

# Analyst and Investor Meeting

September 7, 2007

Please note:

Background graphics and other cosmetic images have been removed from this version of the presentation for ease of printing and to reduce file size.

# Agenda

**Business Climate**

**Bill Watkins**

**The New Glass House**

**Brian Dexheimer**

**Break**

**Product Exhibit Area Open**

**Category Leadership**

**Dave Wickersham**

**Financial Model Framework**

**Charles Pope**

**Closing Comments**

**Bill Watkins**

**Q&A Session**

**All**

**Lunch**

**Product Exhibit Area Open**

# Safe Harbor

Today's presentation may include predictions, estimates or other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. Throughout today's discussion, we will attempt to present some important factors relating to our business that may affect our predictions. Please review our current SEC filings for a more complete discussion of our risk factors.

A replay of the audio from today's presentation and question-and-answer period, as well as the presentation slides, will be available through Seagate's investor relations web site at [www.seagate.com/newsinfo/invest](http://www.seagate.com/newsinfo/invest) on September 10.

# Analyst and Investor Meeting

Bill Watkins  
CEO

The Environment

The Technology

The Model

Solid State Storage

# Not If, but..

**WHEN**

**WHERE**

**WHY**

**HOW**



# Analyst and Investor Meeting

Brian Dexheimer  
Chief Sales & Marketing Officer

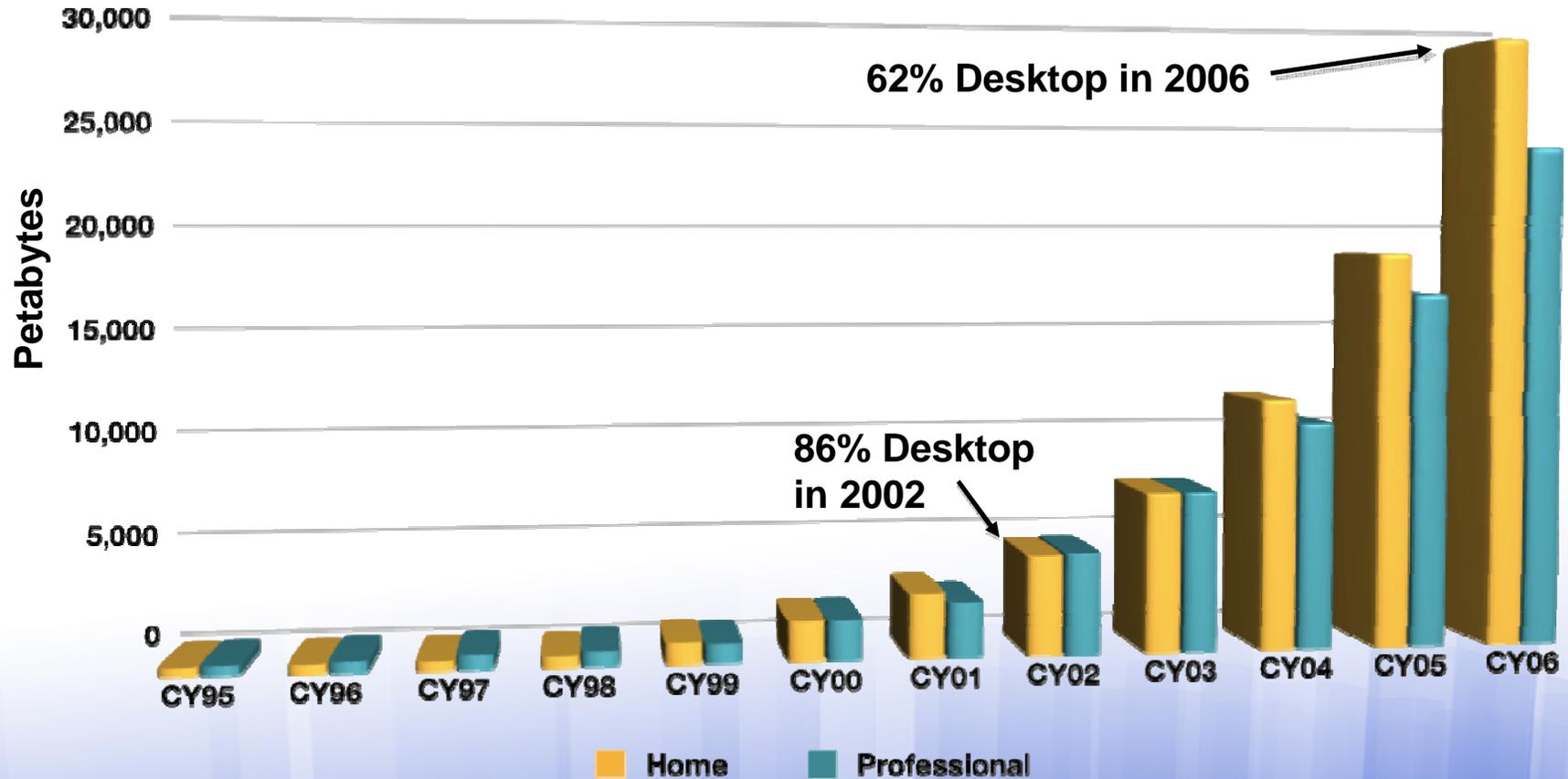
# Digital Storage Landscape

- **Growth** – The New Glass House
- **Industry Structure** – Changes in the Neighborhood
- **Flash** – Where and When?

# Growth: The New Glass House

# Home Leads Storage Consumption

70% CAGR



**Shift driven by mobility, CE, expansion, protection**

# A Digital Content Invasion

Google™

snapfish

YouTube



CinemaNow



sling  
MEDIA

photobucket

SWAPDRIVE

YAHOO!

myspace.com®  
a place for friends

facebook



amazonunbox™  
Video Downloads



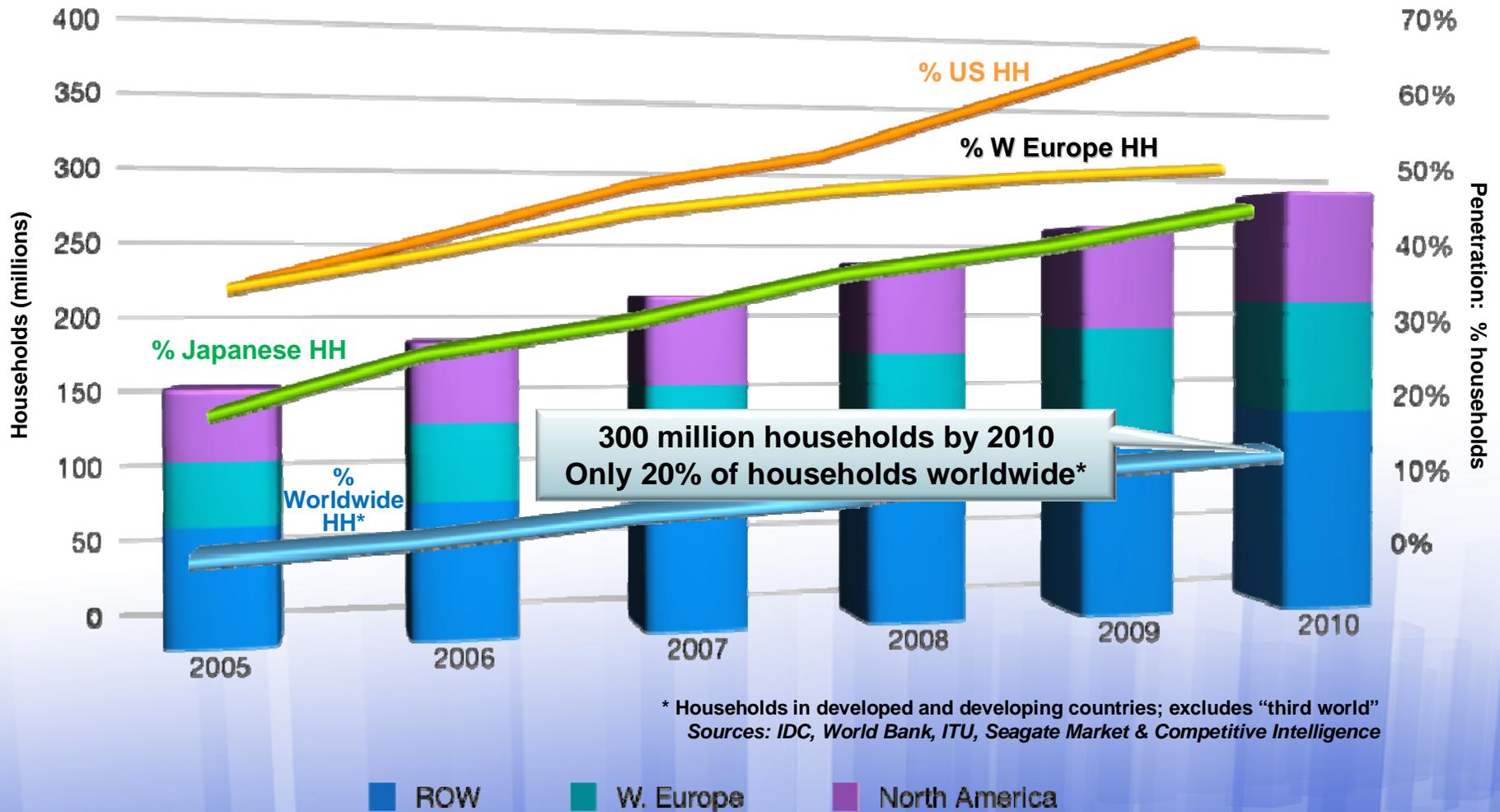
# A Digital Content Invasion



- Multiple business models emerging
- Primary source of content to/from the home
- “Feeds” the content mobility segment
- Route to social networks
- Mostly “open” system, with viral scale
- Infrastructure reaching critical mass

# A Path for Rich Media Consumption

## Broadband Deployment

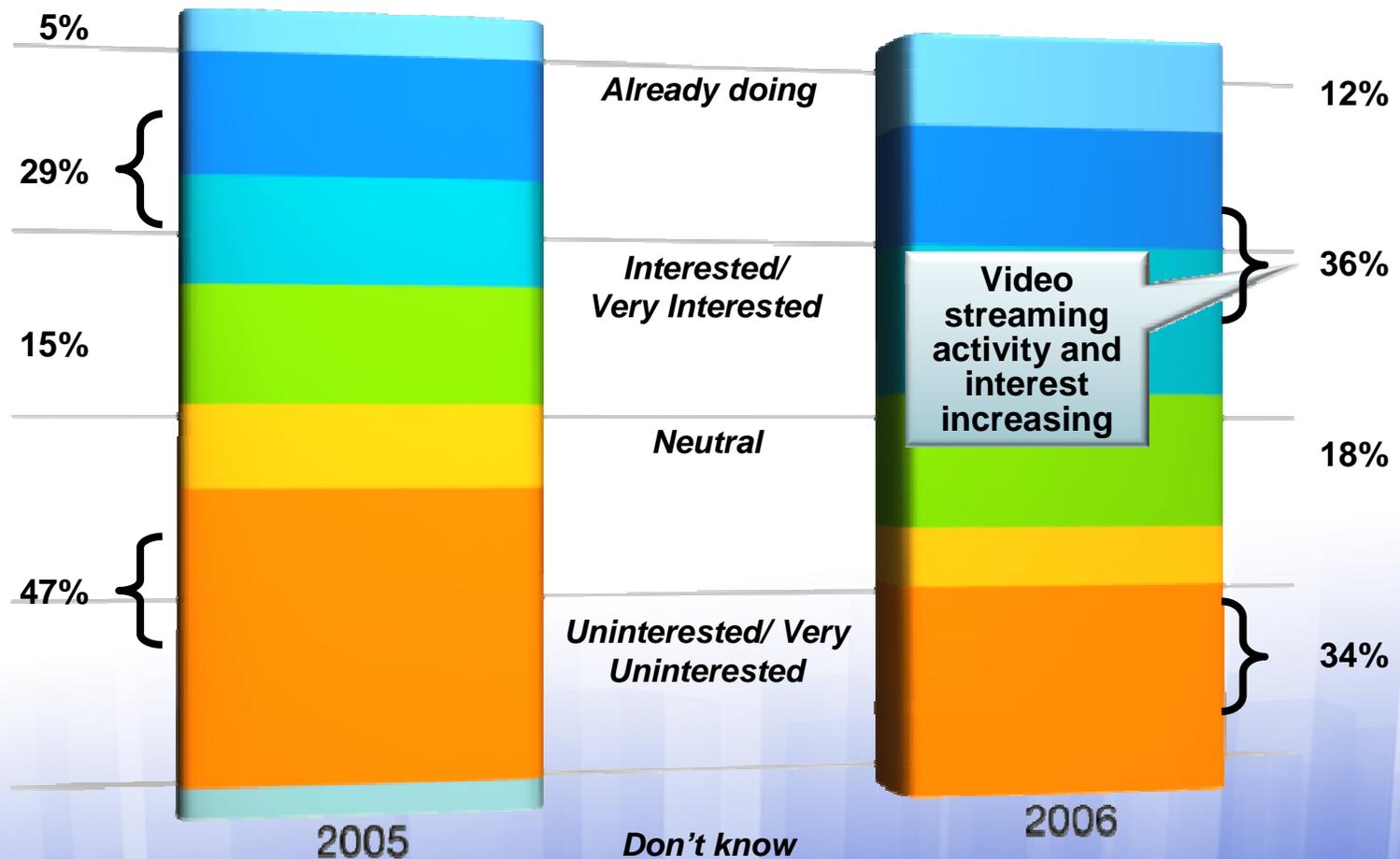


# Consumption:

Digital Gluttons Multiply

# Consumers Want to Stream Content

US Video Streaming Interest\*



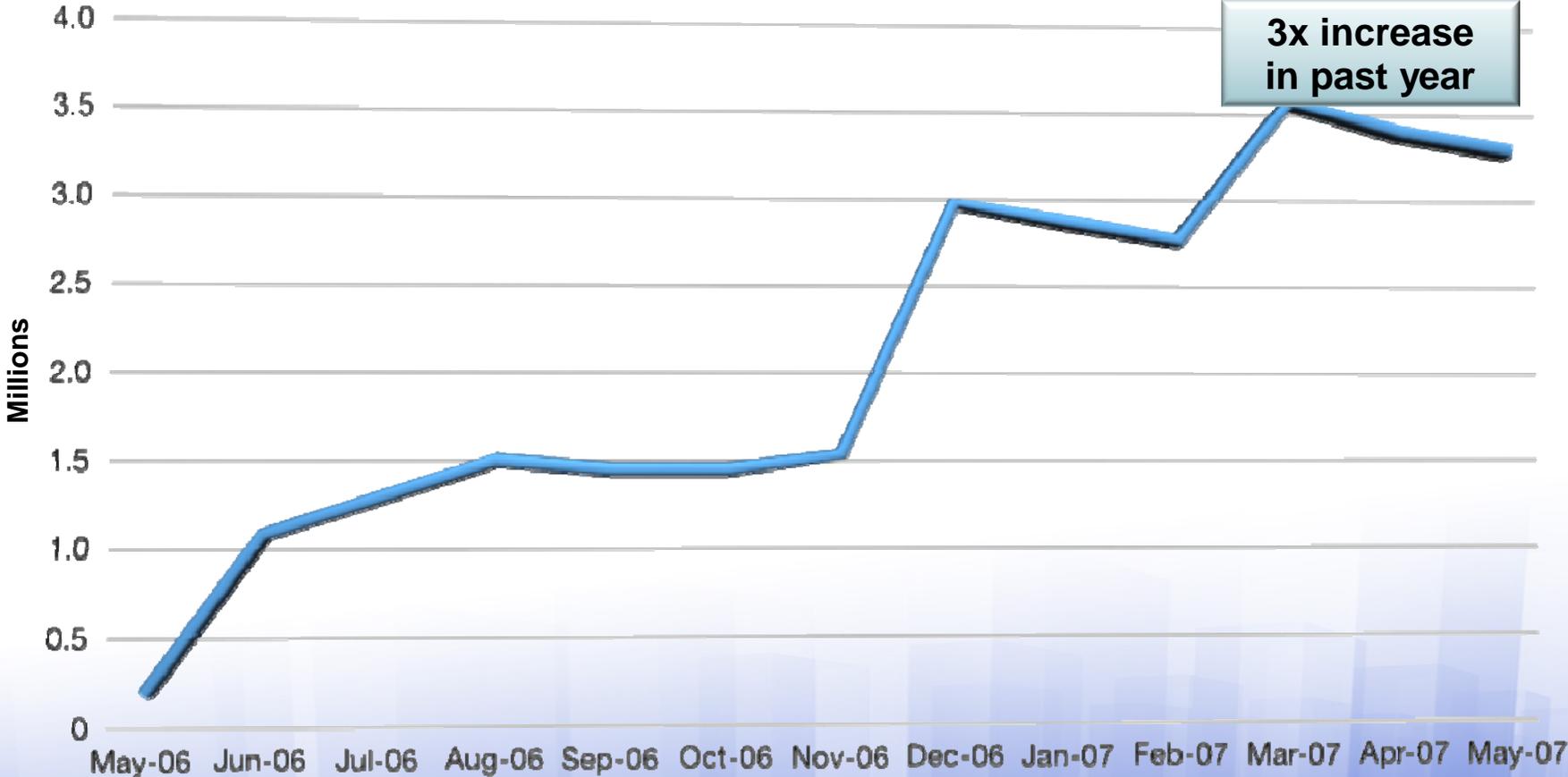
\*Base=US home network owners

Source: IDC, draft report Network-enabled video devices

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# iTunes: A Content Funnel

People Count

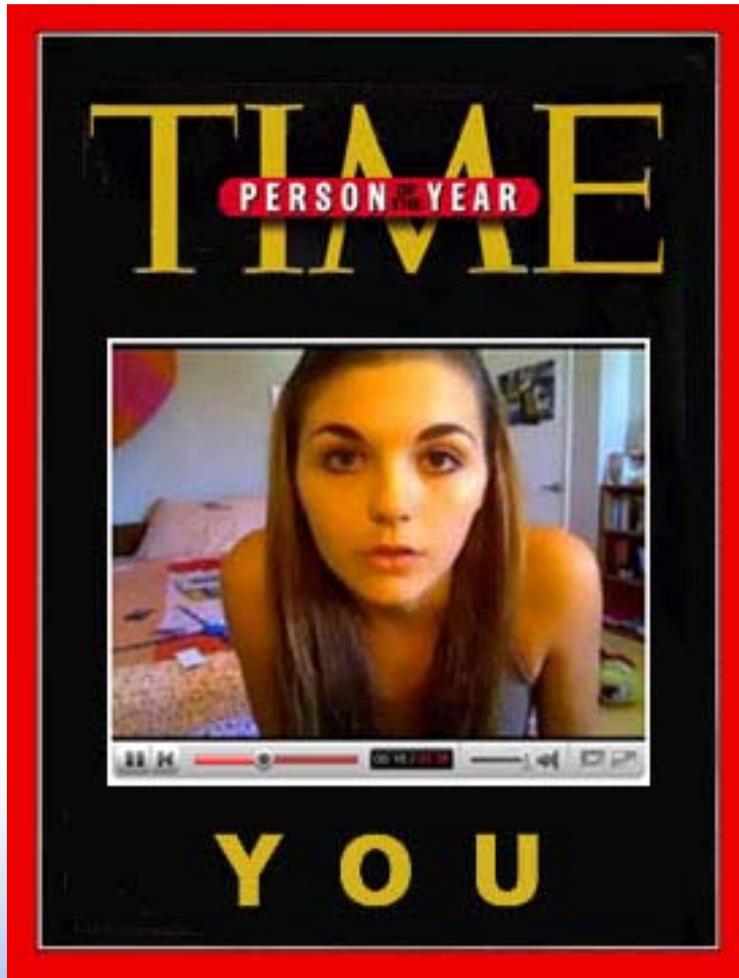


Source: [compete.com](http://compete.com)

# Creation:

Now Everyone's an Artist

# Exponential User-generated Content

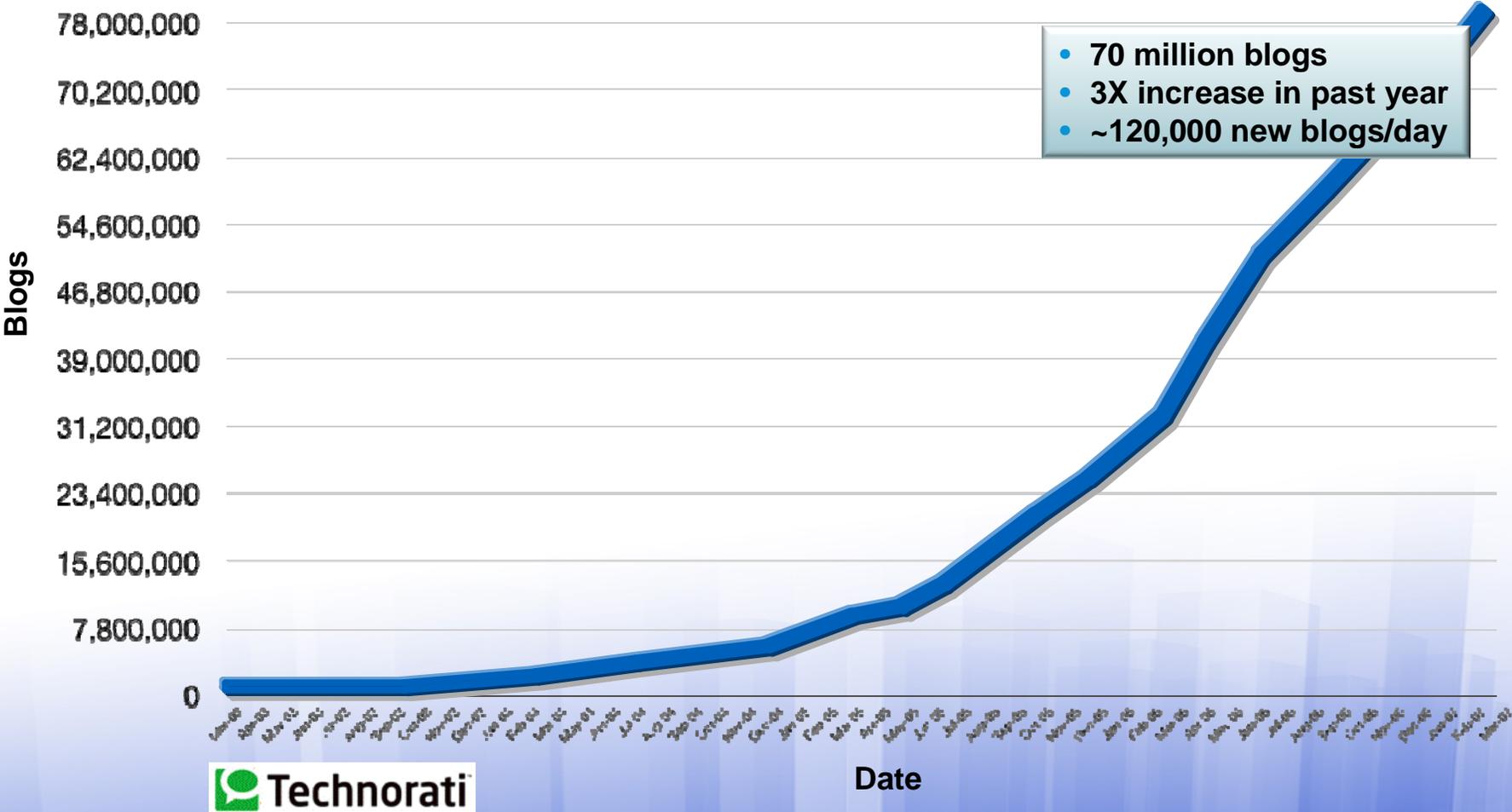


**You Tube = 45 Terabytes\***

- 47% of US online video is user generated\*\*
- 65 billion page views/downloads by 2010\*\*\*
- = 1.1 Exabytes\*\*\*\*

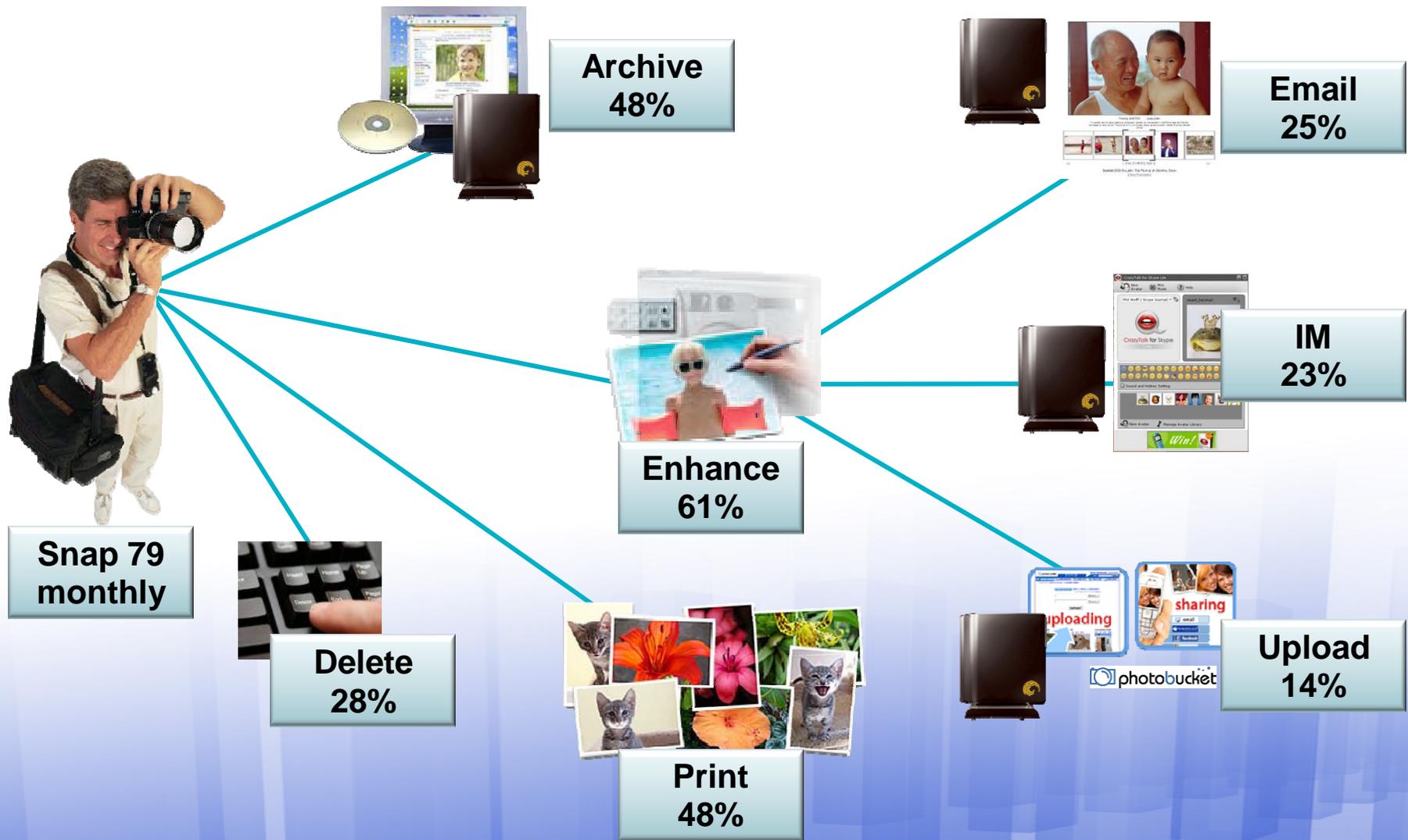
# Word: Blogs Abound

## Weblogs Cumulative: March 2003 – March 2007



# Picture: Capturing Life in Action

What do US consumers do with digital photos?



Source: IDC, Digital Imaging Survey

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# Picture: Capturing Life in Action

What do US consumers do with digital photos?



