

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	Jul. 3, 2015	Jun. 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	\$ 15,181	\$ 15,499

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
Short-term debt	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
Total shareholders' equity	9,219	8,842
Total liabilities and shareholders' equity	\$ 15,181	\$ 15,499

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts; unaudited)

	Three Months Ended		Years Ended	
	Jul. 3, 2015	Jun. 27, 2014	Jul. 3, 2015	Jun. 27, 2014
Revenue, net	\$ 3,191	\$ 3,651	\$ 14,572	\$15,130
Cost of revenue	2,261	2,622	10,351	10,770
Gross profit	<u>930</u>	<u>1,029</u>	<u>4,221</u>	<u>4,360</u>
Operating expenses:				
Research and development	381	426	1,646	1,661
Selling, general and administrative	190	202	773	761
Charges related to arbitration award	—	13	15	52
Employee termination, asset impairment and other charges	104	36	176	95
Total operating expenses	<u>675</u>	<u>677</u>	<u>2,610</u>	<u>2,569</u>
Operating income	255	352	1,611	1,791
Net interest and other	(8)	(5)	(34)	(39)
Income before income taxes	<u>247</u>	<u>347</u>	<u>1,577</u>	<u>1,752</u>
Income tax provision	27	30	112	135
Net income	<u>\$ 220</u>	<u>\$ 317</u>	<u>\$ 1,465</u>	<u>\$ 1,617</u>
Income per common share:				
Basic	<u>\$ 0.95</u>	<u>\$ 1.35</u>	<u>\$ 6.31</u>	<u>\$ 6.88</u>
Diluted	<u>\$ 0.94</u>	<u>\$ 1.32</u>	<u>\$ 6.18</u>	<u>\$ 6.68</u>
Weighted average shares outstanding:				
Basic	<u>231</u>	<u>234</u>	<u>232</u>	<u>235</u>
Diluted	<u>235</u>	<u>241</u>	<u>237</u>	<u>242</u>

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended		Years Ended	
	Jul. 3, 2015	Jun. 27, 2014	Jul. 3, 2015	Jun. 27, 2014
Operating Activities				
Net income	\$ 220	\$ 317	\$ 1,465	\$ 1,617
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization	250	308	1,114	1,244
Stock-based compensation	45	31	162	156
Deferred income taxes	19	53	28	(13)
Gain from insurance recovery	—	—	(37)	(65)
Loss on disposal of assets	3	7	17	40
Non-cash portion of employee termination, asset impairment and other charges	74	36	86	62
Other non-cash operating activities, net	—	5	—	9
Changes in operating assets and liabilities, net	(123)	(44)	(593)	(234)
Net cash provided by operating activities	<u>488</u>	<u>713</u>	<u>2,242</u>	<u>2,816</u>
Investing Activities				
Purchases of property, plant and equipment	(156)	(161)	(612)	(628)
Acquisitions, net of cash acquired	(10)	—	(257)	(823)
Purchases of investments	(170)	(91)	(857)	(561)
Proceeds from sales and maturities of investments	103	72	768	72
Proceeds from sale of property, plant and equipment	—	—	7	—
Other investing activities, net	(8)	—	(2)	4
Net cash used in investing activities	<u>(241)</u>	<u>(180)</u>	<u>(953)</u>	<u>(1,936)</u>
Financing Activities				
Employee stock plans, net	55	75	167	215
Repurchases of common stock	(198)	(272)	(970)	(816)
Dividends paid to shareholders	(116)	(70)	(396)	(259)
Proceeds from debt, net of issuance costs	255	—	255	2,992
Repayment of debt	(31)	(31)	(125)	(2,517)
Net cash used in financing activities	<u>(35)</u>	<u>(298)</u>	<u>(1,069)</u>	<u>(385)</u>
Net increase in cash and cash equivalents	212	235	220	495
Cash and cash equivalents, beginning of period	4,812	4,569	4,804	4,309
Cash and cash equivalents, end of period	<u>\$ 5,024</u>	<u>\$ 4,804</u>	<u>\$ 5,024</u>	<u>\$ 4,804</u>

WESTERN DIGITAL CORPORATION

GAAP TO NON-GAAP NET INCOME RECONCILIATION

(in millions, except per share amounts; unaudited)

	Three Months Ended		Years Ended	
	Jul. 3, 2015	Jun. 27, 2014	Jul. 3, 2015	Jun. 27, 2014
GAAP net income	\$ 220	\$ 317	\$ 1,465	\$ 1,617
Non-GAAP adjustments:				
Amortization of intangible assets	28	47	163	195
Employee termination, asset impairment and other charges	104	36	176	95
Charges related to arbitration award	—	13	15	52
Acquisition-related adjustments	—	—	3	13
Flood-related insurance recovery	—	—	(37)	(65)
Other	4	32	55	54
Non-GAAP net income	<u>\$ 356</u>	<u>\$ 445</u>	<u>\$ 1,840</u>	<u>\$ 1,961</u>
Diluted net income per common share:				
GAAP	<u>\$ 0.94</u>	<u>\$ 1.32</u>	<u>\$ 6.18</u>	<u>\$ 6.68</u>
Non-GAAP	<u>\$ 1.51</u>	<u>\$ 1.85</u>	<u>\$ 7.76</u>	<u>\$ 8.10</u>
Weighted average shares outstanding:				
Diluted	<u>235</u>	<u>241</u>	<u>237</u>	<u>242</u>

The table above sets forth non-GAAP net income and non-GAAP diluted net income per common share. These non-GAAP net income and diluted net income per common share measures exclude amortization of intangible assets related to acquisitions, certain employee termination, asset impairment and other charges, certain charges related to an arbitration award and other charges that are unusual, non-recurring or may not be indicative of ongoing operations. The Company believes that non-GAAP net income and non-GAAP earnings per share are useful measures to investors as an alternative method for measuring the Company's earnings performance and comparing it against prior periods. The presentation of these adjusted amounts vary from numbers presented in accordance with U.S. GAAP and therefore may not be comparable to amounts reported by other companies. The tax effect of the aforementioned items was not material to the condensed consolidated statements of income for the three and twelve month periods ended July 3, 2015 and June 27, 2014.