

WESTERN DIGITAL CORPORATION

CONSOLIDATED BALANCE SHEETS (in millions, except par value)

	June 29, 2018	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,005	\$ 6,354
Accounts receivable, net	2,197	1,948
Inventories	2,944	2,341
Other current assets	492	413
Total current assets	10,638	11,056
Property, plant and equipment, net.	3,095	3,033
Notes receivable and investments in Flash Ventures	2,105	1,340
Goodwill.	10,075	10,014
Other intangible assets, net.	2,680	3,823
Other non-current assets	642	594
Total assets	<u>\$29,235</u>	<u>\$29,860</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,265	\$ 2,144
Accounts payable to related parties	259	206
Accrued expenses	1,274	1,255
Accrued compensation	479	506
Current portion of long-term debt	179	233
Total current liabilities	4,456	4,344
Long-term debt.	10,993	12,918
Other liabilities.	2,255	1,180
Total liabilities	17,704	18,442
Commitments and contingencies (Notes 6, 9, 13 and 16)		
Shareholders' equity:		
Preferred stock, \$0.01 par value; authorized — 5 shares; issued and outstanding — none	—	—
Common stock, \$0.01 par value; authorized — 450 shares; issued — 312 shares in 2018 and 2017; outstanding — 296 shares in 2018 and 294 shares in 2017.	3	3
Additional paid-in capital	4,254	4,506
Accumulated other comprehensive loss	(39)	(58)
Retained earnings	8,757	8,633
Treasury stock — common shares at cost; 16 shares in 2018 and 18 shares in 2017	(1,444)	(1,666)
Total shareholders' equity	11,531	11,418
Total liabilities and shareholders' equity	<u>\$29,235</u>	<u>\$29,860</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Year Ended		
	June 29, 2018	June 30, 2017	July 1, 2016
Revenue, net	\$20,647	\$19,093	\$12,994
Cost of revenue	12,942	13,021	9,559
Gross profit	7,705	6,072	3,435
Operating expenses:			
Research and development	2,400	2,441	1,627
Selling, general and administrative	1,473	1,445	997
Employee termination, asset impairment, and other charges	215	232	345
Total operating expenses	4,088	4,118	2,969
Operating income	3,617	1,954	466
Interest and other income (expense):			
Interest income	60	26	26
Interest expense	(676)	(847)	(266)
Other expense, net	(916)	(364)	(73)
Total interest and other expense, net	(1,532)	(1,185)	(313)
Income before taxes	2,085	769	153
Income tax expense (benefit)	1,410	372	(89)
Net income	<u>\$ 675</u>	<u>\$ 397</u>	<u>\$ 242</u>
Income per common share			
Basic	\$ 2.27	\$ 1.38	\$ 1.01
Diluted	\$ 2.20	\$ 1.34	\$ 1.00
Weighted average shares outstanding:			
Basic	297	288	239
Diluted	307	296	242
Cash dividends declared per share	\$ 2.00	\$ 2.00	\$ 2.00

The accompanying notes are an integral part of these Consolidated Financial Statements.

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended		
	June 29, 2018	June 30, 2017	July 1, 2016
Cash flows from operating activities			
Net income	\$ 675	\$ 397	\$ 242
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	2,056	2,128	1,154
Stock-based compensation	377	394	191
Deferred income taxes	(348)	12	(149)
Loss on disposal of assets	21	18	22
Write-off of issuance costs and amortization of debt discounts	221	285	39
Cash premium on extinguishment of debt	720	—	—
Loss on convertible debt and related instruments	—	5	58
Non-cash portion of employee termination, asset impairment and other charges	16	13	41
Other non-cash operating activities, net	(19)	94	11
Changes in:			
Accounts receivable, net	(244)	(487)	466
Inventories	(598)	(204)	306
Accounts payable	(15)	223	(299)
Accounts payable to related parties	53	38	(115)
Accrued expenses	(17)	231	102
Accrued compensation	(26)	115	(94)
Other assets and liabilities, net	1,333	175	8
Net cash provided by operating activities	<u>4,205</u>	<u>3,437</u>	<u>1,983</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	(835)	(578)	(584)
Proceeds from the sale of property, plant and equipment	26	21	—
Acquisitions, net of cash acquired	(100)	—	(9,835)
Purchases of investments	(89)	(281)	(632)
Proceeds from sale of investments	48	94	1,204
Proceeds from maturities of investments	19	417	405
Investments in Flash Ventures	—	(20)	—
Notes receivable issuances to Flash Ventures	(1,313)	(549)	(106)
Notes receivable proceeds from Flash Ventures	571	292	16
Strategic investments and other, net	18	(32)	(76)
Net cash used in investing activities	<u>(1,655)</u>	<u>(636)</u>	<u>(9,608)</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.