

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

	June 28, 2019	June 29, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,455	\$ 5,005
Accounts receivable, net	1,204	2,197
Inventories	3,283	2,944
Other current assets	535	492
Total current assets	8,477	10,638
Property, plant and equipment, net	2,843	3,095
Notes receivable and investments in Flash Ventures	2,791	2,105
Goodwill	10,076	10,075
Other intangible assets, net	1,711	2,680
Other non-current assets	472	642
Total assets	\$ 26,370	\$ 29,235
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,567	\$ 2,265
Accounts payable to related parties	331	259
Accrued expenses	1,296	1,274
Accrued compensation	347	479
Current portion of long-term debt	276	179
Total current liabilities	3,817	4,456
Long-term debt	10,246	10,993
Other liabilities	2,340	2,255
Total liabilities	16,403	17,704
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 2019 and 2018; outstanding — 295 shares in 2019 and 296 shares in 2018	3	3
Additional paid-in capital	3,851	4,254
Accumulated other comprehensive loss	(68)	(39)
Retained earnings	7,449	8,757
Treasury stock — common shares at cost; 17 shares in 2019 and 16 shares in 2018	(1,268)	(1,444)
Total shareholders' equity	9,967	11,531
Total liabilities and shareholders' equity	\$ 26,370	\$ 29,235

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 28, 2019	June 29, 2018	June 30, 2017
Revenue, net	\$ 16,569	\$ 20,647	\$ 19,093
Cost of revenue	12,817	12,942	13,021
Gross profit	3,752	7,705	6,072
Operating expenses:			
Research and development	2,182	2,400	2,441
Selling, general and administrative	1,317	1,473	1,445
Employee termination, asset impairment, and other charges	166	215	232
Total operating expenses	3,665	4,088	4,118
Operating income	87	3,617	1,954
Interest and other income (expense):			
Interest income	57	60	26
Interest expense	(469)	(676)	(847)
Other income (expense), net	38	(916)	(364)
Total interest and other expense, net	(374)	(1,532)	(1,185)
Income (loss) before taxes	(287)	2,085	769
Income tax expense	467	1,410	372
Net income (loss)	<u>\$ (754)</u>	<u>\$ 675</u>	<u>\$ 397</u>
Income (loss) per common share			
Basic	\$ (2.58)	\$ 2.27	\$ 1.38
Diluted	\$ (2.58)	\$ 2.20	\$ 1.34
Weighted average shares outstanding:			
Basic	292	297	288
Diluted	292	307	296
Cash dividends declared per share	\$ 2.00	\$ 2.00	\$ 2.00

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WESTERN DIGITAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Year Ended		
	June 28, 2019	June 29, 2018	June 30, 2017
Net income (loss)	\$ (754)	\$ 675	\$ 397
Other comprehensive income (loss), before tax:			
Actuarial pension gain (loss)	(39)	(2)	39
Foreign currency translation adjustment	28	18	(115)
Net unrealized gain (loss) on derivative contracts and available-for-sale securities	(39)	7	(75)
Total other comprehensive income (loss), before tax	(50)	23	(151)
Income tax benefit (expense) related to items of other comprehensive income (loss), before tax	21	(4)	(10)
Other comprehensive income (loss), net of tax	(29)	19	(161)
Total comprehensive income (loss)	<u>\$ (783)</u>	<u>\$ 694</u>	<u>\$ 236</u>

