



September 2005

Dear Shareholders,

Seagate delivered outstanding performance in fiscal year 2005, while setting a number of company and industry records in the process. We achieved this by offering the broadest set of products across the widest set of markets and the largest customer base in the industry.

**A record-setting year**

Seagate's technology, product, and cost leadership resulted in record performance in fiscal 2005. Annual revenue grew 21% to \$7.6 billion dollars. Annual shipments grew 24% to 98 million units. Cash generated from operations was \$1.4 billion and we exited the fiscal year with \$1.8 billion in cash and cash equivalents, and short-term investments. Most impressively, annual net income rose 34% to \$707 million dollars, ranking Seagate in the top 2% of U.S. technology companies.

Seagate's fiscal 2005 was defined by two primary events. First, we delivered products for markets that we previously did not serve, moving our market coverage from roughly 75% to approximately 97%. Additionally, the revenue Seagate generated from disc drives used in consumer electronics devices grew rapidly, from less than 5% of total revenue in fiscal 2004 to approximately 13% in fiscal 2005. These events led to our strong financial and operating performance during the typically slower seasonal March and June quarters, which was an achievement that is without precedent in the disc drive industry.

We continue to innovate to meet our customers' growing needs as evidenced by our announcement this year of 10 new products for a wide range of markets, extending our coverage even further across consumer electronics, Notebooks, Servers, Gaming, PCs and Enterprise systems.

Beyond our category leadership position in the storage industry, Seagate strives to be a leader in global citizenship. In fiscal 2005 we further strengthened our commitment and continue to lead the way in ensuring that our products and services are delivered to customers around the world in ways that safeguard our environment as well as the health and well-being of our employees and our communities.

**Hard drives everywhere**

The growth we experienced and the exciting opportunities we see ahead are a significant evolutionary change that is occurring in the disc drive industry, as our products have become a central, enabling technology for an increasingly wide range of products and applications. Disc drives have extended their adoption beyond traditional computing to include hand-held media players, digital video recorders for TV, home networks, gaming consoles, PDAs, and media servers, and these new products are fundamentally changing the way people use information. Additionally, these new applications are being created by a diverse customer base, requiring a wide range of storage products to meet their needs, as well as the traditional customers and applications that are driving new opportunities in traditional markets for storage.

Seagate has anticipated these new market dynamics over the past 5 years and has directed its R&D and manufacturing investments to offer the most technically advanced, lowest cost products to the widest range of markets. As a result, Seagate has seen growth in every market in which we compete.

**A growth company in a growth industry**

The industry has shipped more hard disc drives in the last 5 years than were shipped in the previous 25 years. We believe this is the beginning of a new, exciting, long-term growth cycle for the industry. I say we're at the *beginning*, because while gaming, digital video recorder (DVR) and handheld digital music applications have fueled the initial phase of the consumer electronics growth, there are still many more applications and much more opportunity to come. Countless new products and applications are on the horizon that will need storage, from mobile phones, automobiles, digital home devices, handheld entertainment systems, and other devices that will enable you to take your information with you everywhere and share it with anyone.

Seagate's fiscal 2005 performance reflects the outstanding contribution from its employees throughout the world. As we enter this new phase of growth in storage related applications, we are confident that Seagate is well positioned to continue its industry leadership.

A handwritten signature in black ink, appearing to read "Stephen J. Luczo". The signature is fluid and cursive, with the first name "Stephen" and last name "Luczo" clearly distinguishable.

Stephen J. Luczo  
Chairman, Seagate Technology