

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	<u>Sept. 29,</u> <u>2006</u>	<u>Jun. 30,</u> <u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 603	\$ 551
Short-term investments	148	148
Accounts receivable, net.....	614	482
Inventories.....	216	205
Other	<u>116</u>	<u>106</u>
Total current assets	1,697	1,492
Property and equipment, net.....	598	549
Other assets, net.....	<u>30</u>	<u>32</u>
Total assets.....	<u>\$ 2,325</u>	<u>\$ 2,073</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 750	\$ 632
Accrued expenses	126	128
Accrued warranty.....	74	72
Current portion of long-term debt.....	<u>30</u>	<u>25</u>
Total current liabilities	980	857
Long-term debt.....	29	19
Other liabilities.....	<u>41</u>	<u>38</u>
Total liabilities	1,050	914
Shareholders' equity.....	<u>1,275</u>	<u>1,159</u>
Total liabilities and shareholders' equity.....	<u>\$ 2,325</u>	<u>\$ 2,073</u>

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts)
(unaudited)

	<u>Three Months Ended</u>		
	<u>Sept. 29, 2006</u>	<u>Jun. 30, 2006</u>	<u>Sept. 30, 2005</u>
Revenue, net.....	\$ 1,264	\$ 1,085	\$ 1,010
Cost of revenue.....	<u>1,046</u>	<u>881</u>	<u>832</u>
Gross margin.....	<u>218</u>	<u>204</u>	<u>178</u>
Operating expenses:			
Research and development.....	75	71	70
Selling, general and administrative.....	<u>44</u>	<u>39</u>	<u>40</u>
Total operating expenses.....	<u>119</u>	<u>110</u>	<u>110</u>
Operating income.....	99	94	68
Net interest and other income.....	<u>7</u>	<u>6</u>	<u>2</u>
Income before income taxes.....	106	100	70
Income tax provision (benefit).....	<u>3</u>	<u>(20)</u>	<u>1</u>
Net income.....	<u>\$ 103</u>	<u>\$ 120</u>	<u>\$ 69</u>
Net income per common share:			
Basic.....	<u>\$.47</u>	<u>\$.55</u>	<u>\$.32</u>
Diluted.....	<u>\$.46</u>	<u>\$.53</u>	<u>\$.31</u>
Common shares used in computing per share amounts:			
Basic.....	<u>219</u>	<u>218</u>	<u>213</u>
Diluted.....	<u>225</u>	<u>225</u>	<u>221</u>

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended		
	Sept. 29, 2006	Jun. 30, 2006	Sept. 30, 2005
Cash flows from operating activities			
Net income	\$ 103	\$ 120	\$ 69
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	45	43	36
Stock-based compensation	9	12	7
Deferred income taxes	—	(22)	—
Changes in operating assets and liabilities	(29)	(27)	(72)
Net cash provided by operating activities	128	126	40
Cash flows from investing activities			
Capital expenditures, net	(72)	(96)	(50)
Short-term investments, net	—	(17)	38
Net cash used in investing activities	(72)	(113)	(12)
Cash flows from financing activities			
Issuance of common stock under employee plans	2	10	12
Repurchase of common stock	—	(10)	(14)
Repayment of long-term debt	(6)	(6)	(5)
Net cash used in financing activities	(4)	(6)	(7)
Net increase in cash and cash equivalents	52	7	21
Cash and cash equivalents, beginning of period	551	544	485
Cash and cash equivalents, end of period	\$ 603	\$ 551	\$ 506