

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	<u>Dec. 29,</u> <u>2006</u>	<u>Jun. 30,</u> <u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 676	\$ 551
Short-term investments	154	148
Accounts receivable, net.....	668	481
Inventories.....	265	205
Other	<u>103</u>	<u>107</u>
Total current assets	1,866	1,492
Property and equipment, net.....	637	549
Other assets, net.....	<u>37</u>	<u>32</u>
Total assets.....	<u>\$ 2,540</u>	<u>\$ 2,073</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 816	\$ 632
Accrued expenses	140	131
Accrued warranty.....	72	71
Current portion of long-term debt.....	<u>28</u>	<u>25</u>
Total current liabilities	1,056	859
Long-term debt.....	21	19
Other liabilities.....	<u>38</u>	<u>38</u>
Total liabilities	1,115	916
Shareholders' equity.....	<u>1,425</u>	<u>1,157</u>
Total liabilities and shareholders' equity.....	<u>\$ 2,540</u>	<u>\$ 2,073</u>

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended			Six Months Ended	
	Dec. 29, 2006	Sept. 29, 2006	Dec. 30, 2005	Dec. 29, 2006	Dec. 30, 2005
Revenue, net.....	\$ 1,428	\$ 1,264	\$ 1,117	\$ 2,691	\$ 2,127
Cost of revenue.....	1,173	1,046	889	2,218	1,720
Gross margin.....	255	218	228	473	407
Operating expenses:					
Research and development.....	77	75	76	152	147
Selling, general and administrative.....	56	44	48	100	88
Total operating expenses.....	133	119	124	252	235
Operating income.....	122	99	104	221	172
Net interest and other income.....	6	7	3	13	5
Income before income taxes.....	128	106	107	234	177
Income tax provision.....	—	3	3	3	4
Net income.....	\$ 128	\$ 103	\$ 104	\$ 231	\$ 173
Net income per common share:					
Basic.....	\$.58	\$.47	\$.49	\$ 1.06	\$.81
Diluted.....	\$.57	\$.46	\$.47	\$ 1.02	\$.78
Common shares used in computing per share amounts:					
Basic.....	220	219	213	219	213
Diluted.....	226	225	221	226	221

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended		Six Months Ended	
	Dec. 29, 2006	Dec. 30, 2005 ¹	Dec. 29, 2006 ¹	Dec. 30, 2005 ¹
Cash flows from operating activities				
Net income.....	\$ 128	\$ 104	\$ 231	\$ 173
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization.....	50	39	94	74
Stock-based compensation.....	11	9	21	16
Deferred income taxes.....	(1)	—	—	—
Other non-cash items.....	—	7	—	7
Changes in operating assets and liabilities.....	(4)	(33)	(46)	(104)
Net cash provided by operating activities.....	184	126	300	166
Cash flows from investing activities				
Capital expenditures.....	(110)	(62)	(169)	(112)
Short-term investments, net.....	(6)	(19)	(6)	19
Net cash used in investing activities.....	(116)	(81)	(175)	(93)
Cash flows from financing activities				
Issuance of common stock under employee plans.....	14	17	16	29
Repurchase of common stock.....	—	(12)	—	(26)
Repayment of long-term debt.....	(9)	(6)	(16)	(11)
Net cash provided by (used in) financing activities....	5	(1)	—	(8)
Net increase in cash and cash equivalents.....	73	44	125	65
Cash and cash equivalents, beginning of period.....	603	506	551	485
Cash and cash equivalents, end of period.....	\$ 676	\$ 550	\$ 676	\$ 550

¹ Capital expenditures in the current period have been presented on a cash disbursements basis. The comparative amounts for capital expenditures and cash flows from operating activities have been reclassified to conform to the current period presentation.