

SEAGATE TECHNOLOGY

FORM 10-Q (Quarterly Report)

Filed 2/10/2003 For Period Ending 12/27/2002

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Industry	Computer Storage Devices
Sector	Technology
Fiscal Year	06/30

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 27, 2002

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

For the transition period from: _____ to _____

Commission File Number 001-31560

SEAGATE TECHNOLOGY

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)

98-0232277
(I.R.S. Employer
Identification Number)

P.O. Box 309GT
Ugland House, South Church Street
George Town, Grand Cayman
Cayman Islands
(Address of Principal Executive Offices)

Telephone: (345) 949-8066
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common shares, par value \$0.00001 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act): Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of January 31, 2003, 428,719,492 shares of the registrant's common shares, par value \$0.00001 per share, were issued and outstanding.

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SEAGATE TECHNOLOGY

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**PART I
FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

**SEAGATE TECHNOLOGY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(unaudited)**

	For the Three Months Ended		For the Six Months Ended	
	December 27, 2002	December 28, 2001	December 27, 2002	December 28, 2001
Revenue	\$ 1,734	\$ 1,629	\$ 3,313	\$ 2,923
Cost of revenue	1,241	1,192	2,448	2,188
Product development	169	164	329	315
Marketing and administrative	105	109	191	205
Amortization of intangibles	—	5	—	10
Restructuring	—	—	7	—
Total operating expenses	1,515	1,470	2,975	2,718
Income from operations	219	159	338	205
Interest income	4	6	8	15
Interest expense	(12)	(19)	(25)	(42)
Other, net	(9)	3	(5)	11
Other income (expense), net	(17)	(10)	(22)	(16)
Income before income taxes	202	149	316	189
Provision for income taxes	4	25	8	31
Net income (1)	\$ 198	\$ 124	\$ 308	\$ 158
Net income per share:				
Basic	\$ 0.49	\$ 0.31	\$ 0.76	\$ 0.40
Diluted	0.43	0.31	0.67	0.40
Number of shares used in per share calculations:				
Basic	408	400	405	400
Diluted	463	400	459	400

(1) During the quarter ended December 27, 2002 and immediately prior to the closing of its initial public offering, the Company paid a return of capital distribution of \$262 million, or \$0.65 per share, to the holders of its then-outstanding shares, including New SAC.

See notes to condensed consolidated financial statements

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SEAGATE TECHNOLOGY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)
(unaudited)

	<u>December 27, 2002</u>	<u>June 28, 2002 (a)</u>
ASSETS (See Note 4)		
Cash and cash equivalents	\$ 622	\$ 612
Short-term investments	352	231
Accounts receivable, net	628	614
Inventories	310	347
Other current assets	166	158
	<u>2,078</u>	<u>1,962</u>
Total Current Assets	2,078	1,962
Property, equipment and leasehold improvements, net	1,025	1,022
Intangible assets, net	5	6
Other assets, net	113	105
	<u>3,221</u>	<u>\$3,095</u>
Total Assets (See Note 4)	\$ 3,221	\$3,095
LIABILITIES		
Accounts payable	\$ 718	\$ 743
Affiliate accounts payable	12	12
Accrued employee compensation	164	190
Accrued deferred compensation	—	147
Accrued expenses	326	339
Accrued income taxes	179	170
Current portion of long-term debt	4	2
	<u>1,403</u>	<u>1,603</u>
Total Current Liabilities	1,403	1,603
Other liabilities	98	102
Long-term debt, less current portion	747	749
	<u>2,248</u>	<u>2,454</u>
Total Liabilities	2,248	2,454
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Preferred shares, common shares and paid-in capital	632	598
Deferred stock compensation	(10)	—
Retained earnings	351	43
	<u>973</u>	<u>641</u>
Total Shareholders' Equity	973	641
Total Liabilities and Shareholders' Equity	\$ 3,221	\$3,095

(a) The information in this column was derived from the Company's audited consolidated balance sheet as of June 28, 2002 included in its registration statement on Form S-1, Registration No. 333-100513, as declared effective by the United States Securities and Exchange Commission on December 10, 2002.

See notes to condensed consolidated financial statements.

SEAGATE TECHNOLOGY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	For the Six Months Ended	
	December 27, 2002	December 28, 2001
OPERATING ACTIVITIES		
Net income	\$ 308	\$ 158
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	214	189
Non-cash portion of restructuring charge	(10)	—
Deferred income tax	(16)	(9)
Other, net	30	(6)
Changes in operating assets and liabilities:		
Accounts receivable	(25)	(147)
Inventories	14	(12)
Accounts payable	(20)	104
Accrued expenses, employee compensation and warranty	(2)	(74)
Accrued income taxes	9	42
Other assets and liabilities	(25)	(4)
Accrued deferred compensation	(147)	—
Net cash provided by operating activities	330	241
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(221)	(233)
Purchases of short-term investments	(1,544)	(410)
Maturities and sales of short-term investments	1,423	485
Sale of XIOtech, net of repayment of intercompany debt	8	—
Sale of Reynosa facility	28	—
Other, net	(26)	(1)
Net cash used in investing activities	(332)	(159)
FINANCING ACTIVITIES		
Repayment of long-term debt	—	(6)
Issuance of common shares	274	3
Distributions to shareholders	(262)	—
Other, net	—	2
Net cash provided by (used in) financing activities	12	(1)
Increase in cash and cash equivalents	10	81
Cash and cash equivalents at the beginning of the period	612	726
Cash and cash equivalents at the end of the period	\$ 622	\$ 807

See notes to condensed consolidated financial statements.

SEAGATE TECHNOLOGY
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the Six Months Ended December 27, 2002

(in millions)

(unaudited)

	Preferred Shares		Common Shares		Additional Paid-in Capital	Deferred Stock Compensation	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance at June 28, 2002	400	\$ —	2	\$ —	\$ 598	\$ —	\$ 43	\$ 641
Net income and comprehensive income							308	308
Issuance of common shares as a result of employee option exercises			2		4			4
Sale of XIOtech to New SAC in exchange for \$32 note payable distributed to shareholders					(1)			(1)
Distributions to shareholders					(262)			(262)
Issuance of common shares in initial public offering			24		270			270
Conversion of preferred shares into common shares upon initial public offering	(400)		400					
Amortization of deferred compensation related to New SAC restricted share plans					5			5
Deferred compensation					11	(11)		—
Amortization of deferred compensation						1		1
Compensation expense related to executive terminations					7			7
Balance at December 27, 2002	—	\$ —	428	\$ —	\$ 632	\$ (10)	\$ 351	\$ 973

See notes to condensed consolidated financial statements.

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

On December 13, 2002, Seagate Technology, which is referred to herein as “the Company,” completed the initial public offering of 72,500,000 of its common shares, 24,000,000 of which were sold by Seagate Technology and 48,500,000 of which were sold by New SAC, the Company’s parent, as selling shareholder, at a price of \$12 per share. The Company was formed in August 2000 to be a holding company for the rigid disc drive operating business and the storage area networks operating business of Seagate Technology, Inc., a Delaware corporation, which is referred to herein as “Seagate Delaware.” On November 4, 2002, the Company sold XIOtech Corporation, the wholly-owned subsidiary that operated the Company’s storage area networks operating business, to New SAC. New SAC in turn sold 51% of XIOtech to a third party in a transaction in which XIOtech also sold newly issued shares to this third party. As a result, New SAC has retained an interest of less than 20% of XIOtech. Through November 22, 2000, the rigid disc drive business that the Company now operates and the storage area networks business that the Company operated through November 4, 2002 were the rigid disc drive and storage area networks divisions of Seagate Delaware. Those divisions are the Company’s predecessor, and Seagate Delaware was the parent company of the Company’s predecessor. On December 13, 2002, the Company changed its corporate name from “Seagate Technology Holdings” to “Seagate Technology.” See Note 2, Consummation of Initial Public Offering.

The condensed consolidated financial statements have been prepared by the Company and have not been audited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The condensed consolidated financial statements reflect, in the opinion of management, all material adjustments necessary to summarize fairly the consolidated financial position, results of operations and cash flows for the periods presented. Such adjustments are of a normal recurring nature. The Company’s consolidated financial statements for the fiscal year ended June 28, 2002 are included in its registration statement on Form S-1, Registration No. 333-100513, as declared effective by the United States Securities and Exchange Commission on December 10, 2002. The Company believes that the disclosures included in the unaudited condensed consolidated financial statements, when read in conjunction with its consolidated financial statements as of June 28, 2002 and the notes thereto, are adequate to make the information presented not misleading.

The results of operations for the three and six-month periods ended December 27, 2002 are not necessarily indicative of the results that may be expected for the fiscal year ending June 27, 2003.

The Company operates and reports its financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. The quarters ended September 27, 2002 and September 28, 2001 were both 13 weeks. Fiscal year 2003 will be comprised of 52 weeks and will end on June 27, 2003.

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

2. Consummation of Initial Public Offering

On November 22, 2000, as part of a series of transactions referred to herein as the “November 2000 transactions,” New SAC acquired the rigid disc drive and storage area networks divisions of Seagate Delaware that were in turn contributed in exchange for all of the Company’s then-outstanding capital stock, which consisted of 400,000,000 Series A preferred shares. Upon the closing of the Company’s initial public offering, these Series A preferred shares were automatically converted on a one-for-one basis into its common shares, which shares are included in the calculation of basic and diluted net income per share.

On December 13, 2002, the Company completed the initial public offering of 72,500,000 of its common shares, 24,000,000 of which were sold by the Company and 48,500,000 of which were sold by New SAC, its parent, as selling shareholder, at a price of \$12 per share. The Company received proceeds from its sale of the 24,000,000 newly issued common shares of approximately \$270 million after deducting underwriting fees, discounts and commissions. Immediately prior to the closing of its initial public offering, the Company paid a return of capital distribution of \$262 million, or \$0.65 per share, to the holders of its then-outstanding shares, including New SAC. The Company also paid a lump sum of approximately \$12 million to certain New SAC investors in exchange for the discontinuation of an annual monitoring fee of \$2 million. This payment was charged to marketing and administrative expense during the quarter ended December 27, 2002.

New SAC received proceeds of approximately \$557 million from the sale of 48,500,000 of the Company’s common shares, after deducting underwriting discounts and commissions, from the offering. New SAC distributed these net proceeds from the offering together with its proceeds from the return of capital distribution by the Company described above to the holders of its preferred and ordinary shares. After the initial public offering, New SAC retains 351,500,000 of the Company’s outstanding common shares. As a result of the distribution to the New SAC preferred shareholders, the Company’s wholly-owned subsidiary, Seagate Technology HDD Holdings, became obligated to make payments of approximately \$147 million to the participants in its deferred compensation plan. These payments were made following the closing of the Company’s initial public offering.

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

3. Net Income Per Share

The following table sets forth the computation of basic and diluted net income per share for the three- and six-month periods ended December 27, 2002 and December 28, 2001 (in millions, except per share data):

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>December 27, 2002</u>	<u>December 28, 2001</u>	<u>December 27, 2002</u>	<u>December 28, 2001</u>
Numerator:				
Net Income	\$ 198	\$ 124	\$ 308	\$ 158
Denominator:				
Denominator for basic net income per share—weighted average number of preferred and common shares outstanding during the period	408	400	405	400
Incremental common shares attributable to exercise of outstanding options (assuming proceeds would be used to purchase treasury stock)	55	—	54	—
Denominator for diluted net income per share—weighted average shares	463	400	459	400
Basic net income per share	\$ 0.49	\$ 0.31	\$ 0.76	\$ 0.40
Diluted net income per share	\$ 0.43	\$ 0.31	\$ 0.67	\$ 0.40

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SEAGATE TECHNOLOGY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) (unaudited)

4. Balance Sheet Information

	December 27, 2002	June 28, 2002
	(in millions)	
Accounts Receivable:		
Accounts receivable	\$ 663	\$ 643
Allowance for doubtful accounts	(35)	(29)
	<u>\$ 628</u>	<u>\$ 614</u>
Inventories:		
Components	\$ 43	\$ 54
Work-in-process	54	34
Finished goods	213	259
	<u>\$ 310</u>	<u>\$ 347</u>
Property, Equipment and Leasehold Improvements:		
Property, equipment and leasehold improvements	\$ 1,675	\$1,500
Accumulated depreciation and amortization	(650)	(478)
	<u>\$ 1,025</u>	<u>\$1,022</u>
Accrued Warranty:		
Short-term accrued warranty included in accrued expenses on the balance sheet	\$ 92	\$ 97
Long-term accrued warranty included in other liabilities on the balance sheet	57	63
	<u>\$ 149</u>	<u>\$ 160</u>

5. Income Taxes

The Company is a foreign holding company incorporated in the Cayman Islands with foreign and U.S. subsidiaries that operate in multiple taxing jurisdictions. As a result, its worldwide operating income is either subject to varying rates of tax or exempt from tax due to tax holidays it operates under in China, Malaysia, Singapore and Thailand. These tax holidays are scheduled to expire in whole or in part at various dates through 2010 and served to reduce the Company's effective tax rate during the three-month periods ended December 27, 2002 and December 28, 2001 from a notional rate of 35% to an actual rate of approximately 12% and 17%, respectively, and served to reduce its effective tax rate during the six-month periods ended December 27, 2002 and December 28, 2001 from a notional rate of 35% to an actual rate of 12% and 17%, respectively. The effective tax rate for the three and six-month periods ended December 27, 2002 was further reduced to approximately 2% and 3%, respectively, primarily due to the realization of U.S. net operating loss carryforwards and other deferred tax assets that had been previously subject to a valuation allowance.

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

5. Income Taxes (cont'd)

The Company has recorded net deferred tax assets of \$74 million, the realization of which is dependent on its ability to generate sufficient U.S. taxable income in fiscal year 2003 and fiscal year 2004. Although realization is not assured, the Company's management believes that it is more likely than not that these deferred tax assets will be realized. The amount of deferred tax assets considered realizable, however, may increase or decrease in subsequent quarters, when the Company reevaluates the underlying basis for its estimates of future U.S. taxable income. As of December 27, 2002, the Company's valuation allowance for deferred tax assets was \$373 million. The valuation allowance decreased by approximately \$97 million in the three months ended December 27, 2002 due to the transfer of deferred tax assets in connection with its sale of XIOtech to New SAC. See Note 12, Sale of XIOtech Corporation.