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

	Year Ended		
	June 28, 2019	June 29, 2018	June 30, 2017
Cash flows from operating activities			
Net income (loss)	\$ (754)	\$ 675	\$ 397
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Depreciation and amortization	1,812	2,056	2,128
Stock-based compensation	306	377	394
Deferred income taxes	374	(348)	12
Loss on disposal of assets	39	21	18
Write-off of issuance costs and amortization of debt discounts	38	221	285
Cash premium on extinguishment of debt	—	720	—
Loss on convertible debt and related instruments	—	—	5
Non-cash portion of employee termination, asset impairment and other charges	—	16	13
Other non-cash operating activities, net	(8)	(19)	94
Changes in:			
Accounts receivable, net	993	(244)	(487)
Inventories	(339)	(598)	(204)
Accounts payable	(588)	(15)	223
Accounts payable to related parties	72	53	38
Accrued expenses	(42)	(17)	231
Accrued compensation	(135)	(26)	115
Other assets and liabilities, net	(221)	1,333	175
Net cash provided by operating activities	1,547	4,205	3,437
Cash flows from investing activities			
Purchases of property, plant and equipment	(876)	(835)	(578)
Proceeds from the sale of property, plant and equipment	119	26	21
Acquisitions, net of cash acquired	—	(100)	—
Purchases of investments	(79)	(89)	(281)
Proceeds from sale of investments	175	48	94
Proceeds from maturities of investments	7	19	417
Investments in Flash Ventures	—	—	(20)
Notes receivable issuances to Flash Ventures	(1,364)	(1,313)	(549)
Notes receivable proceeds from Flash Ventures	766	571	292
Strategic investments and other, net	(20)	18	(32)
Net cash used in investing activities	(1,272)	(1,655)	(636)
Cash flows from financing activities			
Issuance of stock under employee stock plans	118	220	235
Taxes paid on vested stock awards under employee stock plans	(115)	(171)	(124)
Excess tax benefits from employee stock plans	—	—	119
Proceeds from acquired call option	—	—	61
Settlement of convertible debt	—	—	(492)
Repurchases of common stock	(563)	(591)	—
Dividends paid to shareholders	(584)	(593)	(574)
Settlement of debt hedge contracts	—	28	(21)
Proceeds from (repayment of) revolving credit facility	(500)	500	—
Repayment of debt	(181)	(17,074)	(11,697)
Proceeds from debt	—	13,840	7,908
Debt issuance costs	(4)	(59)	(10)
Net cash used in financing activities	(1,829)	(3,900)	(4,595)
Effect of exchange rate changes on cash	4	1	(3)
Net decrease in cash and cash equivalents	(1,550)	(1,349)	(1,797)
Cash and cash equivalents, beginning of year	5,005	6,354	8,151
Cash and cash equivalents, end of year	\$ 3,455	\$ 5,005	\$ 6,354
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	\$ 377	\$ 220	\$ 184

Cash paid for interest	\$	431	\$	708	\$	777
Supplemental disclosure of non-cash investing and financing activities:						
Shares issued in conjunction with settlement of convertible notes	\$	—	\$	—	\$	16
Shares received in conjunction with assumed call options	\$	—	\$	—	\$	(11)

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WESTERN DIGITAL CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at July 1, 2016	312	\$ 3	(28)	\$ (2,238)	\$ 4,429	\$ 103	\$ 8,848	\$ 11,145
Net income	—	—	—	—	—	—	397	397
Employee stock plans	—	—	10	583	(472)	—	—	111
Stock-based compensation	—	—	—	—	394	—	—	394
Increase in excess tax benefits from employee stock plans	—	—	—	—	104	—	—	104
Shares issued in conjunction with settlement of convertible notes	—	—	—	—	16	—	—	16
Shares received in conjunction with assumed call options	—	—	—	(11)	—	—	—	(11)
Dividends to shareholders	—	—	—	—	35	—	(612)	(577)
Actuarial pension gain	—	—	—	—	—	27	—	27
Foreign currency translation adjustment	—	—	—	—	—	(113)	—	(113)
Net unrealized loss on derivative contracts and available-for-sale securities	—	—	—	—	—	(75)	—	(75)
Balance at June 30, 2017	312	3	(18)	(1,666)	4,506	(58)	8,633	11,418
Net income	—	—	—	—	—	—	675	675
Adoption of new accounting standards	—	—	—	—	(19)	—	70	51
Employee stock plans	—	—	9	813	(764)	—	—	49
Stock-based compensation	—	—	—	—	377	—	—	377
Equity value of convertible debt issuance, net of deferred taxes	—	—	—	—	125	—	—	125
Repurchases of common stock	—	—	(7)	(591)	—	—	—	(591)
Dividends to shareholders	—	—	—	—	29	—	(621)	(592)
Actuarial pension loss	—	—	—	—	—	(1)	—	(1)
Foreign currency translation adjustment	—	—	—	—	—	18	—	18
Net unrealized gain on derivative contracts and available-for-sale securities	—	—	—	—	—	2	—	2
Balance at June 29, 2018	312	3	(16)	(1,444)	4,254	(39)	8,757	11,531
Net loss	—	—	—	—	—	—	(754)	(754)
Employee stock plans	—	—	7	739	(736)	—	—	3
Adoption of new accounting standards	—	—	—	—	—	—	56	56
Stock-based compensation	—	—	—	—	306	—	—	306
Repurchases of common stock	—	—	(8)	(563)	—	—	—	(563)
Dividends to shareholders	—	—	—	—	27	—	(610)	(583)
Actuarial pension loss	—	—	—	—	—	(34)	—	(34)
Foreign currency translation adjustment	—	—	—	—	—	25	—	25
Net unrealized loss on derivative contracts	—	—	—	—	—	(20)	—	(20)
Balance at June 28, 2019	312	\$ 3	(17)	\$ (1,268)	\$ 3,851	\$ (68)	\$ 7,449	\$ 9,967

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