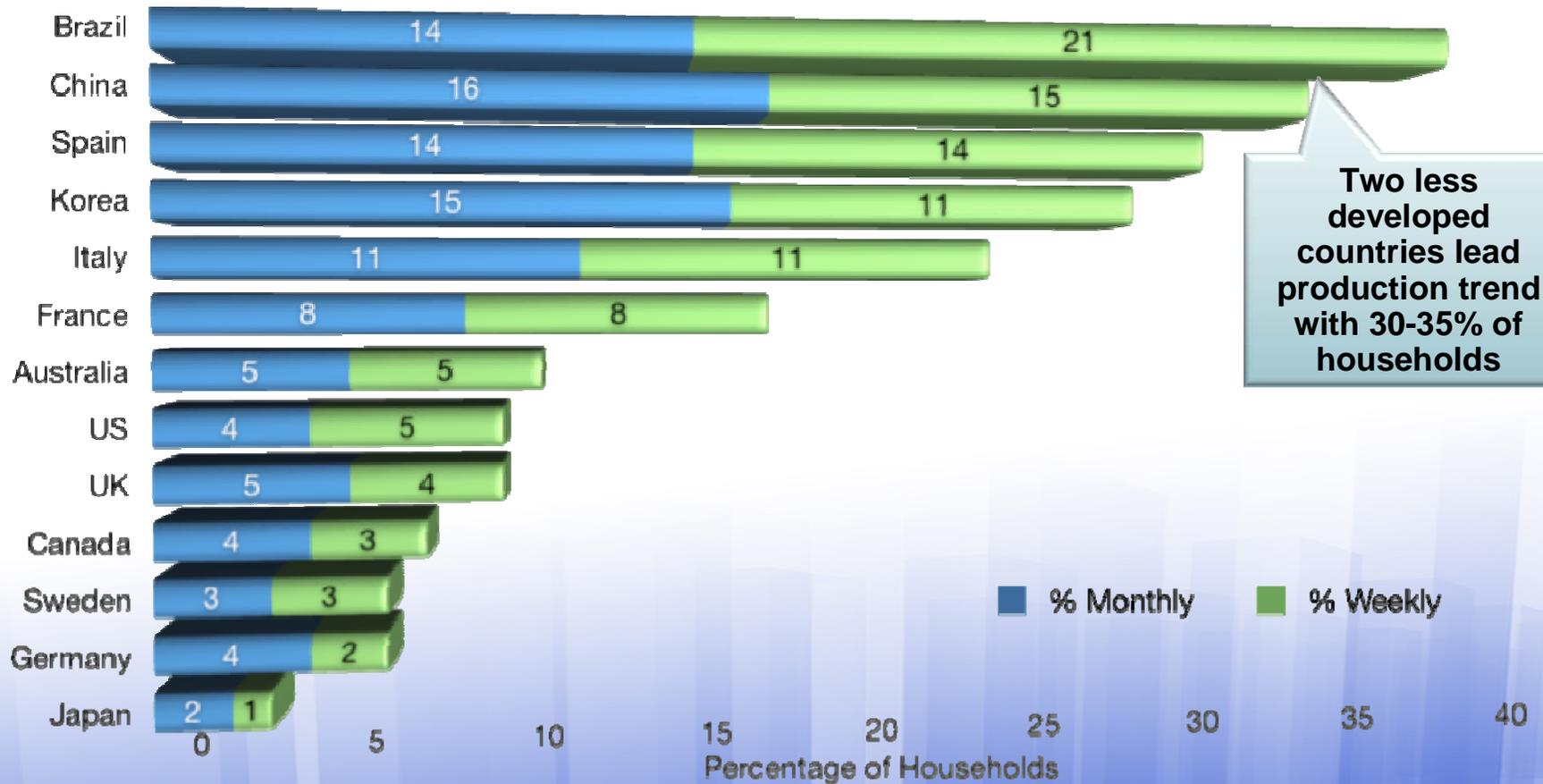
- 1 billion digital cameras in the world
- 250 billion images in 2006 = 120 exabytes
- Entire HDD industry shipped only 50 exabytes in 2006



# Video: Production Goes Global

## Uploading Video to Sharing Sites, by Country (Q1/07)

“How often do you do the following? Upload video to video sharing websites?”  
(n=1,000 for all countries; ±3%)



Source: Global Living II

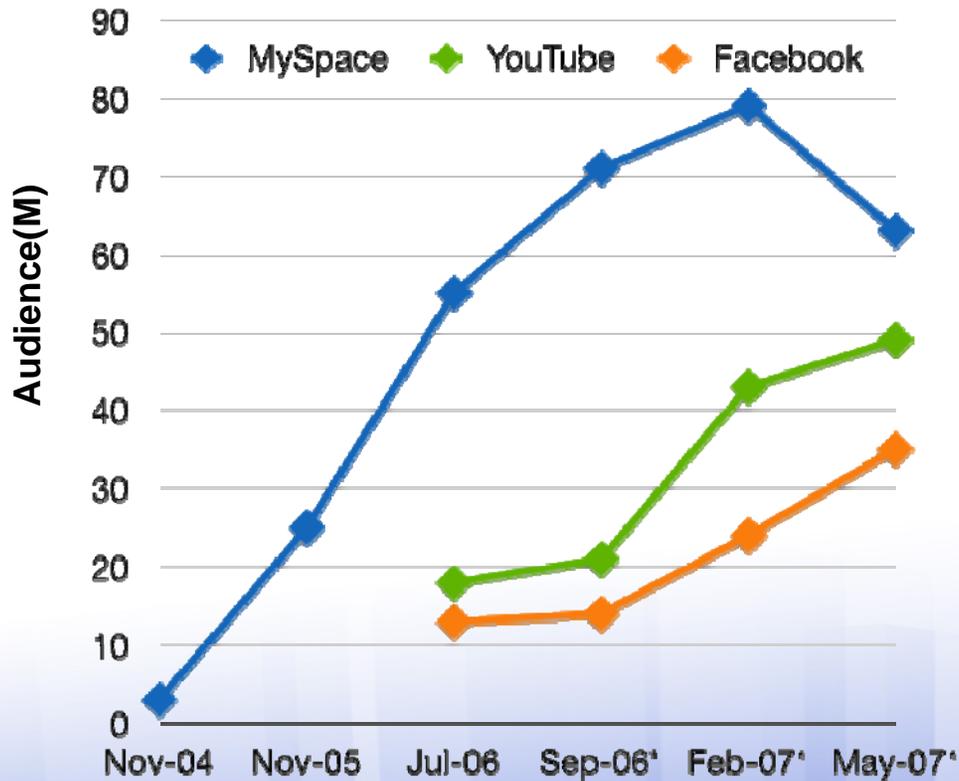
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# Socialization:

Global and Growing

# Enormous On-Line Audiences

September 2006



20% share of all streams\*\*



688 Million Streams  
12% of all streams\*\*

facebook

150,000 Users Added Per Day  
6 million picture uploads/day

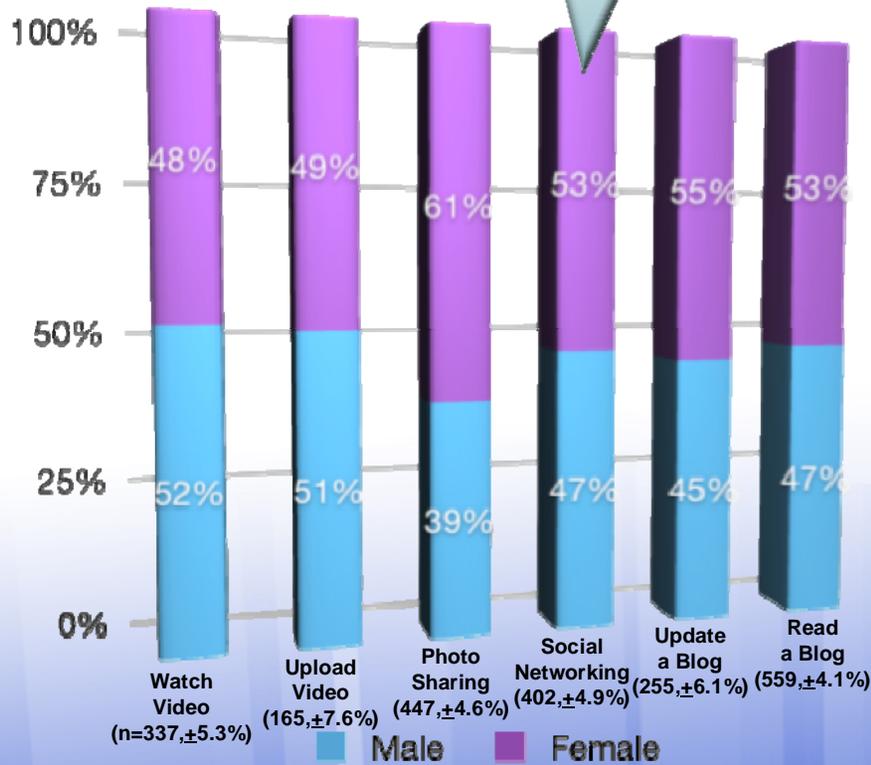
Source: Nielsen and comScore  
\*Fox Interactive Media  
\*\*comScore (via itfacts.biz)

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# Diverse Social Networks

- Women becoming more involved

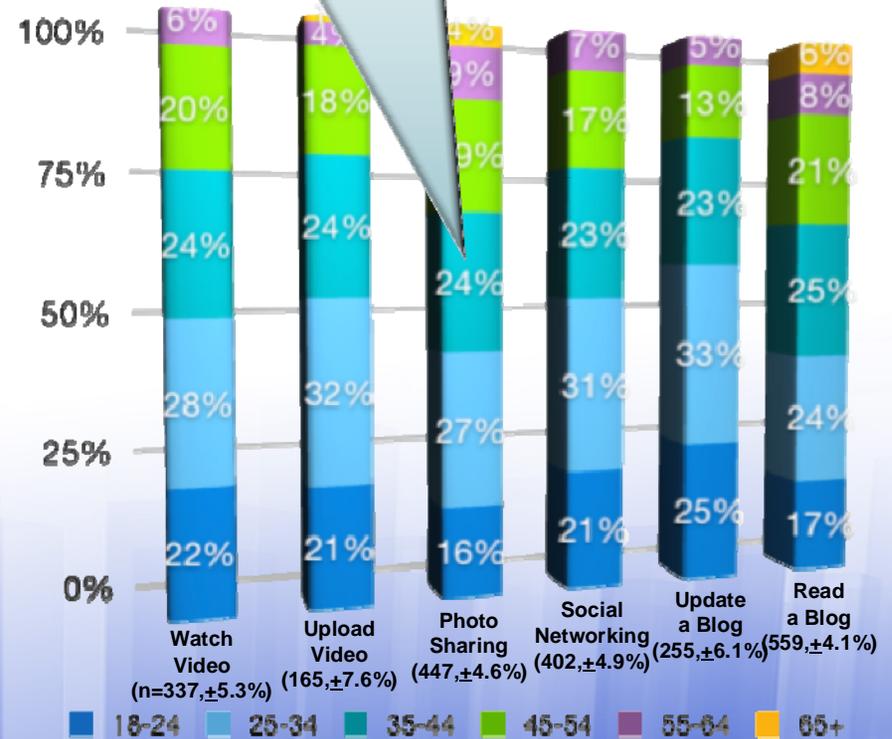
Gender and Social Media (Q1/07)



Source: Global Digital Living II  
© 2007 Parks Associates

- Age becoming irrelevant
- Most over 35 years old

Age and Social Media (Q1/07)

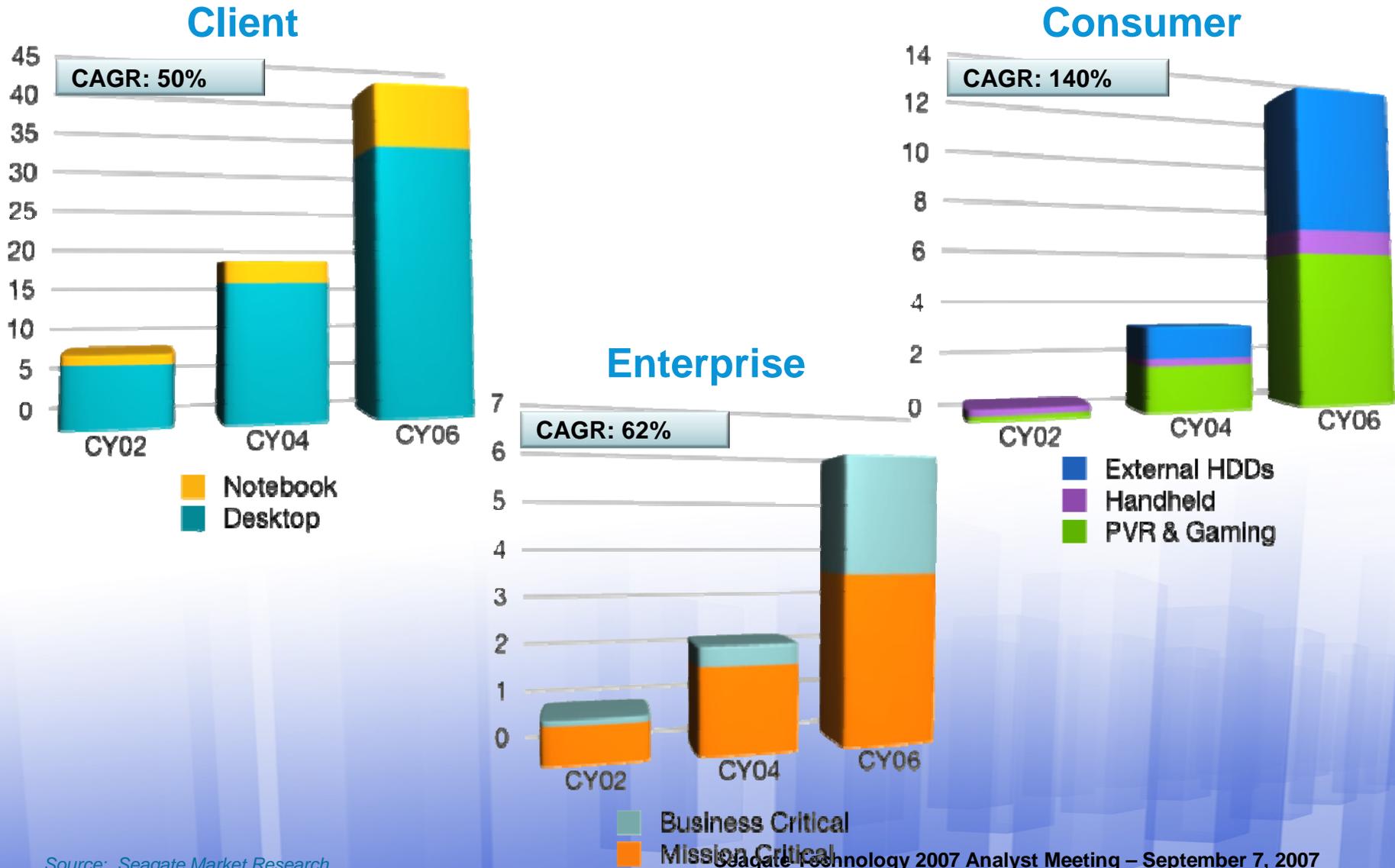


Source: Global Digital Living II  
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# What it Means for Hard Disc Drives

# Explosive Multi-segment Growth '02-'06

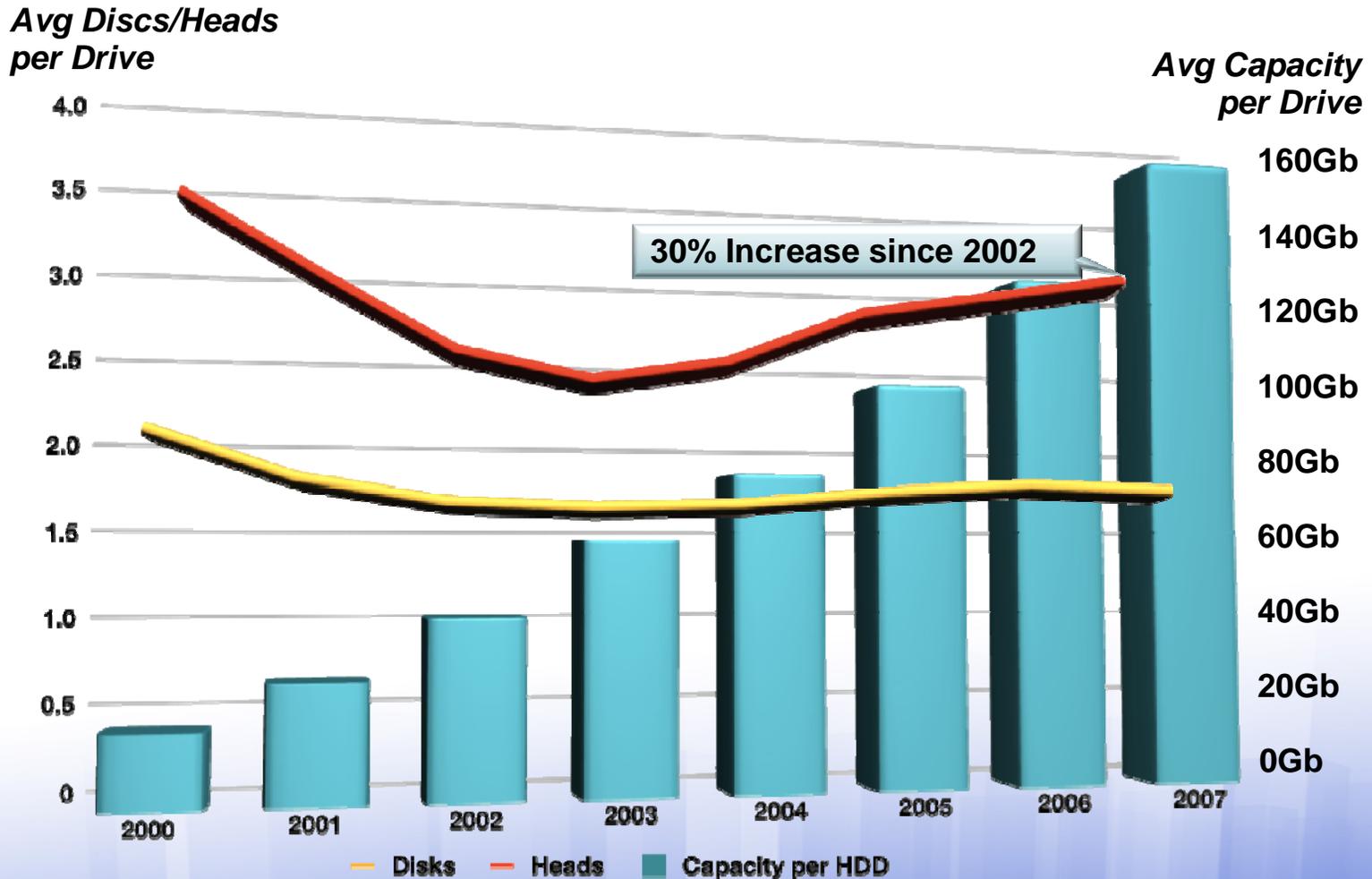
Industry Exabytes Shipped – 60% CAGR



Source: Seagate Market Research

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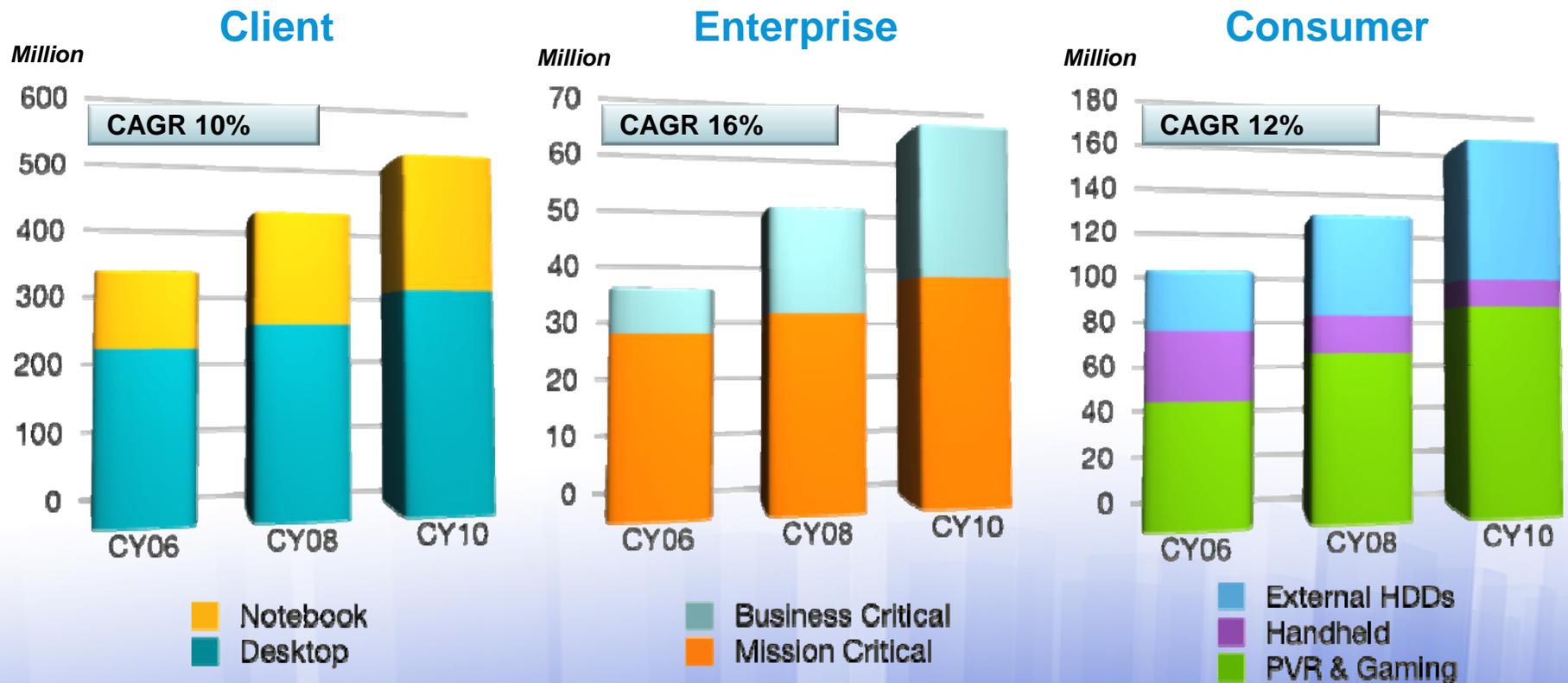
# Customers Want More



**Present end user purchasing behavior does not suggest that storage is over-served**

# Healthy Unit Growth Predicted

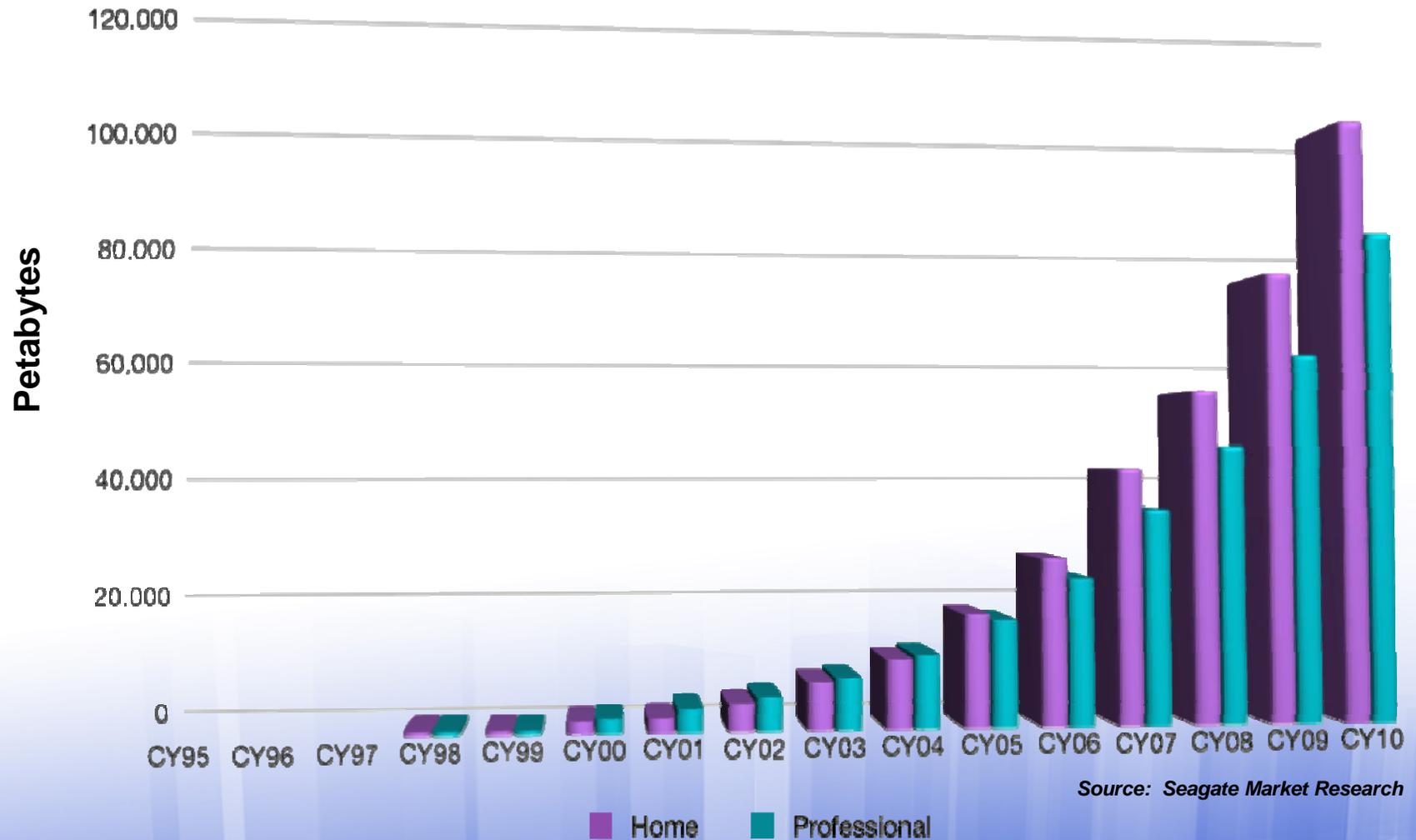
## Industry HDD Unit Shipments by Segment



Source: Seagate Market Research

# Opportunities Ahead for the 'New Glass House'

## Exponential Mass Storage Growth Likely



# Opportunities Ahead for the 'New Glass House'

Exponential Mass Storage Growth Likely

- Richer content proliferation “high def”
- Faster networks – more up/download bandwidth
- More ubiquitous commercial content via IP “pipes”
- Further proliferation and socialization of user generated content
- Conversion of existing physical content
- Seamless applications that move PC – aggregated content to living room, hand, and auto

# Industry Structure:

A Better Neighborhood?