The Company anticipates that its effective tax rate will approximate 3% in the subsequent quarters of fiscal year 2003. However, its effective tax rate may increase or decrease to the extent the Company records adjustments to its valuation allowance for deferred tax assets.

On July 31, 2001, Seagate Delaware and the Internal Revenue Service filed a settlement stipulation with the United States Tax Court in complete settlement of the remaining disputed tax matter reflected in the statutory notice of deficiency dated June 12, 1998. The settlement stipulation is expressly contingent upon Seagate Delaware and the Internal Revenue Service entering into a closing agreement in connection with certain tax matters arising in all or some part of the open tax years of Seagate Delaware and New SAC. The settlement is now before the Joint Committee on Taxation for review. The filing of the settlement stipulation and the anticipated execution of the closing agreement will not result in an additional provision for income taxes.

As of December 27, 2002 and December 28, 2001, accrued income taxes include \$125 million for tax indemnification amounts due to VERITAS Software Corporation pursuant to the Indemnification Agreement between Seagate Delaware, Suez Acquisition Company and VERITAS Software Corporation. The tax indemnification amount was recorded by the Company in connection with the purchase of the operating assets of Seagate Delaware and represents U.S. tax liabilities previously accrued by Seagate Delaware for periods prior to the acquisition date of the operating assets.

Certain of the Company's foreign tax returns for various fiscal years are under examination by taxing authorities. The Company believes that adequate amounts of tax have been provided for any final assessment that may result from these examinations.

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

6. Compensation

Stock Options

During the six months ended December 27, 2002, the Company granted 3,970,420 options to purchase common shares at a price of \$10.00 per share and 200,000 options to purchase common shares at a price of \$14.00 per share. During the six months ended December 27, 2002, options to purchase 1,872,547 common shares were exercised with proceeds to the Company of approximately \$4 million.

Deferred Stock Compensation

In connection with certain stock options granted during the six months ended December 27, 2002, the Company recorded deferred stock compensation aggregating \$10.7 million, representing the difference between the exercise price of the options and the deemed fair value of the Company's common shares on the dates the options were granted. This deferred stock compensation is being amortized over the vesting periods of the underlying stock options of 48 months. Through December 27, 2002, the Company has amortized \$1 million of such compensation expense.

7. Restructuring Costs

During the six months ended December 27, 2002, the Company recorded a \$17 million restructuring charge. The Company also reduced a restructuring accrual previously recorded by its predecessor in fiscal year 1998 by \$10 million because a loss on lease payments for a vacant facility was no longer anticipated as a result of a sublease arrangement completed in the quarter ended September 27, 2002. These combined actions resulted in a net restructuring charge of \$7 million.

The \$17 million restructuring charge was a result of a restructuring plan, which the Company refers to as the fiscal year 2003 restructuring plan, established to continue the alignment of the Company's global workforce and manufacturing capacity with existing and anticipated future market requirements, primarily in its Far East operations. The restructuring charge was comprised of employee termination costs relating to a reduction in its workforce of approximately 3,750 employees, 1,675 of whom had been terminated as of December 27, 2002. The Company estimates that after completion of the restructuring activities contemplated by the fiscal year 2003 restructuring plan, annual salary expense will be reduced by approximately \$17 million. The Company expects the fiscal year 2003 restructuring plan to have been substantially completed by the end of the third quarter of fiscal year 2003.

The following table summarizes the Company's restructuring activities for the six months ended December 27, 2002:

	<u>Severance and Benefits</u>	<u>Excess Facilities</u>	<u>Contract Cancellations</u>	<u>Total</u>
	(in millions)			
Reserve balances, June 28, 2002	\$ 4	\$ 9	\$ 1	\$ 14
First quarter restructuring charge	17	—	—	17
Cash charges	(11)	—	—	(11)
Adjustments and reclassifications	—	(9)	(1)	(10)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Reserve balances, December 27, 2002	<u>\$ 10</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10</u>

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

7. Restructuring Costs (cont'd)

The Company may not be able to realize all of the expected savings from its restructuring activities and cannot ensure that the restructuring activities and transfers will be implemented on a cost-effective basis without delays or disruption in its production and without adversely affecting its results of operations.

8. Business Segments

Prior to the Company's sale of XIOTech Corporation to New SAC on November 4, 2002, the Company had two operating segments: rigid disc drives and storage area networks, however, only the rigid disc drive business was a reportable segment. See Note 12, Sale of XIOTech Corporation. The operating results for XIOTech are included in the Company's consolidated results of operations through the date that XIOTech was sold to New SAC and are included in the "other" category below. The Company has identified its Chief Executive Officer, or CEO, as the Chief Operating Decision Maker. Gross profit from operations is defined as revenue less cost of revenue. The following tables summarize the Company's operations:

	For the Three Months Ended		For the Six Months Ended	
	December 27, 2002	December 28, 2001	December 27, 2002	December 28, 2001
(in millions)				
Revenue and Gross Profit				
Revenue:				
Rigid Disc Drives	\$ 1,731	\$ 1,607	\$ 3,291	\$ 2,886
Other	4	22	24	38
Eliminations	(1)	—	(2)	(1)
Consolidated	<u>\$ 1,734</u>	<u>\$ 1,629</u>	<u>\$ 3,313</u>	<u>\$ 2,923</u>
Gross Profit:				
Rigid Disc Drives	\$ 491	\$ 425	\$ 853	\$ 715
Other	2	12	12	20
Consolidated	<u>\$ 493</u>	<u>\$ 437</u>	<u>\$ 865</u>	<u>\$ 735</u>
Total Assets				
Rigid Disc Drives			\$3,245	\$3,216
Other			—	(1)
Operating Segments			<u>3,245</u>	<u>3,215</u>
Eliminations			(24)	(6)
Consolidated			<u>\$3,221</u>	<u>\$3,209</u>

XIOTech had net losses of \$3 million and \$9 million for the three- and six-month periods ended December 27, 2002, respectively, and net losses of \$12 million and \$23 million for the three- and six-month periods ended December 28, 2001, respectively, that are included in the Company's consolidated results for those periods.

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

9. Comprehensive Income and Supplemental Cash Flow Information

Comprehensive Income

For the three- and six-month periods ended December 27, 2002 and December 28, 2001, comprehensive income included only net income. The Company records unrealized gains and losses on the mark-to-market of its investments and its interest rate swap agreement as components of accumulated other comprehensive income (loss). The Company's interest rate swap agreement matured in November 2002. The accumulated other comprehensive income (loss) at December 27, 2002 and June 28, 2002 was insignificant.

Supplemental Cash Flow Information

	For the Six Months Ended	
	December 27, 2002	December 28, 2001
	(in millions)	
Cash Transactions:		
Cash paid for interest	\$ 28	\$ 25
Cash paid (received) for income taxes, net of refunds	15	(2)

10. Recent Accounting Pronouncements

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than when the exit or disposal plan is approved. The adoption of SFAS 146 is not expected to have a material impact on the Company's financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). The Interpretation will significantly change current practice in the accounting for, and disclosure of, guarantees. The Interpretation requires certain guarantees to be recorded at fair value, which is different from current practice, which is generally to record a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, "Accounting for Contingencies". The Interpretation also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote, which is another change from current practice. The Company adopted the disclosure requirements of FIN 45 in the quarter ended December 27, 2002. See Note 14, Product Warranty. The Company will adopt the initial recognition and measurement provisions of FIN 45 prospectively in the quarter ended March 27, 2003.

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

11. Litigation

In July 2002, the Company was sued in the People's Court of Nanjing City, China by an individual and a private Chinese company. The complaint alleges that two of the Company's personal storage rigid disc drive products infringe a Chinese patent which prevents the corruption of systems data stored on rigid disc drives. The suit, which sought to stop the Company from manufacturing the two products and claimed immaterial monetary damages, was dismissed by the court on procedural grounds on November 29, 2002. On December 3, 2002, the plaintiffs served the Company with notice that they had refiled the lawsuit. The new complaint claims immaterial monetary damages, requests injunctive relief and a recall of the products from the Chinese market. Based upon a preliminary analysis of the patent and the products, the Company does not believe it infringes. Moreover, the accused products were scheduled for end of life at the end of 2002.

12. Sale of XIOtech Corporation

On November 4, 2002, the Company sold XIOtech Corporation, the wholly-owned indirect subsidiary that operated the Company's storage area networks business, to New SAC. New SAC in turn sold 51% of XIOtech to a third party in a transaction in which XIOtech sold newly issued shares to this third party. As a result, New SAC has retained an interest of less than 20% of XIOtech.

In consideration of the Company's sale of XIOtech to New SAC, the Company received a \$32 million promissory note from New SAC. The amount of this promissory note was equal to the estimated fair value of XIOtech as of the date of the sale, net of intercompany indebtedness. Immediately after the sale of XIOtech to New SAC, the Company made an in-kind pro rata distribution of the entire promissory note to the holders of its then-outstanding shares, including New SAC, which at the time owned approximately 99.4% of its outstanding shares. That portion of the note distributed back to New SAC was cancelled, and New SAC immediately paid off the remaining 0.6% of the promissory note held by the Company's minority shareholders. As a result of the sale of XIOtech, the Company will no longer consolidate XIOtech's operations with its operations.

Because New SAC at the time owned approximately 99.4% of the Company's outstanding shares, its sale of XIOtech to New SAC was recorded as a dividend of an amount equal to the net book value of XIOtech of \$1 million rather than as a sale for the fair value of the promissory note. As of November 4, 2002, XIOtech's balance sheet consisted of \$33 million of current assets, \$6 million of non-current assets, \$36 million of current liabilities (which included \$19 million of intercompany indebtedness), and \$2 million of long-term liabilities.

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

13. Warranty and Services Agreement

On October 28, 2002, the Company closed the sale of its product repair and servicing facility in Reynosa, Mexico and certain related equipment and inventory to a wholly-owned subsidiary of Jabil Circuit, Inc. Jabil will be the primary source provider of warranty repair services for a multi-year period at costs defined in a long-term services agreement. During the term of this services agreement, the Company will be dependent upon Jabil to effectively manage warranty repair related costs and activities. The arrangement with Jabil is comprised of various elements, including the sale of the facility, equipment and inventory, the Company's obligations under the services agreement, and potential reimbursements by the Company to Jabil. Because the fair values of each of these elements have not been separately established, and because the Company will repurchase the inventory sold to Jabil, the \$10 million excess of the sale prices assigned to various elements of the arrangements with Jabil over their respective carrying values will be offset against cost of revenue as a reduction to warranty expense. Of the \$10 million excess, \$5 million was utilized in the current quarter to offset an immediate repair cost increase and the remaining \$5 million will be utilized over the remaining period of the long-term services agreement.

14. Product Warranty

The Company estimates probable product warranty costs at the time revenue is recognized. The Company generally warrants its products for a period of one to five years. The Company uses estimated repair or replacement costs and uses statistical modeling to estimate product return rates in order to determine its warranty obligation. Changes in the Company's product warranty liability during the three- and six-month periods ended December 27, 2002 and December 28, 2001 were as follows:

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>December 27, 2002</u>	<u>December 28, 2001</u>	<u>December 27, 2002</u>	<u>December 28, 2001</u>
	(in millions)			
Balance, beginning of period	\$ 150	\$ 178	\$ 160	\$ 192
Warranties issued	19	21	41	38
Repairs and replacements	(32)	(27)	(60)	(55)
Changes in liability for pre-existing warranties, including expirations	12	4	8	1
Balance, end of period	<u>\$ 149</u>	<u>\$ 176</u>	<u>\$ 149</u>	<u>\$ 176</u>

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

15. Condensed Consolidating Financial Information

On May 13, 2002, Seagate Technology HDD Holdings, or HDD, issued \$400 million in aggregate principal amount of 8% senior notes due 2009. HDD is the Company's wholly-owned direct subsidiary, and the Company has guaranteed HDD's obligations under the 8% senior notes, on a full and unconditional basis. The following tables present parent guarantor, subsidiary issuer and combined non-guarantors condensed consolidating balance sheets of the Company and its subsidiaries at December 27, 2002 and June 28, 2002, and the condensed consolidating results of operations and its cash flows for the six months ended December 27, 2002 and December 28, 2001. The information classifies the Company's subsidiaries into Seagate Technology-parent company guarantor, HDD-subsiary issuer, and the combined non-guarantors based upon the classification of those subsidiaries under the terms of the 8% senior notes. The Company is restricted in its ability to obtain funds from its subsidiaries by dividend or loan under both the indenture governing the 8% senior notes and the credit agreement governing the senior secured credit facilities. Under each of these instruments, dividends paid by HDD or its restricted subsidiaries would constitute restricted payments and loans between the Company and HDD or its restricted subsidiaries would constitute affiliate transactions.

