



December 5, 2011

**Thailand Floods 2011 and Business Update
Western Digital
FAQ**

- 1. Will WD be providing an update on its recovery effort sometime this quarter?**
 - a. We provided an update on December 1, which can be found here:
<http://www.wdc.com/en/company/pressroom/releases.aspx?release=26f90961-033a-4886-83fd-566c63fe9c1d> .
- 2. Does the head supply agreement with SAE/TKD announced in the 8K filing on November 16, 2011, include slider capacity?**
 - a. Yes.
- 3. Can you quantify the incremental capacity involved in the agreement?**
 - a. This is a meaningful agreement with a long time strategic partner; we are not providing any granularity beyond that.
- 4. Is there any update on the approval and closure of your acquisition of HGST?**
 - a. The company is working to satisfy the remedy provision included in the European Commission's recent conditional approval of the transaction and to obtain approvals from the remaining regulatory authorities. Subject to completing these actions, the company is now expecting to close the transaction by March 2012.
- 5. How is WD affected by the Thailand floods in October?**
 - a. The torrential flooding in Thailand in October has claimed hundreds of lives, displaced hundreds of thousands of residents and directly and profoundly impacted thousands of businesses. Western Digital's business is one of those. While many of our employees have been severely impacted, we're thankful they all are safe.
 - b. In mid-October we temporarily suspended production at our two factories in Thailand, which have been inundated by floodwater, to protect our employees and our equipment and facilities. We manufacture approximately 60 percent of our hard



drives in Thailand, with the remainder in Malaysia. Many of our component suppliers have been impacted, as well, leaving material for hard drive production and hard drive supply to customers considerably constrained.

6. How long will WD's Thailand facilities be shut down?

a. As of December 1, 2011:

- We re-started production of hard drives this week in one of our buildings in Bang Pa-in (BPI), Thailand, one week ahead of internal schedules. This facility had been submerged in some six feet of water since October 15, the estate was pumped dry on November 17, main power was restored on November 26 and production restarted November 30;
- We have removed all submerged slider manufacturing equipment from the BPI facilities for assessment, decontamination and refurbishment and have commenced decontamination and restoration of its remaining buildings in BPI;
- We expect to recommence head slider production in BPI in the March 2012 quarter (Q3 FY'12) and also begin production in a new WD slider fab location in Penang, Malaysia, in the same time frame; and
- Our other Thailand hard drive facilities at Navanakorn remain under approximately two feet of water. The industrial estate is expected to be pumped dry within ten days at which point the work of decontamination and refurbishment will commence.
- Factories in Malaysia and Singapore are operational. We also are working to maximize output at our Malaysian manufacturing facility and are pursuing options at other locations.

7. How many employees do you have in Thailand? Are employees safe?

- a. We employ approximately 37,000 people in the country.
- b. While many of our employees have been severely impacted, we're thankful they all are safe.

8. What are the specific locations of WD's facilities in Thailand?

- a. Navanakorn and Bang Pa-In industrial estates, which are north of the city of Bangkok.

9. What is manufactured at those facilities?



- a. The flooded buildings in Thailand include hard drive assembly, drive testing and slider (recording head) fabrication facilities, where a substantial majority of our slider manufacturing resides.

10. How much of WD's manufacturing output is affected?

- a. We manufacture approximately 60 percent of our hard drives in Thailand, with the remainder in Malaysia.

11. What other HDD components are affected and in short supply?

- a. We are experiencing shortages on component parts from vendors located in several Thai industrial parks that also have been inundated by the floods, or have been affected by protective plant shutdowns.
- b. These are mostly mechanical components, which were produced locally.

12. How long will hard drive supply be affected?

- a. This is a complex and dynamic situation that will require extensive rebuilding for the Thai people and government, and bring unprecedented challenges to the HDD industry for multiple quarters.

13. What impact will this have on pricing?

- a. Limited component availability throughout the HDD supply chain and efforts by manufacturers to bring systems back online as quickly as possible may have the effect of raising hard drive prices. Market forces along the distribution chain (outside the control of HDD manufacturers) also could impact prices.

14. Which WD products are affected?

- a. The production of most classes of WD hard drives is affected, to varying degrees. In our allocation of resources to types of products, we are focused on matching our production mix to the needs of our customers.

15. How is WD allocating its limited supply of hard drives to customers?

- a. Our intent is to be as balanced as possible in our approach to satisfying all of our customer's requirements, across geographies and market segments, while we deal with our constraints and those of suppliers.



16. What is WD doing to speed its recovery?

- a. We are working to safely accelerate the water removal from Navanakorn.
- b. We are working with our suppliers to effect the recovery of their supply chain and to ramp existing capacity in other locations.
- c. We are proceeding with all possible haste and ingenuity to address the situation because we are mindful of the impact on our employees, customers, suppliers, shareholders and the communities in which we operate.
- d. We are pursuing all possible options to ramp production in Thailand and maximize our Malaysian facility's throughput.

17. Why are so many hard drive companies and related suppliers concentrated in the same area?

- a. Industry clustering is a common feature of most industries. This achieves cost synergies, saves freight costs and leverages the skills of the local labor pool. This enables us to meet the economic requirements of the broader PC industry.
- b. The disk drive industry is highly competitive. Consequently, all components of the supply chain focus very heavily on cost in order to meet the price parameters demanded by our customers. Our sourcing strategy (internal/external) is intended to somewhat mitigate the risk.

Safe Harbor Statement:

This Q&A document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements concerning the impact of the flooding in Thailand on the industry and our business, including HDD capacity, our planned operations recovery efforts and the costs and expenses incurred in connection with these efforts, and our ability to complete these recovery efforts. These forward-looking statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including those listed in WD's Form 10-Q filed with the SEC on October 28, 2011, to which your attention is directed. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and WD undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