# Strategic Factors in HDD Industry

Supplier Influence

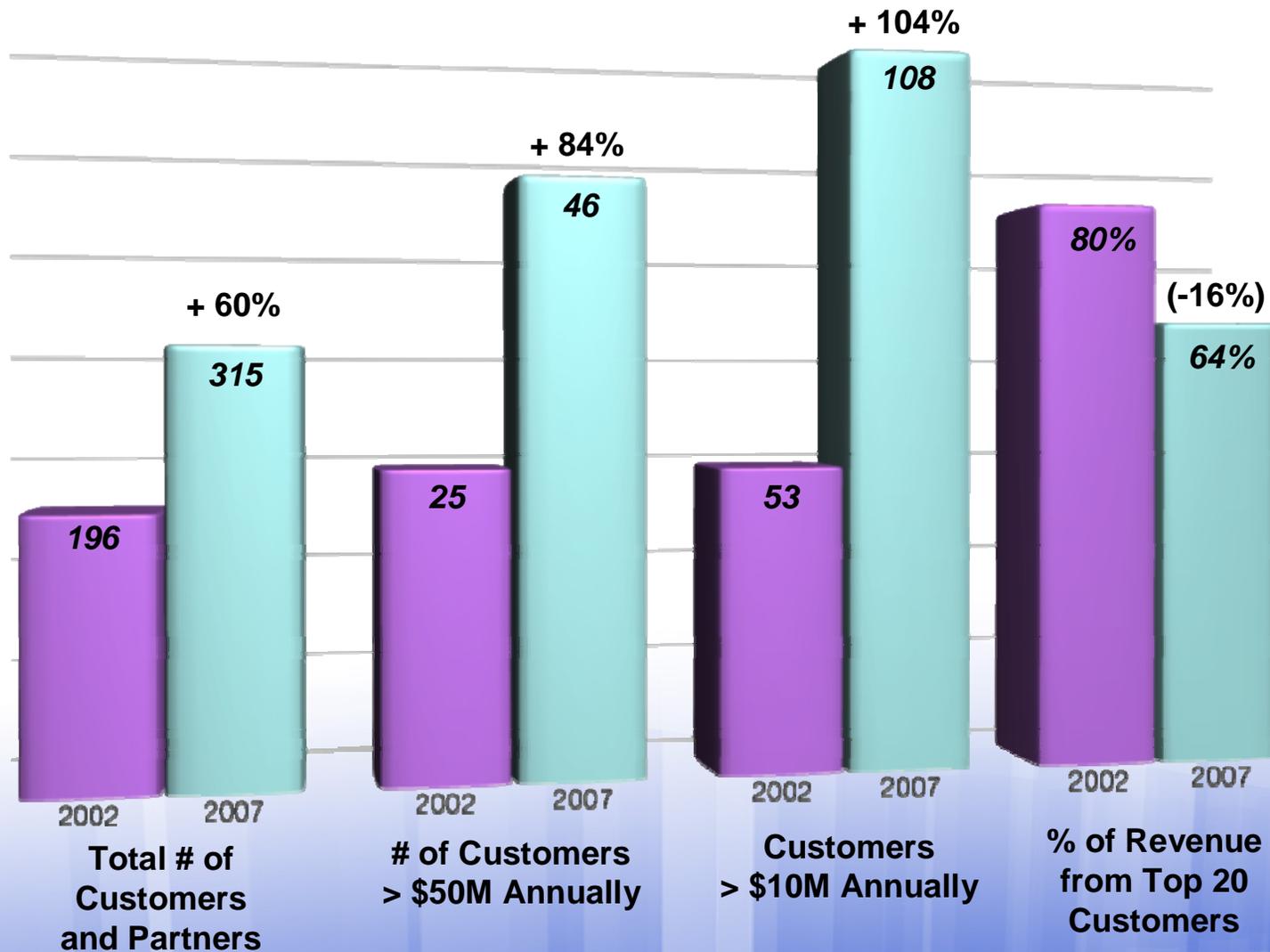
Customer Influence

Threat of Entry

Competitive Dynamics

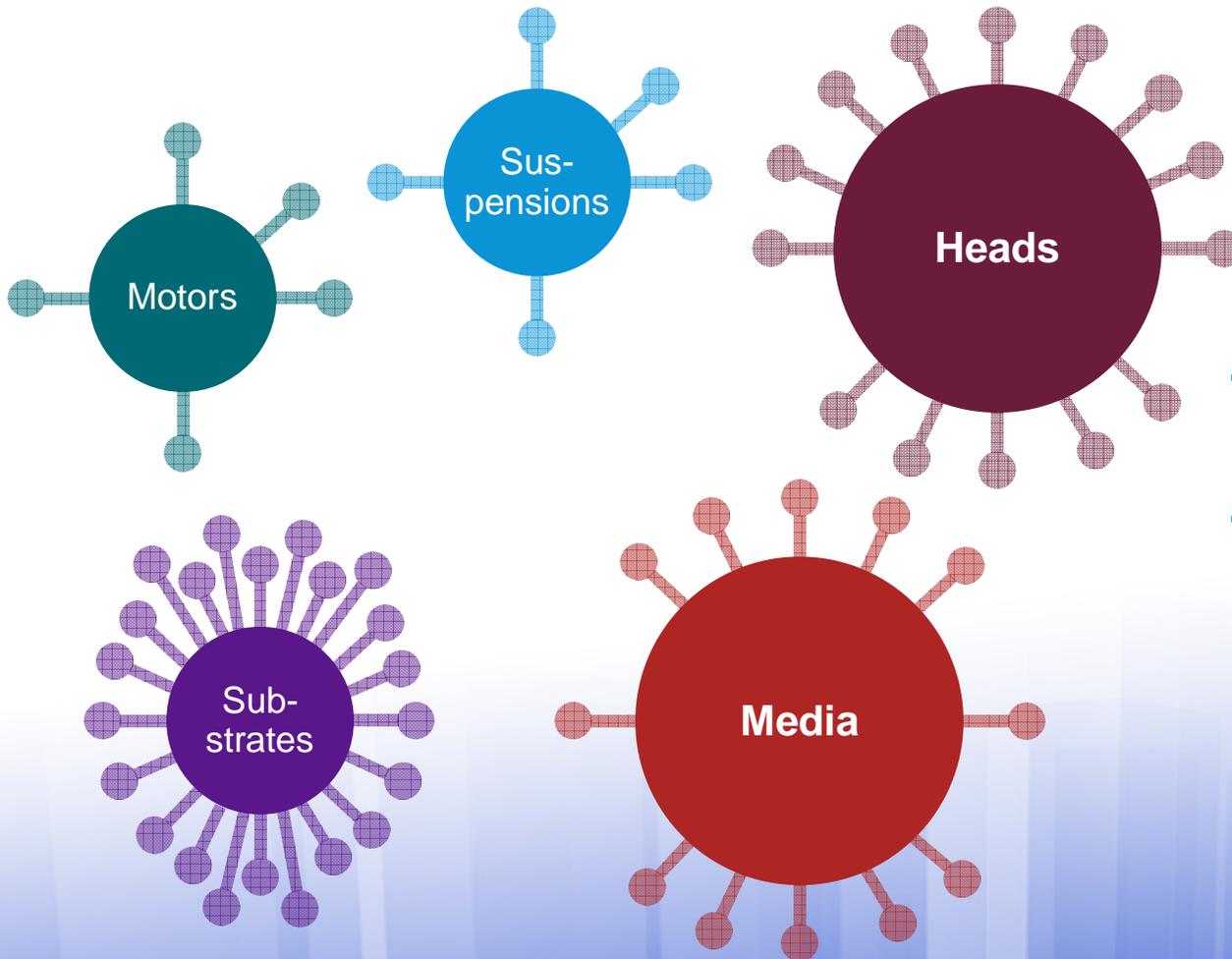
Threat of Substitute

# Growth and Change in Customer Base



# 1997 Supplier Base

## INDEPENDENT TECHNOLOGY

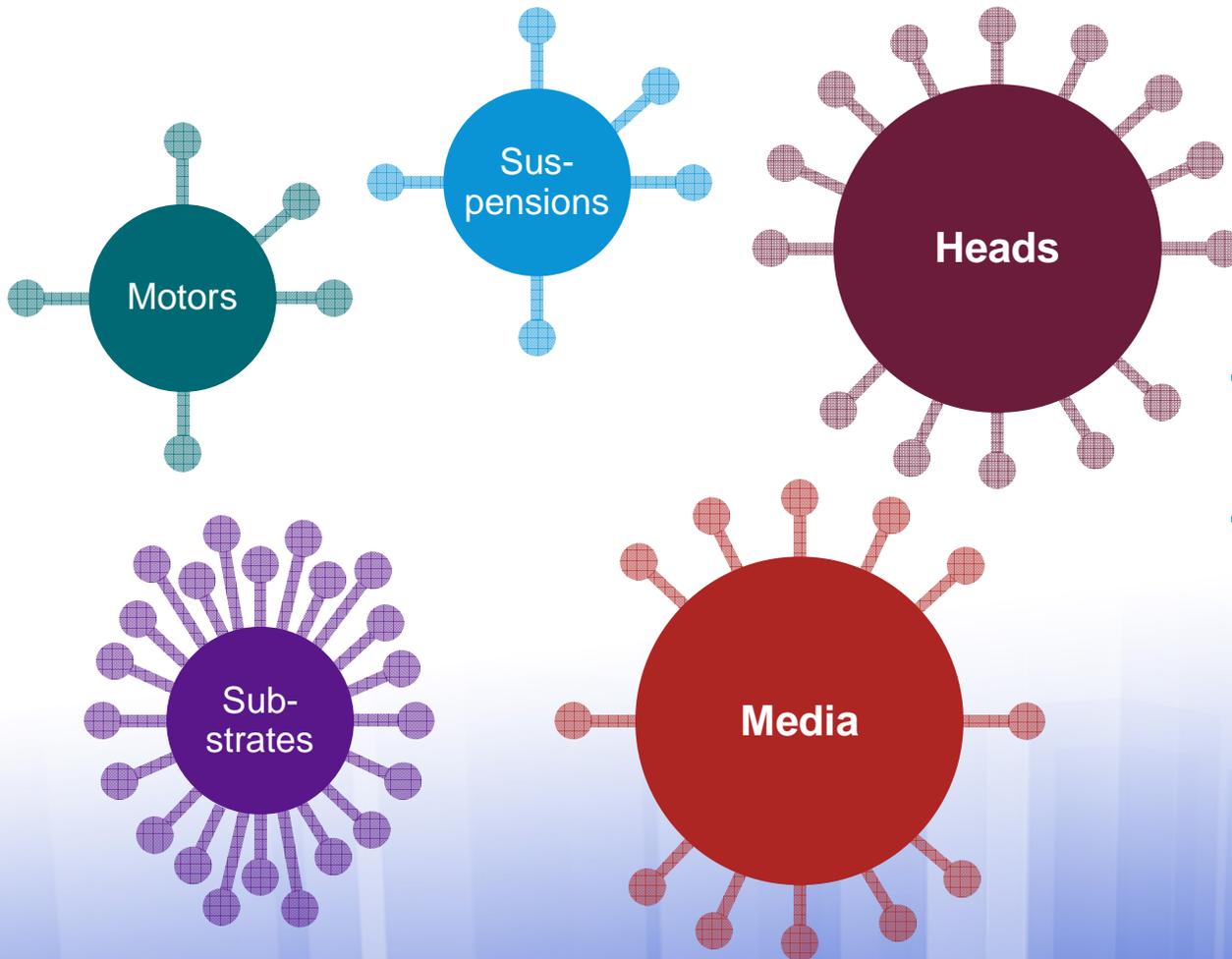


## HDDs



# 1999 Supplier Base

## INDEPENDENT TECHNOLOGY

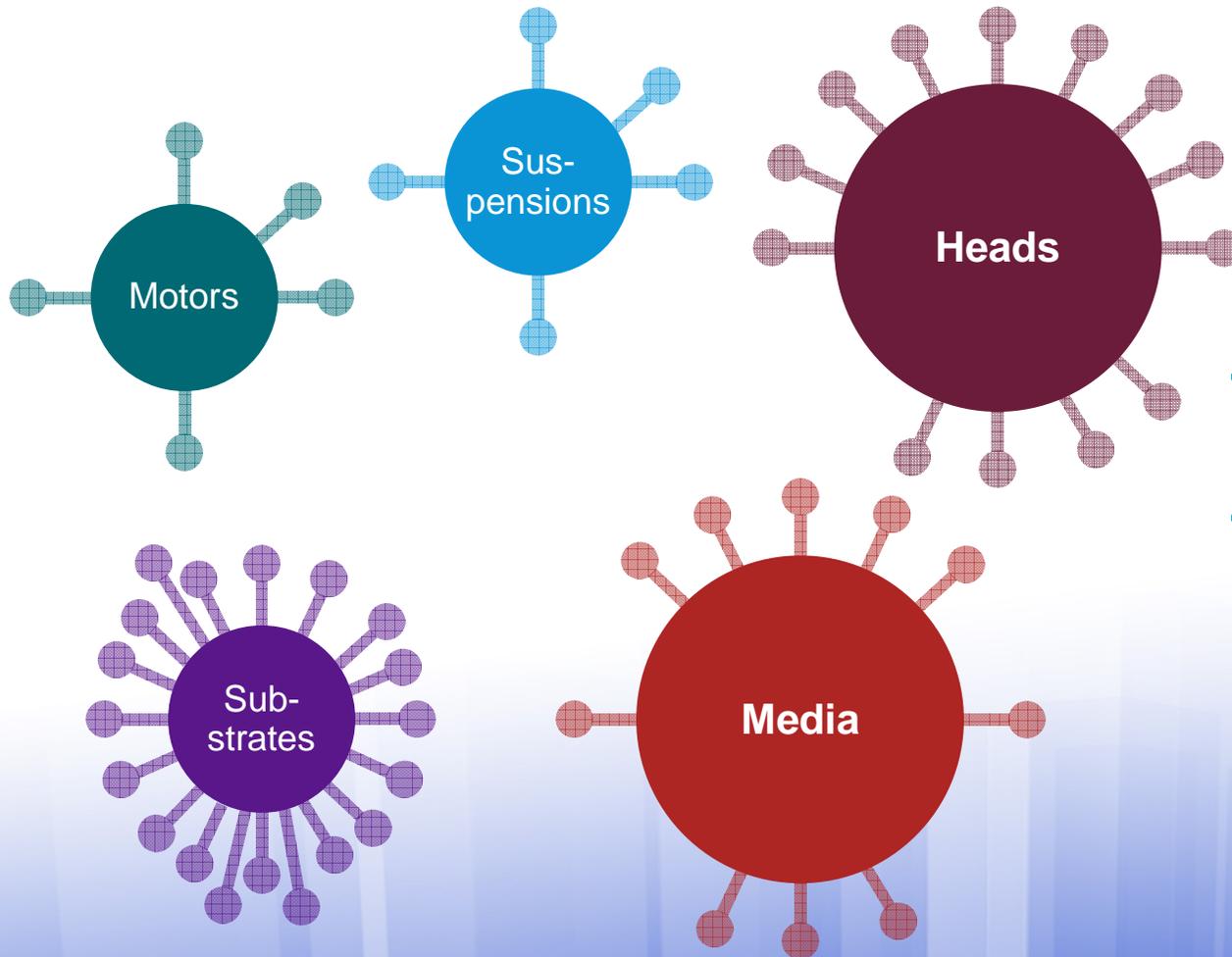


## HDDs



# 2001 Supplier Base

## INDEPENDENT TECHNOLOGY

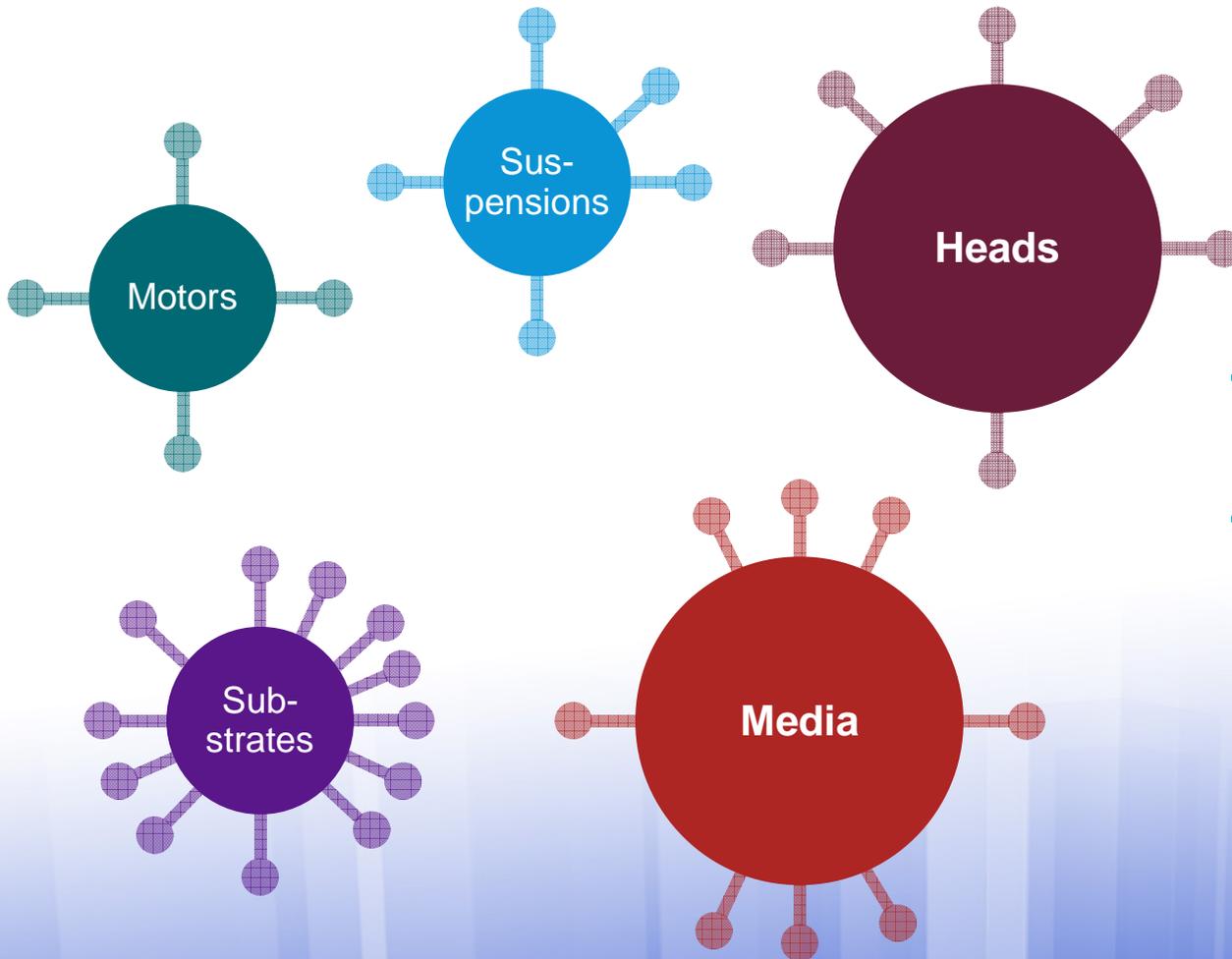


## HDDs



# 2003 Supplier Base

## INDEPENDENT TECHNOLOGY

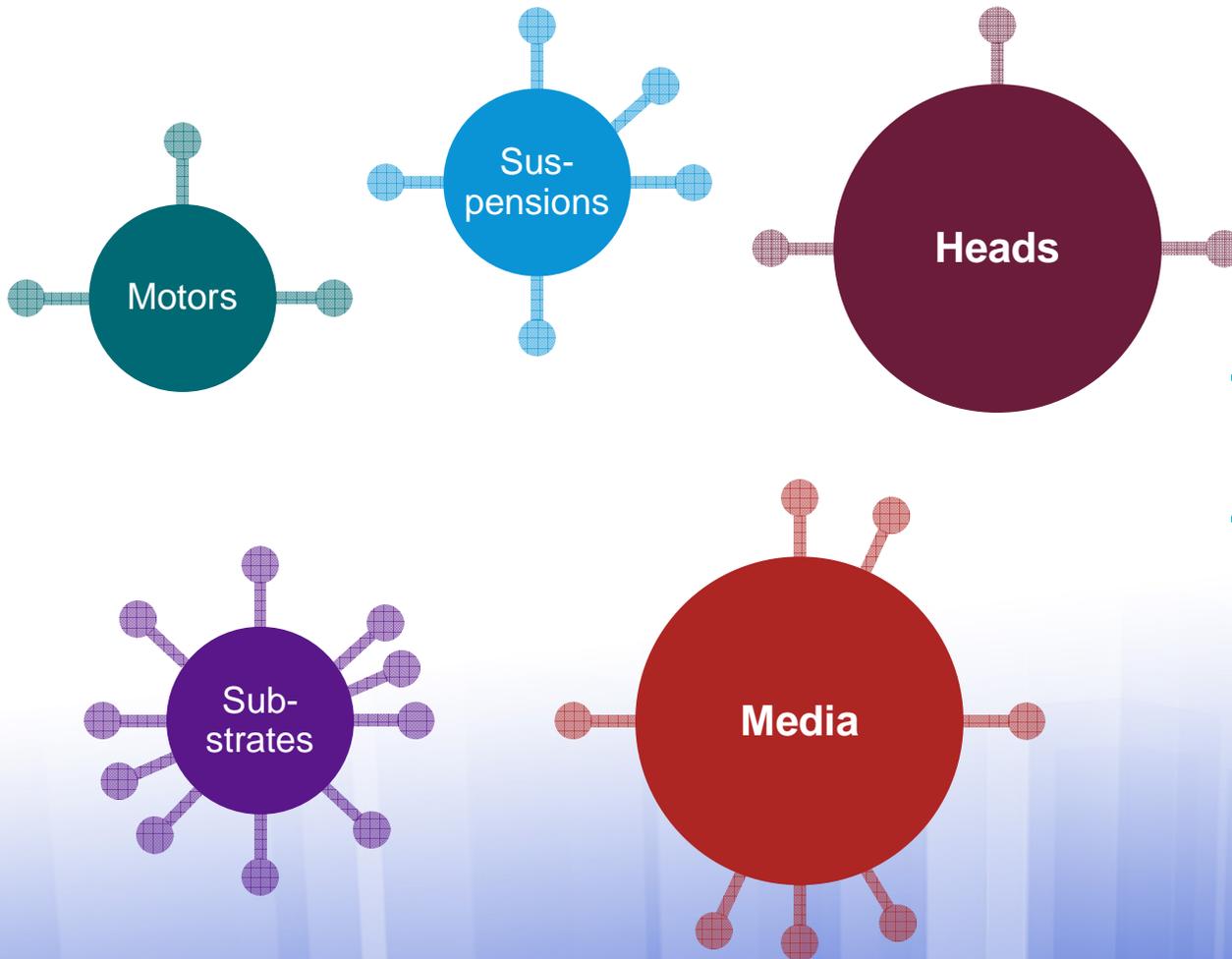


## HDDs



# 2005 Supplier Base

## INDEPENDENT TECHNOLOGY

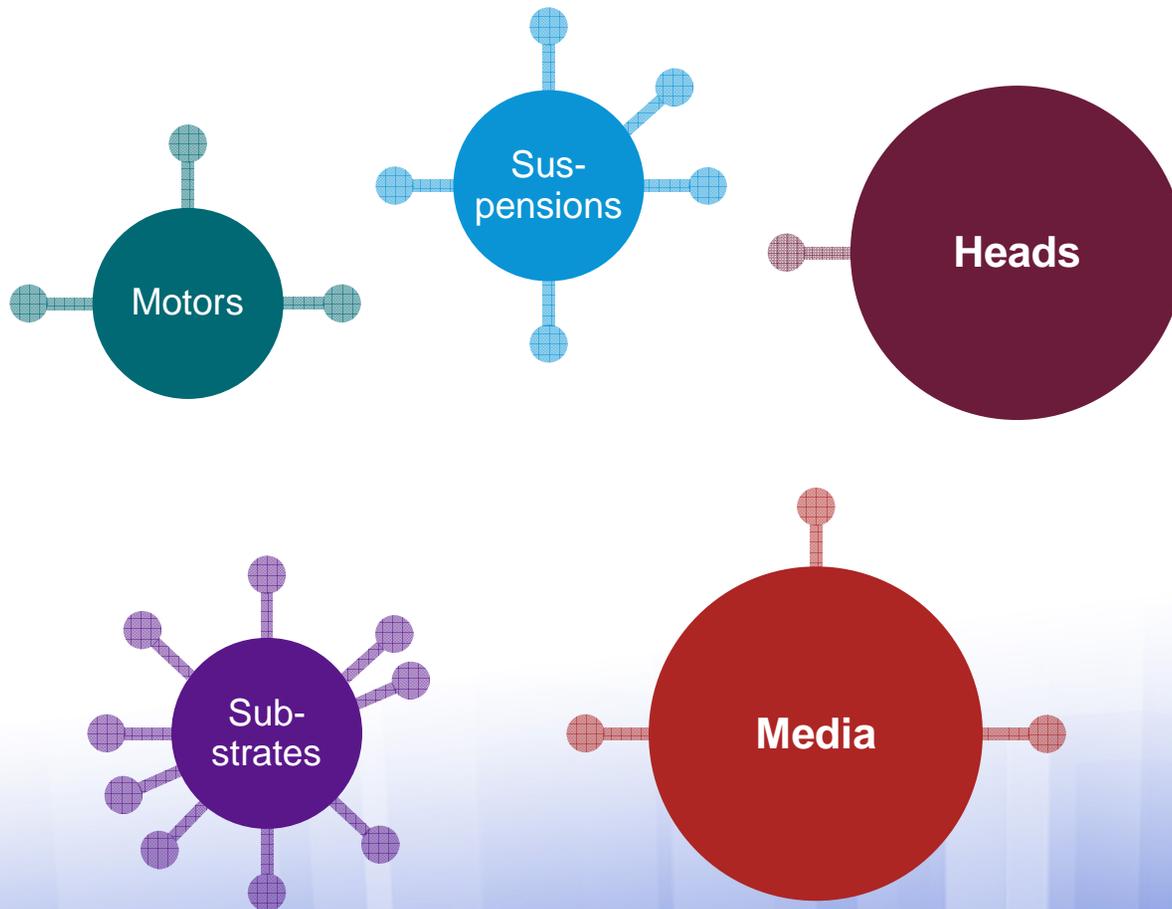


## HDDs



# 2007 Supplier Base

## INDEPENDENT TECHNOLOGY

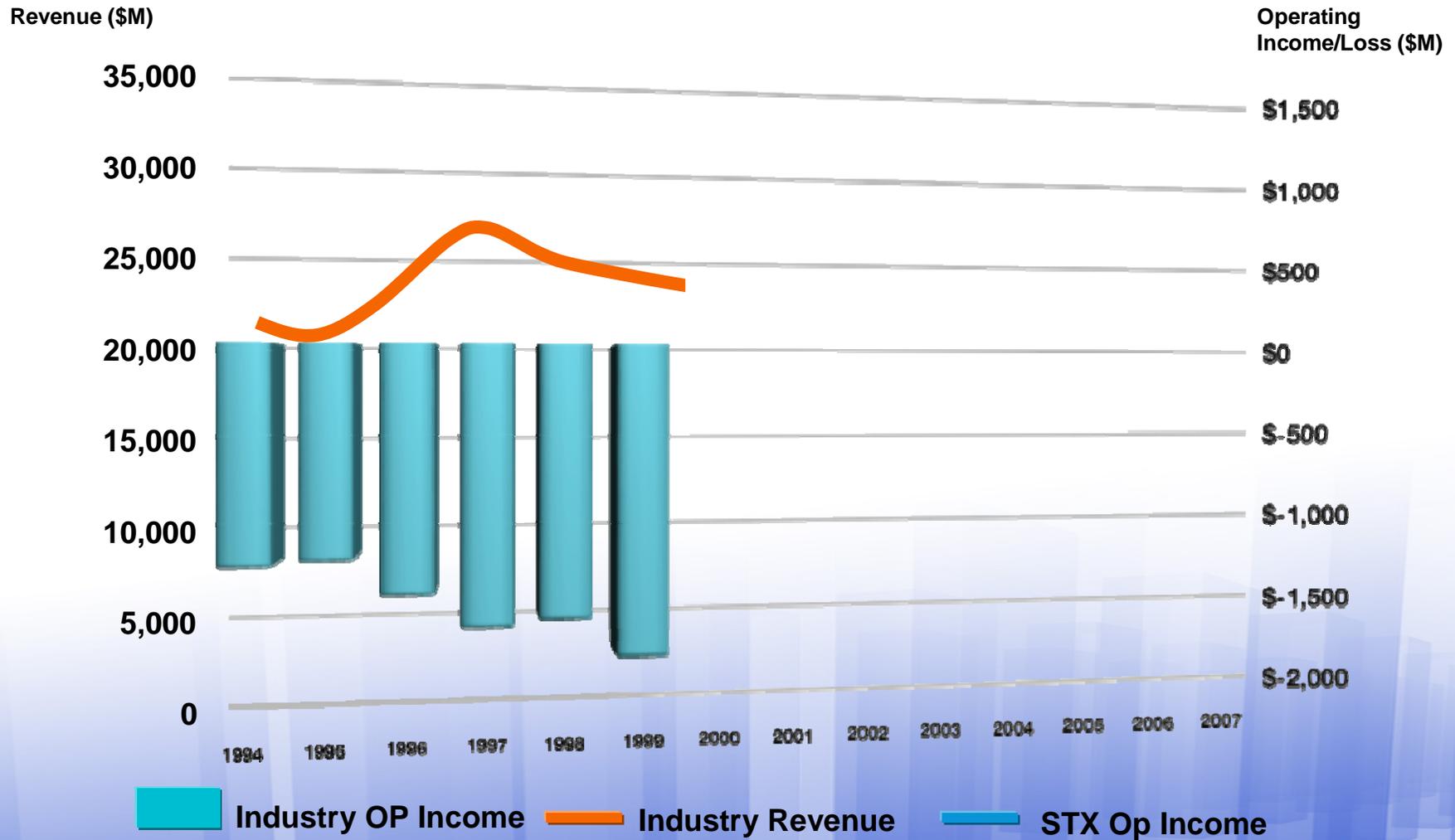


## HDDs



# Changes in Industry Dynamics

Seagate Benefits from Technology Access, Consolidation

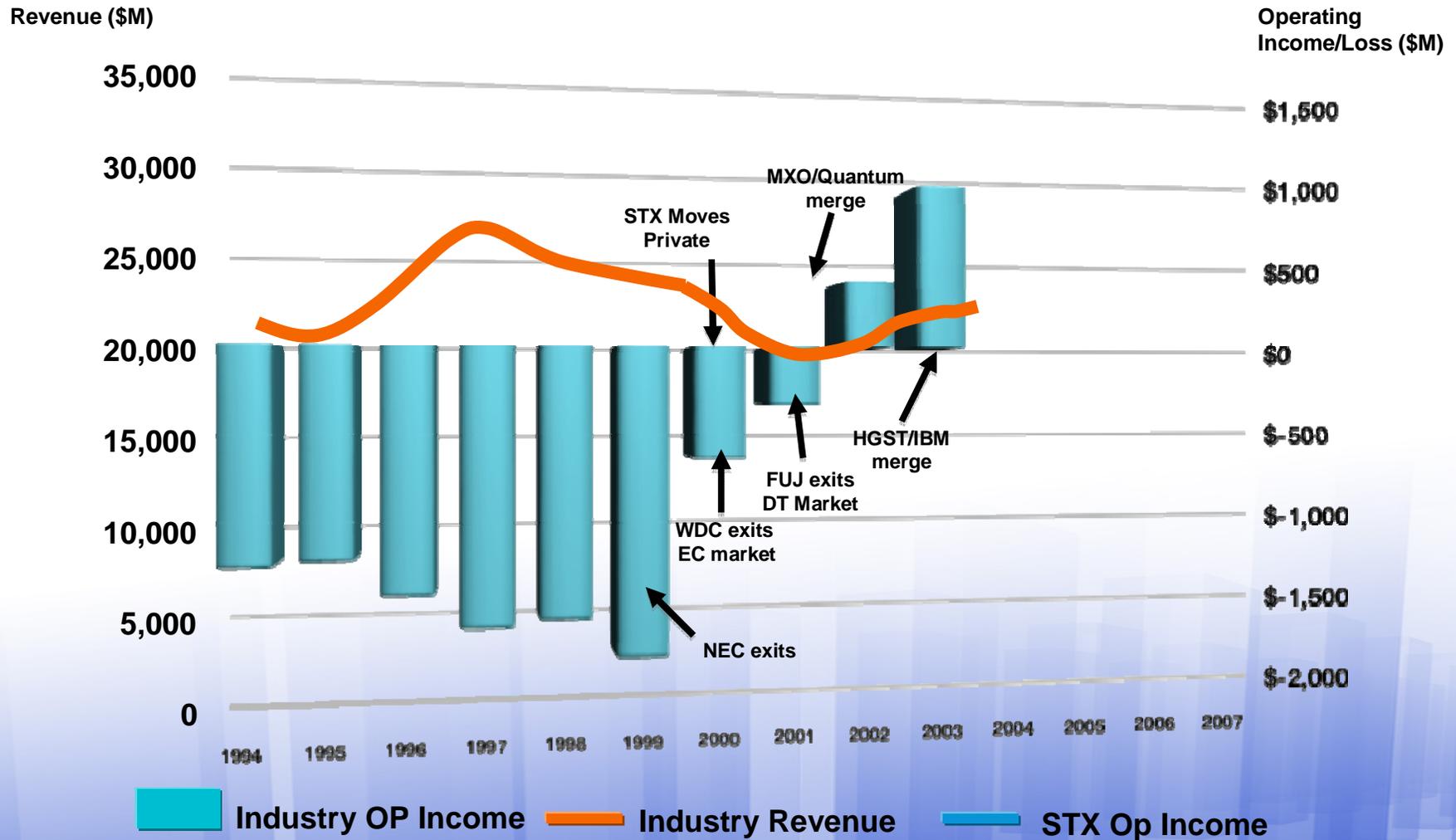


Source: Seagate Market & Competitive Intelligence

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# Changes in Industry Dynamics

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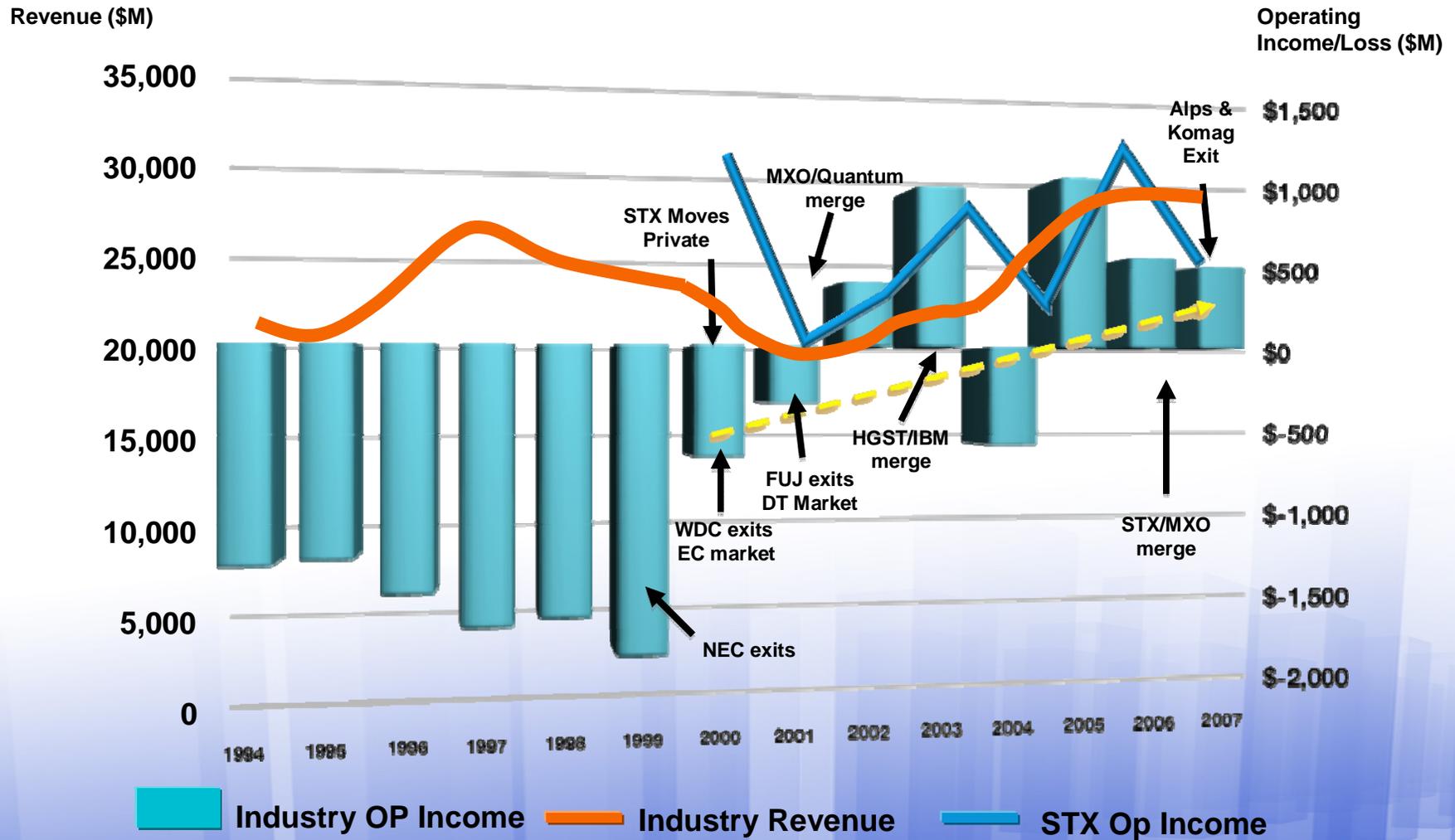


Source: Seagate Market & Competitive Intelligence

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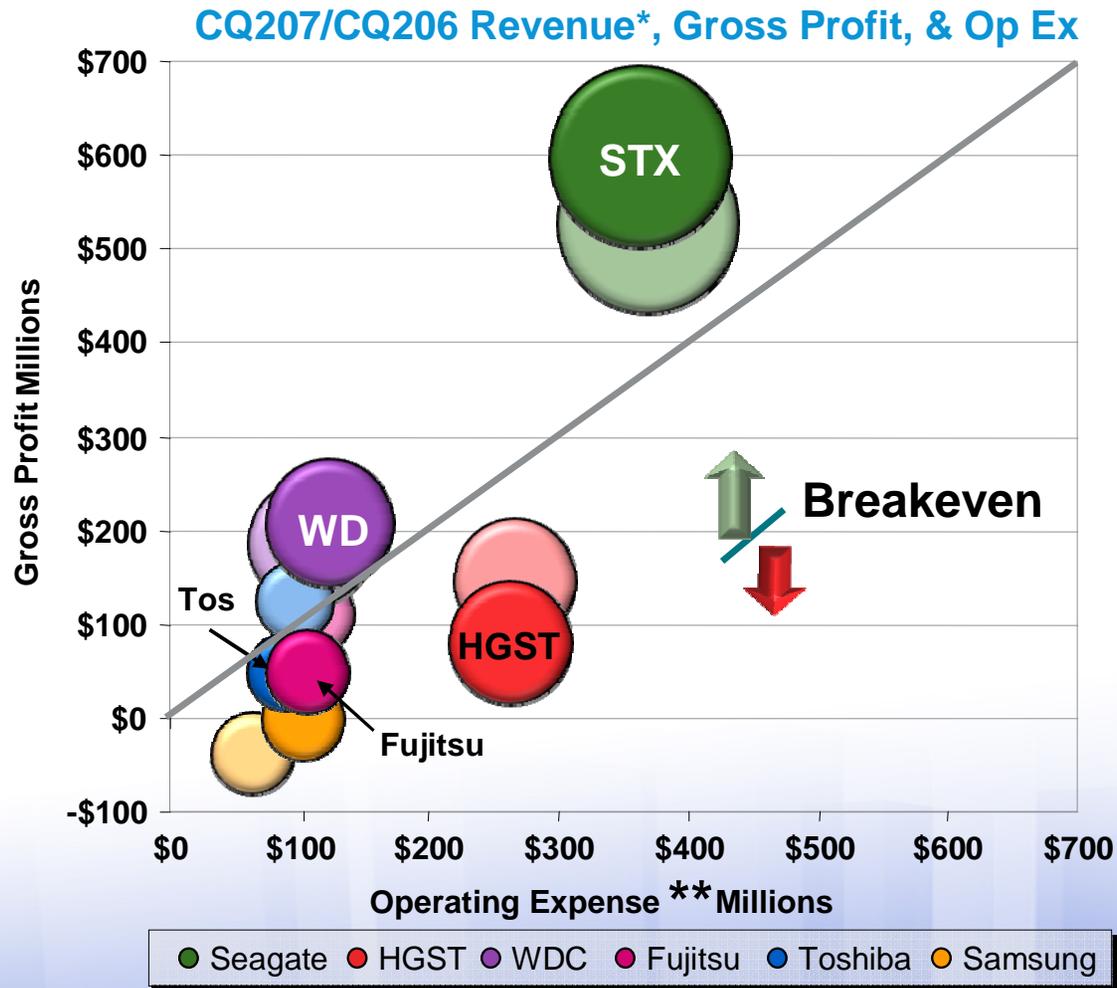
# Changes in Industry Dynamics

Seagate Benefits from Technology Access, Consolidation



Source: Seagate Market & Competitive Intelligence

# Relative Performance of HDD Participants



\* Revenue shown with bubble size

\*\* Not including one time adjustments or amortization

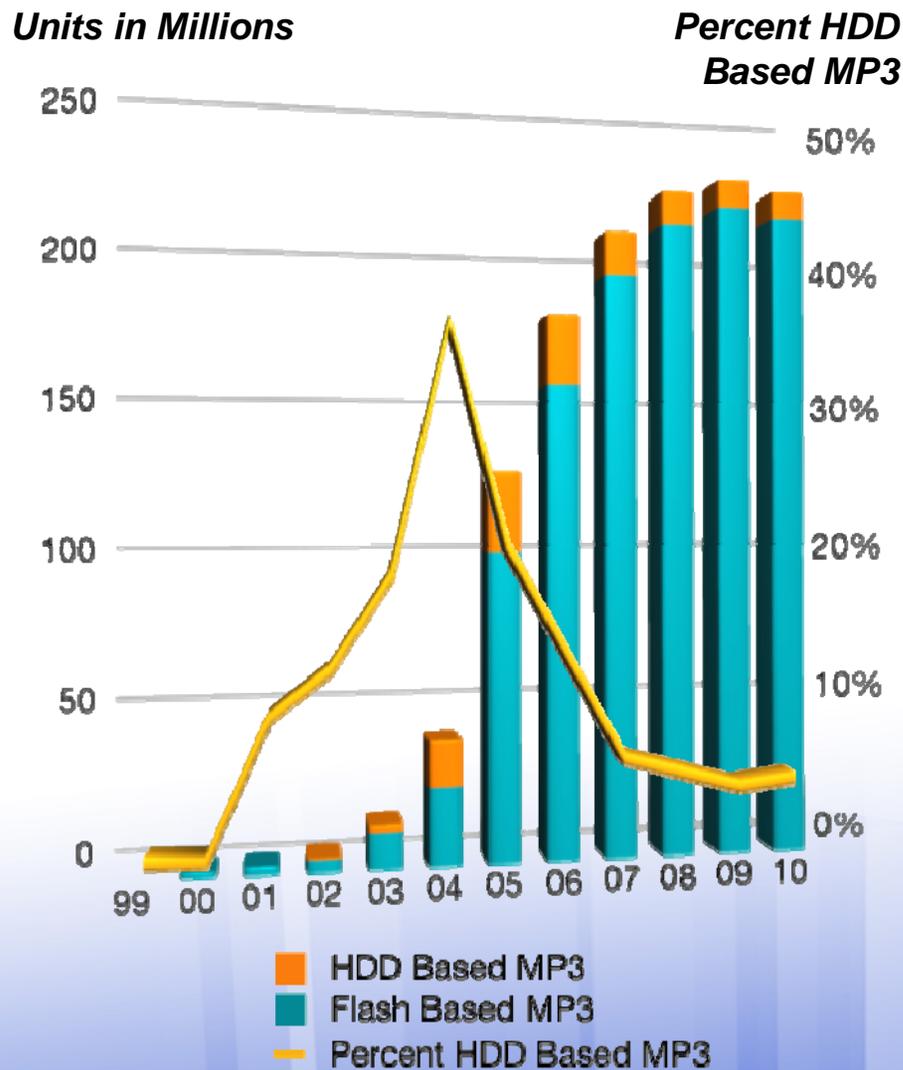
Significant **pressure** in industry remains

STX Model **consistently profitable** and gaining relative advantage

# Substitutes?

Flash – Myths and Realities