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Consolidating Balance Sheet
December 27, 2002
(in millions)

	Seagate Technology Parent Company Guarantor	HDD Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Cash and cash equivalents	\$ 18	\$ 1	\$ 603	\$ —	\$ 622
Short-term investments	—	—	352	—	352
Accounts receivable, net	—	—	628	—	628
Intercompany receivable	143	—	16	(159)	—
Inventories	—	—	310	—	310
Other current assets	—	206	166	(206)	166
Total Current Assets	161	207	2,075	(365)	2,078
Property, equipment and leasehold improvements, net	—	—	1,025	—	1,025
Equity investment in HDD	828	—	—	(828)	—
Equity investments in Non-Guarantors	—	1,407	—	(1,407)	—
Intangible assets, net	—	—	5	—	5
Intercompany loan receivable	—	—	—	—	—
Other assets	—	13	100	—	113
Total Assets	\$ 989	\$ 1,627	\$ 3,205	\$ (2,600)	\$ 3,221
Accounts payable	\$ —	\$ —	\$ 718	\$ —	\$ 718
Affiliate accounts payable	—	—	12	—	12
Intercompany payable	15	144	—	(159)	—
Accrued employee compensation	1	—	163	—	164
Accrued expenses	—	5	321	—	326
Accrued income taxes	—	—	179	—	179
Current portion of long-term debt	—	2	208	(206)	4
Total Current Liabilities	16	151	1,601	(365)	1,403
Other liabilities	—	—	98	—	98
Intercompany loan payable	—	—	—	—	—
Long-term debt, less current portion	—	648	99	—	747
Total Liabilities	16	799	1,798	(365)	2,248
Shareholders' Equity	973	828	1,407	(2,235)	973
Total Liabilities and Shareholders' Equity	\$ 989	\$ 1,627	\$ 3,205	\$ (2,600)	\$ 3,221

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Consolidating Balance Sheet
June 28, 2002
(in millions)

	Seagate Technology Parent Company Guarantor	HDD Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Cash and cash equivalents	\$ —	\$ 46	\$ 566	\$ —	\$ 612
Short-term investments	—	—	231	—	231
Accounts receivable, net	—	—	614	—	614
Intercompany receivable	—	3	14	(17)	—
Inventories	—	—	347	—	347
Other current assets	—	—	158	—	158
Total Current Assets	—	49	1,930	(17)	1,962
Property, equipment and leasehold improvements, net	—	—	1,022	—	1,022
Equity investment in HDD	632	—	—	(632)	—
Equity investments in Non-Guarantors	9	1,067	—	(1,076)	—
Intangible assets, net	—	—	6	—	6
Intercompany loan receivable	—	305	—	(305)	—
Other assets	—	14	91	—	105
Total Assets	\$ 641	\$ 1,435	\$ 3,049	\$ (2,030)	\$ 3,095
Accounts payable	\$ —	\$ —	\$ 743	\$ —	\$ 743
Affiliate accounts payable	—	—	12	—	12
Intercompany payable	—	1	16	(17)	—
Accrued employee compensation	—	—	190	—	190
Deferred compensation	—	146	1	—	147
Accrued expenses	—	6	333	—	339
Accrued income taxes	—	—	170	—	170
Current portion of long-term debt	—	1	1	—	2
Total Current Liabilities	—	154	1,466	(17)	1,603
Other liabilities	—	—	102	—	102
Intercompany loan payable	—	—	305	(305)	—
Long-term debt, less current portion	—	649	100	—	749
Total Liabilities	—	803	1,973	(322)	2,454
Shareholders' Equity	641	632	1,076	(1,708)	641
Total Liabilities and Shareholders' Equity	\$ 641	\$ 1,435	\$ 3,049	\$ (2,030)	\$ 3,095

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Consolidating Statement of Operations
Three Months Ended December 27, 2002
(in millions)

	Seagate Technology Parent Company Guarantor	HDD Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Revenue	\$ —	\$ —	\$ 1,734	\$ —	\$ 1,734
Cost of revenue	—	—	1,241	—	1,241
Product development	—	—	169	—	169
Marketing and administrative	—	—	105	—	105
Total operating expenses	—	—	1,515	—	1,515
Income from operations	—	—	219	—	219
Interest income	—	—	4	—	4
Interest expense	—	—	(12)	—	(12)
Equity in income of HDD	201	—	—	(201)	—
Equity in income (loss) of Non-Guarantors	(3)	201	—	(198)	—
Other, net	—	—	(9)	—	(9)
Other income (expense), net	198	201	(17)	(399)	(17)
Income before income taxes	198	201	202	(399)	202
Provision for income taxes	—	—	4	—	4
Net income	\$ 198	\$ 201	\$ 198	\$ (399)	\$ 198

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Consolidating Statement of Operations
Six Months Ended December 27, 2002
(in millions)

	Seagate Technology Parent Company Guarantor	HDD Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Revenue	\$ —	\$ —	\$ 3,313	\$ —	\$ 3,313
Cost of revenue	—	—	2,448	—	2,448
Product development	—	—	329	—	329
Marketing and administrative	—	—	191	—	191
Restructuring	—	—	7	—	7
Total operating expenses	—	—	2,975	—	2,975
Income from operations	—	—	338	—	338
Interest income	—	—	8	—	8
Interest expense	—	—	(25)	—	(25)
Equity in income of HDD	317	—	—	(317)	—
Equity in income (loss) of Non-Guarantors	(9)	317	—	(308)	—
Other, net	—	—	(5)	—	(5)
Other income (expense), net	308	317	(22)	(625)	(22)
Income before income taxes	308	317	316	(625)	316
Provision for income taxes	—	—	8	—	8
Net income	\$ 308	\$ 317	\$ 308	\$ (625)	\$ 308

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Consolidating Statement of Cash Flows
Six Months Ended December 27, 2002
(in millions)

	Seagate Technology Parent Company Guarantor	HDD Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Net Income	\$ 308	\$ 317	\$ 308	\$ (625)	\$ 308
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	—	—	214	—	214
Deferred income taxes	—	—	(16)	—	(16)
Non-cash portion of restructuring charge	—	—	(10)	—	(10)
Equity in income of HDD	(317)	—	—	317	—
Equity in income (loss) of Non-Guarantors	9	(317)	—	308	—
Other, net	—	—	30	—	30
Changes in operating assets and liabilities:					
Accounts receivable	—	—	(25)	—	(25)
Intercompany accounts receivable	(143)	3	(2)	142	—
Inventories	—	—	14	—	14
Accounts payable	—	—	(20)	—	(20)
Intercompany accounts payable	15	143	(16)	(142)	—
Accrued expenses, employee compensation and warranty	1	1	(4)	—	(2)
Accrued income taxes	—	—	9	—	9
Other assets and liabilities, net	—	(23)	(2)	—	(25)
Accrued deferred compensation	—	(146)	(1)	—	(147)
Net cash provided by (used in) operating activities	(127)	(22)	479	—	330
Investing Activities					
Acquisition of property, equipment and leasehold improvements	—	—	(221)	—	(221)
Purchase of short-term investments	—	—	(1,544)	—	(1,544)
Maturities and sales of short-term investments	—	—	1,423	—	1,423
Sale of XIOTech, net of repayment of intercompany debt	—	—	8	—	8
Sale of Reynosa facility	—	—	28	—	28
Other, net	—	—	(26)	—	(26)
Net cash used in investing activities	—	—	(332)	—	(332)
Financing Activities					
Issuance of common shares	274	—	—	—	274
Loan from HDD to Non-Guarantor	—	(206)	206	—	—
Loan repayment from Non-Guarantor to HDD	—	316	(316)	—	—
Distribution from HDD to Parent	334	(334)	—	—	—
Distribution from Parent to HDD	(201)	201	—	—	—
Distribution to shareholders	(262)	—	—	—	(262)
Other, net	—	—	—	—	—
Net cash provided by financing activities	145	(23)	(110)	—	12
Increase (decrease) in cash and cash equivalents	18	(45)	37	—	10
Cash and cash equivalents at the beginning of the period	—	46	566	—	612
Cash and cash equivalents at the end of the period	\$ 18	\$ 1	\$ 603	\$ —	\$ 622

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Consolidating Statement of Operations
Three Months Ended December 28, 2001
(in millions)

	Seagate Technology Parent Company Guarantor	HDD Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Revenue	\$ —	\$ —	\$ 1,629	\$ —	\$ 1,629
Cost of revenue	—	—	1,192	—	1,192
Product development	—	—	164	—	164
Marketing and administrative	—	—	109	—	109
Amortization of intangibles	—	—	5	—	5
Total operating expenses	—	—	1,470	—	1,470
Income from operations	—	—	159	—	159
Interest income	—	—	6	—	6
Interest expense	—	—	(19)	—	(19)
Equity in income of HDD	136	—	—	(136)	—
Equity in income (losses) of Non-Guarantors	(12)	136	—	(124)	—
Other, net	—	—	3	—	3
Other income (expense), net	124	136	(10)	(260)	(10)
Income before income taxes	124	136	149	(260)	149
Provision for income taxes	—	—	25	—	25
Net income	\$ 124	\$ 136	\$ 124	\$ (260)	\$ 124

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Consolidating Statement of Operations
Six Months Ended December 28, 2001
(in millions)

	Seagate Technology Parent Company Guarantor	HDD Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Revenue	\$ —	\$ —	\$ 2,923	\$ —	\$ 2,923
Cost of revenue	—	—	2,188	—	2,188
Product development	—	—	315	—	315
Marketing and administrative	—	—	205	—	205
Amortization of intangibles	—	—	10	—	10
Total operating expenses	—	—	2,718	—	2,718
Income from operations	—	—	205	—	205
Interest income	—	—	15	—	15
Interest expense	—	—	(42)	—	(42)
Equity in income of HDD	181	—	—	(181)	—
Equity in income (losses) of Non-Guarantors	(23)	181	—	(158)	—
Other, net	—	—	11	—	11
Other income (expense), net	158	181	(16)	(339)	(16)
Income before income taxes	158	181	189	(339)	189
Provision for income taxes	—	—	31	—	31
Net income	\$ 158	\$ 181	\$ 158	\$ (339)	\$ 158

SEAGATE TECHNOLOGY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Consolidating Statement of Cash Flows
Six Months Ended December 28, 2001
(in millions)

	Seagate Technology Parent Company Guarantor	HDD Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Net Income	\$ 158	\$ 181	\$ 158	\$ (339)	\$ 158
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	—	—	189	—	189
Deferred income taxes	—	—	(9)	—	(9)
Equity in income of HDD	(181)	—	—	181	—
Equity in income of Non-Guarantors	23	(181)	—	158	—
Other, net	—	—	(6)	—	(6)
Changes in operating assets and liabilities:					
Accounts receivable	—	—	(147)	—	(147)
Inventories	—	—	(12)	—	(12)
Accounts payable	—	—	104	—	104
Accrued expenses, employee compensation and warranty	—	—	(74)	—	(74)
Accrued income taxes	—	—	42	—	42
Other assets and liabilities, net	—	—	(4)	—	(4)
Net cash provided by operating activities	—	—	241	—	241
Investing Activities					
Acquisition of property, equipment and leasehold improvements	—	—	(233)	—	(233)
Purchase of short-term investments	—	—	(410)	—	(410)
Maturities and sales of short-term investments	—	—	485	—	485
Other, net	—	—	(1)	—	(1)
Net cash used in investing activities	—	—	(159)	—	(159)
Financing Activities					
Repayment of long-term debt	—	—	(6)	—	(6)
Issuance of common shares	3	—	—	—	3
Capital contribution to HDD	(3)	3	—	—	—
Capital contribution to Non-Guarantors	—	(3)	3	—	—
Other, net	—	—	2	—	2
Net cash used in financing activities	—	—	(1)	—	(1)
Increase in cash and cash equivalents	—	—	81	—	81
Cash and cash equivalents at the beginning of the period	—	—	726	—	726
Cash and cash equivalents at the end of the period	\$ —	\$ —	\$ 807	\$ —	\$ 807

**SEAGATE TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

The following is a discussion of the financial condition and results of operations for the fiscal quarter and the six months ended December 27, 2002 for Seagate Technology and its predecessor. Unless the context indicates otherwise, as used herein, the terms "we," "us" and "our" refer to Seagate Technology, an exempted company incorporated with limited liability under the laws of the Cayman Islands, and its subsidiaries. We are a subsidiary of New SAC, a Cayman Islands limited liability corporation. We were formed in August 2000 to be a holding company for the rigid disc drive operating business and the storage area networks operating business of Seagate Technology, Inc., a Delaware corporation, which we refer to herein as "Seagate Delaware."

You should read this discussion in conjunction with the financial information and related notes included elsewhere in this quarterly report.

Our Company

We are the worldwide leader in the design, manufacturing and marketing of rigid disc drives. Rigid disc drives are used as the primary medium for storing electronic information in systems ranging from desktop computers and consumer electronics to data centers delivering information over corporate networks and the Internet. We produce a broad range of rigid disc drive products that make us a leader in both the enterprise sector of our industry, where our products are primarily used in enterprise servers, mainframes and workstations, and the personal storage sector of our industry, where our products are used in PCs and consumer electronics.

We sell our rigid disc drives primarily to major original equipment manufacturers, or OEMs, and also market to distributors under our globally recognized brand name. For the six months ended December 27, 2002, approximately 62% of our combined rigid disc drive revenue was from sales to OEMs, including customers such as Hewlett-Packard (including Compaq), Dell, EMC, IBM and Sun Microsystems. We have longstanding relationships with many of these OEM customers. We also have key relationships with major distributors, who sell our rigid disc drive products to small OEMs, dealers, system integrators and retailers throughout most of the world. For the six months ended December 27, 2002, approximately 34% of our revenue came from customers located in North America, approximately 32% came from customers located in Europe and approximately 34% came from customers located in the Far East. Substantially all of our revenue is denominated in U.S. dollars.

Certain Forward-Looking Information

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements identify prospective information. Important factors could cause actual results to differ, possibly materially, from those in the forward-looking statements. In some cases you can identify forward-looking statements by words such as "anticipate," "believe," "could," "estimate," "expect," "plan," "intend," "may," "should," "will" and "would" or other similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial position or state other "forward-looking" information. We believe that it is important to communicate our future expectations to our investors.

**SEAGATE TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS—(Continued)**

There may, however, be events in the future that we are not able to accurately predict or control. The factors listed in the section captioned “—Risk Factors” below, as well as any other cautionary language in this report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this report could have an adverse effect on our business, results of operations and financial position.

Consummation of Initial Public Offering

On December 13, 2002, we completed the initial public offering of 72,500,000 of our common shares, 24,000,000 of which were sold by us and 48,500,000 of which were sold by New SAC, our parent company, as selling shareholder, at a price of \$12 per share. We received proceeds from our sale of 24,000,000 newly issued common shares of approximately \$270 million after deducting underwriting fees, discounts and commissions. Immediately prior to the closing of our initial public offering, we paid a return of capital distribution of \$262 million, or \$0.65 per share, to the holders of our then-outstanding shares, including New SAC. We also paid a lump sum of approximately \$12 million to certain New SAC investors in exchange for the discontinuation of an annual monitoring fee of \$2 million. This payment was charged to marketing and administrative expense during the quarter ended December 27, 2002.

New SAC received proceeds of approximately \$557 million from the sale of 48,500,000 of our common shares, after deducting underwriting discounts and commissions, from the offering. New SAC distributed these net proceeds from the offering together with its proceeds from the return of capital distribution by the Company described above to the holders of its preferred and ordinary shares. After the initial public offering, New SAC retains 351,500,000 of our outstanding common shares. As a result of the distribution to New SAC's preferred shareholders, our wholly-owned subsidiary, Seagate Technology HDD Holdings, became obligated to make payments of approximately \$147 million to the participants in its deferred compensation plan. These payments were made following the closing of our initial public offering.

