

**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(in millions; unaudited)

	<u>Dec. 28,</u> <u>2007</u>	<u>Jun. 29,</u> <u>2007</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 917	\$ 700
Short-term investments .....	50	207
Accounts receivable, net.....	1,086	697
Inventories.....	459	259
Other .....	<u>141</u>	<u>166</u>
Total current assets .....	2,653	2,029
Property and equipment, net.....	1,560	741
Goodwill and other intangible assets, net.....	174	4
Other assets.....	<u>213</u>	<u>127</u>
Total assets.....	<u>\$ 4,600</u>	<u>\$ 2,901</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 1,216	\$ 882
Customer advances.....	51	—
Accrued expenses .....	234	163
Accrued warranty.....	80	73
Short-term debt.....	760	—
Current portion of long-term debt.....	<u>11</u>	<u>12</u>
Total current liabilities .....	2,352	1,130
Long-term debt.....	4	10
Other liabilities.....	<u>117</u>	<u>45</u>
Total liabilities .....	2,473	1,185
Shareholders' equity.....	<u>2,127</u>	<u>1,716</u>
Total liabilities and shareholders' equity.....	<u>\$ 4,600</u>	<u>\$ 2,901</u>

**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

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

	Three Months Ended			Six Months Ended	
	Dec. 28, 2007	Sept. 28, 2007	Dec. 29, 2006	Dec. 28, 2007	Dec. 29, 2006
Revenue, net.....	\$ 2,204	\$ 1,766	\$ 1,428	\$ 3,970	\$ 2,691
Cost of revenue.....	<u>1,691</u>	<u>1,443</u>	<u>1,173</u>	<u>3,134</u>	<u>2,218</u>
Gross margin.....	<u>513</u>	<u>323</u>	<u>255</u>	<u>836</u>	<u>473</u>
Operating expenses:					
Research and development.....	122	91	77	213	152
Selling, general and administrative.....	59	48	56	107	100
Acquired in-process research and development.....	<u>—</u>	<u>49</u>	<u>—</u>	<u>49</u>	<u>—</u>
Total operating expenses.....	<u>181</u>	<u>188</u>	<u>133</u>	<u>369</u>	<u>252</u>
Operating income.....	332	135	122	467	221
Net interest and other expense.....	<u>(16)</u>	<u>3</u>	<u>6</u>	<u>(13)</u>	<u>13</u>
Income before income taxes.....	316	138	128	454	234
Income tax provision.....	<u>11</u>	<u>69</u>	<u>—</u>	<u>80</u>	<u>3</u>
Net income.....	<u>\$ 305</u>	<u>\$ 69</u>	<u>\$ 128</u>	<u>\$ 374</u>	<u>\$ 231</u>
Net income per common share:					
Basic.....	<u>\$ 1.39</u>	<u>\$ .31</u>	<u>\$ .58</u>	<u>\$ 1.71</u>	<u>\$ 1.06</u>
Diluted.....	<u>\$ 1.35</u>	<u>\$ .31</u>	<u>\$ .57</u>	<u>\$ 1.66</u>	<u>\$ 1.02</u>
Common shares used in computing per share amounts:					
Basic.....	<u>220</u>	<u>219</u>	<u>220</u>	<u>219</u>	<u>219</u>
Diluted.....	<u>226</u>	<u>224</u>	<u>226</u>	<u>225</u>	<u>226</u>

**WESTERN DIGITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions; unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Dec. 28, 2007</u>	<u>Dec. 29, 2006</u>	<u>Dec. 28, 2007</u>	<u>Dec. 29, 2006</u>
<b>Cash flows from operating activities</b>				
Net income .....	\$ 305	\$ 128	\$ 374	\$ 231
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization .....	111	50	189	94
In-process research and development .....	—	—	49	—
Deferred income taxes .....	2	(1)	62	—
Stock-based compensation .....	9	11	17	21
Loss on short-term investments .....	8	—	8	—
Changes in operating assets and liabilities .....	84	(4)	39	(46)
Net cash provided by operating activities .....	<u>519</u>	<u>184</u>	<u>738</u>	<u>300</u>
<b>Cash flows from investing activities</b>				
Acquisitions, net of cash acquired .....	(4)	—	(915)	—
Capital expenditures .....	(169)	(110)	(332)	(169)
Short-term investments, net .....	142	(6)	207	(6)
Net cash used in investing activities .....	<u>(31)</u>	<u>(116)</u>	<u>(1,040)</u>	<u>(175)</u>
<b>Cash flows from financing activities</b>				
Acquisition-related debt, net .....	(240)	—	510	—
Issuance of common stock under employee plans .....	22	14	32	16
Repurchase of common stock .....	—	—	(16)	—
Repayment of long-term debt .....	(4)	(9)	(7)	(16)
Net cash provided by (used in) financing activities .....	<u>(222)</u>	<u>5</u>	<u>519</u>	<u>—</u>
Net increase in cash and cash equivalents .....	266	73	217	125
Cash and cash equivalents, beginning of period .....	651	603	700	551
Cash and cash equivalents, end of period .....	<u>\$ 917</u>	<u>\$ 676</u>	<u>\$ 917</u>	<u>\$ 676</u>