# Who's Substituting Whom?



- MP3 players were 100% solid state – **HDD displaced flash**
- Flash makes sense for Handhelds yet **HDD based MP3 players endure**
- Real story: **why can't flash completely displace HDD?**



# In Fact, Flash Helps HDD Grow

From where do most flash-based handhelds get their content?

**“Tethered” PCs with high capacity HDDs**

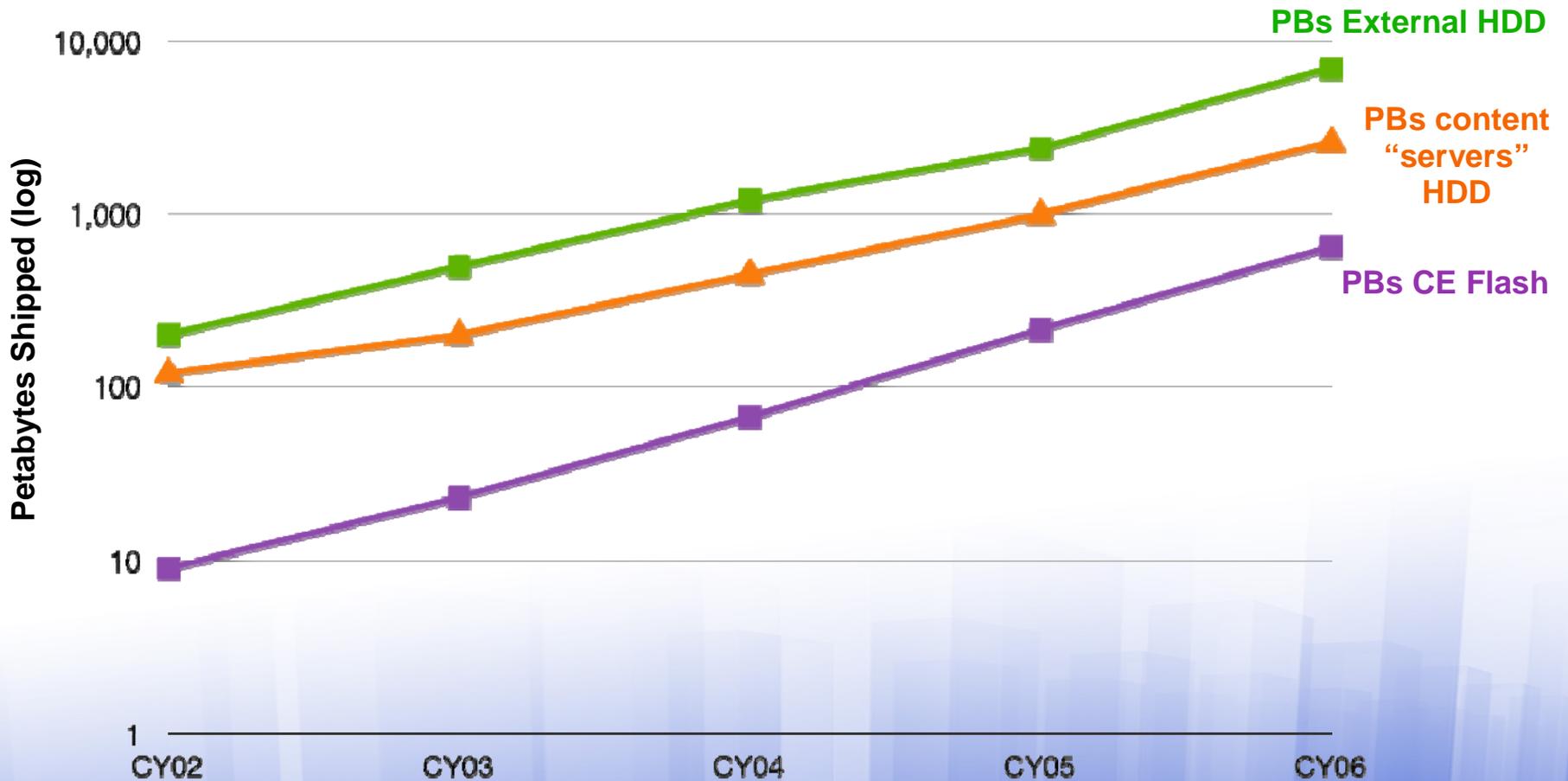
From where is this content served?

**Content aggregators with massive HDD content servers (Google, Yahoo, iTunes, etc.)**

Does handheld content increase the need for back up?

**Yes, usually on a local HDD**

# Flash-based Apps Fuel HDD Demand ...or vice versa?



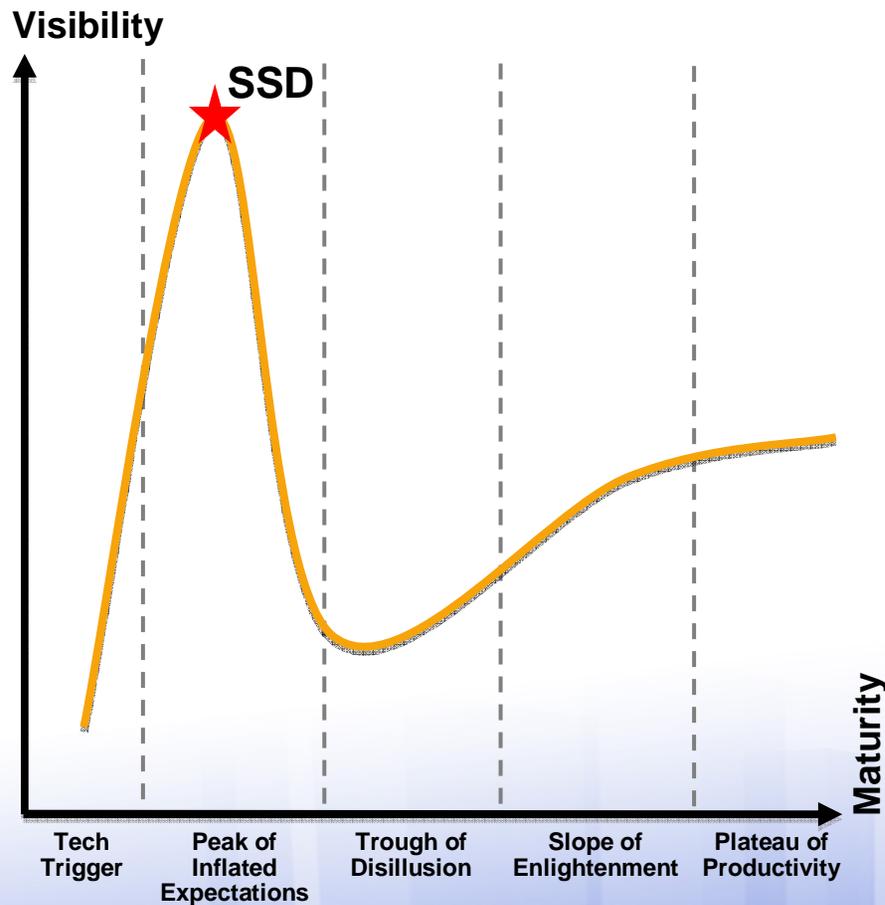
# Flash

Where and When?

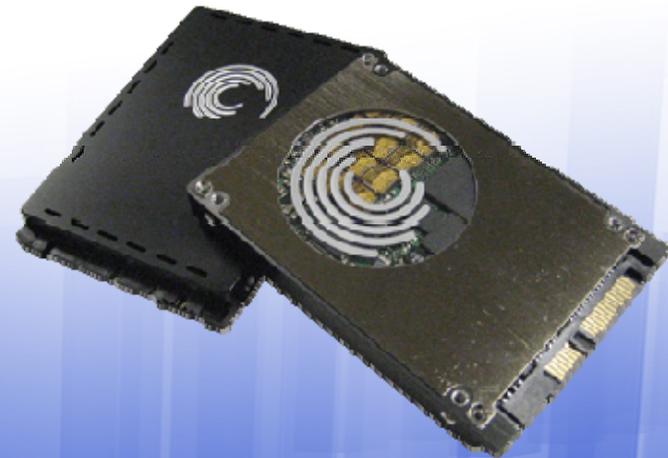


# Expectations Will Likely Be Reset

## Technology Hype Cycle



- SSD near **top of hype cycle**
- SSD will go through **“Trough of Disillusion”**
- SSD economics are well understood
- **Value** of SSD to consumers is **not yet understood**



# Does Flash Fit For Compute Applications?

**Promised Value**

**SIZE**

**POWER**

**PERFORMANCE**

**RELIABILITY**

**Versus**

**PREMIUM ASKED**

# Size Doesn't Matter



Height = 8 mm



**\$849**

**Dell Ultimate  
Business Notebook**

32.25 mm



Height = 9.5 mm

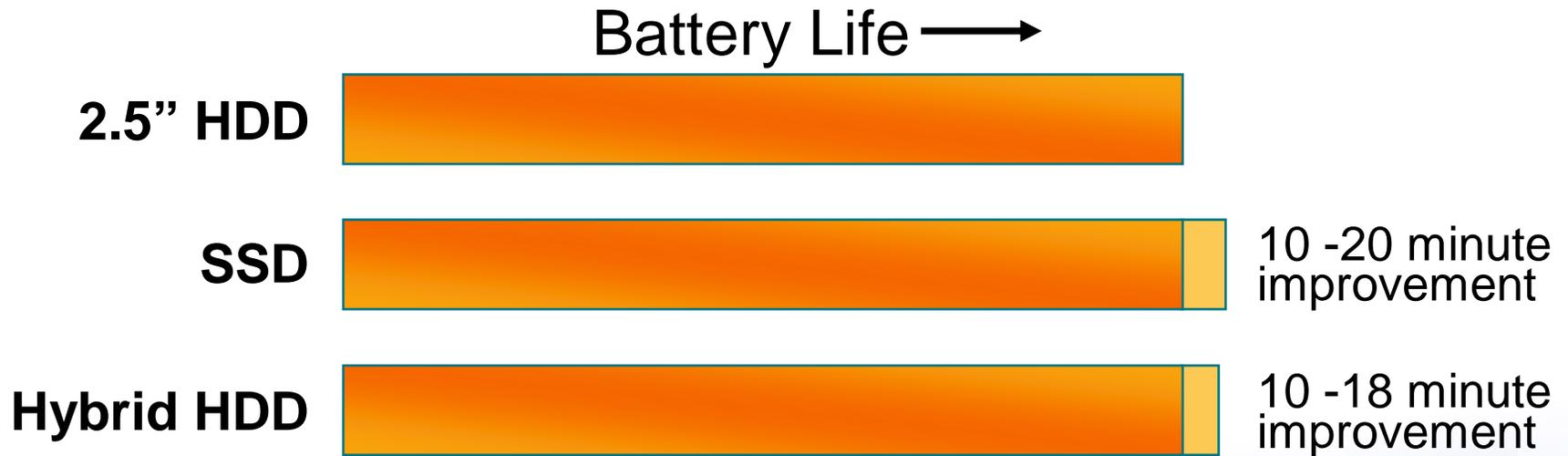


**"The thinnest"**

23 mm

**Keyboard, optical, battery and fans  
determine size before storage**

# Power: A Meaningless War of Words



**How much will consumers value an incremental gain? Why not go hybrid?**

# Performance: Reality Check

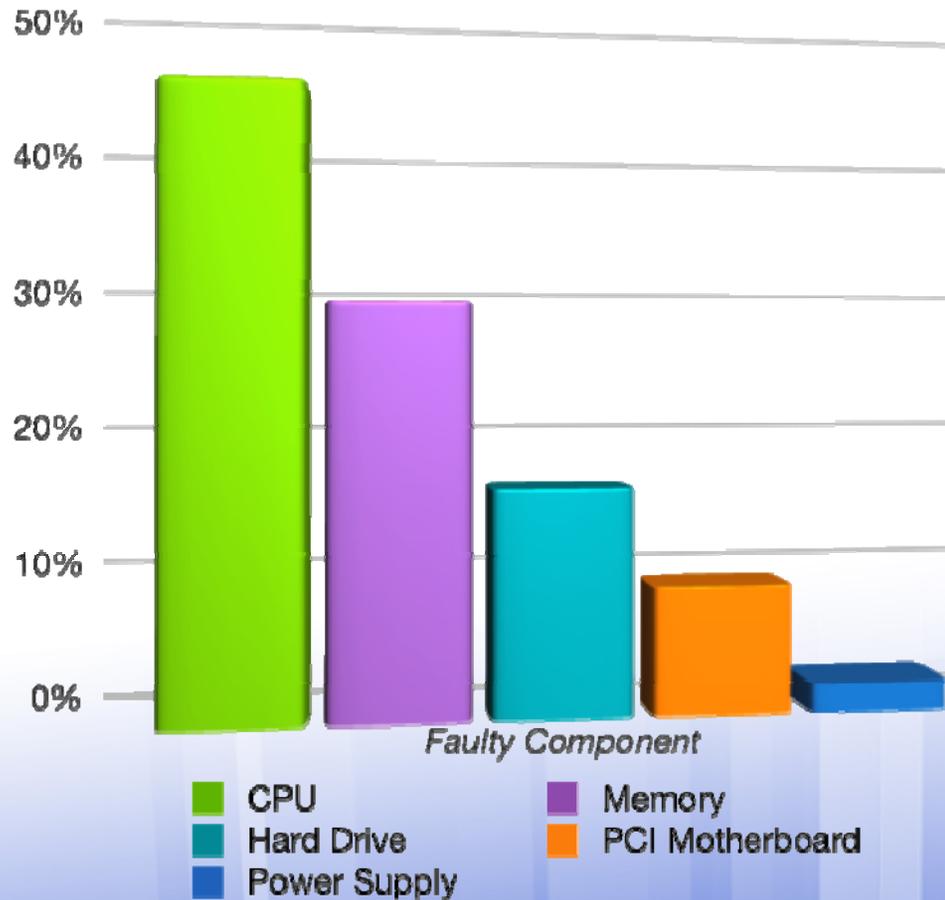
Benchmark	Sandisk SSD 1.8" 32GB	STX 2.5" Hybrid 160GB	Next Hybrid
<b>PC Mark 04</b> (Windows XP)	4600	3900	5000
<b>Random Reads</b> (512B)	<b>8000 IOPS</b>	68 IOPS	
(8KB)	<b>4125 IOPS</b>	70 IOPS	
<b>Random Writes</b> (512B)	12.6 IOPS	<b>116 IOPS</b>	
(8KB)	12.6 IOPS	<b>116 IOPS</b>	
<b>Boot Time</b> (Vista)	29 sec	29 sec	22 sec