Disposition of Assets

Sale of XIOtech Corporation. On November 4, 2002, we sold XIOtech Corporation, our wholly-owned indirect subsidiary, to New SAC. New SAC in turn sold 51% of XIOtech to a third party in a transaction in which XIOtech also sold newly issued shares to this third party. As a result, New SAC has retained an interest of less than 20% of XIOtech.

In consideration of our sale of XIOtech to New SAC, we received a \$32 million promissory note from New SAC. The amount of this promissory note was equal to the estimated fair value of XIOtech as of the date of the sale, net of intercompany indebtedness. Immediately after the sale of XIOtech to New SAC, we made an in-kind pro rata distribution of the entire promissory note to the holders of our then-outstanding shares, including New SAC, which at the time owned approximately 99.4% of our outstanding shares. That portion of the promissory note distributed back to New SAC was cancelled, and New SAC immediately paid off the remaining 0.6% of the promissory note held by our minority shareholders. As a result of our sale of XIOtech, we will no longer consolidate XIOtech's operations with our operations.

Because New SAC at the time owned approximately 99.4% of our outstanding shares, our sale of XIOtech to New SAC was recorded as a dividend of an amount equal to the net book value of XIOtech rather than as a sale for the fair value of the promissory note. As of November 4, 2002, the net book value of XIOtech was approximately \$1 million.

**SEAGATE TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS—(Continued)**

Repair and Warranty Services Agreement. On October 28, 2002, we closed the sale of our product repair and servicing facility in Reynosa, Mexico and certain related equipment and inventory to a wholly- owned subsidiary of Jabil Circuit, Inc. Jabil will be the primary source provider of warranty repair services for a multi-year period at costs defined in a long-term services agreement. During the term of this services agreement, we will be dependent upon Jabil to effectively manage warranty repair related costs and activities.

The arrangement with Jabil is comprised of various elements, including the sale of the facility, equipment and inventory, our obligations under the services agreement, and potential reimbursements by us to Jabil. Because the fair values of each of these elements have not been separately established, and because we will repurchase the inventory sold to Jabil, the \$10 million excess of the sale prices assigned to the various elements of the arrangements with Jabil over their respective carrying values will be offset against cost of revenue as a reduction to warranty expense over the period of the long-term services agreement. Of the \$10 million excess, \$5 million was utilized in the current quarter to offset an immediate repair cost increase and the remaining \$5 million will be utilized over the remaining period of the long-term services agreement.

Stock Compensation Expense

During the six months ended December 27, 2002, 4,170,420 options to purchase our common shares were granted to employees and directors. In connection with certain of these grants, we recorded deferred stock compensation aggregating \$10.7 million, representing the difference between the exercise price and the deemed fair value of our common shares on the dates such options were granted. This deferred stock compensation is being amortized over the vesting periods of the underlying stock options of 48 months. Through December 27, 2002, we have amortized \$1 million of such compensation expense.

Current Trends Affecting Our Results of Operations

Industry Dynamics. Our industry is characterized by several trends that have a material impact on our strategic planning, financial condition and results of operations. One key trend has been the decline in spending on information technology by enterprises and consumers as a result of the weakened global economy. The slowdown in enterprise expenditures is also a result of the extensive investments that many enterprises had already made in recent years before the global economic slowdown. Currently, demand for rigid disc drives in the enterprise sector is being adversely impacted as a result of the weakened economy and because enterprises have shifted their focus from making new equipment purchases to more efficiently using their existing information technology infrastructure through, among other things, adopting new storage architectures.

Simultaneously with this economic weakness, there has been continued consolidation and attrition among our competitors. For instance, in 2001 Maxtor merged with Quantum's rigid disc drive operations and IBM recently merged its rigid disc drive business with that of Hitachi. Also in 2001, Fujitsu ceased manufacturing rigid disc drives for the personal storage market. This consolidation among our competitors has contributed to shifts in market share as newly combined companies focus on integrating their operations and OEMs maintain diversity by shifting their purchasing allocations to new suppliers. Also, as manufacturers merge or exit the rigid disc drive industry, they frequently liquidate their excess inventory leading to competitive pressure which has resulted in even lower selling prices.

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Consolidation is also occurring among our customers. For example, Compaq, our largest customer in 2001, recently merged with Hewlett-Packard. As a result of this trend, our customer base is increasingly concentrated among fewer OEMs, potentially providing them with increased pricing leverage. In the event that our sales to a combined entity are less than, or are on terms that are less favorable than, our sales to these customers when they were separate entities, our results of operations would suffer.

Our industry is also characterized by continuous and significant advances in technology. This contributes to:

- rapid product life cycles that can be as short as six months;
- increased importance of being first to market with new products in volume production;
- difficulty in recovering research and development expenses; and
- price erosion, particularly as new products that use fewer components become available.

Seagate Dynamics. During the past several years we have restructured our operations to reduce our costs and improve our manufacturing efficiency and flexibility. Since 1998, we and our predecessor have implemented restructuring plans that have resulted in total net charges of approximately \$361 million, the closing of 14 facilities and a reduction in headcount of approximately 40,000 employees. Through our Factory of the Future initiative, we have increased the use of automation in our manufacturing operations. We believe that these changes in our operations have added to our manufacturing flexibility allowing us to improve our responsiveness to customers and take advantage of unforecasted sales opportunities to deliver products on short notice. Additionally, we have substantially improved our gross margin due to these ongoing cost savings from our restructuring activities and our programs to implement operating efficiencies. We have further benefited from reductions in depreciation expense resulting from write-downs to the fair market value of our depreciable assets in connection with the November 2000 transactions. The favorable effects on results of operations from these lower depreciation charges in connection with the write-down will gradually decrease in future periods as our older assets become fully depreciated and new assets are acquired and recorded at cost. We believe our reduced cost structure and improved manufacturing efficiency provides us with greater flexibility to address changing market conditions.

We maintain a highly integrated approach to our business by designing and manufacturing components we view as critical to our products, such as read/write heads and recording media. We believe that our control of these key technologies, combined with our innovations in manufacturing, enable us to achieve product performance and time-to-market leadership. This leadership position has enabled us to leverage our investments in research and development. Although we believe that we derive an important competitive advantage as a result of this strategy, it results in higher fixed costs, which may adversely affect our financial performance in periods of declining demand. This approach also increases the importance of realizing and maintaining substantial market share in the markets in which we compete, allowing us to spread our technology investments across a high unit volume of products.

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Our financial results over the last year reflect significant growth in our market share with a number of our customers. We believe these market share gains were largely driven by our technology leadership, as evidenced by our product innovation and time-to-market leadership. This leadership position has enabled us to leverage our investments in research and development across a broad range of technologically advanced high performance enterprise and personal storage products, which generally have higher margins than our older generation products. If our competitors introduce technologically advanced products to our customers, we could lose market share and suffer declines in revenues, margins and overall financial performance. A portion of our growth in market share is also the result of both consolidation in our industry, as well as certain rigid disc drive manufacturers exiting the market. Our ability to grow our market share or maintain our current share may be negatively affected by our customers' preference to diversify their sources of supply or if they decide to meet their requirements by manufacturing rigid disc drives themselves, particularly with respect to enterprise products.

During the quarter ended December 27, 2002, our operating results were favorably impacted by a more stable pricing environment than we have experienced historically. However, we anticipate a return to traditional levels of price erosion in the third and fourth quarters of fiscal year 2003. Looking ahead, we anticipate that unit shipments for the third quarter of fiscal year 2003 will be seasonably down, with unit shipments for that quarter currently expected to be in the range of 16 to 16.5 million units. In addition, in the upcoming fiscal quarter, we expect to achieve volume production of our 80 gigabyte per disc U-Series IX and Barracuda ATA VI personal storage products, which were introduced in the quarter ended December 27, 2002.

Results of Operations

Revenue. Revenue for the quarter ended December 27, 2002 was \$1.734 billion, up 6% from \$1.629 billion in the year-ago quarter ended December 28, 2001, and up 10% from \$1.579 billion from the immediately preceding quarter ended September 27, 2002. Revenue for the six months ended December 27, 2002 was \$3.313 billion, up 13% from \$2.923 billion in the year-ago six months ended December 28, 2001. Our overall average unit sales price for our rigid disc drive products was \$94 for the quarter ended December 27, 2002, down 14% from \$109 in the year-ago quarter, and up 1% from \$93 in the immediately preceding quarter.

The increase in revenue from the year-ago quarter was primarily attributable to an increase in rigid disc drive shipments from 14.6 million units in the second quarter of fiscal year 2002 to 18.3 million units in the quarter ended December 27, 2002. The increase in revenue from the immediately preceding quarter was primarily attributable to an increase in rigid disc drive shipments from 16.7 million units in the previous quarter to 18.3 million units in the quarter ended December 27, 2002, enhanced by a less aggressive pricing environment for our personal storage products. The increase in revenue from the year-ago six months ended December 28, 2001 was primarily attributable to an increase in rigid disc drive shipments from 25.4 million units in the year-ago six-month period to 35.0 million units in the six-month period ended December 27, 2002. Based on preliminary data, we believe that, despite a slight decrease in market share for our enterprise storage products, we maintained our market share leadership with respect to both personal storage and enterprise storage products for the quarter ended December 27, 2002. Our sales volume with respect to personal storage products was particularly strong due to demand for Microsoft's Xbox and other seasonal factors, while our sales volume with respect to enterprise storage products was relatively flat. In addition, part of the increase in revenue for the quarter ended December 27, 2002 was due to replenishment of inventory in the distribution channel.

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Cost of Revenue. Cost of revenue for the quarter ended December 27, 2002 was \$1.241 billion, up 4% from \$1.192 billion in the year-ago quarter ended December 28, 2001, and up 3% from \$1.207 billion in the immediately preceding quarter ended September 27, 2002. Gross margin as a percentage of revenue for the three months ended December 27, 2002 was 28% as compared with 27% for the year-ago quarter, and 24% for the immediately preceding quarter ended September 27, 2002. Cost of revenue for the six months ended December 27, 2002 was \$2.448 billion, up 12% from \$2.188 billion in the year-ago six months ended December 28, 2001. Gross margin as a percentage of revenue for the six months ended December 27, 2002 was 26% as compared with 25% for the year-ago six-month period. The improvement in gross margins as a percentage of revenue was primarily due to the favorable pricing environment for personal storage products and an improved mix of products enhanced by an improved absorption of fixed costs. This improved mix of products included a higher mix of our 7,200 RPM personal storage products and volume shipments of our newer products which have improved cost structures.

Product Development Expenses. Product development expenses increased by \$5 million, or 3%, for the quarter ended December 27, 2002 when compared with the year-ago quarter ended December 28, 2001, and increased by \$9 million, or 6%, when compared with the immediately preceding quarter ended September 27, 2002. The increase in product development expenses from the year-ago quarter was primarily due to costs associated with several new product introductions in the quarter ended December 27, 2002. The increase in product development expenses from the year-ago quarter also resulted from expanded product development efforts in smaller than 3½ inch form factor rigid disc drives. The increase in product development expenses from the immediately preceding quarter was primarily due to lower salaries and related costs in the immediately preceding quarter because of a higher utilization of previously accrued for vacations and expanded product development efforts in smaller than 3½ inch form factor rigid disc drives. Product development expenses increased by \$14 million, or 4%, for the six months ended December 27, 2002 when compared with the year-ago six months ended December 28, 2001. The increase in product development expenses from the year-ago six-month period was primarily due to expenses related to the opening of our new research facility in Pittsburgh, Pennsylvania, which included employee, equipment and occupancy costs as well as the new product introductions and development efforts in smaller form factor rigid disc drives discussed above.

Marketing and Administrative Expenses. Marketing and administrative expenses decreased by \$4 million, or 4%, for the quarter ended December 27, 2002 when compared with the year-ago quarter ended December 28, 2001, and increased by \$19 million, or 22%, when compared with the immediately preceding quarter ended September 27, 2002. The decrease in marketing and administrative expenses from the year-ago quarter was primarily due to decreases of \$10 million in the provision for bad debts, \$7 million in salaries and related costs, \$3 million in legal expenses as a result of the Storage Computer Corporation litigation settlement in the year-ago quarter and \$4 million related to promotional activities that we engage in with our distribution partners. These decreases were partially offset by increases in the quarter ended December 27, 2002 of approximately \$12 million related to the payment to certain New SAC investors of a lump sum in exchange for the discontinuation of an annual monitoring fee of \$2 million and \$7 million in stock compensation expense related to the termination of certain executives. These increases were primarily responsible for the increase in marketing and administrative expenses from the immediately preceding quarter. Marketing and administrative expenses decreased by \$14 million, or 7%, for the six months ended December 27, 2002 when compared with the year-ago six months ended December 28, 2001. The decrease in marketing and administrative expenses from the year-ago six-month period was primarily due to decreases of \$17 million in the provision for bad debts, \$5 million in advertising and promotion expense, \$3 million in salaries and related costs, \$3 million in equipment expense and \$3 million in legal expenses as a result of the Storage Computer Corporation litigation settlement in the year-ago six-month period.

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These decreases were partially offset by the increases of \$12 million related to the buy-out of the monitoring fee and \$7 million in stock compensation expense described above.

Restructuring. During the six months ended December 27, 2002, we recorded a \$17 million restructuring charge. We also reduced a restructuring accrual previously recorded by our predecessor in fiscal year 1998 by \$10 million because a loss on lease payments for a vacant facility was no longer anticipated as a result of a sublease arrangement completed in the quarter ended September 27, 2002. These combined actions resulted in a net restructuring charge of \$7 million. The \$17 million restructuring charge was a result of a restructuring plan, which we refer to as the fiscal year 2003 restructuring plan, established to continue the alignment of our global workforce and manufacturing capacity with existing and anticipated future market requirements, primarily in our Far East operations. The restructuring charge was comprised of employee termination costs relating to a reduction in our workforce of approximately 3,750 employees, 1,675 of whom had been terminated as of December 27, 2002. We estimate that after completion of the restructuring activities contemplated by the fiscal year 2003 restructuring plan, annual salary expense will be reduced by approximately \$17 million. We expect the fiscal year 2003 restructuring plan to have been substantially completed by the end of our third quarter of fiscal year 2003.

