

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	<u>Dec. 26,</u> <u>2008</u>	<u>Jun. 27,</u> <u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 1,376	\$ 1,104
Accounts receivable, net.....	926	1,010
Inventories.....	446	456
Other	<u>147</u>	<u>161</u>
Total current assets	2,895	2,731
Property and equipment, net.....	1,620	1,668
Goodwill	116	116
Other intangible assets, net.....	70	81
Other assets.....	<u>270</u>	<u>279</u>
Total assets.....	<u>\$ 4,971</u>	<u>\$ 4,875</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 1,075	\$ 1,181
Accrued expenses.....	243	266
Accrued warranty.....	94	90
Current portion of long-term debt.....	<u>60</u>	<u>27</u>
Total current liabilities	1,472	1,564
Long-term debt.....	444	482
Other liabilities.....	<u>134</u>	<u>133</u>
Total liabilities	2,050	2,179
Shareholders' equity.....	<u>2,921</u>	<u>2,696</u>
Total liabilities and shareholders' equity.....	<u>\$ 4,971</u>	<u>\$ 4,875</u>

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Dec. 26, 2008</u>	<u>Dec. 28, 2007</u>	<u>Dec. 26, 2008</u>	<u>Dec. 28, 2007</u>
Revenue, net.....	\$ 1,823	\$ 2,204	\$ 3,933	\$ 3,970
Cost of revenue.....	<u>1,533</u>	<u>1,691</u>	<u>3,219</u>	<u>3,134</u>
Gross margin.....	<u>290</u>	<u>513</u>	<u>714</u>	<u>836</u>
Operating expenses:				
Research and development.....	119	122	252	213
Selling, general and administrative.....	42	59	99	107
Acquired in-process research and development	—	—	—	49
Restructuring.....	<u>113</u>	<u>—</u>	<u>113</u>	<u>—</u>
Total operating expenses	<u>274</u>	<u>181</u>	<u>464</u>	<u>369</u>
Operating income.....	16	332	250	467
Net interest and other.....	<u>(9)</u>	<u>(16)</u>	<u>(13)</u>	<u>(13)</u>
Income before income taxes	7	316	237	454
Income tax provision (benefit)	<u>(7)</u>	<u>11</u>	<u>12</u>	<u>80</u>
Net income.....	<u>\$ 14</u>	<u>\$ 305</u>	<u>\$ 225</u>	<u>\$ 374</u>
Net income per common share:				
Basic	<u>\$ 0.06</u>	<u>\$ 1.39</u>	<u>\$ 1.01</u>	<u>\$ 1.71</u>
Diluted.....	<u>\$ 0.06</u>	<u>\$ 1.35</u>	<u>\$ 1.00</u>	<u>\$ 1.66</u>
Common shares used in computing per share amounts:				
Basic	<u>222</u>	<u>220</u>	<u>222</u>	<u>219</u>
Diluted.....	<u>224</u>	<u>226</u>	<u>225</u>	<u>225</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. 26, 2008</u>	<u>Dec. 28, 2007</u>	<u>Dec. 26, 2008</u>	<u>Dec. 28, 2007</u>
Cash flows from operating activities				
Net income.....	\$ 14	\$ 305	\$ 225	\$ 374
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization.....	122	111	239	189
In-process research and development	—	—	—	49
Deferred income taxes	(7)	2	(7)	62
Stock-based compensation	11	9	21	17
Loss on investments.....	6	8	9	8
Non-cash portion of restructuring.....	80	—	80	—
Changes in operating assets and liabilities	74	84	34	39
Net cash provided by operating activities	<u>300</u>	<u>519</u>	<u>601</u>	<u>738</u>
Cash flows from investing activities				
Acquisitions, net of cash acquired.....	—	(4)	—	(915)
Capital expenditures.....	(140)	(169)	(302)	(332)
Investments, net.....	—	142	1	207
Net cash used in investing activities.....	<u>(140)</u>	<u>(31)</u>	<u>(301)</u>	<u>(1,040)</u>
Cash flows from financing activities				
Acquisition-related debt, net.....	—	(240)	—	510
Issuance of common stock under employee plans, net.....	10	22	9	32
Repurchase of common stock.....	—	—	(36)	(16)
Tax benefit from employee stock plans	(4)	—	4	—
Repayment of long-term debt.....	(3)	(4)	(5)	(7)
Net cash provided by (used in) financing activities....	<u>3</u>	<u>(222)</u>	<u>(28)</u>	<u>519</u>
Net increase in cash and cash equivalents	163	266	272	217
Cash and cash equivalents, beginning of period.....	1,213	651	1,104	700
Cash and cash equivalents, end of period	<u>\$ 1,376</u>	<u>\$ 917</u>	<u>\$ 1,376</u>	<u>\$ 917</u>