**Flash performance advantage NOT  
compelling in real life**

# Reliability: Data Raises Question

CMU Paper: Data on Node Outages

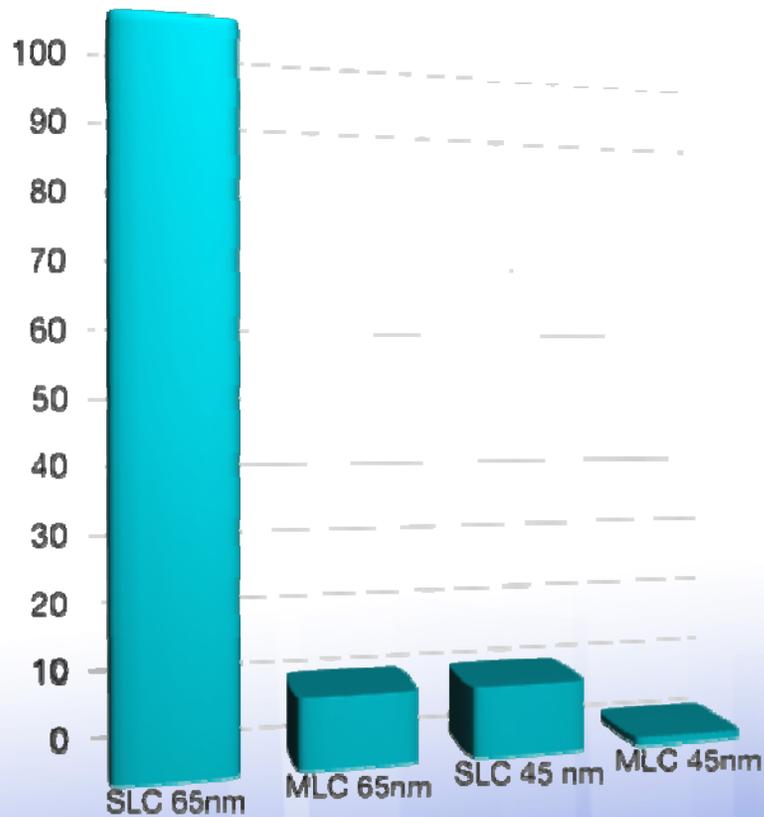
## HPC1



Solid state memory is  
**80% more likely to  
create a node outage  
than HDD**

# Data Reliability Challenges

*Thousands of Write Cycles*



- Write cycle **integrity issues** need to be addressed
- **Technology hurdles** formidable, getting higher
- 50% per year **price declines needed** to advance value relationship versus HDD

**HDD has no write limit**

# Flash in PCs

Promised Value

**Size - No**

**Power - No**

**Performance – Unlikely**

**Reliability – Unclear at best**

# Premium: Which Storage Would You Buy?



**\$849**

**Dell Ultimate  
Business Notebook  
Latitude™**

## STORAGE OPTIONS

80GB HDD [Included]

120GB HDD [add \$30]

120GB H-HDD, 7200rpm [add \$130]

160GB HDD, 7200rpm [add \$340]

32GB SSD [add \$540]

Net \$100 premium over like capacity for hybrid features

60% decrease in capacity, for >\$500 premium

# When Might Things Change?

“The **caustic rhetoric** spewing from certain flash players has been **almost deafening**. Repeated forecasting of the impending doom of HDDs has rung particularly hollow recently, as performance specs have aired the harsh physics of **poor read/write performance**, reliability, true power *savings* (of flash), etc.”

- *Needham & Co., August 9, 2007*

“NAND will not have a serious impact on the HDD industry, as **NAND will remain a niche product** for a number of years in the computer market.”

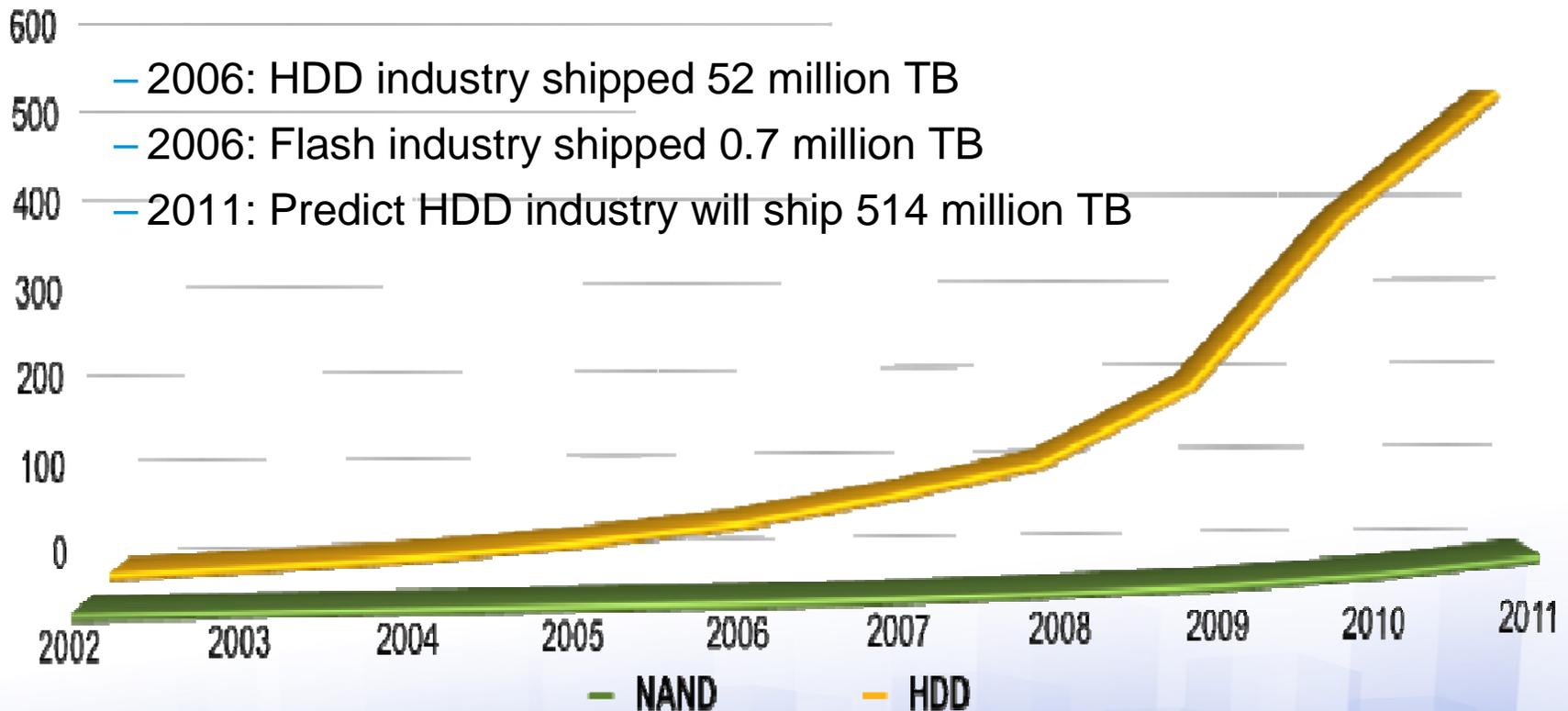
- *Peter Cole & Co., NAND Conference findings report, July 23, 2007*

Flash was able to double density through tech migration faster than DRAM as well as MLC technology. However, we believe that **bit growth** per wafer beyond '08 **will not be as high as that of previous years**. We estimate around 50% bit growth per wafer for 45nm.

- *Lehman equity Research, 7-07*

# Supply Side Economics: Flash & HDD

Millions of Terabytes Shipped

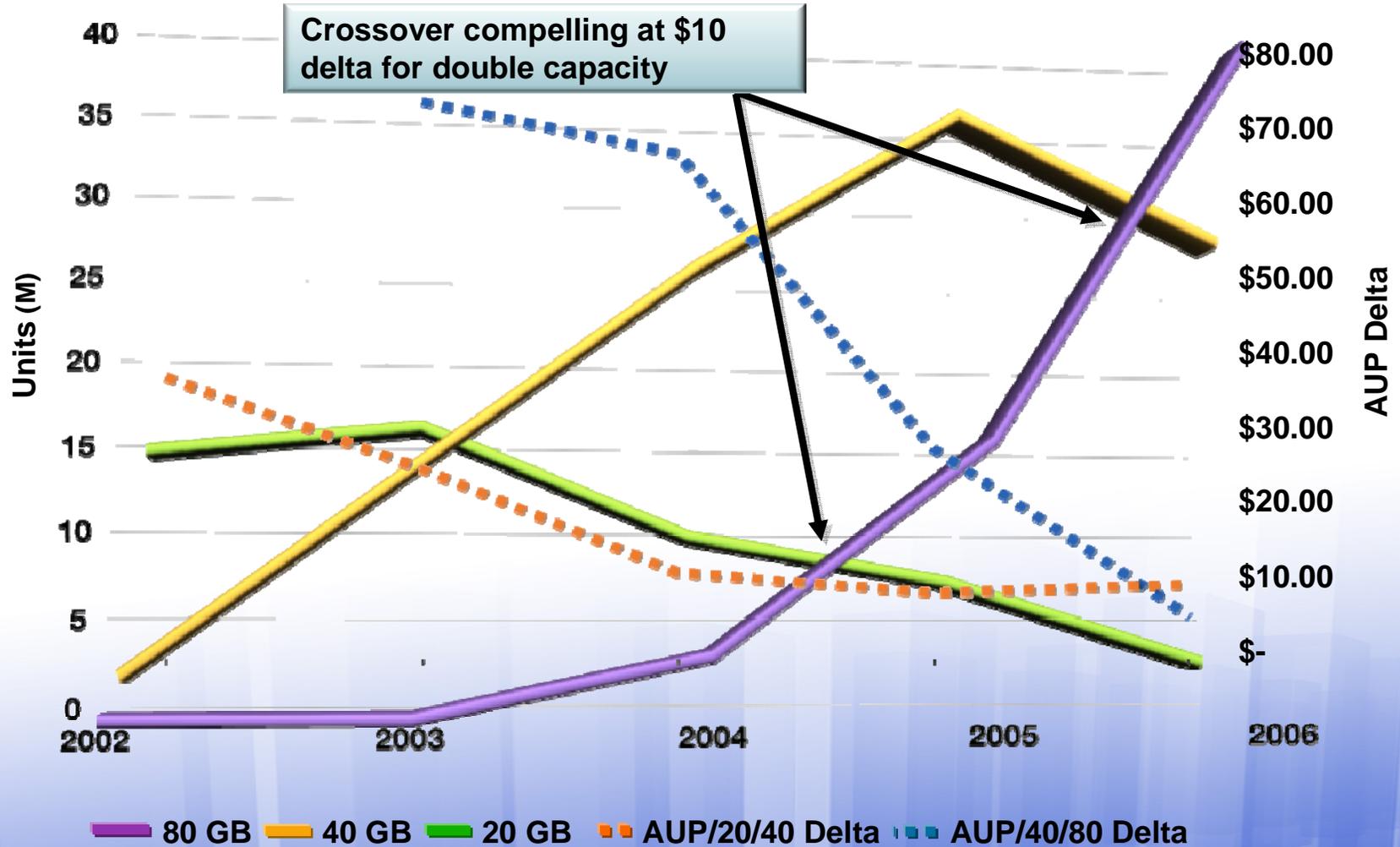


How much capacity, and at what cost, would have to come online by 2011 for the flash industry to ship 10% of HDD storage? **\$50-\$85B?**

# Demand Economics: Value Prop for Capacity

## Notebooks

### 2.5" ATA Units & AUP Delta



Source: Seagate Market Research

Flash will **NEVER** have  
a **capacity-based value**  
**proposition** over HDD

# Where's the Economic Fit?

*HDD Units in Millions - Annual*



**SSDs Don't Compete Against Higher Capacity HDDs**

**Single head, capacity-neutral applications potential market for SSDs (at the right price point)**

# Technology Drives Attractive Entry Prices

*Dollars per GB*



\* Assume total wafer cost of \$4160 plus 10% profit

- **SLC** will remain cost challenged
- **SSD** mass market becomes real as **box cost** approaches HDD parity – unlikely before end of decade
- **Controller technology** and wear leveling challenges are **key** to the success of SSD

# Seagate On Flash

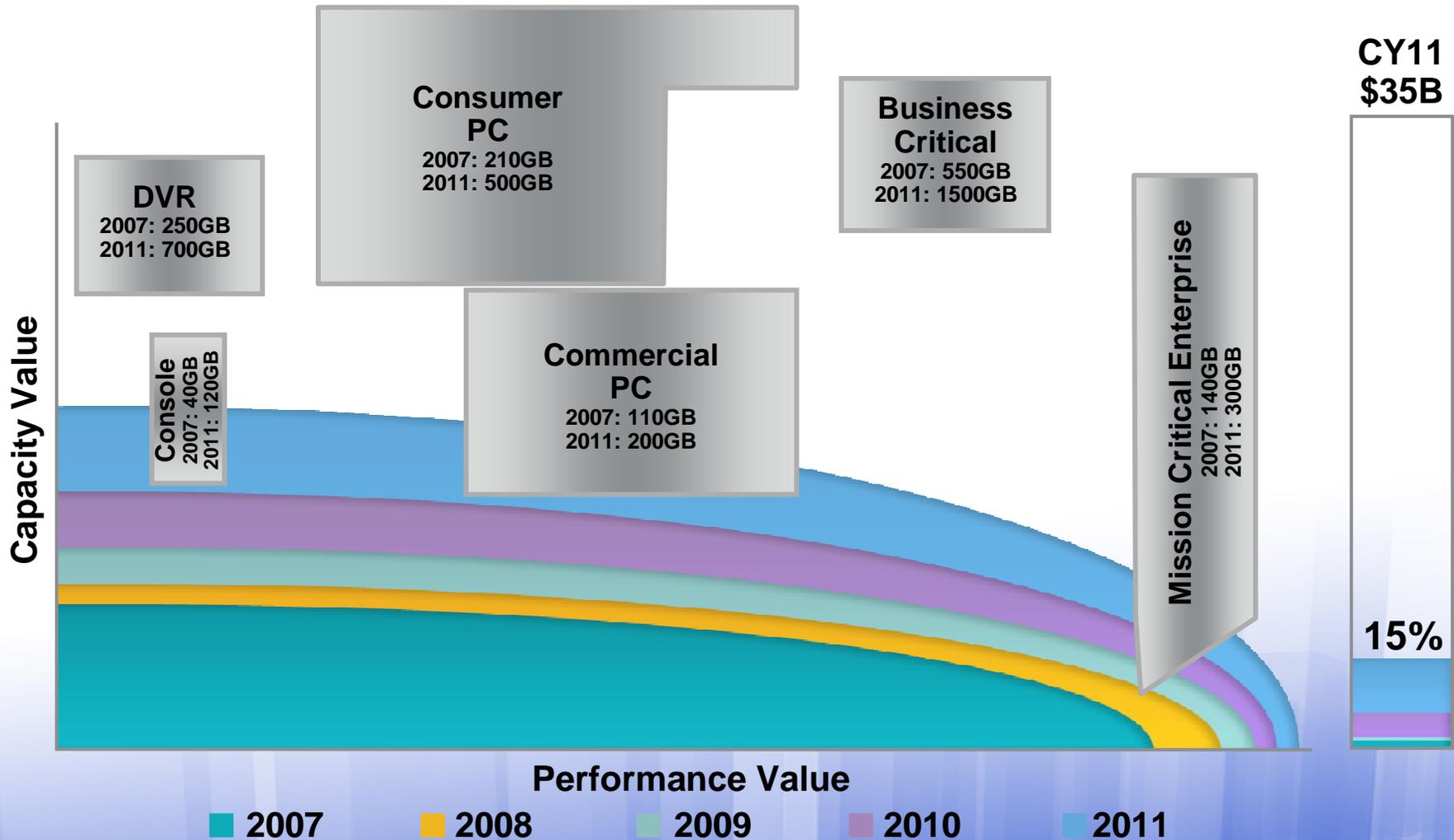
Flash is likely to be used **in combination with HDDs**, and stand-alone in **some specific compute applications**

It's a matter of:

By application, **how much is enough?**

What's the **promise versus the premium?**

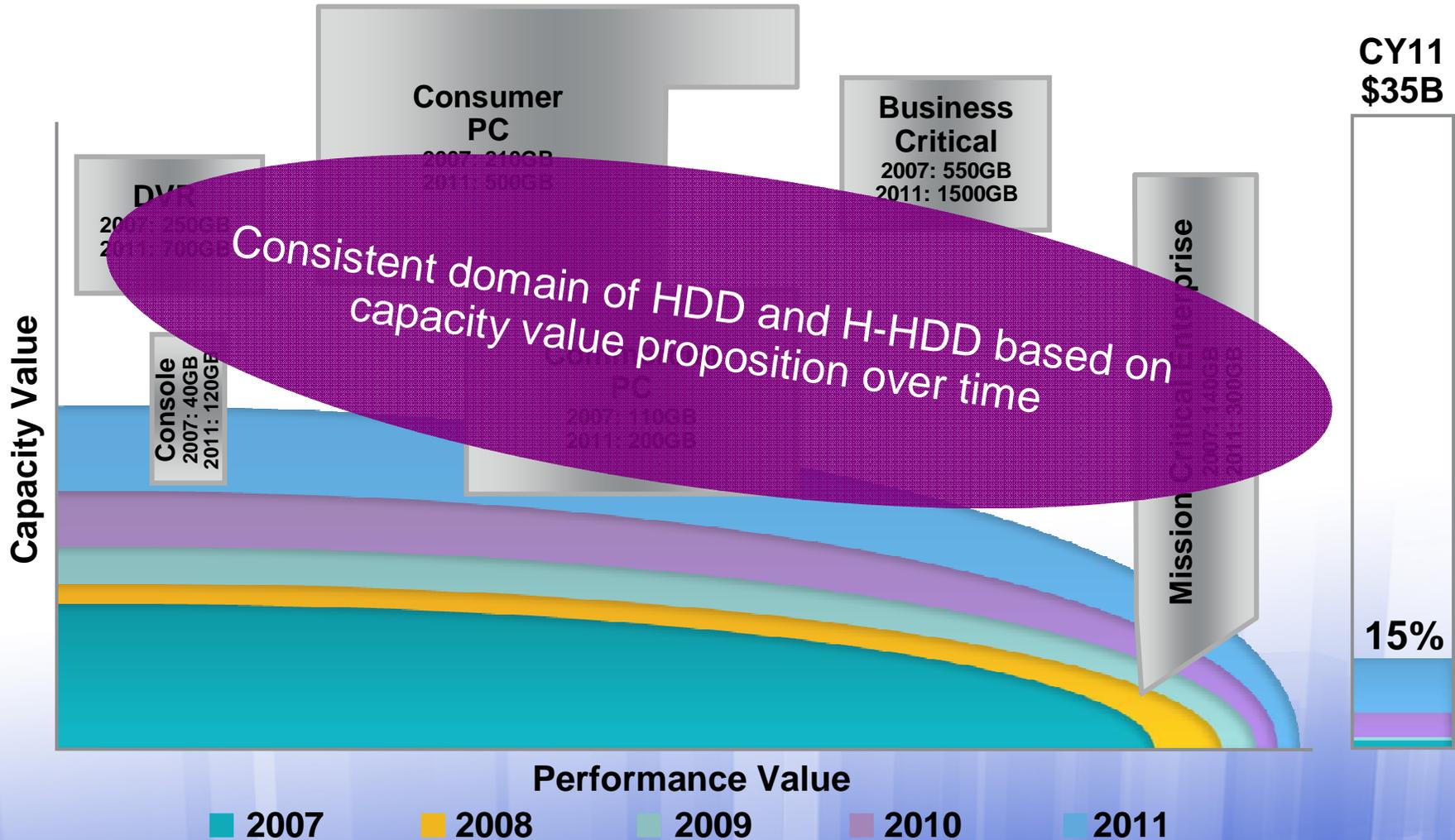
# Where & When Might Solid State Play?



Source: Seagate Market Research

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# Where & When Might Solid State Play?

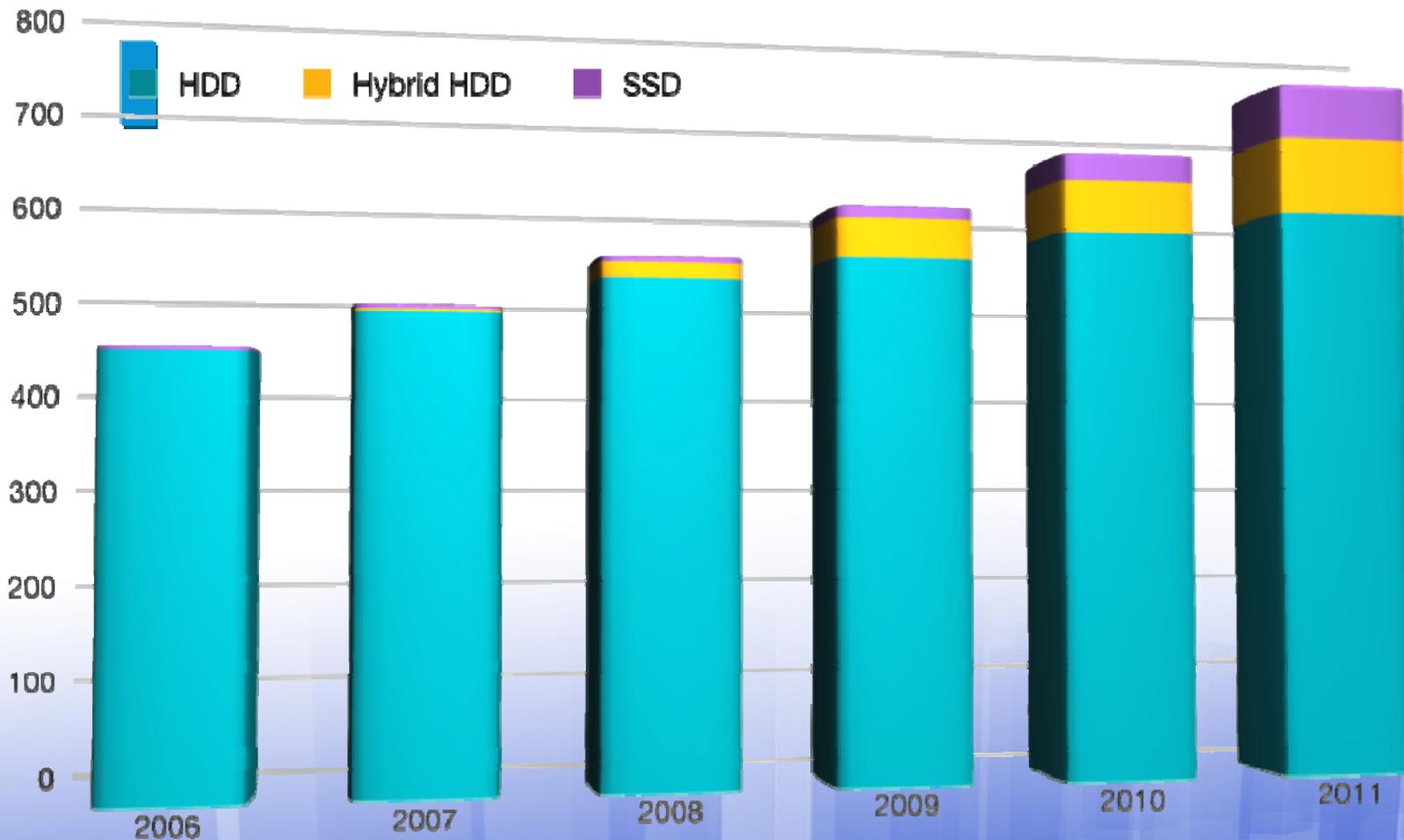


Source: Seagate Market Research

# Derivatives Will Emerge – HDD Will Dominate

Seagate Will Provide the Right Solution

**Compute Storage Market in Millions of Units**



Estimates from Seagate Research

Source: IDC

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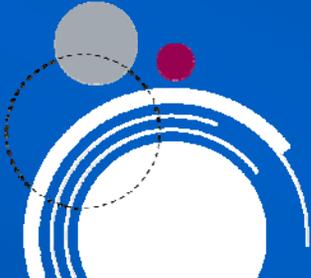
# Seagate: Enviably Position

- The **primary consumer** of storage is **YOU!**
- Explosion of **digital content** across IP path is driving **immense investment**, new behaviors, and **expansive opportunities for storage**
- Pace of change is frenetic – effects on HDD have been positive, but **we likely don't comprehend the full size of opportunity** ahead
- **Seagate is well positioned**, with clear competitive advantages and industry structure continues to improve
- **Semiconductor-based memory** will be deployed in **various forms** within the storage hierarchy
- Timing, placement and **range of flash penetration** should be **kept in perspective**
- **Seagate intends** to be in a position **to leverage its strengths** in applications and customer base and offer the **right solutions over time**