Net Other Income (Expense). Net other expense increased \$7 million, or 70%, for the quarter ended December 27, 2002 when compared with the year-ago quarter ended December 28, 2001, and increased \$11 million, or 183%, when compared with the immediately preceding quarter ended September 27, 2002. The increase in net other expense from the year-ago quarter was primarily due to an \$8 million write-down of our investment in a private company in the quarter ended December 27, 2002, an increase in net losses of \$3 million on sale and retirement of fixed assets and a decrease in interest income of \$2 million from the year-ago quarter as a result of lower average interest rates. These increases were partially offset by a decrease in interest expense of \$7 million due to our debt refinancing, which resulted in a reduction in the principal balance and interest rates of our long-term debt. The increase in net other expense from the immediately preceding quarter was primarily due to the write-down of our investment in a private company as described above. Net other expense increased \$6 million, or 38%, for the six months ended December 27, 2002 when compared with the year-ago six months ended December 28, 2001. The increase in net other expense from the year-ago six-month period was primarily due to an \$8 million write-down of our investment in a private company, a decrease in interest income of \$7 million resulting from lower average interest rates and a lower balance in our interest bearing accounts, net losses of \$2 million on sale and retirement of fixed assets, and \$1 million in foreign exchange losses. These increases in net other expense were substantially offset by a decrease of \$17 million in interest expense as a result of our debt refinancing.

Income Taxes. We are a foreign holding company incorporated in the Cayman Islands with foreign and U.S. subsidiaries that operate in multiple taxing jurisdictions. As a result, our worldwide operating income is either subject to varying rates of tax or exempt from tax due to tax holidays we operate under in China, Malaysia, Singapore and Thailand. These tax holidays are scheduled to expire in whole or in part at various dates through 2010 and served to reduce our effective tax rate during the three-month periods ended December 27, 2002 and December 28, 2001 from a notional rate of 35% to an actual rate of approximately 12% and 17%, respectively and served to reduce our effective tax rate during the six-month periods ended December 27, 2002 and December 28, 2001 from a notional rate of 35% to an actual rate of 12% and 17%, respectively. The effective tax rate for the three- and six-month periods ended December 27, 2002 was further reduced to 2% and 3%, respectively, primarily due to the realization of U.S. net operating loss carryforwards and other deferred tax assets that had been previously subject to a valuation allowance.

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We have recorded net deferred tax assets of \$74 million, the realization of which is dependent on our ability to generate sufficient U.S. taxable income in fiscal year 2003 and fiscal year 2004. Although realization is not assured, management believes that it is more likely than not that these deferred tax assets will be realized. The amount of deferred tax assets considered realizable, however, may increase or decrease in subsequent quarters, when we reevaluate the underlying basis for our estimates of future U.S. taxable income. As of December 27, 2002, our valuation allowance for deferred tax assets was \$373 million. The valuation allowance decreased by approximately \$97 million in the three months ended December 27, 2002 due to the transfer of deferred tax assets in connection with our sale of XIOtech to New SAC. See Note 12, Sale of XIOtech Corporation.

We anticipate that our effective tax rate will approximate 3% in the subsequent quarters of fiscal year 2003. However, our effective tax rate may increase or decrease to the extent we record adjustments to our valuation allowance for deferred tax assets.

On July 31, 2001, Seagate Delaware and the Internal Revenue Service filed a settlement stipulation with the United States Tax Court in complete settlement of the remaining disputed tax matter reflected in the statutory notice of deficiency dated June 12, 1998. The settlement stipulation is expressly contingent upon Seagate Delaware and the Internal Revenue Service entering into a closing agreement in connection with certain tax matters arising in all or some part of the open tax years of Seagate Delaware and New SAC. The settlement is now before the Joint Committee on Taxation for review. The filing of the settlement stipulation and the anticipated execution of the closing agreement will not result in an additional provision for income taxes.

As of December 27, 2002 and December 28, 2001, accrued income taxes include \$125 million for tax indemnification amounts due to VERITAS Software Corporation pursuant to the Indemnification Agreement between Seagate Delaware, Suez Acquisition Company and VERITAS Software Corporation. The tax indemnification amount was recorded by us in connection with the purchase of the operating assets of Seagate Delaware and represents U.S. tax liabilities previously accrued by Seagate Delaware for periods prior to the acquisition date of the operating assets.

Certain of our foreign tax returns for various fiscal years are under examination by taxing authorities. We believe that adequate amounts of tax have been provided for any final assessment that may result from these examinations.

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Liquidity and Capital Resources

The following is a discussion of our principal liquidity requirements and capital resources.

The credit agreement that governs our senior secured credit facilities contains covenants that Seagate Technology HDD Holdings, our wholly-owned subsidiary that operates our rigid disc drive business, must satisfy in order to remain in compliance with the agreement. These covenants require Seagate Technology HDD Holdings, among other things, to maintain the following ratios: (1) an interest expense coverage ratio for any period of four consecutive fiscal quarters of at least 2.50 to 1.00; (2) a fixed charge coverage ratio for any four consecutive fiscal quarters of at least (a) 1.25 to 1.00 for the period from June 30, 2002 to June 29, 2003 and (b) 1.50 to 1.00 for any period after June 30, 2003; and (3) a net leverage ratio of not more than 1.50 to 1.00 as of the end of any fiscal quarter commencing on or after June 30, 2002. We are currently in compliance with all of these covenants, including the financial ratios that we are required to maintain.

The calculated financial ratios for the three months ended December 27, 2002 are as follows:

	<u>Required</u>	<u>December 27, 2002</u>
Interest Coverage Ratio	Not less than 2.50	29.62
Fixed Charge Coverage Ratio	Not less than 1.25	3.62
Net Leverage Ratio	Not greater than 1.50	(0.18)

In connection with our senior credit facility, Seagate Technology HDD Holdings and Seagate Technology (US) Holdings, Inc. entered into a new \$150 million revolving credit facility, under which \$122 million was available to these entities for borrowing as of December 27, 2002. Although no borrowings have been drawn under this revolving credit facility to date, we had \$28 million of outstanding letters of credit and bankers' guarantees under this facility as of December 27, 2002.

The degree to which we are leveraged could materially and adversely affect our ability to obtain financing for working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances or other purposes and could make us more vulnerable to industry downturns and competitive pressures. Although we are currently not a party to any agreement or letter of intent with respect to potential investments in, or acquisitions of, complementary businesses, products or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all. We will require substantial amounts of cash to fund scheduled payments of principal and interest on our indebtedness, future capital expenditures and any increased working capital requirements. If we are unable to meet our cash requirements out of existing cash or cash flow from operations, we cannot assure you that we will be able to obtain alternative financing on terms acceptable to us, if at all.

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Discussion of Cash Flows

At December 27, 2002, our working capital was \$675 million, which included cash, cash equivalents and short-term investments of \$974 million. Cash, cash equivalents and short-term investments increased \$131 million from June 28, 2002 to December 27, 2002. This increase was primarily due to cash provided by operating activities and proceeds from the issuance of our common shares offset by distributions to shareholders and investments in property, equipment and leasehold improvements, as well as the purchases of certain short-term investments.

Cash provided by operating activities for the six months ended December 27, 2002 was \$330 million and consisted primarily of net income plus depreciation and amortization partially offset by payments of \$147 million to participants in our deferred compensation plan.

During the six months ended December 27, 2002, we invested approximately \$221 million in property, equipment and leasehold improvements. The \$221 million investment comprised:

- \$96 million for manufacturing facilities and equipment related to our subassembly and disc drive final assembly and test facilities in the United States and the Far East;
- \$50 million for manufacturing facilities and equipment for our recording head operations in the United States, the Far East and Northern Ireland;
- \$55 million to upgrade the capabilities of our thin-film media operations in the United States, Singapore and Northern Ireland;
- \$17 million for the purchase of a corporate aircraft; and
- \$3 million for other purposes.

We anticipate investments of approximately \$550 million to \$600 million in property and equipment for fiscal year 2003. We plan to finance these investments from existing cash balances and cash flows from operations.

Until required for other purposes, our cash and cash equivalents are maintained in highly liquid investments with remaining maturities of 90 days or less at the time of purchase. Our short-term investments consist primarily of readily marketable debt securities with remaining maturities of more than 90 days at the time of purchase.

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Liquidity Sources, Requirements and Contractual Cash Requirements and Commitments

The credit agreement governing our senior secured credit facilities, as amended, permits us to pay our shareholders regularly scheduled quarterly cash distributions of up to \$80 million during any period of four consecutive fiscal quarters. On February 4, 2003, we announced that, consistent with our quarterly dividend and distribution policy, our board of directors declared a quarterly cash distribution of \$0.03 per share to be paid on or before February 28, 2003 to all of our common shareholders of record as of February 14, 2003.

We anticipate that the distribution will be a return of capital for U.S. federal income tax purposes and will not be taxable as a dividend. In such case, for U.S. tax purposes, shareholders would reduce their tax basis in their common shares by the amount received (thereby increasing the amount of gain, or decreasing the amount of loss, to be received by the shareholder on a subsequent distribution of the common shares). Non-U.S. shareholders should consult their tax advisors regarding the proper tax treatment of the distribution. We expect to continue to pay our shareholders a quarterly cash distribution of up to \$0.03 per share (\$0.12 annually) so long as the aggregate amount of the distributions does not exceed 50% of our consolidated net income for the quarter in which the distributions are declared. Our ability to continue to pay quarterly cash distributions will be subject to, among other things, general business conditions within the rigid disc drive industry, our financial results, the impact of paying distributions on our credit ratings, and legal and contractual restrictions on the payment of distributions by our subsidiaries to us or by us to our shareholders, including restrictions imposed by the covenants contained in the indenture governing our senior notes and the credit agreement governing our senior secured credit facilities.

Our principal sources of liquidity as of December 27, 2002 consisted of: (1) \$974 million in cash, cash equivalents, and short-term investments, (2) a \$150 million revolving credit facility, of which \$28 million had been used for outstanding letters of credit and bankers' guarantees as of December 27, 2002, and (3) cash we expect to generate from operations during this fiscal year.

Since the closing of the November 2000 transactions, our principal liquidity requirements have been to service our debt and meet our working capital, research and development and capital expenditure needs. In addition, in the second half of fiscal year 2002 and the first half of fiscal year 2003, we made return of capital distributions to our shareholders.

We believe that our sources of cash will be sufficient to fund our operations and meet our cash requirements for at least the next 12 months. Our ability to fund these requirements and comply with the financial covenants under our debt agreements will depend on our future operations, performance and cash flow and is subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control. In addition, as part of our strategy, we intend to selectively pursue strategic alliances, acquisitions and investments that are complementary to our business. Any material future acquisitions, alliances or investments will likely require additional capital. We cannot assure you that additional funds from available sources will be available on terms acceptable to us, or at all.

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Establishment of Sales Program Accruals. We establish certain distributor sales programs aimed at increasing customer demand. These programs are typically related to a distributor's level of sales, order size and advertising or point of sale activity. We provide for these contra-revenues at the time that revenue is recorded based on estimated requirements. These estimates are based on various factors, including estimated future price erosion, customer orders and sell-through levels, program participation and customer claim submittals. Significant variations in any of these factors could have a material effect on our operating results.

In the third quarter of fiscal year 2002, our North American distribution customers transitioned from a consignment model, under which we recognized revenue when distributors sold our products through to their customers, to a sell-in model, under which we recognize revenue when our products are sold to distributors. This transition resulted from changes in our contractual arrangements with our North American distribution customers. As a result of these changes, title and risk of loss now pass to those distributors at the time we ship our products to them, as compared to our former contractual arrangements under which title and risk of loss remained with us until our products were sold by the distributors. We effected the transition to a sell-in model with respect to our North American distribution customers in an effort to improve our competitive position within the rigid disc drive industry by increasing the incentive of those distributors to sell our products through to their customers. Although a limited right of return exists with respect to sales to our North American distribution customers, requiring us to make estimates of future returns, we believe that these estimates are reasonably accurate due to the short time period during which our North American distribution customers can return our products, the limitations placed on their right to make returns, our long history of conducting business with distributors on a sell-in basis in Asia and Europe, the nature of our historical relationships with our North American distribution customers and the daily reporting procedures through which we monitor inventory levels and sales to end-users. However, the failure of our distribution customers to sell our products to end-users or our failure to accurately predict the level of future returns by our distribution customers could have a material impact on our results of operations in future periods.

Establishment of Warranty Accruals. We estimate probable product warranty costs at the time revenue is recognized. We generally warrant our products for a period of one to five years. We use estimated repair or replacement costs and use statistical modeling to estimate product return rates in order to determine our warranty obligation. We exercise judgment in determining the underlying estimates. Should actual experience in any future period differ significantly from our estimates, or should the estimates fail to accurately consider future product technological advancements, our future results of operations could be materially affected. The actual results with regard to warranty expenditures could have a material adverse effect on us if the actual rate of unit failure is greater than what we used in estimating the warranty expense accrual.

Valuation of Deferred Tax Assets. The recording of our deferred tax assets each period depends primarily on our ability to generate current and future taxable income in the United States. Each period we evaluate the need for a valuation allowance for our deferred tax assets and we adjust the valuation allowance so that we record net deferred tax assets only to the extent that we conclude it is more likely than not that these assets will be realized.

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Recent Accounting Pronouncements

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than when the exit or disposal plan is approved. The adoption of SFAS 146 is not expected to have a material impact on our financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"(FIN 45). The Interpretation will significantly change current practice in the accounting for, and disclosure of, guarantees. The Interpretation requires certain guarantees to be recorded at fair value, which is different from current practice, which is generally to record a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, "Accounting for Contingencies". The Interpretation also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote, which is another change from current practice. We adopted the disclosure requirements of FIN 45 in the quarter ended December 27, 2002. See Note 14, Product Warranty. We will adopt the initial recognition and measurement provisions of FIN 45 prospectively in the quarter ended March 27, 2003.

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RISK FACTORS

Risks Related to Our Business

Competition—Our industry is highly competitive and our products have experienced significant price erosion.

