

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

	June 30, 2017	July 1, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 6,354	\$ 8,151
Short-term investments . . . . .	24	227
Accounts receivable, net . . . . .	1,948	1,461
Inventories . . . . .	2,341	2,129
Other current assets . . . . .	389	616
Total current assets . . . . .	11,056	12,584
Property, plant and equipment, net . . . . .	3,033	3,503
Notes receivable and investments in Flash Ventures . . . . .	1,340	1,171
Goodwill . . . . .	10,014	9,951
Other intangible assets, net . . . . .	3,823	5,034
Other non-current assets . . . . .	594	619
Total assets . . . . .	<u>\$29,860</u>	<u>\$32,862</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable . . . . .	\$ 2,144	\$ 1,888
Accounts payable to Flash Ventures . . . . .	206	168
Accrued expenses . . . . .	1,069	995
Accrued compensation . . . . .	506	392
Accrued warranty . . . . .	186	172
Bridge loan . . . . .	—	2,995
Current portion of long-term debt . . . . .	233	339
Total current liabilities . . . . .	4,344	6,949
Long-term debt . . . . .	12,918	13,660
Other liabilities . . . . .	1,180	1,108
Total liabilities . . . . .	18,442	21,717
Commitments and contingencies (Notes 6, 9, 13 and 17)		
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 2017 and 2016; outstanding — 294 shares in 2017 and 284 shares in 2016 . . . . .	3	3
Additional paid-in capital . . . . .	4,506	4,429
Accumulated other comprehensive income (loss) . . . . .	(58)	103
Retained earnings . . . . .	8,633	8,848
Treasury stock — common shares at cost; 18 shares in 2017 and 28 shares in 2016 . . . . .	(1,666)	(2,238)
Total shareholders' equity . . . . .	11,418	11,145
Total liabilities and shareholders' equity . . . . .	<u>\$29,860</u>	<u>\$32,862</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 30, 2017	July 1, 2016	July 3, 2015
Revenue, net	\$19,093	\$12,994	\$14,572
Cost of revenue	<u>13,021</u>	<u>9,559</u>	<u>10,351</u>
Gross profit	<u>6,072</u>	<u>3,435</u>	<u>4,221</u>
Operating expenses:			
Research and development	2,441	1,627	1,646
Selling, general and administrative	1,445	997	788
Employee termination, asset impairment, and other charges	<u>232</u>	<u>345</u>	<u>176</u>
Total operating expenses	<u>4,118</u>	<u>2,969</u>	<u>2,610</u>
Operating income	1,954	466	1,611
Interest and other income (expense):			
Interest income	26	26	14
Interest expense	(847)	(266)	(49)
Other income (expense), net	<u>(364)</u>	<u>(73)</u>	<u>1</u>
Total interest and other expense, net	<u>(1,185)</u>	<u>(313)</u>	<u>(34)</u>
Income before taxes	769	153	1,577
Income tax expense (benefit)	<u>372</u>	<u>(89)</u>	<u>112</u>
Net income	<u>\$ 397</u>	<u>\$ 242</u>	<u>\$ 1,465</u>
Income per common share			
Basic	\$ 1.38	\$ 1.01	\$ 6.31
Diluted	\$ 1.34	\$ 1.00	\$ 6.18
Weighted average shares outstanding:			
Basic	288	239	232
Diluted	296	242	237
Cash dividends declared per share	\$ 2.00	\$ 2.00	\$ 1.80

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

	Year Ended		
	June 30, 2017	July 1, 2016	July 3, 2015
<b>Cash flows from operating activities</b>			
Net income	\$ 397	\$ 242	\$ 1,465
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	2,128	1,154	1,114
Stock-based compensation	394	191	162
Deferred income taxes	12	(149)	28
Loss on disposal of assets	18	22	17
Write-off of issuance costs and amortization of debt discounts	285	39	—
Loss on convertible debt and related instruments	5	58	—
Non-cash portion of employee termination, asset impairment and other charges	13	41	86
Other non-cash operating activities, net	94	11	(37)
Changes in:			
Accounts receivable, net	(487)	466	458
Inventories	(204)	306	(143)
Accounts payable	223	(299)	(148)
Accounts payable to related parties	38	(115)	—
Accrued arbitration award	—	—	(758)
Accrued expenses	231	102	35
Accrued compensation	115	(94)	(134)
Other assets and liabilities, net	175	8	97
Net cash provided by operations	3,437	1,983	2,242
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(578)	(584)	(612)
Proceeds from the sale of property, plant and equipment	21	—	—
Acquisitions, net of cash acquired	—	(9,835)	(257)
Purchases of investments	(281)	(632)	(857)
Proceeds from sale of investments	94	1,204	505
Proceeds from maturities of investments	417	405	263
Investments in Flash Ventures	(20)	—	—
Notes receivable issuances to Flash Ventures	(549)	(106)	—
Notes receivable proceeds from Flash Ventures	292	16	—
Strategic investments and other, net	(32)	(76)	5
Net cash used in investing activities	(636)	(9,608)	(953)

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

	Year Ended		
	June 30, 2017	July 1, 2016	July 3, 2015
<b>Cash flows from financing activities</b>			
Issuance of stock under employee stock plans . . . . .	235	117	212
Taxes paid on vested stock awards under employee stock plans . . . . .	(124)	(50)	(64)
Excess tax benefits from employee stock plans . . . . .	119	7	19
Proceeds from acquired call option . . . . .	61	409	—
Settlement of convertible debt . . . . .	(492)	(2,611)	—
Repurchases of common stock . . . . .	—	(60)	(970)
Proceeds from revolving credit facility . . . . .	—	125	—
Repayment of revolving credit facility . . . . .	—	(380)	—
Dividends paid to shareholders . . . . .	(574)	(464)	(396)
Settlement of debt hedge contracts . . . . .	(21)	—	—
Repayment of debt . . . . .	(11,697)	(2,313)	(125)
Proceeds from debt . . . . .	7,908	17,108	255
Debt issuance costs . . . . .	(10)	(524)	—
Payment upon settlement of acquired warrants . . . . .	—	(613)	—
Net cash provided by (used in) financing activities . . . . .	(4,595)	10,751	(1,069)
Effect of exchange rate changes on cash . . . . .	(3)	1	—
Net increase (decrease) in cash and cash equivalents . . . . .	(1,797)	3,127	220
Cash and cash equivalents, beginning of year . . . . .	8,151	5,024	4,804
Cash and cash equivalents, end of year . . . . .	<u>\$ 6,354</u>	<u>\$ 8,151</u>	<u>\$ 5,024</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for income taxes . . . . .	\$ 184	\$ 26	\$ 47
Cash paid for interest . . . . .	\$ 777	\$ 113	\$ 45
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Common stock issued and equity awards assumed in connection with acquisition . . . . .	\$ —	\$ 1,822	\$ —
Shares issued in conjunction with settlement of convertible notes . . . . .	\$ 16	\$ 94	\$ —
Shares received in conjunction with assumed call options . . . . .	\$ (11)	\$ (70)	\$ —
Accrual of cash dividend declared . . . . .	\$ 147	\$ 142	\$ 116

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