# Analyst and Investor Meeting

Dave Wickersham  
President & COO

# Strategic Plan for CATEGORY LEADERSHIP



## ATTACK

## DEFEND

## GROW

### OBJECTIVES

Achieve #1 position in emerging markets

Maintain Leadership in Core Markets

Significant YoY revenue increase

### STRATEGY

PRODUCT LEADERSHIP

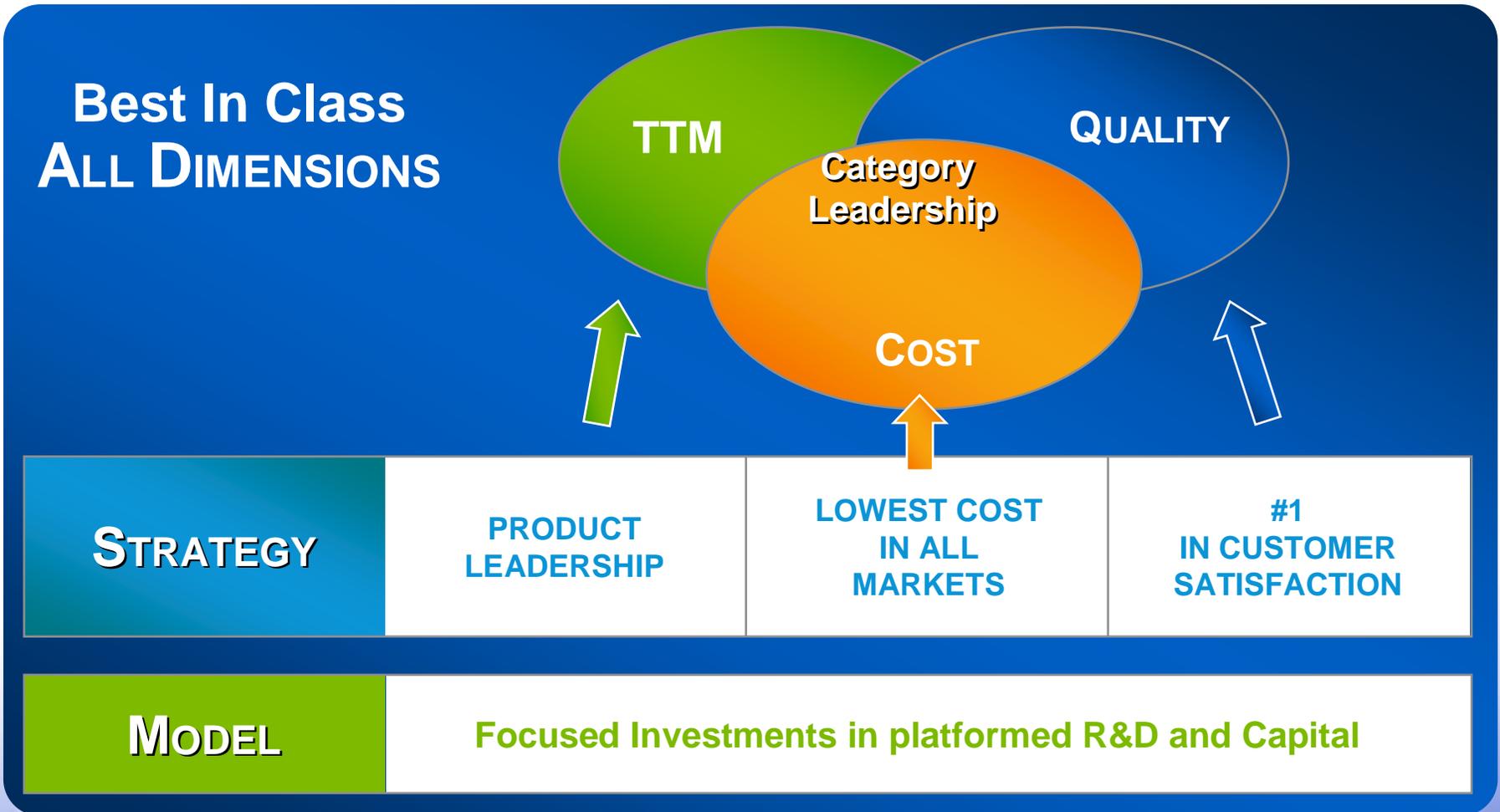
LOWEST COST IN ALL MARKETS

#1 IN CUSTOMER SATISFACTION

### MODEL

Focused Investments in platformed R&D and Capital

# Strategic Plan for CATEGORY LEADERSHIP

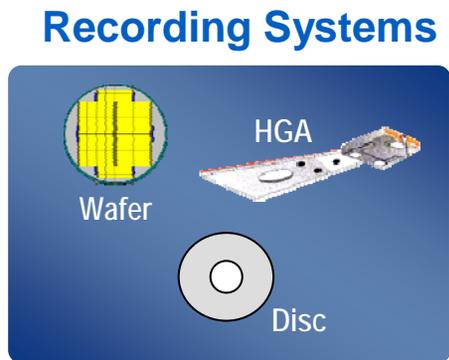


# Seagate's Leadership Model

Vertical  
Integration



Technology  
Platforms



**MODEL**

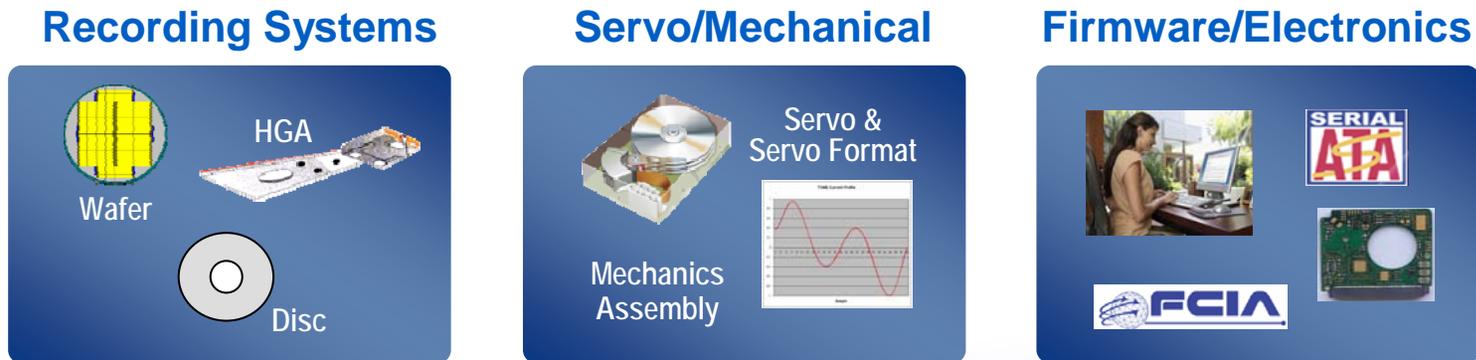
**Focused Investments in platformed R&D and Capital**

# Seagate's Leadership Model

Vertical  
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Technology  
Platforms



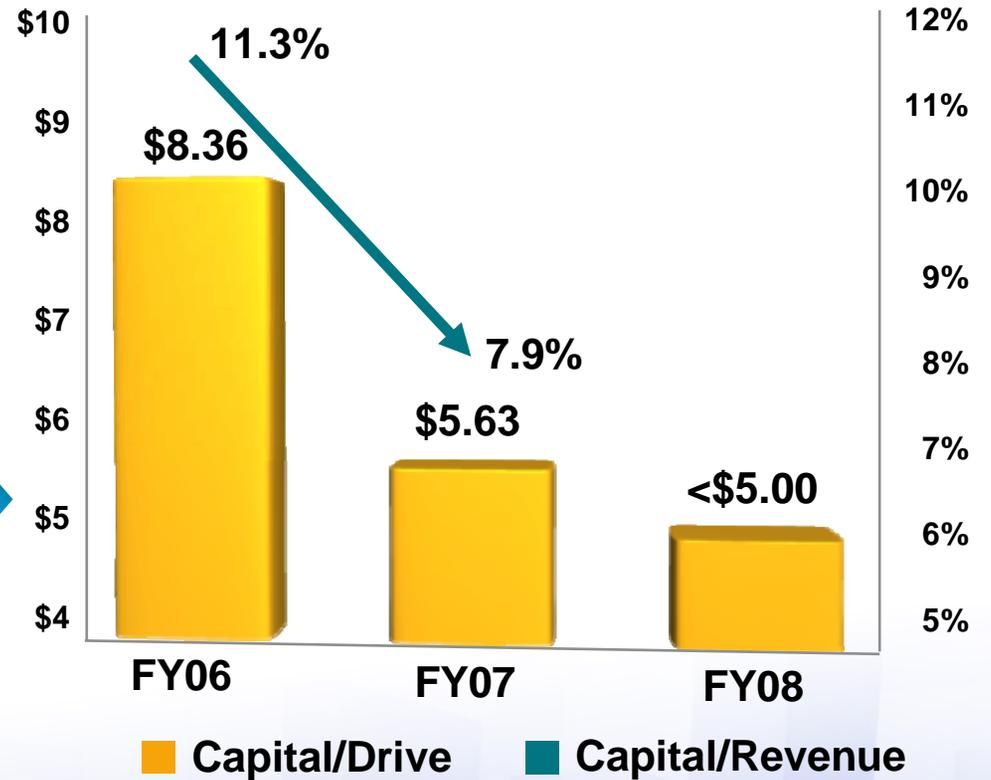
Manufacturing  
Platforms



# Capital Expense

ANNUAL CAPEX		
FY06	FY07	FY08
\$1,008M	\$900M	\$900M

Following MXO acquisition, capital efficiency improves to record levels in FY08

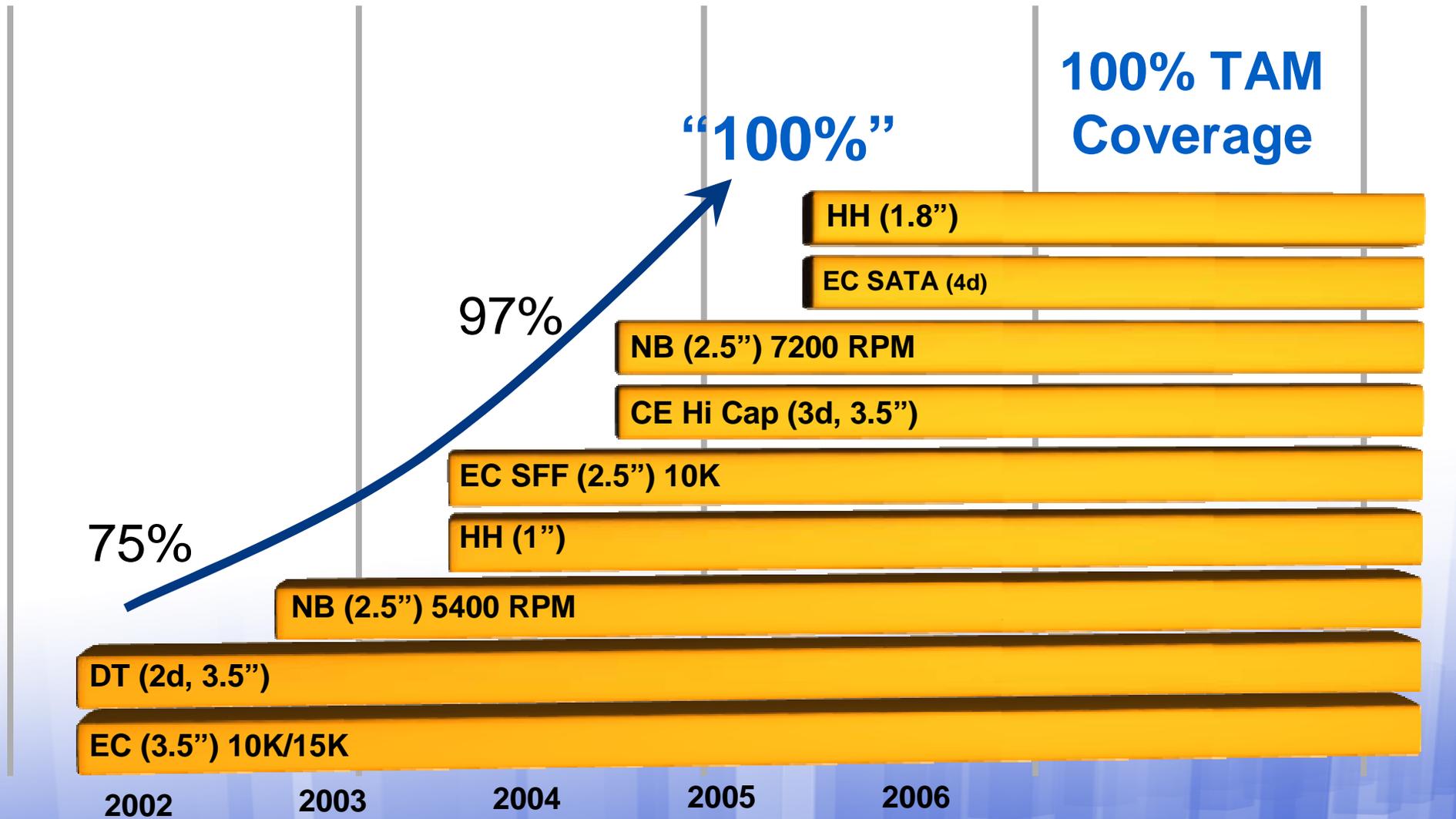


**MODEL**

Focused Investments in platformed R&D and Capital

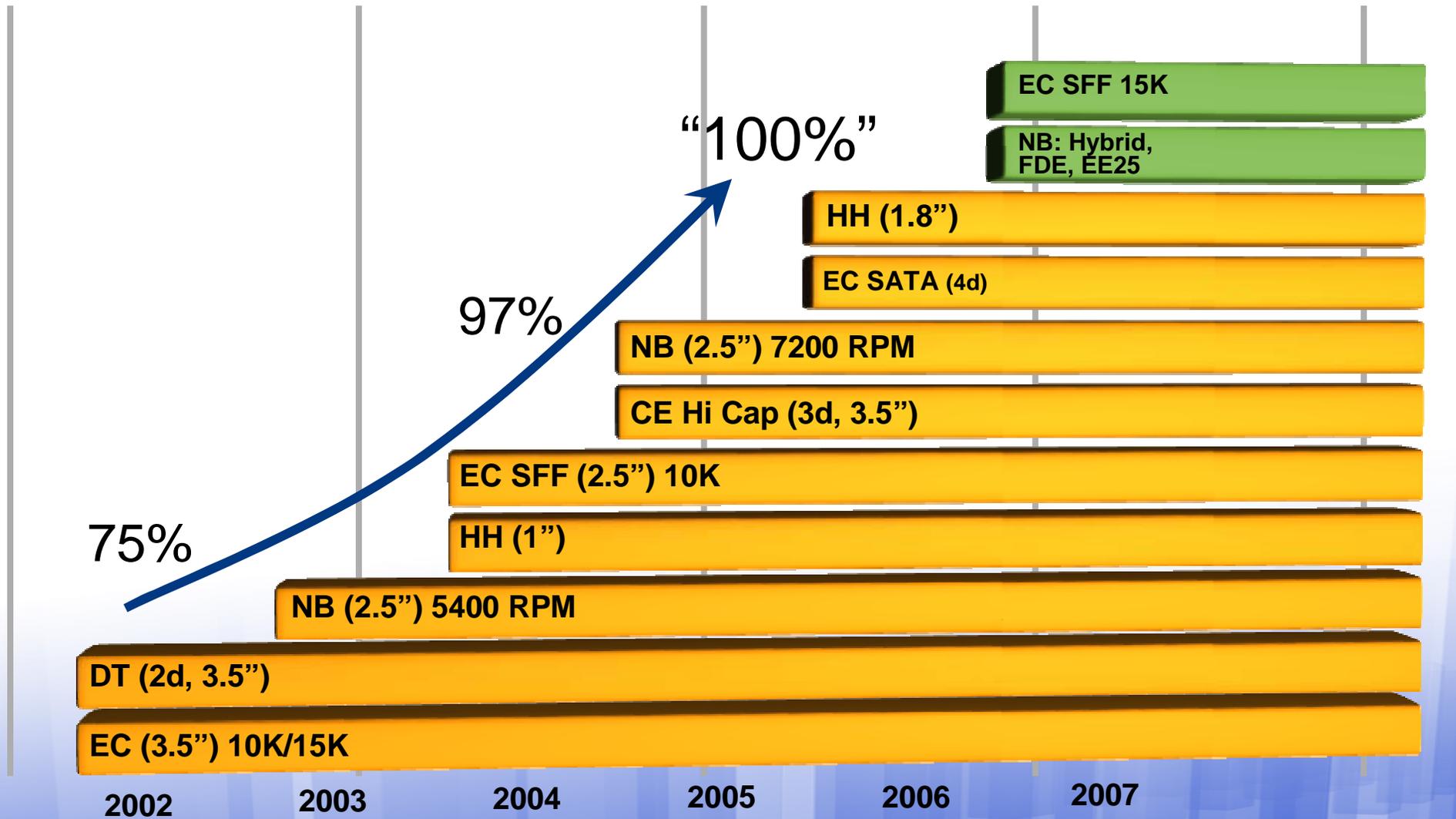
# Expanded Portfolio

To Meet Customer Needs – STORAGE PRODUCTS



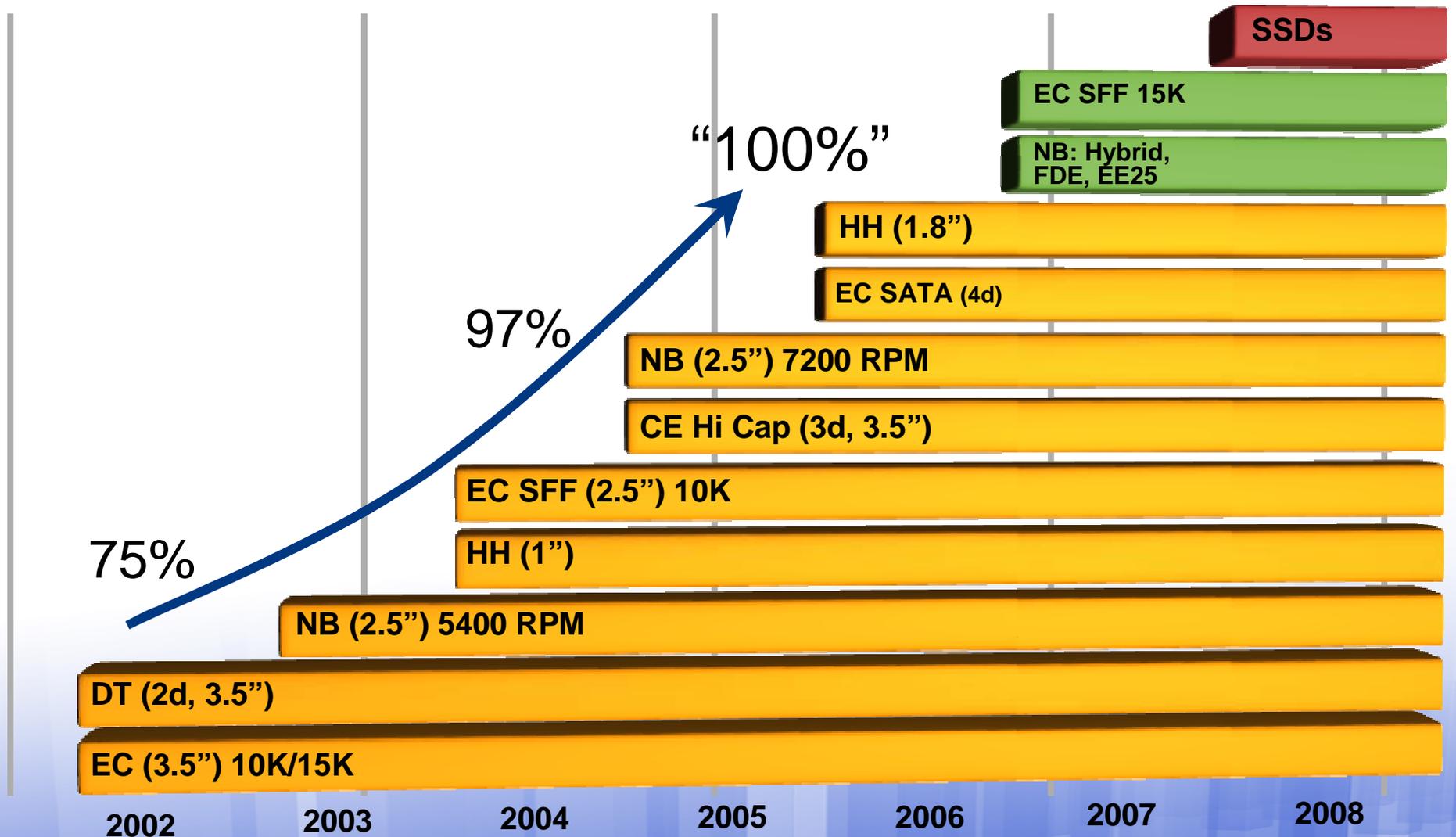
# Expanded Portfolio

To Meet Customer Needs – STORAGE PRODUCTS



# Expanded Portfolio

To Meet Customer Needs – STORAGE PRODUCTS



# Seagate's SSD Value Proposition

## SEAGATE'S TECHNICAL VALUE ADD

STX

STORAGE  
PRODUCT

- Interface expertise (SAS, SATA, xATA)
- Error Correction without performance impact
- Tracking & management of multiple data streams
- Full disc encryption security



SYSTEM  
LEVEL

- Optimized F/W for customer system performance
- Mass storage customer qualification expertise
- Manufacturing & tests optimized to unique customer systems, environment & stress



## SEAGATE'S BUSINESS VALUE ADD

- Long term customer relationships
- Trusted brand / recognized leadership
- Portfolio breadth – supply chain simplification



**SUMMARY**  
Ready  
Willing  
Able

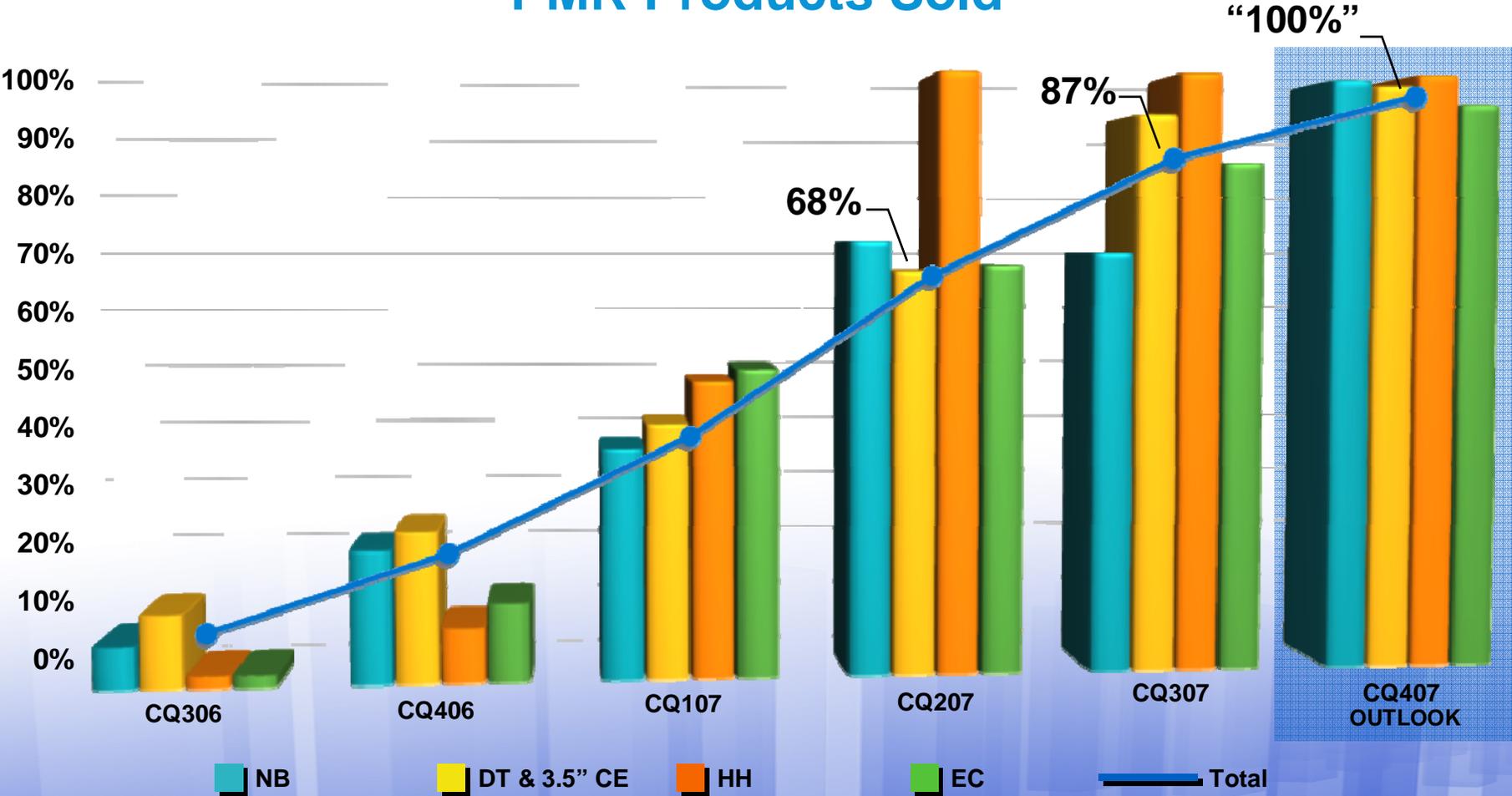
# Product Leadership

Segment	Technology	TTMarket	TTVolume	TTCost
3.5" xATA	160GB/Disc			
	187GB/Disc			
	250GB/Disc			
	1-TB			
NB	80GB/Disc			
	125GB/Disc			
HH	1.8" 60GB/Disc			
ES	SFF 10K.2 146GB			
	SFF 15K.1 73GB			
	3.5" 15K.5 300GB			
	3.5" 15K.6 450GB			