Even during periods when demand is stable, the rigid disc drive industry is intensely competitive and vendors typically experience substantial price erosion over the life of a product. Our competitors have historically offered new or existing products at lower prices as part of a strategy to gain or retain market share and customers, and we expect these practices to continue. Although our operating results for the quarter ended December 27, 2002 were favorably impacted by a more stable pricing environment than we have experienced historically, we anticipate a return to traditional levels of price erosion in the third and fourth quarters of fiscal year 2003 and, generally speaking, we expect that price erosion in the rigid disc drive industry will continue for the foreseeable future. Because maintaining or improving market share is fundamental to succeeding in our industry, we may need to reduce our prices to retain our market share, which could adversely affect our results of operations. Moreover, a significant portion of our recent success is a result of increasing our market share at the expense of our competitors. Our current market share may be negatively affected by our customers' preference to diversify their sources of supply or if they decide to meet their requirements by manufacturing rigid disc drives themselves, particularly in the enterprise sector. Any significant increase in market share by one of our competitors would likely result in a decline in our market share, which could adversely affect our results of operations.

Principal Competitors—We compete with both captive manufacturers, who do not depend solely on sales of rigid disc drives to maintain their profitability, and independent manufacturers, whose primary focus is producing technologically advanced rigid disc drives.

We have experienced and expect to continue to experience intense competition from a number of domestic and foreign companies, including other independent rigid disc drive manufacturers and large captive manufacturers such as:

<u>Captive</u>	<u>Independent</u>
Fujitsu Limited	Maxtor Corporation
Hitachi Global Storage Technologies	Western Digital Corporation
Samsung Electronics Incorporated	
Toshiba Corporation	

The term "independent" in this context refers to manufacturers that primarily produce rigid disc drives as a stand-alone product, and the term "captive" refers to rigid disc drive manufacturers that produce complete computer or other systems that contain rigid disc drives or other information storage products. Captive manufacturers are formidable competitors because they have the ability to determine pricing for complete systems without regard to the margins on individual components. Because components other than rigid disc drives generally contribute a greater portion of the operating margin on a complete computer system than do rigid disc drives, captive manufacturers do not necessarily need to realize a profit on the rigid disc drives included in a computer system and, as a result, may be willing to sell rigid disc drives to third parties at very low margins. Many captive manufacturers are also formidable competitors because they have more substantial resources. To the extent we are not successful competing with captive or independent rigid disc drive manufacturers, our results of operations will be adversely affected.

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In addition, in response to customer demand for high-quality, high-volume and low-cost rigid disc drives, manufacturers of rigid disc drives have had to develop large, in some cases global, production facilities with highly developed technological capabilities and internal controls. The development of large production facilities and industry consolidation can contribute to the intensification of competition. We also face indirect competition from present and potential customers who evaluate from time to time whether to manufacture their own rigid disc drives or other information storage products.

Industry Consolidation—Consolidation among captive manufacturers may serve to increase their resources and improve their access to customers, thereby making them more formidable competitors.

Consolidation among captive manufacturers may provide them with competitive advantages over independent manufacturers, including us. For example, IBM recently merged its disc drive business with the disc drive business of Hitachi through the formation of Hitachi Global Storage Technologies, a separate company that is 70% owned by Hitachi. As a part of this transaction, each of IBM and Hitachi has agreed to multi-year supply commitments with the new company. Because IBM is one of our most significant customers and Hitachi is one of our most significant competitors, there is a significant risk that IBM will decrease the number of rigid disc drives purchased from us and increase the number purchased from the new company. Moreover, economies of scale and the combination of the two companies' technological capabilities, particularly in the enterprise sector of our industry, could make the new company a more formidable competitor than IBM or Hitachi operating alone.

Volatility of Quarterly Results—Our quarterly operating results fluctuate significantly from period to period, and this may cause our stock price to decline.

In the past, our quarterly revenue and operating results fluctuated significantly from period to period. We expect this fluctuation to continue for a variety of reasons, including:

- changes in the demand for the computer systems, storage subsystems and consumer electronics that contain our rigid disc drives;
- changes in purchases from period to period by our primary customers;
- competitive pressures resulting in lower selling prices, a condition that is exacerbated when competitors exit the industry and liquidate their remaining inventory;
- adverse changes in the level of economic activity in the United States and other major regions in which we do business;
- our high proportion of fixed costs, including research and development expenses;
- delays or problems in the introduction of our new products;
- announcements of new products, services or technological innovations by us or our competitors;
- increased costs or adverse changes in availability of supplies; and
- the ability of our competition to regain their recent market share losses, particularly with respect to enterprise products, through the introduction of technologically advanced products and their ability to improve their operational execution.

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As a result, we believe that quarter-to-quarter comparisons of our revenue and operating results may not be meaningful, and that these comparisons may not be an accurate indicator of our future performance. Our operating results in one or more future quarters may fail to meet the expectations of investment research analysts or investors which could cause an immediate and significant decline in the trading price of our common shares.

Industry Demand—Slowdown in demand for computer systems and storage subsystems has caused and may continue to cause a decline in demand for our products.

Our rigid disc drives are components in computer systems and storage subsystems. The demand for these products has been volatile. In a weak economy, consumer spending tends to decline and retail demand for PCs tends to decrease, as does enterprise demand for computer systems and storage subsystems. Currently, demand for rigid disc drives in the enterprise sector is being adversely impacted as a result of the weakened economy and because enterprises have shifted their focus from making new equipment purchases to more efficiently using their existing information technology infrastructure through, among other things, adopting new storage architectures. Unexpected slowdowns in demand for computer systems and storage subsystems have generally caused sharp declines in demand for rigid disc drive products. During economic slowdowns such as the one that began in 2001, our industry has experienced periods in which the supply of rigid disc drives has exceeded demand.

Additional causes of declines in demand for our products in the past have included announcements or introductions of major operating system or semiconductor improvements. We believe these announcements and introductions have from time to time caused consumers to defer their purchases and made inventory obsolete. Whenever an oversupply of rigid disc drives causes participants in our industry to have higher than anticipated inventory levels, we experience even more intense price competition from other rigid disc drive manufacturers than usual.

Seasonality—Because we experience seasonality in the sales of our products, our results of operations will generally be adversely impacted during the summer months.

Because sales of computer systems, storage subsystems and consumer electronics tend to be seasonal, we expect to continue to experience seasonality in our business as we respond to variations in our customers' demand for rigid disc drives. In particular, we anticipate that sales of our products will continue to be lower during the summer months than the rest of the year. In the desktop computer and consumer electronics sectors of our business, this seasonality is partially attributable to our customers' increased sales during the winter holiday season of PCs and consumer electronics. In the enterprise sector of our business, our sales are seasonal because of the capital budgeting and purchasing cycles of our end users.

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Difficulty in Predicting Quarterly Demand—If we fail to predict demand accurately for our products in any quarter, we may not be able to recapture the cost of our investments.

The rigid disc drive industry operates on quarterly purchasing cycles, with much of the order flow in any given quarter coming at the end of that quarter. Our manufacturing process requires us to make significant product-specific investments in inventory in each quarter for that quarter's production. Because we typically receive the bulk of our orders late in a quarter after we have made our investments and because of short product life cycles, there is a risk that our orders will not be sufficient to allow us to recapture the costs of our investment before the products resulting from that investment have become obsolete. We cannot assure you that we will be able to accurately predict demand in the future. Other factors that may negatively impact our ability to recapture the cost of investments in any given quarter include:

- our inability to reduce our fixed costs to match sales in any quarter because of our vertical manufacturing strategy, which means that we make more capital investments than we would if we were not vertically integrated;
- the timing of orders from and shipment of products to key customers, such as Hewlett-Packard and EMC;
- our product mix, and the related margins of the various products;
- accelerated reduction in the price of our rigid disc drives due to technological advances and an oversupply of rigid disc drives in the market, a condition that is exacerbated when competitors exit the industry and liquidate their excess inventory;
- manufacturing delays or interruptions, particularly at our major manufacturing facilities in China, Malaysia, Singapore and Thailand;
- variations in the cost of components for our products;
- limited access to components that we obtain from a single or a limited number of suppliers;
- the impact of changes in foreign currency exchange rates on the cost of producing our products and the effective price of our products to foreign consumers; and
- operational issues arising out of the increasingly automated nature of our manufacturing processes.

Short Product Life Cycles—Short product life cycles make it difficult to recover the cost of development and force us to continually qualify new products with our customers.

Over the last several years, the rate of increase of areal density, or the storage capacity per square inch on a disc, has grown at a much more rapid pace than it had previously. Higher areal densities mean that fewer read/write heads and rigid discs are required to achieve a given rigid disc drive storage capacity. In addition, advances in computer hardware and software have led to the demand for successive generations of storage products with increased storage capacity and/or improved performance and reliability. Product life cycles have shortened because of recent rapid increases in areal density. The consequence is more frequent introductions of new generations of rigid disc drives that are more efficient and cost effective than those of previous generations. Shorter product cycles make it more difficult to recover the cost of product development because those costs must be recovered over increasingly shorter periods of time during the life cycles of products.

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While we believe that the current rate of increases in areal density is lower than the rate of the last several years, we expect that areal density will continue to increase and cannot assure you that we will be able to recover the cost of product development in the future.

Short product life cycles also require us to engage regularly in new product qualifications with our customers and we expect to engage in several competitive product qualifications during the balance of this fiscal year and on an ongoing basis in future years. We believe that one consequence of shorter product life cycles is that original equipment manufacturers, or OEMs, will be less likely to qualify multiple sources of supply, thereby increasing our need to develop new products quickly to ensure that we are the primary source of supply for our customers. This means that in order for our products to be considered by our customers for qualification, we must be among the leaders in time-to-market with those new products. Once a product is accepted for qualification testing, any failure or delay in the qualification process can result in our losing sales to that customer until new products are introduced. The effect of missing a product qualification opportunity is magnified by the limited number of high-volume OEMs. These risks are further magnified because we expect cost improvements and competitive pressures to result in declining sales and declining gross margins on our current generation products. We cannot assure you that we will be among the leaders in time-to-market with new products, or that we will be able to successfully qualify new products with our customers in the future.

New Product Offerings—Market acceptance of new product introductions cannot be accurately predicted, and our results of operations will suffer if there is less demand for our new products than is anticipated.

We are continually developing new products in the hope that we will be able to introduce technologically advanced rigid disc drives into the marketplace ahead of our competitors. The success of our new product introductions is dependent on a number of factors, including market acceptance, our ability to manage the risks associated with product transitions, the effective management of inventory levels in line with anticipated product demand, and the risk that our new products will have quality problems or other defects in the early stages of introduction that were not anticipated in the design of those products. Accordingly, we cannot accurately determine the ultimate effect that our new products will have on our sales or results of operations.

Smaller Form Factor Rigid Disc Drives—If we do not successfully develop and market smaller form factor rigid disc drives, our business may suffer.

Increases in sales of notebook computers and in areal density may result in a shift to smaller form factor rigid disc drives for an expanding number of applications, including PCs, enterprise storage applications and consumer electronics. These applications have typically used rigid disc drives with a 3 ½ inch form factor, which we currently manufacture. We do not currently manufacture rigid disc drives for the mobile market, which typically use form factors of 2 ½ inches or smaller. If we do not suitably adapt our technology and product offerings to successfully develop and introduce smaller form factor rigid disc drives, customers may decrease the amounts of our products that they purchase. We cannot assure you that we will be able to manufacture smaller form factor rigid disc drives than we now produce.

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Importance of Time-to-Market—Our operating results depend on our being among the first-to-market and achieving sufficient production volume with our new products.

To achieve consistent success with our OEM customers, we must be an early provider of new types of rigid disc drives featuring leading, high-quality technology. Our operating results in the past two years have substantially depended, and in the future will substantially depend, upon our ability to be among the first-to-market with new product offerings in the desktop and enterprise markets. Our market share will be adversely affected, which would harm our operating results, if we fail to:

- consistently maintain or improve our time-to-market performance with our new products;
- produce these products in sufficient volume;
- qualify these products with key customers on a timely basis by meeting our customers' performance and quality specifications; or
- achieve acceptable manufacturing yields and costs with these products.

If delivery of our products is delayed, our OEM customers may use our competitors' products to meet their production requirements. If the delay of our products causes delivery of those OEMs' computer systems into which our products are integrated to be delayed, consumers and businesses may purchase comparable products from the OEMs' competitors.

Moreover, we face the related risk that consumers and businesses may wait to make their purchases if they want to buy a new product that has been shipped or announced, but not yet released. If this were to occur, we may be unable to sell our existing inventory of products that may have become less efficient and cost effective compared to new products. As a result, even if we are among the first-to-market with a given product, subsequent introductions or announcements by our competitors of new products could cause us to lose revenue and not achieve a positive return on our investment in existing products and inventory.

Importance of Reducing Operating Costs—If we do not reduce our operating expenses, we will not be able to compete effectively in our industry.

Our strategy involves, to a substantial degree, increasing revenue while at the same time reducing operating expenses. In furtherance of this strategy, we have engaged in ongoing, company-wide manufacturing efficiency activities intended to increase productivity and reduce costs. These activities have included closures and transfers of facilities, significant personnel reductions and efforts to increase automation. We cannot assure you that our efforts will result in the increased profitability, cost savings or other benefits that we expect. Moreover, the reduction of personnel and closure of facilities may adversely affect our ability to manufacture our products in required volumes to meet customer demand and may result in other disruptions that affect our products and customer service. In addition, the transfer of manufacturing capacity of a product to a different facility frequently requires qualification of the new facility by some of our OEM customers. We cannot assure you that these activities and transfers will be implemented on a cost-effective basis without delays or disruption in our production and without adversely affecting our customer relationships and results of operations.

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New Product Development and Technological Change—If we do not develop products in time to keep pace with technological changes, our operating results will be adversely affected.

Our customers have demanded new generations of rigid disc drive products as advances in computer hardware and software have created the need for improved storage products with features such as increased storage capacity, improved performance and reliability of smaller form factors. We, and our competitors have developed improved products, and we will need to continue to do so in the future. As a result of these advances, the life cycles of our products have been shortened, and we have been required to constantly develop and introduce new cost-effective products within time-to-market windows that become progressively shorter. For the fiscal year ended June 28, 2002 and the six months ended December 27, 2002, we had product development expenses of \$698 million and \$329 million, respectively. We cannot assure you that we will be able to successfully complete the design or introduction of new products in a timely manner, that we will be able to manufacture new products in sufficient volumes with acceptable manufacturing yields, that we will be able to successfully market these new products or that these products will perform to specifications on a long-term basis.

