



Fiscal Q2 2008

Supplemental Financial Information
Financial Highlights – 8 Quarter Trend



Use of Non-GAAP Financial Measures

Our results of operations have undergone significant change in the past two years, 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 disclosed in our press release dated January 17, 2008, after making certain non-GAAP adjustments, non-GAAP net income and non-GAAP diluted net income per share. A reconciliation of the adjustments to GAAP net income and diluted net income per share for this quarter is included in the tables below and in the press release dated January 17, 2008. In addition, 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 January 17, 2008 to 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 net income per share results with those of other companies, as the adjustments made to our GAAP results are unique to Seagate.

In addition, to help the readers of our condensed consolidated financial statements prepared on a GAAP basis better understand our past gross margin, operating expenses and cash flows, we supplementally disclosed on a conference call with investors on January 17, 2008, after making certain non-GAAP adjustments, non-GAAP gross margin, non-GAAP product development and marketing/administrative costs and non-GAAP free cash flow. A reconciliation of the adjustments to GAAP is included in the tables that follow. This additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for gross margin, product development and marketing/administrative expenses or net cash provided by operating activities prepared in accordance with GAAP. You should not compare our non-GAAP gross margin, non-GAAP operating expenses or non-GAAP free cash flow with those of other companies, as the adjustments made to our GAAP results are unique to Seagate.

Acquisition Related Costs

Fiscal Q2'2008 (December Quarter)

\$ Millions

Amortization of Purchased Intangibles	\$24
Write off of In-process R&D	\$4
Stock Based Compensation Expense	\$3
Total	\$31

Cost of Goods Sold	\$11
Product Development, Marketing/Admin	\$7
Amortization of Intangibles	\$13
Total	\$31

Reconciliation of Non-GAAP Net Income & EPS

Fiscal Q2 2008 (December Quarter)

	<i>Net Income</i> (\$M)	<i>Diluted EPS</i>
GAAP Reported	\$403	\$0.73
Non-GAAP Adjustments:		
Add: Acquisition Related Costs	\$31	
Less: Gain on Sale of Other Asset	(\$15)	
Non-GAAP Reported	\$419	\$0.76

- Both GAAP and non-GAAP reported results include approximately a \$27 million of restructuring charges (see slide 7 for details)

All adjustments net of associated tax effects

Reconciliation of Non-GAAP Gross Margin

Fiscal Q2 2008 (December Quarter)

	Gross Margin (\$M)	Gross Margin %
GAAP Reported	\$889	26.0%
Non-GAAP Adjustments:		
- Acquisition Related Costs	\$11	
Non-GAAP Reported	\$900	26.3%

Reconciliation of Non-GAAP Product Development and Marketing/Administrative

Fiscal Q2 2008 (December Quarter)

\$ Millions	<i>Product Development</i>	<i>Marketing & Administrative</i>	<i>Total</i>
GAAP Reported	\$262	\$167	\$429
Non-GAAP Adjustments:			
- Stock Based Compensation ^[1]	(\$2)	(\$1)	(\$3)
- Write off of In-process R&D	(\$4)	- -	(\$4)
Non-GAAP Reported	\$256	\$166	\$422

[1] Reflects only that portion which is related to the acquisition of Maxtor

Non-Operating Items

Fiscal Q2 2008 (December Quarter)

\$ Millions

Restructuring Charge	\$27	Primarily related to closing of aluminum substrate manufacturing site
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- The costs associated with this event is included in both the GAAP and non-GAAP reported results and decreased diluted earnings per share by approximately \$0.05
- The costs associated with this event was not included in the guidance provided on October 16th, 2007

Cash from Operations and Free Cash Flow

Fiscal Q2 2008 (December Quarter)

\$ Millions	<i>3 Months Ended FQ2'08</i>	<i>6 Months Ended FQ2'08</i>
Net Cash Provided by Operating Activities	\$724	\$1,478
Less: Acquisition of Property, Equipment and Leasehold Improvements	(\$212)	(\$362)
Free Cash Flow	\$512	\$1,116

