

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	Apr. 3, 2015	Jun. 27, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,812	\$ 4,804
Short-term investments	228	284
Accounts receivable, net	1,696	1,989
Inventories	1,322	1,226
Other current assets	371	417
Total current assets	<u>8,429</u>	<u>8,720</u>
Property, plant and equipment, net	3,051	3,293
Goodwill	2,745	2,559
Other intangible assets, net	400	454
Other non-current assets	551	473
Total assets	<u>\$ 15,176</u>	<u>\$ 15,499</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 2,020	\$ 1,971
Accrued arbitration award	—	758
Accrued expenses	503	412
Accrued compensation	398	460
Accrued warranty	156	119
Current portion of long-term debt	141	125
Total current liabilities	<u>3,218</u>	<u>3,845</u>
Long-term debt	2,203	2,313
Other liabilities	529	499
Total liabilities	<u>5,950</u>	<u>6,657</u>
Total shareholders' equity	<u>9,226</u>	<u>8,842</u>
Total liabilities and shareholders' equity	<u>\$ 15,176</u>	<u>\$ 15,499</u>

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts; unaudited)

	Three Months Ended		Nine Months Ended	
	Apr. 3, 2015	Mar. 28, 2014	Apr. 3, 2015	Mar. 28, 2014
Revenue, net	\$ 3,550	\$ 3,703	\$ 11,381	\$ 11,479
Cost of revenue	2,518	2,627	8,090	8,148
Gross profit	<u>1,032</u>	<u>1,076</u>	<u>3,291</u>	<u>3,331</u>
Operating expenses:				
Research and development	402	418	1,265	1,235
Selling, general and administrative	199	201	583	559
Charges related to arbitration award	—	13	15	39
Employee termination, asset impairment and other charges	10	25	72	59
Total operating expenses	<u>611</u>	<u>657</u>	<u>1,935</u>	<u>1,892</u>
Operating income	421	419	1,356	1,439
Net interest and other	(9)	(13)	(26)	(34)
Income before income taxes	412	406	1,330	1,405
Income tax provision	28	31	85	105
Net income	<u>\$ 384</u>	<u>\$ 375</u>	<u>\$ 1,245</u>	<u>\$ 1,300</u>
Income per common share:				
Basic	<u>\$ 1.66</u>	<u>\$ 1.60</u>	<u>\$ 5.34</u>	<u>\$ 5.51</u>
Diluted	<u>\$ 1.63</u>	<u>\$ 1.55</u>	<u>\$ 5.23</u>	<u>\$ 5.37</u>
Weighted average shares outstanding:				
Basic	<u>231</u>	<u>235</u>	<u>233</u>	<u>236</u>
Diluted	<u>236</u>	<u>242</u>	<u>238</u>	<u>242</u>

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended		Nine Months Ended	
	Apr. 3, 2015	Mar. 28, 2014	Apr. 3, 2015	Mar. 28, 2014
Operating Activities				
Net income	\$ 384	\$ 375	\$ 1,245	\$ 1,300
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization	285	307	864	936
Stock-based compensation	37	41	117	125
Deferred income taxes	(22)	(27)	9	(66)
Gain from insurance recovery	—	—	(37)	(65)
Loss on disposal of assets	2	4	14	33
Non-cash portion of employee termination, asset impairment and other charges	(7)	17	12	26
Other non-cash operating activities, net	—	4	—	4
Changes in operating assets and liabilities, net	5	(24)	(470)	(189)
Net cash provided by operating activities	<u>684</u>	<u>697</u>	<u>1,754</u>	<u>2,104</u>
Investing Activities				
Purchases of property, plant and equipment	(150)	(161)	(456)	(467)
Acquisitions, net of cash acquired	(241)	—	(247)	(823)
Purchases of investments	(92)	(470)	(687)	(470)
Proceeds from sales of investments	35	—	665	—
Proceeds from sale of property, plant and equipment	—	—	7	—
Other investing activities, net	(10)	—	6	4
Net cash used in investing activities	<u>(458)</u>	<u>(631)</u>	<u>(712)</u>	<u>(1,756)</u>
Financing Activities				
Employee stock plans, net	48	42	112	139
Repurchases of common stock	(240)	(244)	(772)	(544)
Dividends to shareholders	(93)	(71)	(280)	(189)
Proceeds from debt	—	2,492	—	2,992
Repayment of debt	(31)	(2,371)	(94)	(2,486)
Net cash used in financing activities	<u>(316)</u>	<u>(152)</u>	<u>(1,034)</u>	<u>(88)</u>
Net increase (decrease) in cash and cash equivalents	(90)	(86)	8	260
Cash and cash equivalents, beginning of period	4,902	4,655	4,804	4,309
Cash and cash equivalents, end of period	<u>\$ 4,812</u>	<u>\$ 4,569</u>	<u>\$ 4,812</u>	<u>\$ 4,569</u>

WESTERN DIGITAL CORPORATION

GAAP TO NON-GAAP NET INCOME RECONCILIATION

(in millions, except per share amounts; unaudited)

	Three Months Ended		Nine Months Ended	
	Apr. 3, 2015	Mar. 28, 2014	Apr. 3, 2015	Mar. 28, 2014
GAAP net income	\$ 384	\$ 375	\$ 1,245	\$ 1,300
Non-GAAP adjustments:				
Amortization of intangibles	44	50	135	148
Employee termination, asset impairment and other charges	10	25	72	59
Charges related to arbitration award	—	13	15	39
Acquisition-related expense	3	—	3	13
Flood-related insurance recovery	—	—	(37)	(65)
Other	—	7	51	22
Non-GAAP net income	<u>\$ 441</u>	<u>\$ 470</u>	<u>\$ 1,484</u>	<u>\$ 1,516</u>
Diluted net income per common share:				
GAAP	<u>\$ 1.63</u>	<u>\$ 1.55</u>	<u>\$ 5.23</u>	<u>\$ 5.37</u>
Non-GAAP	<u>\$ 1.87</u>	<u>\$ 1.94</u>	<u>\$ 6.24</u>	<u>\$ 6.26</u>
Weighted average shares outstanding:				
Diluted	<u>236</u>	<u>242</u>	<u>238</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 intangibles 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 nine month periods ended April 3, 2015 and March 28, 2014.