

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	<u>Sept. 28,</u> <u>2007</u>	<u>Jun. 29,</u> <u>2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 651	\$ 700
Short-term investments	200	207
Accounts receivable, net.....	985	697
Inventories.....	461	259
Other	<u>150</u>	<u>166</u>
Total current assets	2,447	2,029
Property and equipment, net.....	1,516	741
Goodwill and other intangible assets, net.....	187	4
Other assets, net.....	<u>224</u>	<u>127</u>
Total assets.....	<u>\$ 4,374</u>	<u>\$ 2,901</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,106	\$ 882
Customer advances.....	59	—
Accrued expenses	211	163
Accrued warranty.....	76	73
Short-term debt.....	999	—
Current portion of long-term debt.....	<u>12</u>	<u>12</u>
Total current liabilities	2,463	1,130
Long-term debt.....	7	10
Other liabilities.....	<u>117</u>	<u>45</u>
Total liabilities	2,587	1,185
Shareholders' equity.....	<u>1,787</u>	<u>1,716</u>
Total liabilities and shareholders' equity.....	<u>\$ 4,374</u>	<u>\$ 2,901</u>

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		
	Sept. 28, 2007	Jun. 29, 2007	Sept. 29, 2006
Revenue, net.....	\$ 1,766	\$ 1,367	\$ 1,264
Cost of revenue.....	1,443	1,162	1,046
Gross margin.....	323	205	218
Operating expenses			
Research and development.....	91	79	75
Selling, general and administrative.....	48	47	44
Acquired in-process research and development	49	—	—
Total operating expenses.....	188	126	119
Operating income.....	135	79	99
Net interest and other income	3	7	7
Income before income taxes	138	86	106
Income tax provision (benefit)	69	(126)	3
Net income.....	\$ 69	\$ 212	\$ 103
Net income per common share:			
Basic	\$.31	\$.97	\$.47
Diluted.....	\$.31	\$.94	\$.46
Common shares used in computing per share amounts:			
Basic	219	219	219
Diluted.....	224	225	225

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	<u>Three Months Ended</u>		
	<u>Sept. 28,</u> <u>2007</u>	<u>Jun. 29,</u> <u>2007</u>	<u>Sept. 29,</u> <u>2006</u>
Cash flows from operating activities			
Net income.....	\$ 69	\$ 212	\$ 103
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization.....	78	61	45
In-process research and development	49	—	—
Deferred income taxes	60	(129)	—
Stock-based compensation	8	14	9
Changes in operating assets and liabilities	(45)	(4)	(42)
Net cash provided by operating activities	<u>219</u>	<u>154</u>	<u>115</u>
Cash flows from investing activities			
Acquisitions, net of cash acquired.....	(911)	—	—
Capital expenditures, net.....	(163)	(86)	(59)
Short-term investments, net	65	(36)	—
Net cash used in investing activities.....	<u>(1,009)</u>	<u>(122)</u>	<u>(59)</u>
Cash flows from financing activities			
Net proceeds from acquisition financing.....	750	—	—
Issuance of common stock under employee plans.....	10	13	2
Repurchase of common stock.....	(16)	(44)	—
Repayment of long-term debt.....	(3)	(5)	(6)
Net cash provided by (used in) financing activities.....	<u>741</u>	<u>(36)</u>	<u>(4)</u>
Net (decrease) increase in cash and cash equivalents	(49)	(4)	52
Cash and cash equivalents, beginning of period.....	700	704	551
Cash and cash equivalents, end of period	<u>\$ 651</u>	<u>\$ 700</u>	<u>\$ 603</u>

¹ Certain reclassifications have been made to previously reported amounts to conform to the current period presentation.

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

**Reconciliation of Non-GAAP to GAAP Information
(in millions, except per share amounts)
(unaudited)**

	Non-GAAP² WD HDD	Media 09/05/07 - 09/28/07	IPR&D Charges	Notes	Non-GAAP Consol.	Tax Charges	GAAP
Revenue, net	\$ 1,726	\$ 40	\$ —		\$ 1,766	\$ —	\$ 1,766
Cost of revenue	<u>1,409</u>	<u>34</u>	<u>—</u>		<u>1,443</u>	<u>—</u>	<u>1,443</u>
Gross margin	<u>317</u>	<u>6</u>	<u>—</u>	A	<u>323</u>	<u>—</u>	<u>323</u>
Operating expenses							
Research and development	85	6	—		91	—	91
Selling, general and administrative	47	1	—		48	—	48
Acquired in-process research and development	<u>—</u>	<u>—</u>	<u>49</u>	B	<u>49</u>	<u>—</u>	<u>49</u>
Total operating expenses	<u>132</u>	<u>7</u>	<u>49</u>		<u>188</u>	<u>—</u>	<u>188</u>
Operating income	185	(1)	(49)		135	—	135
Net interest and other income	<u>8</u>	<u>(5)</u>	<u>—</u>	C	<u>3</u>	<u>—</u>	<u>3</u>
Income before income taxes	193	(6)	(49)		138	—	138
Income tax provision (benefit)	11	(2)	—	D	9	60	69
Net income	<u>\$ 182</u>	<u>\$ (4)</u>	<u>\$ (49)</u>		<u>\$ 129</u>	<u>\$ (60)</u>	<u>\$ 69</u>
Net income per common share:							
Basic	<u>\$.83</u>				<u>\$.59</u>		<u>\$.31</u>
Diluted	<u>\$.81</u>				<u>\$.58</u>		<u>\$.31</u>
Common shares used in computing per share amounts:							
Basic	<u>219</u>				<u>219</u>		<u>219</u>
Diluted	<u>224</u>				<u>224</u>		<u>224</u>

Footnotes

A. Media operations gross margin includes profit from external sales combined with the benefit from internally produced media for the period from September 5 through September 28, 2007, offset by incremental depreciation and amortization resulting from the acquired assets.

B. Acquisition related research and development expenses of \$49 million is a nonrecurring charge for acquired in-process research and development.

C. Media operations net interest and other income includes interest income on acquired cash, less interest expense related to the \$250 million of assumed indebtedness and \$750 million of acquisition bridge financing.

D. Tax adjustments of \$60 million consist of a \$63 million U.S. tax expense related to an intercompany licensing payment, offset by a \$3 million benefit for reduction of foreign tax contingency accruals.

² We believe the non-GAAP measures presented here are useful to investors as they provide an alternative method for measuring the operating performance of the Company on a non-GAAP basis, excluding the impact of the media operations from the date of acquisition (September 5, 2007), media-related in-process research and development charges and net non-recurring tax charges unrelated to the Komag acquisition. These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.