

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 29, 2004

WESTERN DIGITAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other
Jurisdiction of
Incorporation)

1-08703
(Commission
File Number)

33-0956711
(I.R.S. Employer
Identification No.)

20511 Lake Forest Drive, Lake Forest, California
(Address of Principal Executive Offices)

92630
(Zip Code)

(Registrant's telephone number, including area code): **(949) 672-7000**

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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Item 12. Results of Operations and Financial Condition

On July 29, 2004, Western Digital Corporation (the "Company") announced financial results for the fourth fiscal quarter and fiscal year ended July 2, 2004. A copy of the press release making this announcement is attached hereto as Exhibit 99.1 and is incorporated herein by reference. A copy of the Company's Investor Information Summary for the fiscal quarter ended July 2, 2004 is attached hereto as Exhibit 99.2 and incorporated herein by reference.

The Company's press release reports net income and earnings per share on a GAAP and a non-GAAP basis for the full fiscal year ended July 2, 2004 and for the fourth fiscal quarter and full fiscal year ended June 27, 2003. The non-GAAP measures presented in the press release for the full fiscal year ended July 2, 2004 exclude \$50.4 million of first quarter start-up expenses and other one-time charges related to the Company's acquisition of Read-Rite Corp. in July 2003 and their related tax effects. The non-GAAP measures presented for the fourth fiscal quarter and year ended June 27, 2003 exclude a \$3.4 million gain on the sale of investment securities, an \$18.5 million loss on the settlement of litigation and their related tax effects. The Company believes that the non-GAAP measures presented in the press release are useful to investors in comparing the results of the quarter and the full fiscal year with prior periods because they provide investors with a basis to measure the core operating performance of the Company's business against prior periods without regard to the start-up expenses and other one-time charges described above. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. As used herein, "GAAP" refers to accounting principles generally accepted in the United States.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WESTERN DIGITAL CORPORATION

By: /s/ Raymond M. Bukaty

Raymond M. Bukaty
*Senior Vice President, General
Counsel and Secretary*

Dated: July 29, 2004

INDEX TO EXHIBITS

| Exhibit | Description |
|----------------|---|
| 99.1 | Press Release issued by Western Digital Corporation on July 29, 2004 announcing financial results for the fourth fiscal quarter and fiscal year ended July 2, 2004. |
| 99.2 | Fourth Quarter Fiscal Year 2004 Western Digital Corporation Investor Information Summary. |

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FOR IMMEDIATE RELEASE:

**WESTERN DIGITAL ANNOUNCES FOURTH QUARTER REVENUE OF
\$749 MILLION AND NET INCOME OF \$.14 PER SHARE**

***Results Reflect Strong Execution, Sustained Cash Flow Generation in
Challenging Industry Pricing Environment***

LAKE FOREST, Calif. - July 29, 2004 - Western Digital Corp. (NYSE: WDC) today reported revenue of \$749 million on shipments of approximately 12.5 million units, and net income of \$29.6 million, or \$.14 per share, for its fourth fiscal quarter ended July 2, 2004.

A year ago in the June 2003 quarter, Western Digital produced revenue of \$680 million, shipped approximately 10.5 million units and earned \$31.0 million, or \$.15 per share. On a year-over-year basis, revenue grew 10 percent and units increased 19 percent. Net income in the year-ago period included a \$3.4 million gain on the sale of investment securities and an \$18.5 million loss on settlement of litigation. Excluding these items and the related tax effects, net income in the year-ago period on a non-GAAP basis would have been \$45.5 million, or \$.21 per share.¹

¹ The net income amount of \$200 million, or \$.92 per share, for fiscal 2004 is a non-GAAP measure that excludes \$50.4 million of start-up expenses and other one-time charges related to the Read-Rite asset acquisition, reduced by \$1.3 million, the amount of tax expense that would have been recorded had these charges not been incurred. The net income amounts of \$45.5 million, or \$.21 per share, for the June 2003 quarter and \$197 million, or \$.96 per share, for fiscal 2003 are non-GAAP measures that exclude \$3.4 million of investment gains and an \$18.5 million loss on settlement of litigation, reduced by \$0.6 million, the net amount of tax expense that would have been recorded had these transactions not occurred.