# Technology Transition – PMR

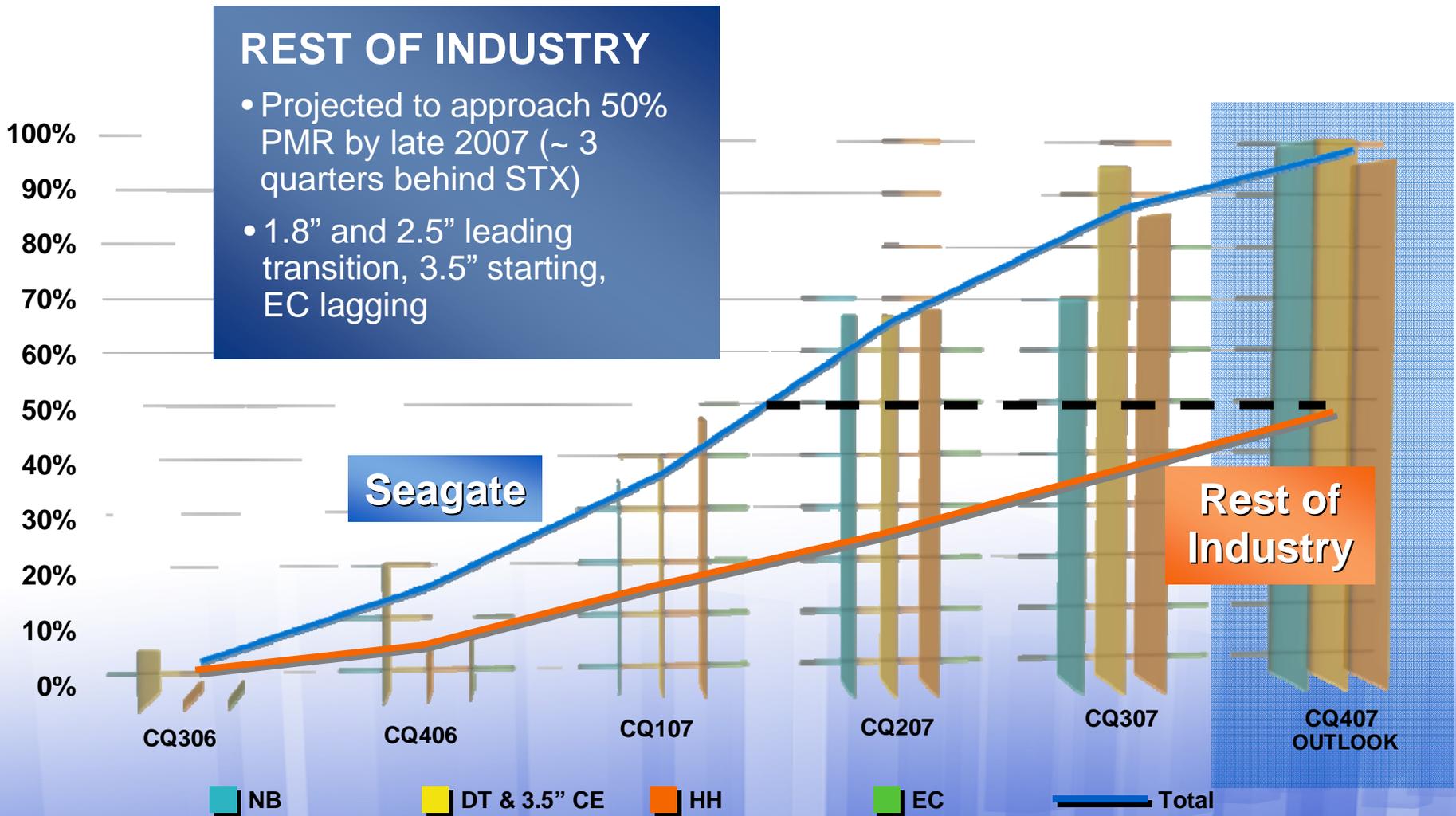
Across All Product Lines

## PMR Products Sold



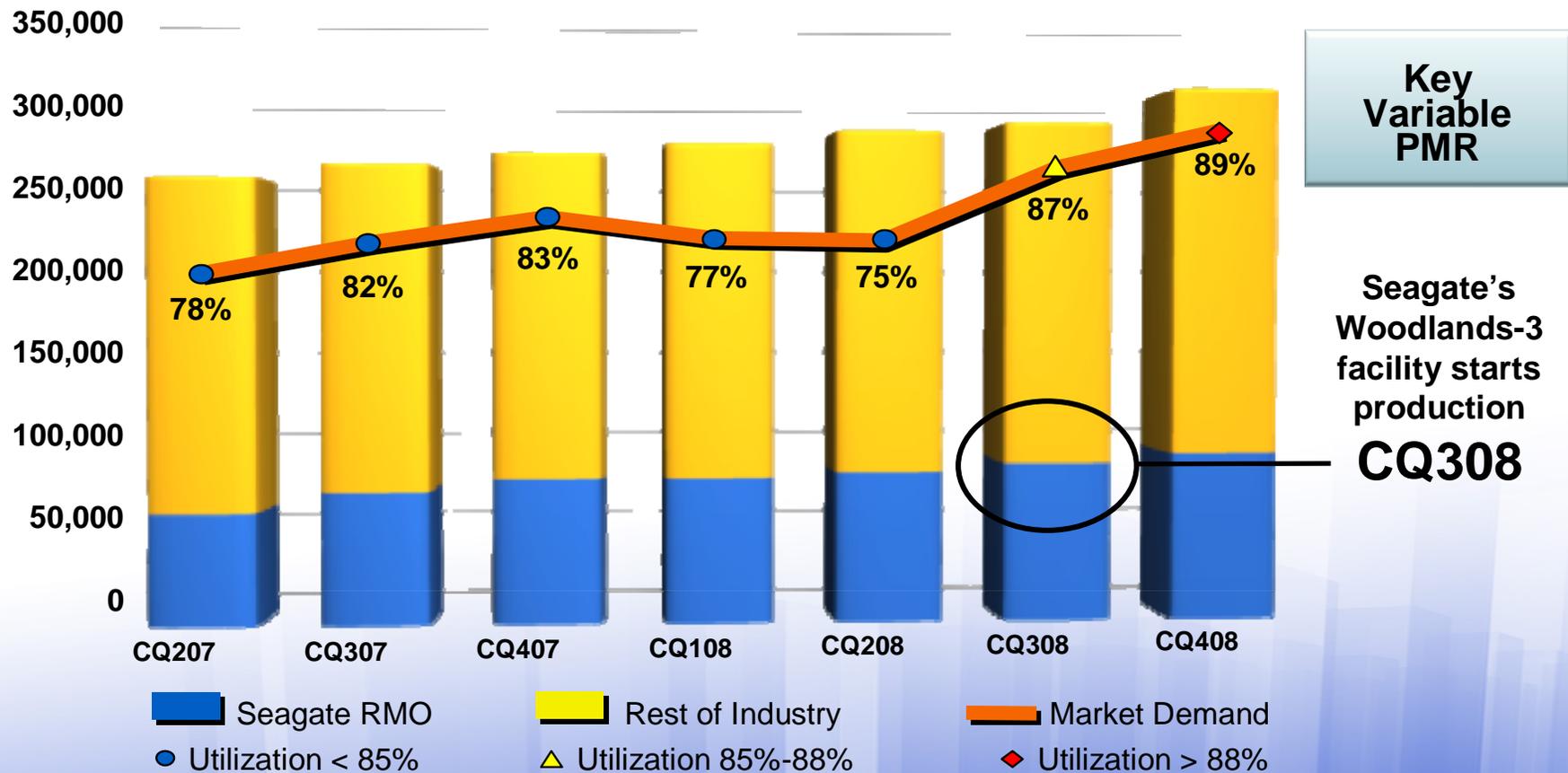
# Technology Transition – PMR

Across All Product Lines

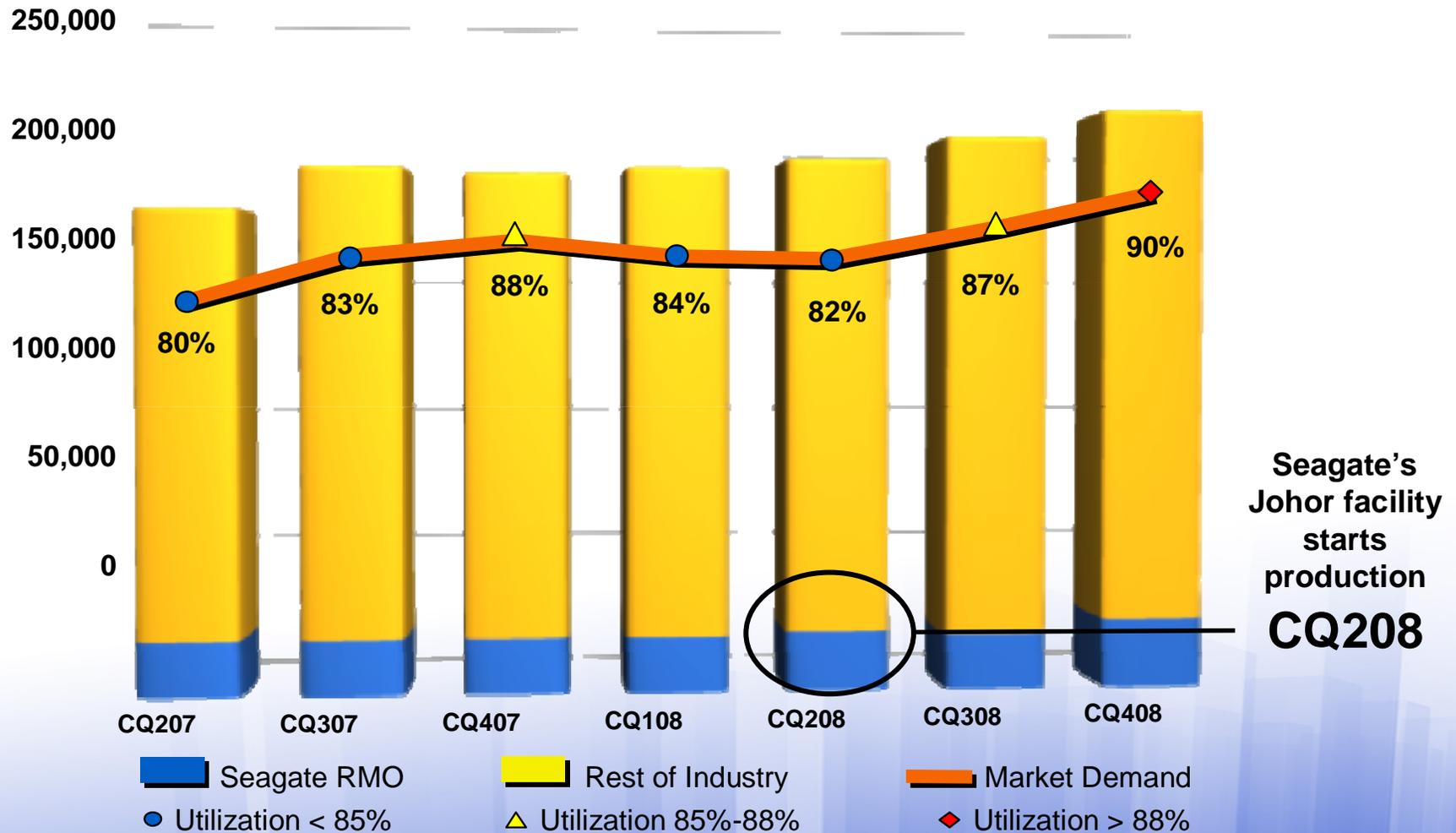


# Industry Finished Media

## Industry Utilization



# Industry Aluminum Substrates



# Future Recording Technologies

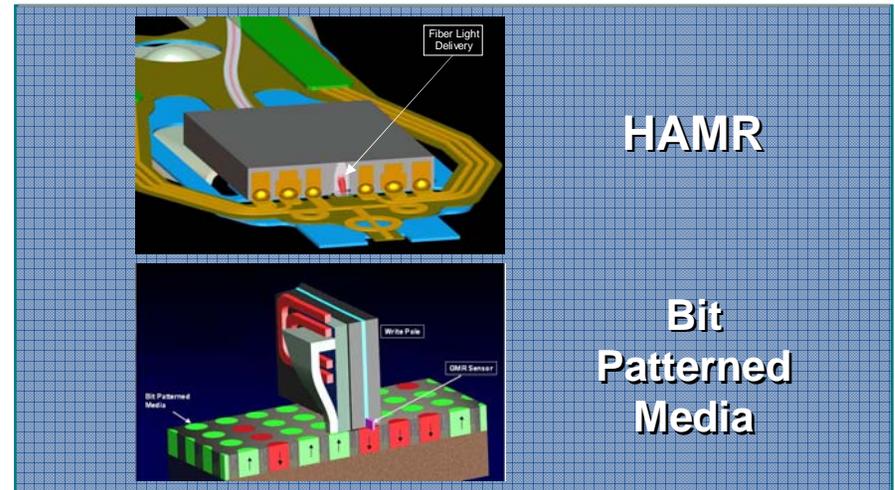
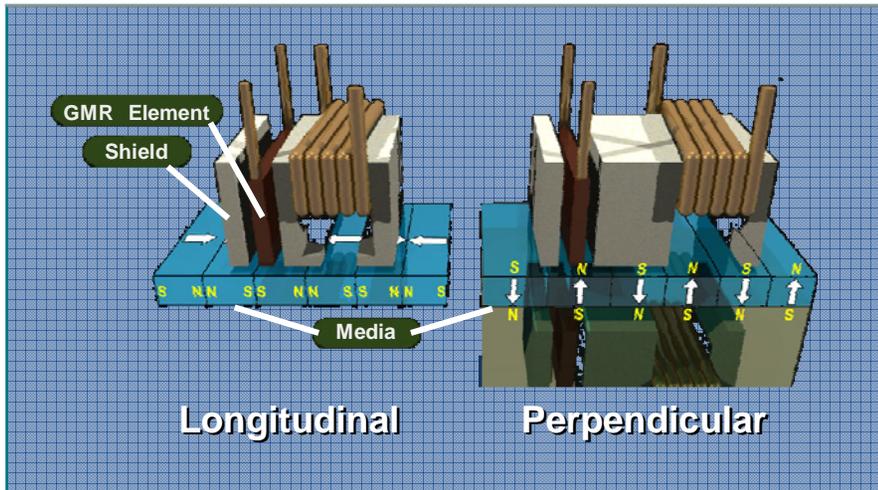
2007

2012

2017

## CONVENTIONAL PERPENDICULAR

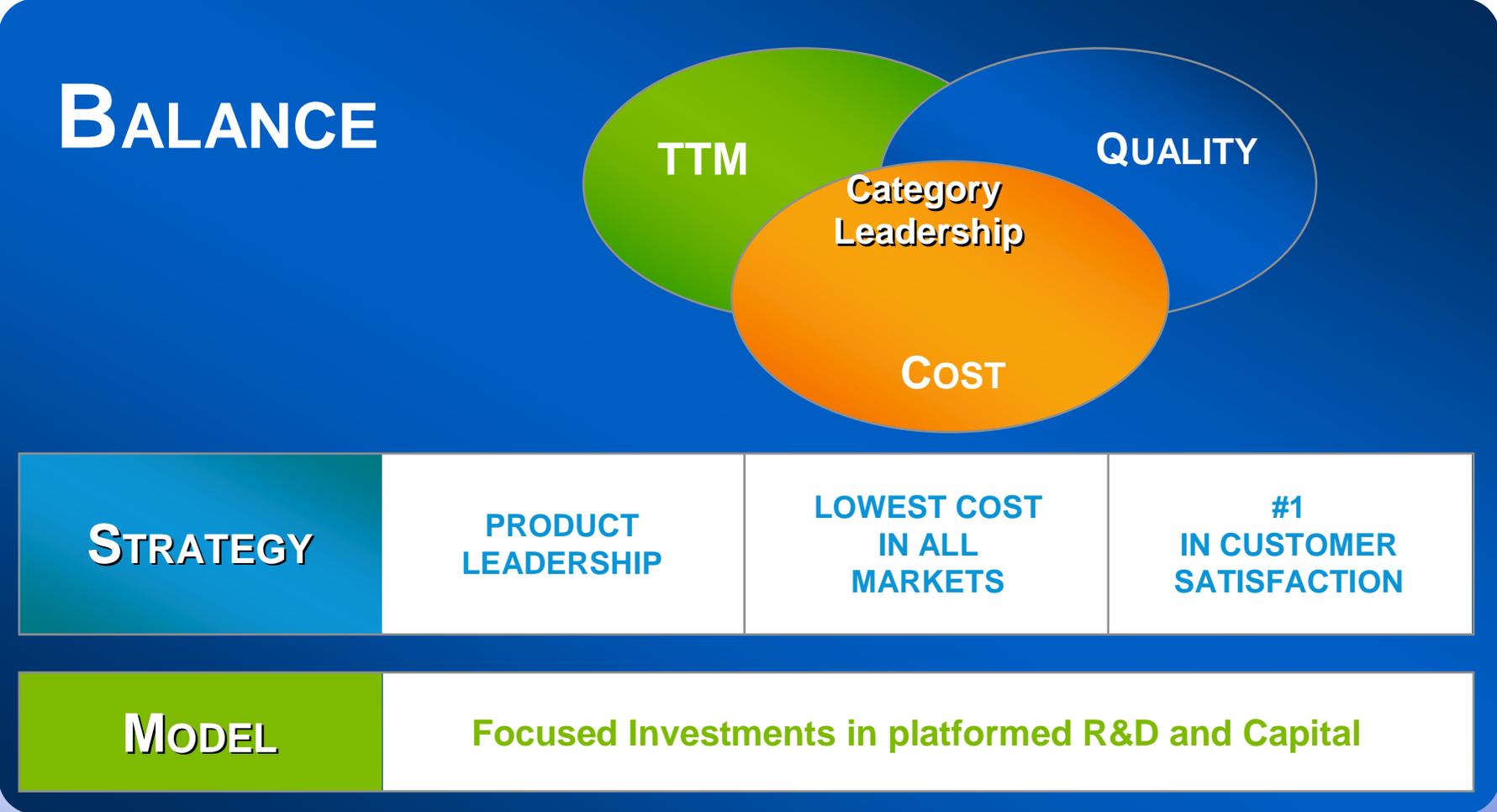
## REVOLUTIONARY PERPENDICULAR



Up to ~1Terabit/in<sup>2</sup>

Up to ~10Terabit/in<sup>2</sup> singly, or  
>10Terabit/in<sup>2</sup> combined

# Strategic Plan for CATEGORY LEADERSHIP



# Strategic Plan for CATEGORY LEADERSHIP

**BALANCE**



**RESULTS**

**DIFFERENTIAL FINANCIAL PERFORMANCE**

**MODEL**

**Focused Investments in platformed R&D and Capital**

# Analyst and Investor Meeting

Charles Pope  
EVP and CFO

## Topics of Interest

Updated FQ1'08 Guidance

Financial Model Framework

What the Model Delivers

## Topics of Interest

Updated FQ1'08 Guidance

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What the Model Delivers

# Maxtor Acquisition Postmortem

- Completed transition to Seagate products ahead of schedule
- Retained targeted unit market share of 50%

## Enterprise Market Share



## 3.5" xATA Market Share



# SSDs – Seagate in Position to Succeed

## SEAGATE'S TECHNICAL VALUE ADD

## STX

### STORAGE PRODUCT

- Interface expertise (SAS, SATA, xATA)
- Error Correction without performance impact
- Tracking & management of multiple data streams
- Full disc encryption security



### SYSTEM LEVEL

- Optimized F/W for customer system performance
- Mass storage customer qualification expertise
- Manufacturing & tests optimized to unique customer systems, environment & stress



## SEAGATE'S BUSINESS VALUE ADD

- Long term customer relationships
- Trusted brand / recognized leadership
- Portfolio breadth – supply chain simplification



### SUMMARY

Ready  
Willing  
Able

# SSD – Business Success Requires...

- **Access to low-cost, leading technology components**
  - Similar to vertical integration for heads and media
  - Benefit hybrid-HDD cost structure
  - Access to IP

SEAGATE'S TECHNICAL VALUE ADD		STX
STORAGE PRODUCT	• Interface expertise (SAS, SATA, xATA)	✓
	• Error Correction without performance impact	✓
	• Tracking & management of multiple data streams	✓
	• Full disc encryption security	✓
SYSTEM LEVEL	Optimized FW for customer system performance	✓
	Mass storage customer qualification expertise	✓
	Manufacturing & tests optimized to unique customer systems, environment & stress	✓
SEAGATE'S BUSINESS VALUE ADD		
	Long term customer relationships	✓
	Trusted brand / recognized leadership	✓
	Portfolio breadth – supply chain simplification	✓
		<b>SUMMARY</b> Ready Willing Able

- **Business strategy can lag product development**
  - Market for SSD's nascent in the near-term
- **Broad spectrum of strategies are possible**

## Topics of Interest

Updated FQ1'08 Guidance

Financial Model Framework

What the Model Delivers

# FQ1'08 Guidance

## Original Guidance - July 19

Revenue	\$2.9 - \$3.0B
Earnings Per Share	
GAAP	\$0.35 – \$0.39
Non-GAAP	\$0.40 – \$0.44

## Updated Guidance – Aug 28

Revenue	\$3.15 - \$3.25B
Earnings Per Share	
GAAP	\$0.57 – \$0.61
Non-GAAP	\$0.62 -- \$0.66

## Key Assumptions

- Non-GAAP GM% ~ 22%
- Non-GAAP R&D and SG&A \$380m
- Other Inc/(Exp) ~ (\$17m)
- Tax Rate 5-10%

## Key Assumptions

- Non-GAAP GM% ~ 24%
- Non-GAAP R&D and SG&A > \$380m
- Tax Rate 6.0%
- Outstanding Shares 555m

Given the typical shipment profile for a September quarter and the dynamic nature of the demand and pricing environment, the balance of the quarter will heavily influence the company's financial performance

### Reconciliation of GAAP to non-GAAP

EPS: \$27m of purchased intangibles amortization

R&D & SG&A: \$4m of purchased Intangibles amortization

Seagate Technology 2007 Analyst Meeting – September 7, 2007

# FQ1'08 – What Changed

- **Industry Unit demand**
  - **TAM expected at the high-end** of 125-128m units originally planned
  - July and August shipments **better than historical** and plan
- **Favorable Pricing**
  - **Balanced supply and demand** environment
  - **Product transitions** and supply chain disruptions
  - **Minimal capacity expansion**
- **Product Mix**
  - **Optimizing mix of products** to maximize profitability

## Topics of Interest

Updated FQ1'08 Guidance

Financial Model Framework

What the Model Delivers

# Seagate: Financial Model Framework

Demand Environment

Revenue Growth

Gross Margin

Operating Expenses - R&D and SG&A

Other Income/Expense, Tax Rate,  
Outstanding Shares

# Demand Environment

- **Unit demand solid**
  - 10 -15% annual growth for industry
- **Opportunities to grow faster than the market**
  - Branded solutions (retail)
  - Internet infrastructure
  - Handheld consumer markets
- **Product Differentiation**
  - Performance and Power
  - Hybrid-HDD
  - Security (Full Disc Encryption)

# Industry Revenue

- Some industry participants experienced robust revenue growth during FY07 due to the distribution of Maxtor share – Seagate grew ~ \$2B
- However, FY07 industry revenue in total grew only 4%
  - Price declines, especially in the second half of the fiscal year, seem to have been among the most severe the industry has seen in four years
  - For much of FY07, market share gains were the focus for the competition—not profits
- In the June'07 quarter, operating income declined year over year for the industry's three largest participants

# June'07 Quarter – STX, WDC, and HGST

Aggregate revenue increased year-over-year **21%**,  
however operating income declined **34%**

FQ4'07 (Jun'07)				FQ4'06 (Jun'06)			
	Rev	Op Inc	% Rev		Rev	Op Inc	% Rev
STX	\$2,744	\$244	8.9%	STX	\$2,250	\$243	10.8%
WD	\$1,367	\$79	5.8%	WD	\$1,085	\$94	8.7%
HGST	\$1,215	<b>(\$174)</b>	-14.3%	HGST	\$1,068	<b>(\$112)</b>	-10.5%
	<u>\$5,326</u>	<u>\$149</u>	<u>2.8%</u>		<u>\$4,403</u>	<u>\$225</u>	<u>5.1%</u>
Y-o-Y%	21%	-34%					

STX FQ407 is non-GAAP and excludes \$29m restructuring charge

STX FQ406 is non-GAAP Seagate stand-alone

Why did this happen in an industry that has growing unit demand and enjoyed market share gains due to consolidation?

# Revenue Growth

- **Revenue Growth target: 5-10%**
- **Downside Risks Include:**
  - Market share vs. profit focus by competitors
  - Unit growth slows to below 10% year over year
- **Upsides Opportunities Include:**
  - Profit focus vs. market share by competitors
  - Additional industry consolidation
    - HDD or component level
  - Successful new or adjacent market execution

# Gross Margin

- **Gross margin range: 21-25%**
- **Reflects changes that have occurred during the last 12 months**
  - Market share focus vs. profit share focus by industry participants
  - Notebook gross margins now less than desktop
  - Enterprise (MC) unit growth lagging overall unit growth
- **Lowered breakeven point significantly**
  - FY2004 ~16-17% gross margin
  - FY2008 ~12-13% gross margin
- **Seagate will continue to deliver differential gross margins**

# Gross Margin Sustainability

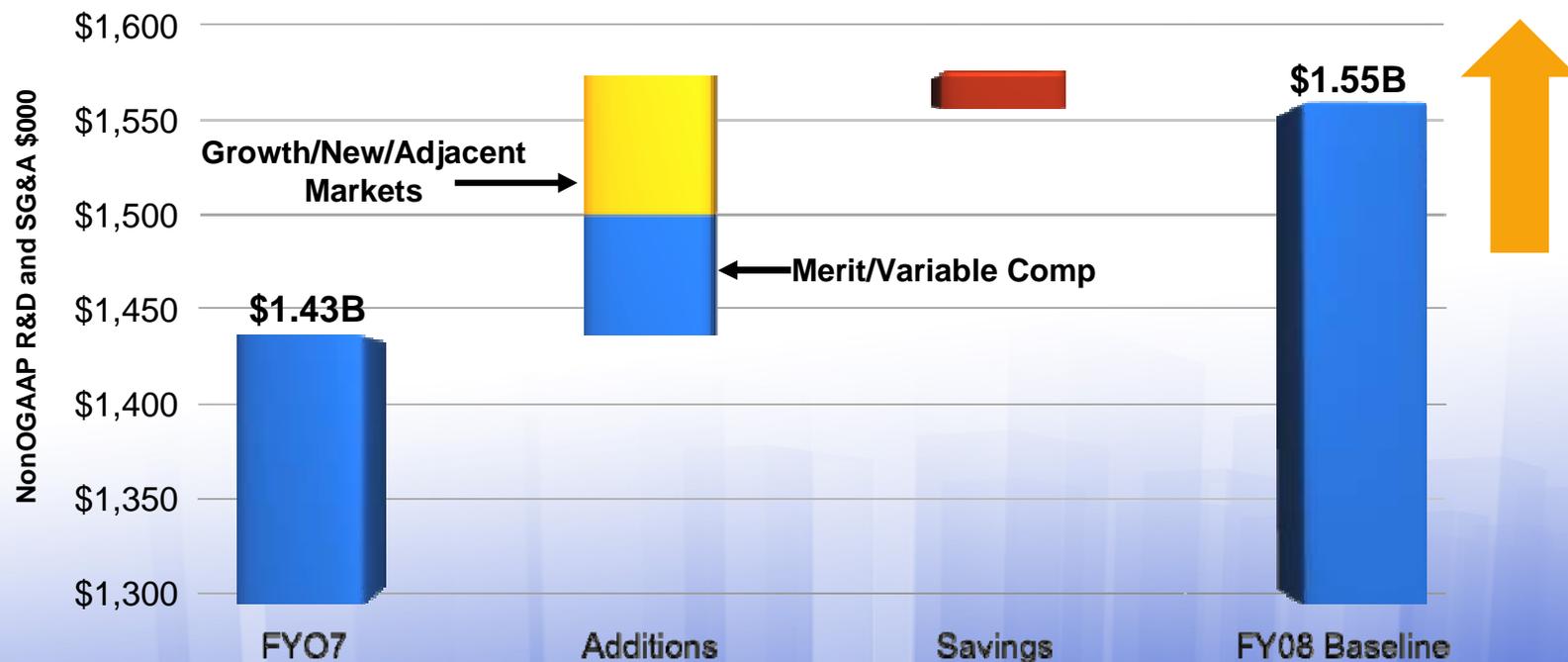
How can Seagate sustain gross margins with quarterly “like for like” price declines of ~5%?