When we develop new products with higher capacity and more advanced technology, our operating results may decline because the increased difficulty and complexity associated with producing these products increases the likelihood of reliability, quality or operability problems. If our products suffer increases in failures, are of low quality or are not reliable, customers may reduce their purchases of our products and our manufacturing rework and scrap costs and service and warranty costs may increase. In addition, a decline in the reliability of our products may make us less competitive as compared with other rigid disc drive manufacturers.

Impact of Technological Change—Increases in the areal density of disc drives may outpace customers' demand for storage capacity.

The rate of increase in areal density, or storage capacity per square inch on a disc, may be greater than the increase in our customers' demand for aggregate storage capacity. As a result, our customers' storage capacity needs may be satisfied with fewer rigid disc drives. This could decrease our sales, especially when combined with continued price erosion, which could adversely affect our results of operations.

Changes in Information Storage Products—Future changes in the nature of information storage products may reduce demand for traditional rigid disc drive products.

We expect that in the future new personal computing devices and products will be developed, some of which, such as Internet appliances, may not contain a rigid disc drive. While we are investing development resources in designing information storage products for new applications, it is too early to assess the impact of these new applications on future demand for rigid disc drive products. We cannot assure you that we will be successful in developing other information storage products. In addition, there are currently no widely accepted standards in various technical areas that may be important to the future of our business, including the developing sector of intelligent storage solutions. Products using alternative technologies, such as semiconductor memory, optical storage and other storage technologies could become a significant source of competition to particular applications of our products.

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For example, semiconductor memory is much faster than rigid disc drives, but currently is volatile in that it is subject to loss of data in the event of power failure and is much more costly than rigid disc drive technologies. Flash EEPROM, a nonvolatile semiconductor memory, is currently much more costly than rigid disc drive technologies and, while it has higher read performance than rigid disc drives, it has lower write performance. Flash EEPROM could become competitive in the future for applications requiring less storage capacity than is required in traditional markets for our products.

High Fixed Costs—Our vertical integration strategy entails a high level of fixed costs.

Our vertical integration strategy entails a high level of fixed costs and requires a high volume of production and sales to be successful. During periods of decreased production, these high fixed costs have had, and could in the future have, a material adverse effect on our operating results and financial condition. For example, in 1998 our predecessor experienced a significant decrease in the demand for its products, and because our predecessor was unable to adequately reduce its costs to offset this decrease in revenue, its gross and operating margins suffered. In addition, a strategy of vertical integration has in the past and could in the future delay our ability to introduce products containing market-leading technology, because we may not have developed the technology and source of components for our products and do not have access to external sources of supply without incurring substantial costs.

Research and development expenses represent a significant portion of our fixed costs. As part of our vertical integration strategy, we explore a broad range of ways to improve rigid disc drives as well as possible alternatives to rigid disc drives for storing and retrieving electronic data. If we fail to develop new technologies in a timely manner, and our competitors succeed in doing so, our ability to sell our products could be significantly diminished. Conversely, if we over invest in technologies that can never be profitably manufactured and marketed, our results of operations could suffer. By way of example, we have incurred expenses in exploring new technologies for storing electronic data, including perpendicular recording technology, which involves a different orientation for the magnetic field than is currently used in rigid disc drives, and heat assisted magnetic recording technology, which uses heat generated by a laser to improve storage capacity. We believe these new technologies could significantly improve the storage capacity of rigid disc drives over the long-term. To date, we have not yet developed a commercial product based on these technologies. If we have invested too much in these or other technologies, our results of operations could be adversely affected. In addition, as we replace our existing assets with new, higher cost assets, we expect that our depreciation expense will increase, which will contribute to our high level of fixed costs and reduce our earnings. This could cause the market price of our common shares to decline.

Dependence on Supply of Equipment and Components—If we experience shortages or delays in the receipt of critical equipment or components necessary to manufacture our products, we may suffer lower operating margins, production delays and other material adverse effects.

The cost, quality and availability of some equipment and components used to manufacture rigid disc drives and other information storage products are critical to the successful manufacture of these products. The equipment we use to manufacture our products is frequently custom made and comes from a few suppliers. Particularly important components include read/write heads, recording media, application specific integrated circuits, or ASICs, spindle motors and printed circuit boards. We rely on sole suppliers and a limited number of suppliers for some of these components, including the read/write heads and recording media that we do not manufacture, ASICs, spindle motors and printed circuit boards. In the past, we have experienced increased costs and production delays when we were unable to obtain the necessary equipment or sufficient quantities of some components and have been forced to pay higher prices for some components that were in short supply in the industry in general.

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For example, during the months preceding the November 2000 transactions, Seagate Delaware's ability to satisfy customer demand was constrained by a limited supply of electrical components from external suppliers. Due to the recent downturn in the economy in general and in the technology sector of the economy in particular, the rigid disc drive industry has experienced economic pressure, which has resulted in consolidation among component manufacturers and may result in some component manufacturers exiting the industry or not making sufficient investments in research to develop new components. These events could affect our ability to obtain critical components for our products, which in turn could have a material adverse effect on our financial condition, results of operations and prospects.

If there is a shortage of, or delay in supplying us with, critical components, then:

- it is likely that our suppliers would raise their prices and, if we could not pass these price increases to our customers, our operating margin would decline;
- we might have to reengineer some products, which would likely cause production and shipment delays, make the reengineered products more costly and provide us with a lower rate of return on these products;
- we would likely have to allocate the components we receive to certain of our products and ship less of others, which could reduce our revenues and could cause us to lose sales to customers who could purchase more of their required products from manufacturers that either did not experience these shortages or delays or that made different allocations; and
- we might be late in shipping products, causing potential customers to make purchases from our competitors and, thus, causing our revenue and operating margin to decline.

We cannot assure you that we will be able to obtain critical components in a timely and economic manner, or at all.

Dependence on Key Customers—We may be adversely affected by the loss of, or reduced, delayed or cancelled purchases by, one or more of our larger customers.

For fiscal year 2002 and the six months ended December 27, 2002, our top 10 customers accounted for approximately 63% and 62%, respectively, of our rigid disc drive revenue. Compaq Computer Corporation, together with Hewlett-Packard, accounted for approximately 20% of our rigid disc drive revenue for fiscal year 2002, and Hewlett-Packard accounted for approximately 16% of our rigid disc drive revenue in the six months ended December 27, 2002. If any of our key customers were to significantly reduce their purchases from us, our results of operations would be adversely affected. While sales to major customers may vary from period to period, a major customer that permanently discontinues or significantly reduces its relationship with us could be difficult to replace. In line with industry practice, new customers usually require that we pass a lengthy and rigorous qualification process at the customer's cost. Accordingly, it may be difficult for us to attract new major customers.

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Customer Concentration—Consolidation among our customers could cause sales of our products to decline.

Mergers, acquisitions, consolidations or other significant transactions involving our customers generally entail risks to our business. For example, Hewlett-Packard and Compaq, both of which have been key customers, recently merged. We cannot assure you that the combined entity will purchase as many rigid disc drives from us as Hewlett-Packard and Compaq purchased in the aggregate when they were separate companies. Moreover, if the business of the combined entity is adversely impacted either due to difficulties in integrating Compaq and Hewlett-Packard into a single entity or otherwise, sales of our products could decline. In addition, IBM, which is another of our key customers, recently merged its disc drive business with the disc drive business of Hitachi through the formation of a new company with which IBM has entered into a multi-year supply agreement. As a result, IBM may decrease its purchases from us in favor of this new company. If a significant transaction involving any of our key customers results in the loss of or reduction in purchases by these key customers, it could have a materially adverse effect on our business, results of operations, financial condition and prospects.

OEM Purchase Agreements—Our OEM customers are not obligated to purchase our products.

Typically, our OEM purchase agreements permit OEMs to cancel orders and reschedule delivery dates without significant penalties. In the past, orders from many of our OEMs were cancelled and delivery schedules were delayed as a result of changes in the requirements of the OEMs' customers. These order cancellations and delays in delivery schedules have had a material adverse effect on our results of operations in the past and may do so again in the future. Our OEMs and distributors typically furnish us with non-binding indications of their near term requirements, with product deliveries based on weekly confirmations. If actual orders from distributors and OEMs decrease from their non-binding forecasts, these variances could have a material adverse effect on our business, results of operations, financial condition and prospects.

Economic Risks Associated with International Operations—Our international operations subject us to risks related to currency exchange fluctuations, longer payment cycles for sales in foreign countries, seasonality and disruptions in foreign markets, tariffs and duties, price controls, potential adverse tax consequences, increased costs and our customers' credit and access to capital.

We have significant operations in foreign countries, including manufacturing facilities, sales personnel and customer support operations. For fiscal year 2002 and the six months ended December 27, 2002, approximately 31% and 32%, respectively, of our rigid disc drive revenue were from sales to customers located in Europe and approximately 30% and 34%, respectively, were from sales to customers located in the Far East. We have manufacturing facilities in China, Malaysia, Northern Ireland, Singapore and Thailand, in addition to those in the United States. A substantial portion of our desktop rigid disc drive assembly occurs in our facility in China.

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Our international operations are subject to economic risks inherent in doing business in foreign countries, including the following:

- *Disruptions in Foreign Markets.* Disruptions in financial markets and the deterioration of the underlying economic conditions in the past in some countries, including those in Asia, have had an impact on our sales to customers located in, or whose end-user customers are located in, these countries.
- *Fluctuations in Currency Exchange Rates.* Prices for our products are denominated predominately in U.S. dollars, even when sold to customers that are located outside the United States. Currency instability in Asian and other geographic markets may make our products more expensive than products sold by other manufacturers that are priced in the local currency. Moreover, many of the costs associated with our operations located outside the United States are denominated in local currencies. As a consequence, the increased strength of local currencies against the U.S. dollar in countries where we have foreign operations would result in higher effective operating costs and, potentially, reduced earnings. Currently, we do not hedge our foreign exchange risk. We cannot assure you that fluctuations in foreign exchange rates will not have a negative effect on our operations and profitability.
- *Longer Payment Cycles.* Our customers outside of the United States are often allowed longer time periods for payment than our U.S. customers. This increases the risk of nonpayment due to the possibility that the financial condition of particular customers may worsen during the course of the payment period.
- *Seasonality.* Seasonal reductions in the business activities of our customers during the summer months, particularly in Europe, typically result in lower earnings during those periods.
- *Tariffs, Duties, Limitations on Trade and Price Controls.* Our international operations are affected by limitations on imports, currency exchange control regulations, transfer pricing regulations, price controls and other restraints on trade. In addition, the governments of many countries, including China, Malaysia, Singapore and Thailand, in which we have significant operating assets, have exercised and continue to exercise significant influence over many aspects of their domestic economies and international trade.
- *Potential Adverse Tax Consequences.* Our international operations create a risk of potential adverse tax consequences, including imposition of withholding or other taxes on payments by subsidiaries.
- *Increased Costs.* The shipping and transportation costs associated with our international operations are typically higher than those associated with our U.S. operations, resulting in decreased operating margins in some foreign countries.
- *Credit and Access to Capital Risks.* Our international customers could have reduced access to working capital due to higher interest rates, reduced bank lending resulting from contractions in the money supply or the deterioration in the customer's or its bank's financial condition, or the inability to access other financing.

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Political Risks Associated with International Operations—Our international operations subject us to risks related to political unrest and terrorism.

We have manufacturing facilities in parts of the world that periodically experience political unrest. This could disrupt our ability to manufacture important components as well as cause interruptions and/or delays in our ability to ship components to other locations for continued manufacture and assembly. Any such delays or interruptions could result in delays in our ability to fill orders and have an adverse effect on our results of operation and financial condition. U.S. and international responses to the terrorist attacks on September 11, 2001 could exacerbate these risks.

Legal and Operational Risks Associated with International Operations—Our international operations subject us to risks related to staffing and management, legal and regulatory requirements and the protection of intellectual property.

Operating outside of the United States creates difficulties associated with staffing and managing our international manufacturing facilities, complying with local legal and regulatory requirements and protecting our intellectual property. We cannot assure you that we will continue to be found to be operating in compliance with applicable customs, currency exchange control regulations, transfer pricing regulations or any other laws or regulations to which we may be subject. We also cannot assure you that these laws will not be modified.

Conflicts of Interest of our Directors and Officers—Our directors and executive officers may have conflicts of interest because of their ownership of capital stock of, and their employment with, our parent company and our affiliates.

Many of our directors and executive officers hold ordinary and preferred shares of our parent company, New SAC, and some of them hold shares of capital stock and options to purchase the capital stock of our affiliate, Crystal Decisions, Inc., a business intelligence software solutions company. Ownership of the capital stock of our parent company and our affiliates by our directors and officers could create, or appear to create, potential conflicts of interest when our directors and officers are faced with decisions that could have different implications for us and for New SAC or our affiliates.

Some of our directors also serve on the boards of New SAC, Seagate Removable Storage Solutions Holdings, a tape drive company, and Seagate Software (Cayman) Holdings, the parent company of Crystal Decisions. Several of our executive officers also serve as officers and/or directors of those entities as well as other affiliates of ours. In view of these overlapping relationships, conflicts of interest may exist or arise with respect to existing and future business dealings, including the relative commitment of time and energy by our directors and officers to us and to our parent company and affiliates, potential acquisitions of businesses or properties and other business opportunities, the issuance of additional securities, the election of new or additional directors and the payment of dividends by us. We cannot assure you that any conflicts of interest will be resolved in our favor.

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Risks Associated with Future Acquisitions—We may not be able to identify suitable strategic alliance, acquisition or investment opportunities, or successfully acquire and integrate companies that provide complementary products or technologies.

Our growth strategy may involve pursuing strategic alliances with, and making acquisitions of or investments in, other companies that are complementary to our business. There is substantial competition for attractive strategic alliance, acquisition and investment candidates. We may not be able to identify suitable acquisition, investment or strategic partnership candidates. Even if we were able to identify them, we cannot assure you that we will be able to partner with, acquire or invest in suitable candidates, or integrate acquired technologies or operations successfully into our existing technologies and operations. Our ability to finance potential acquisitions will be limited by our high degree of leverage, the covenants contained in the indenture that governs our outstanding 8% senior notes, the credit agreement that governs our senior secured credit facilities and any agreements governing any other debt we may incur.