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Matt Massengill, chairman and chief executive officer of Western Digital, stated: "Sustained execution of our business model is serving us well in a demanding hard drive industry environment. We have strengthened customer relationships in our core desktop hard drive market through predictable supply of high quality products and we continued to expand our business in adjacent storage markets such as digital video recorders and non-PC, IT applications with Serial ATA hard drives. Relative to the hard drive industry, we achieved outstanding financial results, validating the low-cost structure we have put in place to remain profitable even in the most challenging of business environments.

"Reflecting our focus on cash generation, we realized \$73 million cash from operations in the quarter. On a full fiscal year basis, we generated \$190 million cash flow from operations and ended with \$378 million of cash, even with our acquisition of the Read-Rite assets and the related volume production ramp of heads," said Massengill. The company also repurchased approximately 1.9 million shares of its common stock in the quarter at a total cost of \$16 million.

The company indicated that fourth quarter pricing in the distribution channel was very aggressive and that it experienced a higher mix of business with OEM customers, which is typically lower gross margin business than distribution. These factors resulted in lower total gross margins of 13.5 percent.

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For the year ended July 2, 2004, Western Digital reported revenue of \$3.0 billion, net income of \$151.3 million and diluted earnings per share of \$.70, compared to \$2.7 billion, \$182.1 million and \$.89, respectively, for the prior year ended June 27, 2003.

The fiscal 2004 results included \$50.4 million of first quarter start-up expenses and other one-time charges related to the Read-Rite asset acquisition. Excluding these items and the related tax effects, net income on a non-GAAP basis would have been \$200 million, or \$.92 per share. In the year-ago period, net income included a \$3.4 million gain on sale of investment securities and an \$18.5 million loss on settlement of litigation. Excluding these items and the related tax effects, net income on a non-GAAP basis would have been \$197 million, or \$.96 per share.¹

The investment community conference call to discuss these results and the company's outlook will be broadcast live over the Internet today at 2 p.m. PDT/5 p.m. EDT. The call will be accessible live and on an archived basis on the company's Web site at the following link: <http://www.westerndigital.com/invest> - - click on Conference Calls. A telephone replay will also be available at 888.562.0227 (toll-free) or 402.998.1410 (International).

About Western Digital

Western Digital, one of the storage industry's pioneers and long-time leaders, provides products and services for people and organizations that collect, manage and use digital information. The company produces reliable, high-performance hard drives that keep users' data close-at-hand and secure from loss.

¹ The net income amount of \$200 million, or \$.92 per share, for fiscal 2004 is a non-GAAP measure that excludes \$50.4 million of start-up expenses and other one-time charges related to the Read-Rite asset acquisition, reduced by \$1.3 million, the amount of tax expense that would have been recorded had these charges not been incurred. The net income amounts of \$45.5 million, or \$.21 per share, for the June 2003 quarter and \$197 million, or \$.96 per share, for fiscal 2003 are non-GAAP measures that exclude \$3.4 million of investment gains and an \$18.5 million loss on settlement of litigation, reduced by \$0.6 million, the net amount of tax expense that would have been recorded had these transactions not occurred.

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Western Digital was founded in 1970. The company's storage products are marketed to leading systems manufacturers and selected resellers under the Western Digital brand name. Visit the Investor section of the company's Web site (www.westerndigital.com) to access a variety of financial and investor information.

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Western Digital and the Western Digital logo are registered trademarks of Western Digital Technologies, Inc. All other trademarks herein are property of their respective owner.

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

| | Three Months Ended | | | Year Ended | |
|---|--------------------|------------------|------------------|-----------------|-------------------|
| | Jul. 2, 2004 | Mar. 26, 2004 | Jun. 27, 2003 | Jul. 2, 2004 | Jun. 27, 2003* |
| Revenue, net | \$ 748.8 | \$ 748.9 | \$ 680.3 | \$ 3,046.7 | \$ 2,718.5 |
| Cost of revenue | 647.9 | 626.3 | 587.1 | 2,585.1 | 2,275.6 |
| Gross margin | 100.9 | 122.6 | 93.2 | 461.6 | 442.9 |
| Operating expenses: | | | | | |
| Research and development | 46.8 | 46.5 | 33.6 | 201.0 | 134.7 |
| Selling, general and administrative | 24.3 | 27.2 | 31.2 | 105.7 | 121.4 |
| Total operating expenses | 71.1 | 73.7 | 64.8 | 306.7 | 256.1 |
| Operating income | 29.8 | 48.9 | 28.4 | 154.9 | 186.8 |
| Net interest and other income (expense) | (0.1) | 0.1 | 3.9 | 0.3 | 2.9 |
| Income before income taxes | 29.7 | 49.0 | 32.3 | 155.2 | 189.7 |
| Income tax expense | (0.1) | (1.1) | (1.3) | (3.9) | (7.6) |
| Net income | \$ 29.6 | \$ 47.9 | \$ 31.0 | \$ 151.3 | \$ 182.1 |

