
Treasury stock — common shares at cost; 31 shares and 27 shares, respectively	(2,299)	(1,570)
Total shareholders' equity	9,219	8,842
Total liabilities and shareholders' equity	<u>\$15,181</u>	<u>\$15,499</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

	Years Ended		
	July 3, 2015	June 27, 2014	June 28, 2013
Revenue, net	\$14,572	\$15,130	\$15,351
Cost of revenue	<u>10,351</u>	<u>10,770</u>	<u>10,988</u>
Gross profit	<u>4,221</u>	<u>4,360</u>	<u>4,363</u>
Operating expenses:			
Research and development	1,646	1,661	1,572
Selling, general and administrative	773	761	706
Charges related to arbitration award	15	52	681
Employee termination, asset impairment and other charges	<u>176</u>	<u>95</u>	<u>138</u>
Total operating expenses	<u>2,610</u>	<u>2,569</u>	<u>3,097</u>
Operating income	1,611	1,791	1,266
Other income (expense):			
Interest and other income	15	17	11
Interest and other expense	<u>(49)</u>	<u>(56)</u>	<u>(55)</u>
Total other expense, net	<u>(34)</u>	<u>(39)</u>	<u>(44)</u>
Income before income taxes	1,577	1,752	1,222
Income tax provision	<u>112</u>	<u>135</u>	<u>242</u>
Net income	<u>\$ 1,465</u>	<u>\$ 1,617</u>	<u>\$ 980</u>
Income per common share:			
Basic	<u>\$ 6.31</u>	<u>\$ 6.88</u>	<u>\$ 4.07</u>
Diluted	<u>\$ 6.18</u>	<u>\$ 6.68</u>	<u>\$ 3.98</u>
Weighted average shares outstanding:			
Basic	<u>232</u>	<u>235</u>	<u>241</u>
Diluted	<u>237</u>	<u>242</u>	<u>246</u>

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WESTERN DIGITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended		
	July 3, 2015	June 27, 2014	June 28, 2013
Cash flows from operating activities			
Net income	\$ 1,465	\$ 1,617	\$ 980
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	1,114	1,244	1,233
Stock-based compensation	162	156	137
Deferred income taxes	28	(13)	35
Gain from insurance recovery	(37)	(65)	—
Loss on disposal of assets	17	40	—
Non-cash portion of employee termination, asset impairment and other charges	86	62	19
Other non-cash operating activities, net	—	9	—
Changes in:			
Accounts receivable, net	458	(175)	584
Inventories	(143)	—	22
Accounts payable	(148)	(32)	(511)
Accrued arbitration award	(758)	52	681
Accrued expenses	35	(56)	(122)
Accrued compensation	(134)	7	77
Other assets and liabilities	97	(30)	(16)
Net cash provided by operating activities	<u>2,242</u>	<u>2,816</u>	<u>3,119</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	(612)	(628)	(952)
Acquisitions, net of cash acquired	(257)	(823)	(1)
Purchases of investments	(857)	(561)	(17)
Proceeds from sales and maturities of investments	768	72	—
Other investing activities, net	<u>5</u>	<u>4</u>	<u>—</u>
Net cash used in investing activities	<u>(953)</u>	<u>(1,936)</u>	<u>(970)</u>
Cash flows from financing activities			
Issuance of stock under employee stock plans	212	187	185
Taxes paid on vested stock awards under employee stock plans	(64)	(32)	(25)
Excess tax benefits from employee stock plans	19	60	45
Repurchases of common stock	(970)	(816)	(842)
Dividends paid to shareholders	(396)	(259)	(181)
Repayment of debt	(125)	(2,517)	(230)
Proceeds from debt, net of issuance costs	<u>255</u>	<u>2,992</u>	<u>—</u>
Net cash used in financing activities	<u>(1,069)</u>	<u>(385)</u>	<u>(1,048)</u>
Net increase in cash and cash equivalents	220	495	1,101
Cash and cash equivalents, beginning of year	<u>4,804</u>	<u>4,309</u>	<u>3,208</u>
Cash and cash equivalents, end of year	<u>\$ 5,024</u>	<u>\$ 4,804</u>	<u>\$ 4,309</u>
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	\$ 47	\$ 141	\$ 146
Cash paid for interest	\$ 45	\$ 46	\$ 49
Supplemental disclosure of non-cash financing activities:			
Accrual of cash dividend declared	\$ 116	\$ 94	\$ 59

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