- **Maintain gross margin by offsetting price declines with:**
  - Bill of material savings
  - Yield, scrap and throughput improvements
  - Improving product mix
  - New product introductions (removing heads/discs)
- **If “like for like” price declines accelerate beyond 5% per quarter for an extended period of time, margin compression typically occurs**

# R&D and SG&A (Operating Expenses)

Non-GAAP

- FY08 baseline spending targeted at \$1.55B v. FY07 of \$1.43B
  - Variable performance based compensation reflects the operating plan approved by board
  - Variable compensation increases if financial results improve



FY07 non-GAAP excludes \$63m of acquisition related costs



# R&D and SG&A (Operating Expenses)

Non-GAAP

## Long Term Model for Operating Expenses

- \$1.55B is the base level
  - Fluctuates based on variable compensation
- Operating expenses expected to grow at a rate less than revenue growth
- Will continue to shift more investments towards growth markets, new business opportunities and adjacent markets
  - Approximately 12% of total operating expenses in FY08

# Other Income/Expense, Tax Rate, Sharecount

- **Other Income & Expense:** \$40-50m annual net expense
  - Assumes existing capital structure
- **Tax Rate:** 5-10%
  - Could vary significantly quarter to quarter
  - Cash tax rate < 5%
- **Share count**
  - Complete current buyback authorization
  - FY09 and beyond - at a minimum offset any dilution due to equity based compensation with additional stock repurchases

# Cash Management and Capital Structure

## Tactical and Strategic Liquidity

- Fund working capital and R&D
- Fund organic and M&A growth opportunities

## Capital Investments

- Focus on cost reduction opportunities, aligning capacity with demand and future recording technologies

## Return Cash to Shareholders

- Quarterly dividends of \$0.10/share
- Share Repurchase – as of Sept 2, 2007
  - Repurchased ~\$250m shares during FQ108
  - Authorization remaining ~\$725m

## Capital Structure

- Total debt \$2.1b
- Capacity for additional debt exists

## Topics of Interest

Updated FQ1'08 Guidance

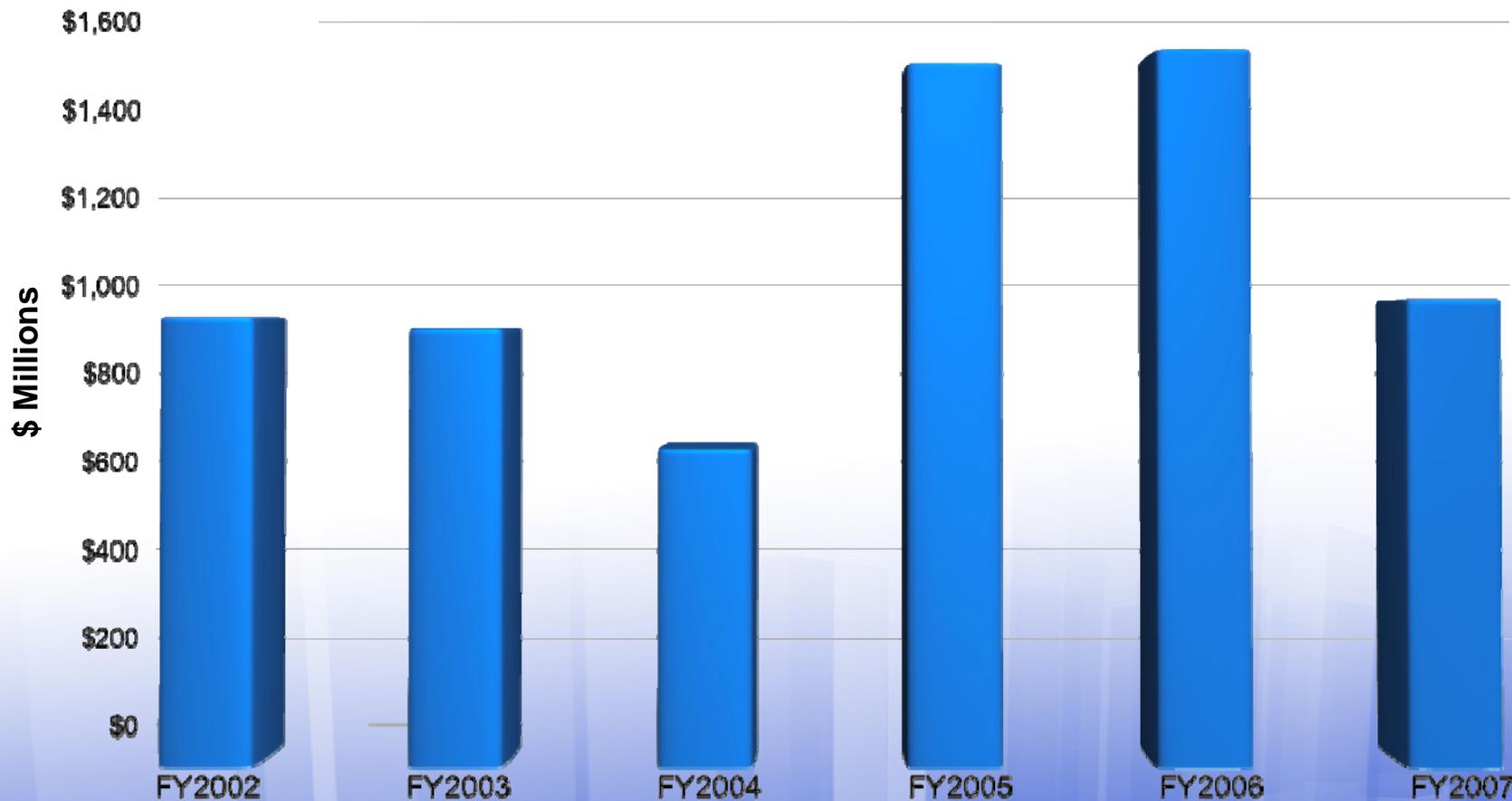
Financial Model Framework

What the Model Delivers

# Cash Flow From Operations

Historically, Seagate has generated significant cash flow from operations

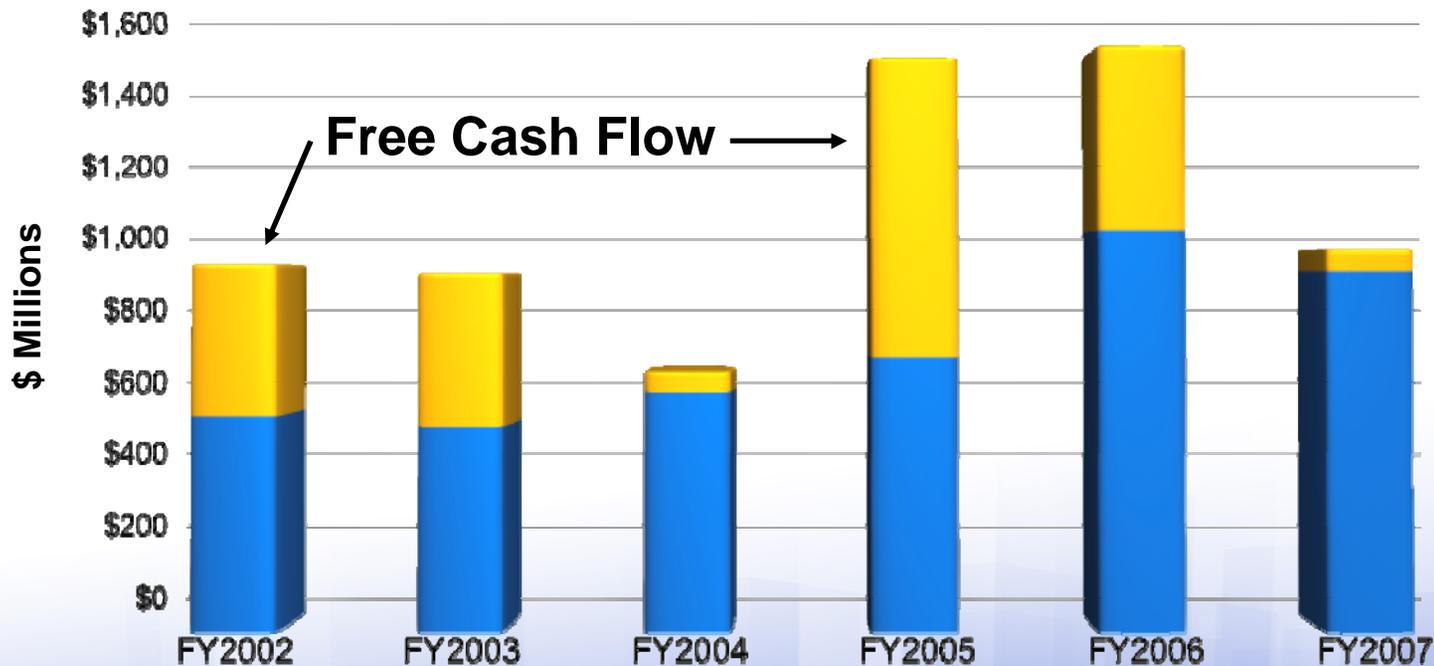
## Cash Flow from Operations



# Free Cash Flow

Six consecutive years of positive free cash flow

## Cash Flow from Operations and Free Cash Flow



FCF \$M	\$365	\$366	\$30	\$737	\$449	\$37
FCF/Share	\$0.85	\$0.78	\$0.06	\$1.47	\$0.86	\$0.06

FCF = Cash Flow From Operations less Capital Expenditures

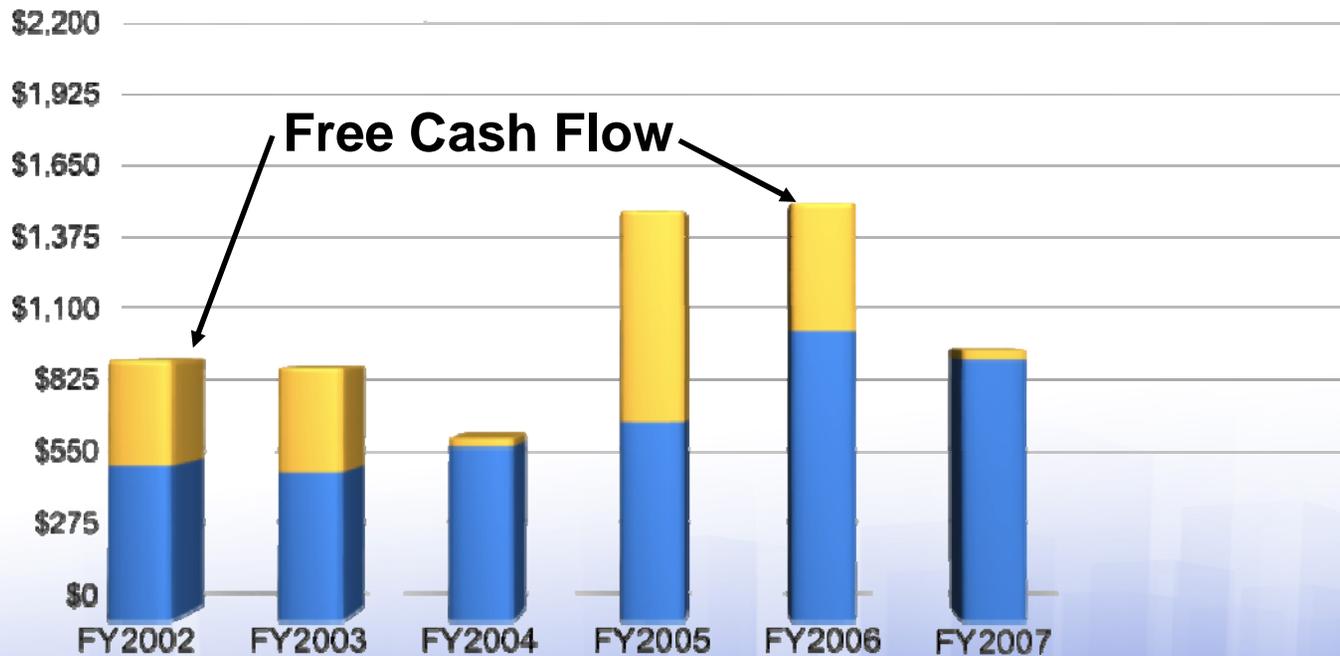
# Free Cash Flow Assumptions

- **Working Capital** – no change to historical trends
  - DSO ~45 days, DPO ~60 days, Inventory Turns ~11x
- **Capital Expenditures**
  - Approximately \$900M annually
  - Average depreciation life 3-5 years (excluding buildings)
- **Depreciation and Amortization**
  - Expected to be ~\$875-900m in FY08
  - Depreciation expected to trend up towards cap-ex levels
  - Amortization of purchased intangibles trending down\*
    - FY07 \$152m (actual), FY08 \$90m, FY09 \$58m, FY10 \$34m

# Free Cash Flow Scenarios

	Revenue	GM	Op Ex	Cap Ex
Scenario #1	5% Y-o-Y	21%	1.55B	~\$900M
Scenario #2	10% Y-o-Y	25%	>\$1.55B	~\$900M

## Cash Flow from Operations and Free Cash Flow



FCF \$M	\$365	\$366	\$30	\$737	\$449	\$37
FCF/Share	\$0.85	\$0.78	\$0.06	\$1.47	\$0.86	\$0.06

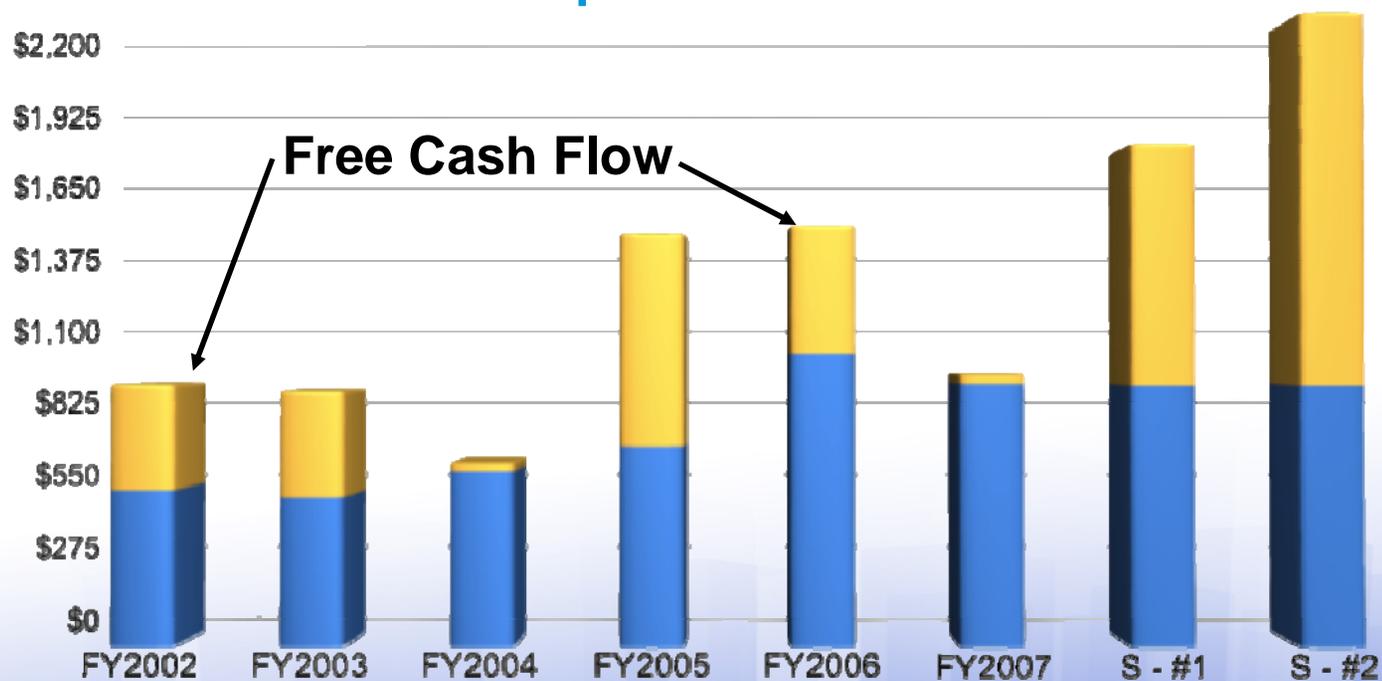
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# Free Cash Flow Scenarios

	Revenue	GM	Op Ex	Cap Ex
Scenario #1	5% Y-o-Y	21%	1.55B	~\$900M
Scenario #2	10% Y-o-Y	25%	>\$1.55B	~\$900M

## Cash Flow from Operations and Free Cash Flow



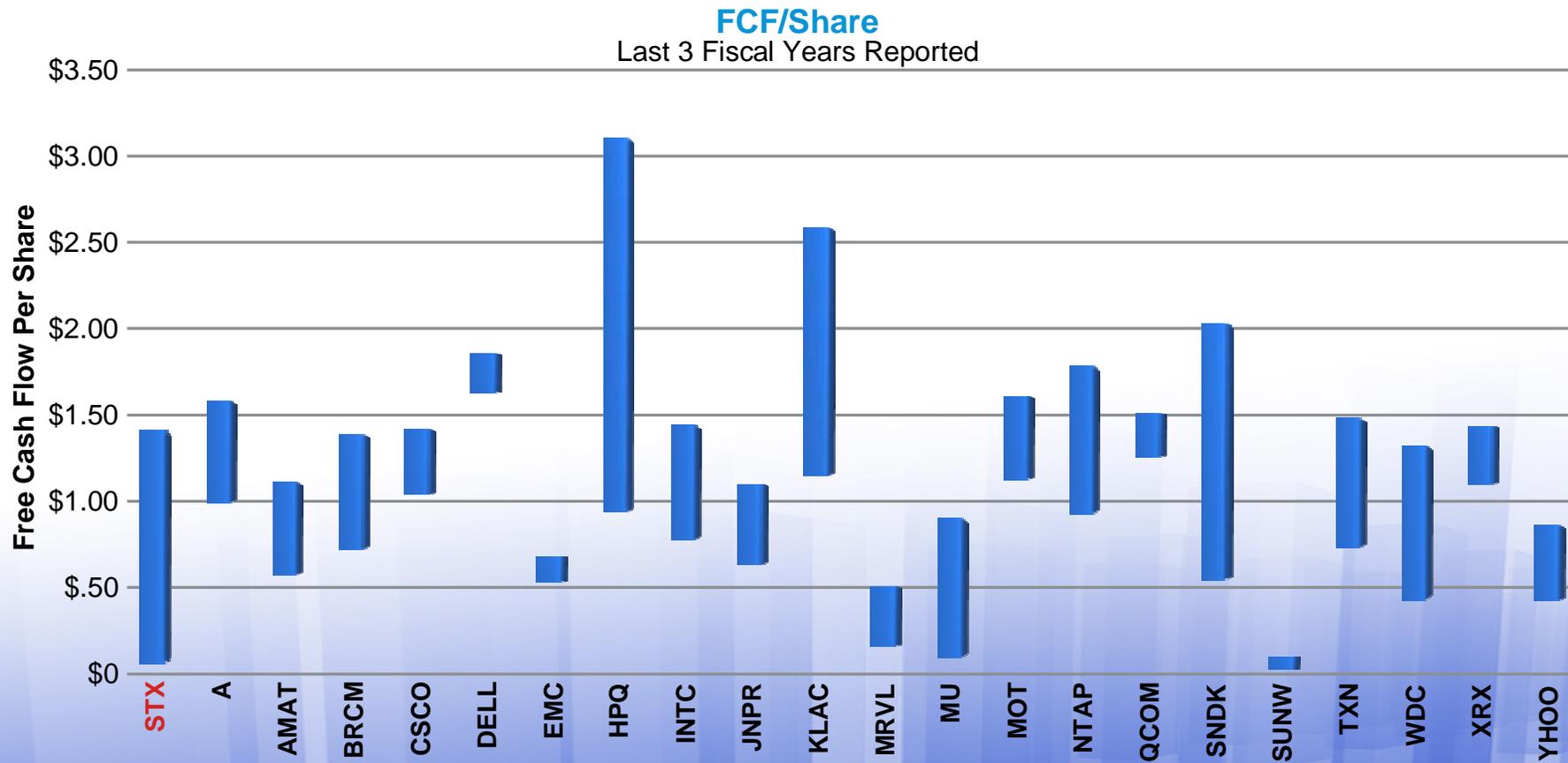
FCF \$M	\$365	\$366	\$30	\$737	\$449	\$37	~\$840	~\$1,350
FCF/Share	\$0.85	\$0.78	\$0.06	\$1.47	\$0.86	\$0.06	~1.50	~\$2.40

FCF = Cash Flow From Operations less Capital Expenditures



# Free Cash Flow Comparison

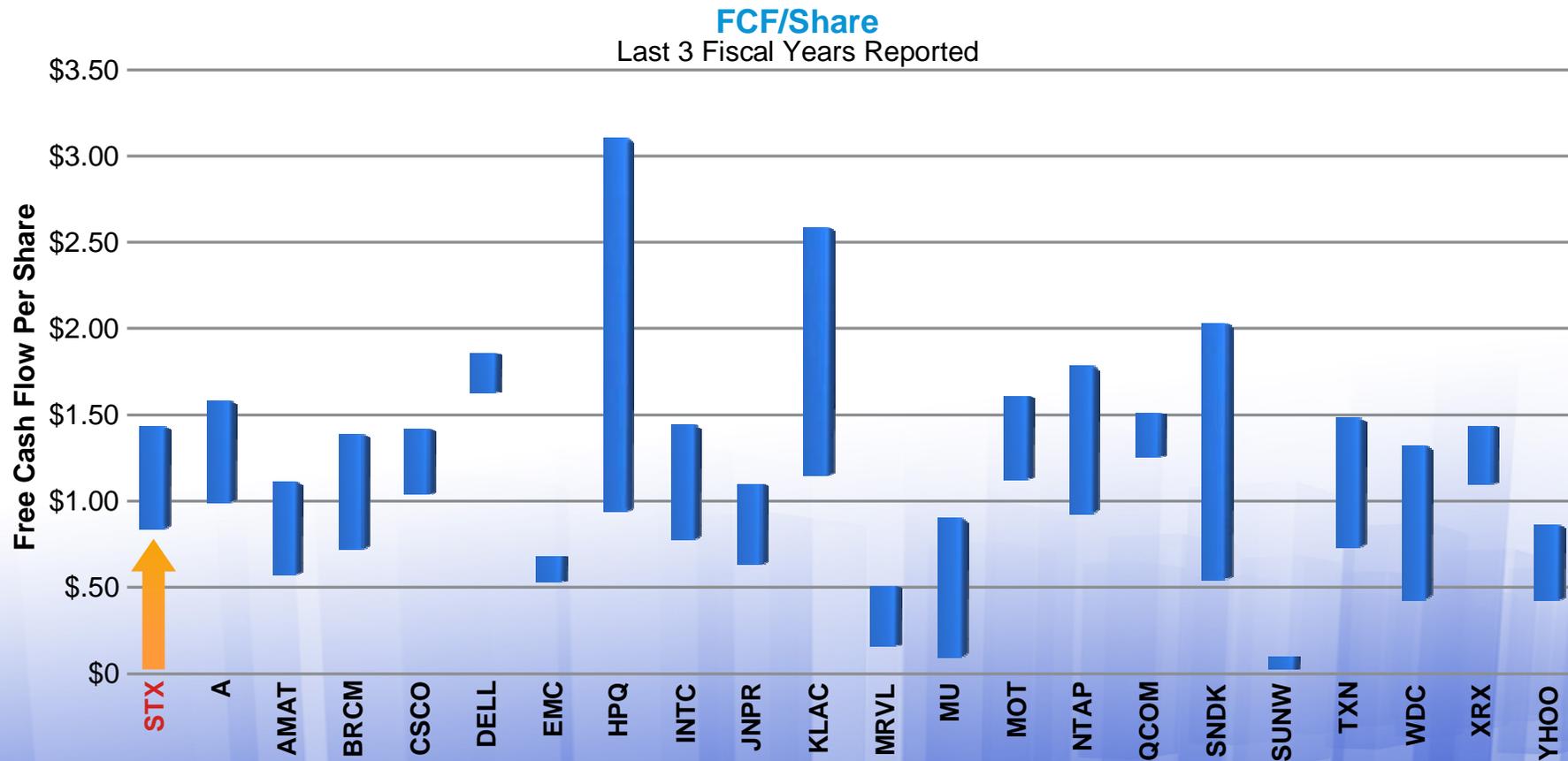
- FCF/Share comparison – last 3 fiscal years reported



FCF = Cash Flow From Operations less Capital Expenditures

# Free Cash Flow Comparison

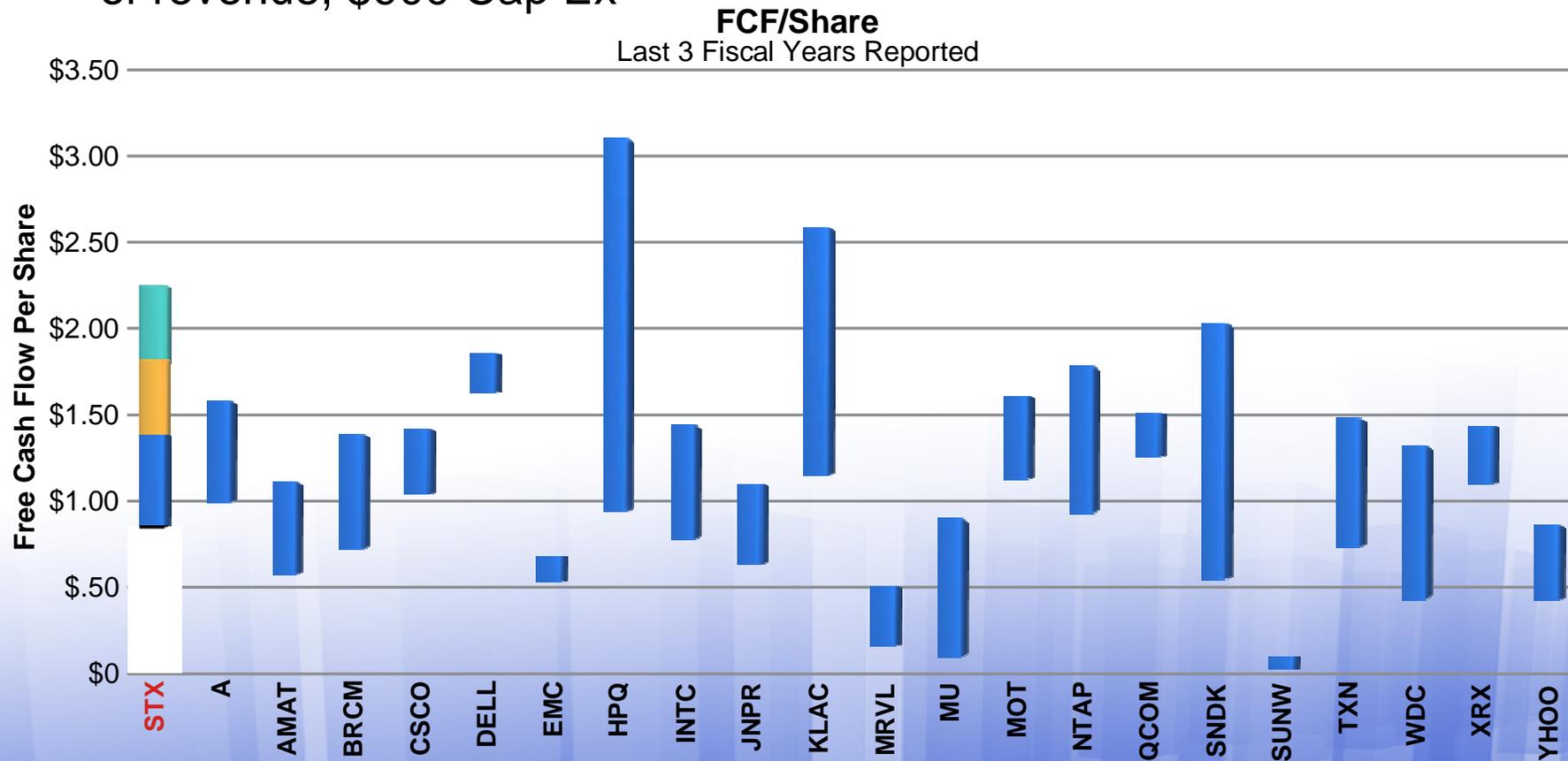
- Seagate's FY07 FCF impacted by Maxtor acquisition and competitive environment



**FCF = Cash Flow From Operations less Capital Expenditures**

# Free Cash Flow Comparison

- **Moderate** revenue growth and margin assumptions yields FCF/Share **above** historical peak: 5% revenue growth, 23% GM, Op Ex ~13% of revenue, \$900m Cap Ex
- Aggressive assumptions: 10% revenue growth, 25% GM, Op Ex ~13% of revenue, \$900 Cap Ex



FCF = Cash Flow From Operations less Capital Expenditures

# Seagate Position

**A category leading technology company that**

- can grow revenue 5-10% annually
- can grow earnings faster than revenue
- can generate strong free cash flow
- can use the balance sheet to enhance shareholder value
- is focused on making investments for the next 25 years

# Analyst and Investor Meeting

September 7, 2007

## Use of non-GAAP financial information

Our results of operations have undergone significant change in the past year, most significantly in connection with our acquisition of Maxtor. To help the readers of our condensed consolidated financial statements prepared on a GAAP basis better understand our past financial performance and our expectations of our future results, we supplementally disclose, after making certain non-GAAP adjustments, non-GAAP net income and non-GAAP diluted net income per share. We also provide forecasts of these non-GAAP financial measures. An explanation of the ways in which our board of directors and management use these non-GAAP financial measures to evaluate the business, the substance behind our management's decision to use these non-GAAP financial measures, the material limitations associated with the use of these non-GAAP financial measures, the manner in which Seagate management compensates for those limitations, and the substantive reasons why we believe that these non-GAAP financial measures provide useful information to investors is included under the caption "Use of Non-GAAP Financial Measures" in the Form 8-K furnished July 19, 2007 with the U.S. Securities and Exchange Commission. This additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for net income or diluted net income per share prepared in accordance with GAAP. You should not compare our non-GAAP net income or non-GAAP diluted net income per share results with those of other companies, as the adjustments made to our GAAP results are unique to Seagate.