

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	June 27, 2014	June 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,804	\$ 4,309
Short-term investments	284	—
Accounts receivable, net	1,989	1,793
Inventories	1,226	1,188
Other current assets	417	308
Total current assets	<u>8,720</u>	<u>7,598</u>
Property, plant and equipment, net	3,293	3,700
Goodwill	2,559	1,954
Other intangible assets, net	454	605
Other non-current assets	473	179
Total assets	<u><u>\$ 15,499</u></u>	<u><u>\$ 14,036</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 1,971	\$ 1,990
Accrued arbitration award	758	706
Accrued expenses	412	480
Accrued compensation	460	453
Accrued warranty	119	114
Current portion of long-term debt	125	230
Total current liabilities	<u>3,845</u>	<u>3,973</u>
Long-term debt	2,313	1,725
Other liabilities	499	445
Total liabilities	<u>6,657</u>	<u>6,143</u>
Total shareholders' equity	<u>8,842</u>	<u>7,893</u>
Total liabilities and shareholders' equity	<u><u>\$ 15,499</u></u>	<u><u>\$ 14,036</u></u>

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in millions, except per share amounts; unaudited)

	Three Months Ended		Years Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Revenue, net	\$ 3,651	\$ 3,728	\$ 15,130	\$ 15,351
Cost of revenue	2,622	2,678	10,770	10,988
Gross profit	1,029	1,050	4,360	4,363
Operating expenses:				
Research and development	426	402	1,661	1,572
Selling, general and administrative	202	180	761	706
Charges related to arbitration award	13	681	52	681
Employee termination, asset impairment and other charges	36	8	95	138
Total operating expenses	677	1,271	2,569	3,097
Operating income (loss)	352	(221)	1,791	1,266
Net interest and other	(5)	(9)	(39)	(44)
Income before (loss) income taxes	347	(230)	1,752	1,222
Income tax provision	30	35	135	242
Net income (loss)	\$ 317	\$ (265)	\$ 1,617	\$ 980
Income (loss) per common share:				
Basic	\$ 1.35	\$ (1.12)	\$ 6.88	\$ 4.07
Diluted	\$ 1.32	\$ (1.12)	\$ 6.68	\$ 3.98
Weighted average shares outstanding:				
Basic	234	236	235	241
Diluted	241	236	242	246

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended		Years Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Cash flows from operating activities				
Net income (loss)	\$ 317	\$ (265)	\$ 1,617	\$ 980
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization	308	302	1,244	1,233
Stock-based compensation	31	30	156	137
Deferred income taxes	53	(24)	(13)	35
Gain from insurance recovery	—	—	(65)	—
Loss on disposal of assets	7	—	40	—
Non-cash portion of employee termination, asset impairment and other charges	36	3	62	19
Other non-cash operating activities, net	5	—	9	—
Changes in operating assets and liabilities, net	(44)	638	(234)	715
Net cash provided by operating activities	<u>713</u>	<u>684</u>	<u>2,816</u>	<u>3,119</u>
Cash flows from investing activities				
Purchases of property, plant and equipment	(161)	(136)	(628)	(952)
Acquisitions, net of cash acquired	—	—	(823)	(1)
Purchases of investments	(91)	—	(561)	(17)
Proceeds from sales of investments	72	—	72	—
Other investing activities, net	—	—	4	—
Net cash used in investing activities	<u>(180)</u>	<u>(136)</u>	<u>(1,936)</u>	<u>(970)</u>
Cash flows from financing activities				
Employee stock plans, net	75	53	215	205
Repurchases of common stock	(272)	(235)	(816)	(842)
Dividends to shareholders	(70)	(60)	(259)	(181)
Proceeds from debt, net of issuance costs	—	—	2,992	—
Repayment of debt	(31)	(57)	(2,517)	(230)
Net cash used in financing activities	<u>(298)</u>	<u>(299)</u>	<u>(385)</u>	<u>(1,048)</u>
Net increase in cash and cash equivalents	<u>235</u>	<u>249</u>	<u>495</u>	<u>1,101</u>
Cash and cash equivalents, beginning of period	4,569	4,060	4,309	3,208
Cash and cash equivalents, end of period	<u>\$ 4,804</u>	<u>\$ 4,309</u>	<u>\$ 4,804</u>	<u>\$ 4,309</u>