Net income per common share:

| | | | | | |
|---------|--------|--------|--------|--------|--------|
| Basic | \$.14 | \$.23 | \$.16 | \$.74 | \$.93 |
| Diluted | \$.14 | \$.22 | \$.15 | \$.70 | \$.89 |

Common shares used in computing per share amounts:

| | | | | | |
|---------|-------|-------|-------|-------|-------|
| Basic | 206.5 | 206.7 | 200.0 | 205.7 | 195.6 |
| Diluted | 215.5 | 217.5 | 213.5 | 216.7 | 205.5 |

* Certain reclassifications have been made to the previously reported fiscal year 2003 information to conform to the current period presentation.

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)
(unaudited)

| | <u>Jul. 2, 2004</u> | <u>Jun. 27, 2003*</u> |
|---|-------------------------|---------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 377.8 | \$ 393.2 |
| Accounts receivable, net | 313.1 | 243.9 |
| Inventories | 148.6 | 97.8 |
| Other | 17.8 | 9.2 |
| Total current assets | 857.3 | 744.1 |
| Property and equipment, net | 274.7 | 122.1 |
| Other assets, net | 27.2 | -- |
| Total assets | \$ 1,159.2 | \$ 866.2 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 434.9 | \$ 364.6 |
| Accrued expenses | 136.8 | 141.1 |
| Current portion of long-term debt | 15.2 | -- |
| Total current liabilities | 586.9 | 505.7 |
| Other liabilities | 32.0 | 33.1 |
| Long-term debt | 52.7 | -- |
| Shareholders' equity: | | |
| Common stock | 2.1 | 2.0 |
| Additional paid-in capital | 668.4 | 659.6 |
| Accumulated deficit | (182.9) | (334.2) |
| Total shareholders' equity | 487.6 | 327.4 |
| Total liabilities and shareholders' equity | \$ 1,159.2 | \$ 866.2 |

* Certain reclassifications have been made to the previously reported fiscal year 2003 information to conform to the current period presentation.

WESTERN DIGITAL CORPORATION
INVESTOR INFORMATION SUMMARY
Q4 FY2004 (All \$ amounts in millions)

| | Q4 FY03 | Q1 FY04 | Q2 FY04 | Q3 FY04 | Q4 FY04 |
|--|----------------|----------------|----------------|----------------|----------------|
| REVENUE: | \$680 | \$714 | \$835 | \$749 | \$749 |
| REVENUE BY CHANNEL: | | | | | |
| OEM | 52% | 53% | 51% | 49% | 53% |
| DISTRIBUTORS | 41% | 40% | 43% | 43% | 41% |
| RETAIL | 7% | 7% | 6% | 8% | 6% |
| REVENUE BY GEOGRAPHY: | | | | | |
| AMERICAS | 46% | 38% | 41% | 42% | 44% |
| EUROPE | 26% | 30% | 31% | 30% | 27% |
| ASIA | 28% | 32% | 28% | 28% | 29% |
| REVENUE CONCENTRATION: | | | | | |
| 10 LARGEST CUSTOMERS | 57% | 53% | 56% | 51% | 54% |
| HARD DRIVE UNITS (in millions): | 10.5 | 11.3 | 12.7 | 11.8 | 12.5 |
| WORLDWIDE HEADCOUNT: | 11,508 | 15,559 | 16,843 | 17,162 | 17,328 |
| ASSET MANAGEMENT: | | | | | |
| DAYS SALES OUTSTANDING | 33 | 42 | 39 | 37 | 38 |
| INVENTORY DETAIL: | | | | | |
| RAW MATERIALS | \$12 | \$10 | \$19 | \$9 | \$26 |
| WORK IN PROCESS | \$20 | \$51 | \$58 | \$67 | \$52 |
| FINISHED GOODS | <u>\$66</u> | <u>\$62</u> | <u>\$79</u> | <u>\$73</u> | <u>\$71</u> |
| TOTAL INVENTORY, NET | \$98 | \$123 | \$156 | \$149 | \$149 |
| INVENTORY TURNS | 24 | 20 | 18 | 17 | 17 |