Source: Condensed Consolidated Statements of Cash Flow (unaudited) for the period ended December 28, 2007

Amortization of Purchased Intangibles

Fiscal Q2 2008 and FY2008

Amortization of Intangibles

\$ Millions

	Actual					Estimate		
	<u>FQ307</u>	<u>FQ407</u>	<u>FY2007</u>	<u>FQ108</u>	<u>FQ208</u>	<u>FQ308</u>	<u>FQ408</u>	<u>FY2008</u>
Maxtor								
Existing Technology	\$ 38	\$ 8	\$ 96	\$ 8	\$ 8	\$ 8	\$ 4	\$ 28
Customer Relationships	10	10	40	10	10	10	10	40
Trade Names	<u>2</u>	<u>2</u>	<u>8</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>8</u>
Subtotal Maxtor	\$ 50	\$ 20	\$ 144	\$ 20	\$ 20	\$ 20	\$ 16	\$ 76
Services [1]	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 15</u>
Total	\$ 53	\$ 23	\$ 150	\$ 24	\$ 24	\$ 24	\$ 20	\$ 91

[1] Includes EVault, SRS and MetaLINCS acquisitions

The estimate of amortization of purchased intangibles reflects the Company's view as of January 17, 2008.

Please note some totals may not add due to rounding

Financial Highlights – 8 Quarter Trend

	<u>Q3 FY06</u>	<u>Q4 FY06</u>	<u>Q1 FY07</u>	<u>Q2 FY07</u>	<u>Q3 FY07</u>	<u>Q4 FY07</u>	<u>Q1 FY08</u>	<u>Q2 FY08</u>
Total Revenue	\$2,289	\$2,529	\$2,793	\$2,996	\$2,828	\$2,744	\$3,285	\$3,420
\$ Aggregate Customer Mix								
OEM	73%	69%	64%	63%	63%	65%	66%	67%
Distribution	24%	28%	32%	31%	30%	28%	28%	26%
Retail	3%	3%	4%	6%	7%	7%	6%	7%
\$ Geographic								
North America	31%	33%	32%	29%	28%	31%	29%	29%
Europe	26%	24%	23%	30%	29%	25%	27%	28%
Asia Pacific	43%	43%	45%	41%	43%	44%	44%	43%
Inventory Breakdown								
Purchased Materials	\$156	\$209	\$201	\$193	\$258	\$277	\$311	\$293
WIP	\$84	\$126	\$100	\$90	\$87	\$85	\$109	\$119
Finished Goods	<u>\$309</u>	<u>\$556</u>	<u>\$638</u>	<u>\$488</u>	<u>\$487</u>	<u>\$432</u>	<u>\$342</u>	<u>\$418</u>
	\$549	\$891	\$939	\$771	\$832	\$794	\$763	\$830
Drive Units by Market Category (000's)								
Enterprise Storage	3,510	4,200	4,090	4,140	4,150	4,290	4,550	5,250
Desktop Storage	17,480	20,070	24,360	25,730	23,910	23,830	29,030	29,850
Mobile	3,770	3,390	4,210	4,410	4,710	6,120	7,860	6,430
Consumer Electronics	<u>4,690</u>	<u>5,960</u>	<u>6,480</u>	<u>7,090</u>	<u>6,720</u>	<u>5,010</u>	<u>5,740</u>	<u>8,080</u>
	29,450	33,620	39,140	41,370	39,490	39,250	47,180	49,610
Cash Flow Related Items								
Capital Additions	\$253	\$402	\$227	\$239	\$222	\$218	\$150	\$212
Depreciation/Amortization	\$150	\$176	\$199	\$215	\$236	\$201	\$205	\$215
Inventory Turns	12.6	9.3	10.0	12.7	10.7	10.8	13.0	12.2
Days Sales Outstanding	46	47	43	38	44	46	42	42
World-Wide Employees	49,266	60,274	57,021	54,195	54,714	53,980	54,519	55,248

Please note that some totals may not add due to rounding