If we are successful in acquiring other companies, these acquisitions may have an adverse effect on our operating results, particularly while the operations of the acquired business are being integrated. It is also likely that integration of acquired companies would lead to the loss of key employees from those companies or the loss of customers of those companies. In addition, the integration of any acquired companies would require substantial attention from our senior management, which may limit the amount of time available to be devoted to our day-to-day operations or to the execution of our strategy. In addition, the expansion of our business involves the risk that we might not manage our growth effectively, that we would incur additional debt to finance these acquisitions or investments and that we would incur substantial charges relating to the write-off of in-process research and development, similar to that which we incurred in connection with several of our prior acquisitions. Each of these items could have a material adverse effect on our financial position and results of operations.

Potential Loss of Licensed Technology—The closing of the November 2000 transactions may have triggered change of control or anti-assignment provisions in some of our license agreements, which could result in a loss of our right to use licensed technology.

We have a number of cross-licenses with third parties that enable us to manufacture our products free from any infringement claims that might otherwise be made by these third parties against us. A number of these licenses contain change of control or anti-assignment provisions. We have taken steps to transfer these licenses in connection with the closing of the November 2000 transactions; however, we cannot assure you that these transfers will not be challenged. For example, Papst Licensing GmbH, IBM and Hitachi initially took the position that their license agreements did not transfer to our new business entities. Subsequently, we entered into new license agreements with IBM and Hitachi in December 2001. In September 2002, we settled a broader dispute with Papst that resolved the claim by Papst that its license agreement was not properly transferred. Recently, we received a letter dated November 20, 2002 from Read-Rite Corporation asserting that we do not currently have a license to its patented technology and that our rigid disc drive products infringe at least two of its patents. Seagate Delaware had a license to the two patents referenced in the November 20 letter, as well as other intellectual property of Read-Rite Corporation, under a Patent Cross License Agreement dated December 31, 1994. Prior to the November 20, 2002 letter, Read-Rite Corporation had not responded to our efforts to confirm that under the Patent Cross License Agreement we were entitled to a new license agreement in our own name and on the same terms as the 1994 agreement.

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To the extent that third party cross-licenses, including the Patent Cross License Agreement dated December 31, 1994 between Read-Rite Corporation and Seagate Delaware, are deemed not to have been properly assigned to us in the November 2000 transactions, our inability to either obtain new licenses or transfer existing licenses could result in delays in product development or prevent us from selling our products until equivalent substitute technology can be identified, licensed and/or integrated or until we are able to substantially engineer our products to avoid infringing the rights of third parties. We might not be able to renegotiate agreements, be able to obtain necessary licenses in a timely manner, on acceptable terms, or at all, or be able to re-engineer our products successfully. Moreover, the loss of or inability to extend any of these licenses would increase the risk of infringement claims being made against us, which claims could have a material adverse effect on our business.

Risk of Intellectual Property Litigation—Our products may infringe the intellectual property rights of others, which may cause us to incur unexpected costs or prevent us from selling our products.

We cannot be certain that our products do not and will not infringe issued patents or other intellectual property rights of others. Historically, patent applications in the United States and some foreign countries have not been publicly disclosed until the patent is issued, and we may not be aware of currently filed patent applications that relate to our products or technology. If patents are later issued on these applications, we may be liable for infringement. We may be subject to legal proceedings and claims, including claims of alleged infringement of the patents, trademarks and other intellectual property rights of third parties by us or our licensees in connection with their use of our products. We are currently subject to a suit by Convolv, Inc. and the Massachusetts Institute of Technology and a suit pending in Nanjing, China. For a more detailed description of these suits, see Part II, Item 1, "Legal Proceedings." In addition, as noted above, Read-Rite Corporation, in a letter dated November 20, 2002, has asserted that we do not currently have a license to Read-Rite Corporation patented technology and that our rigid disc drive products infringe at least two Read-Rite Corporation patents.

Intellectual property litigation is expensive and time-consuming, regardless of the merits of any claim, and could divert our management's attention from operating our business. In addition, intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and we cannot assure you that we will be successful in defending ourselves against intellectual property claims. Moreover, software patent litigation has increased due to the current uncertainty of the law and the increasing competition and overlap of product functionality in the field. If we were to discover that our products infringe the intellectual property rights of others, we would need to obtain licenses from these parties or substantially reengineer our products in order to avoid infringement. We might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to reengineer our products successfully. Moreover, if we are sued for infringement and lose the suit, we could be required to pay substantial damages and/or be enjoined from using or selling the infringing products or technology. Any of the foregoing could cause us to incur significant costs and prevent us from selling our products.

Dependence on Intellectual Property—If our intellectual property and other proprietary information were copied or independently developed by competitors, our operating results would be negatively affected.

Our success depends to a significant degree upon our ability to protect and preserve the proprietary aspects of our technology. However, we may be unable to prevent third parties from using our technology without our authorization or independently developing technology that is similar to ours, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States.

**SEAGATE TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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The use of our technology or similar technology by others could reduce or eliminate any competitive advantage we have developed, cause us to lose sales, or otherwise harm our business. If it became necessary for us to resort to litigation to protect these rights, any proceedings could be burdensome and costly, and we may not prevail.

Limitations on Patent Protection—Our issued and pending patents may not adequately protect our intellectual property or provide us with any competitive advantage.

Although we have numerous U.S. and foreign patents and numerous pending patents that relate to our technology, we cannot assure you that any patents, issued or pending, will provide us with any competitive advantage or will not be challenged by third parties. Moreover, our competitors may already have applied for patents that, once issued, will prevail over our patent rights or otherwise limit our ability to sell our products in the United States or abroad. Our competitors also may attempt to design around our patents or copy or otherwise obtain and use our proprietary technology. With respect to our pending patent applications, we may not be successful in securing patents for these claims. Our failure to secure these patents may limit our ability to protect the intellectual property rights that these applications were intended to cover.

Disclosure of our Proprietary Technology—Confidentiality and non-disclosure agreements may not adequately protect our proprietary technology or trade secrets.

We have entered into confidentiality agreements with our employees and non-disclosure agreements with customers, suppliers and potential strategic partners, among others. If any party to these agreements were to violate their agreement with us and disclose our proprietary technology to a third party, we may be unable to prevent the third party from using this information. Because a significant portion of our proprietary technology consists of specialized knowledge and technical expertise developed by our employees, we have a program in place designed to ensure that our employees communicate any developments or discoveries they make to other employees. However, employees may choose to leave our company before transferring their knowledge and expertise to our other employees. Violations by others of our confidentiality or non-disclosure agreements and the loss of employees who have specialized knowledge and expertise could harm our competitive position and cause our sales and operating results to decline. Our trade secrets may otherwise become known or independently developed by others, and trade secret laws provide no remedy against independent development or discovery.

Service Marks and Trademarks—Our failure to obtain trademark registrations or service marks, or challenges to those marks, could impede our marketing efforts.

We have registered and applied for some service marks and trademarks, and will continue to evaluate the registration of additional service marks and trademarks, as appropriate. We cannot guarantee the approval of any of our pending applications by the applicable governmental authorities. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these registrations. A failure to obtain trademark registrations in the United States and in other countries could limit our ability to use our trademarks and impede our marketing efforts in those jurisdictions.

Environmental Matters—We could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions, as a result of violations of or liabilities under environmental laws.

Our operations inside and outside the United States are subject to laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. In addition to the U.S. federal, state and local laws to which our domestic operations are subject, our extensive international manufacturing operations subject us to environmental regulations imposed by foreign governments.

**SEAGATE TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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Although our policy is to apply strict standards for environmental protection at our sites inside and outside the United States, we could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions, third-party property damage or personal injury claims if we were to violate or become liable under environmental laws or become non-compliant with environmental permits required at our facilities. Contaminants have been detected at some of our present and former sites, principally in connection with historical operations. In addition, we have been named as a potentially responsible party at several superfund sites. While we are not currently aware of any contaminated or superfund sites as to which material outstanding claims or obligations exist, the discovery of additional contaminants or the imposition of additional cleanup obligations at these or other sites could result in significant liability. In addition, the ultimate costs under environmental laws and the timing of these costs are difficult to predict. Liability under some environmental laws relating to contaminated sites can be imposed retroactively and on a joint and several basis. In other words, one liable party could be held liable for all costs at a site. Potentially significant expenditures could be required in order to comply with environmental laws that may be adopted or imposed in the future.

Dependence on Key Personnel—The loss of some key executive officers and employees could negatively impact our business prospects.

Our future performance depends to a significant degree upon the continued service of key members of management as well as marketing, sales and product development personnel. The loss of one or more of our key personnel would have a material adverse effect on our business, operating results and financial condition. We believe our future success will also depend in large part upon our ability to attract, retain and further incentivize highly skilled management, marketing, sales and product development personnel. A significant portion of the incentive compensation for our senior management vests in calendar year 2003 and substantially all of this compensation will have vested by November 2004. We may not be able to provide our senior management with adequate additional incentives to remain employed by us after this time. We have experienced intense competition for personnel, and we cannot assure you that we will be able to retain our key employees or that we will be successful in attracting, assimilating and retaining personnel in the future.

System Failures—System failures caused by events beyond our control could adversely affect computer equipment and electronic data on which our operations depend.

Our operations are dependent on our ability to protect our computer equipment and the information stored in our databases from damage by, among other things, earthquake, fire, natural disaster, power loss, telecommunications failures, unauthorized intrusion and other catastrophic events. As our operations become more automated and increasingly interdependent, our exposure to the risks posed by these types of events will increase. A significant part of our operations is based in an area of California that has experienced power outages and earthquakes and is considered seismically active. We do not have a contingency plan for addressing the kinds of events referred to in this paragraph that would be sufficient to prevent system failures and other interruptions in our operations that could have a material adverse effect on our business, results of operations and financial condition.

**SEAGATE TECHNOLOGY
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Potential Tax Legislation—Negative publicity about companies located in certain offshore jurisdictions may lead to new legislation that could increase our tax burden.

Several members of the United States Congress have introduced legislation relating to the tax treatment of U.S. companies that have undertaken certain types of expatriation transactions. While we do not believe that this legislation, as currently proposed, would adversely affect us, the exact scope of the legislation and whether it will ultimately be enacted is unclear at this time. Therefore, it is possible that legislation in this area, if enacted, could materially increase our future tax burden or otherwise affect our business.

Risks Related to Our Substantial Indebtedness

Substantial Leverage—Our substantial leverage may place us at a competitive disadvantage in our industry.

We are leveraged and have significant debt service obligations. Our significant debt and debt service requirements could adversely affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities. For example, our high level of debt presents the following risks to you:

- we are required to use a substantial portion of our cash flow from operations to pay principal and interest on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances and other general corporate requirements;
- our interest expense could increase if prevailing interest rates increase, because a substantial portion of our debt bears interest at floating rates;
- our substantial leverage increases our vulnerability to economic downturns and adverse competitive and industry conditions and could place us at a competitive disadvantage compared to those of our competitors that are less leveraged;
- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and our industry and could limit our ability to pursue other business opportunities, borrow more money for operations or capital in the future and implement our business strategies;
- our level of debt may restrict us from raising additional financing on satisfactory terms to fund working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances, and other general corporate requirements; and
- covenants in our debt instruments limit our ability and the ability of our subsidiaries to pay dividends or make other restricted payments and investments.

**SEAGATE TECHNOLOGY
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Significant Debt Service Requirements—Servicing our debt requires a significant amount of cash, and our ability to generate cash may be affected by factors beyond our control.

Our business may not generate cash flow in an amount sufficient to enable us to pay the principal of, or interest on, our indebtedness or to fund our other liquidity needs, including working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances, and other general corporate requirements. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that:

- our business will generate sufficient cash flow from operations;
- we will continue to realize the cost savings, revenue growth and operating improvements that resulted from the execution of our long-term strategic plan; or
- future borrowings will be available to us under our senior secured credit facilities or that other sources of funding will be available to us, in each case, in amounts sufficient to enable us to fund our liquidity needs.

If we cannot fund our liquidity needs, we will have to take actions such as reducing or delaying capital expenditures, product development efforts, strategic acquisitions, investments and alliances, selling assets, restructuring or refinancing our debt, or seeking additional equity capital. We cannot assure you that any of these remedies could, if necessary, be effected on commercially reasonable terms, or at all. In addition, our existing debt instruments permit us to incur a significant amount of additional debt. If we incur additional debt above the levels now in effect, the risks associated with our substantial leverage, including the risk that we will be unable to service our debt or generate enough cash flow to fund our liquidity needs, could intensify.

Restrictions Imposed by Debt Covenants—Restrictions imposed by our existing debt instruments will limit our ability to finance future operations or capital needs or engage in other business activities that may be in our interest.

Our existing debt instruments, including the indenture governing our outstanding 8% senior notes and the credit agreement governing our senior secured credit facilities, impose, and the terms of any future debt may impose, operating and other restrictions on us. The indenture governing our 8% notes limits our ability to incur additional indebtedness if our consolidated coverage ratio, which is the ratio of the aggregate consolidated EBITDA of our subsidiary, Seagate Technology HDD Holdings, the issuer of our 8% senior notes and a co-borrower under our senior secured credit facilities, and its restricted subsidiaries, to the total interest expense of those entities, is less than or equal to 3.0 to 1.0 during any consecutive four-quarter period. The limitations on our ability to incur additional indebtedness under the credit agreement governing our senior secured credit facilities are even more restrictive. Our existing debt instruments also limit, among other things, our ability to:

- pay dividends or make distributions in respect of our shares;
- redeem or repurchase shares;
- make investments or other restricted payments;
- sell assets;
- issue or sell shares of restricted subsidiaries;
- enter into transactions with affiliates;
- create liens;
- enter into sale/leaseback transactions;
- effect a consolidation or merger; and
- make certain amendments to our deferred compensation plans.

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These covenants are subject to a number of important qualifications and exceptions, including exceptions that permit us to make significant distributions of cash. In addition, the obligation to comply with many of the covenants under the indenture governing our 8% senior notes will cease to apply if the notes achieve investment grade status.

Our existing debt instruments also require us to achieve specified financial and operating results and maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control.

A breach of any of the restrictive covenants described above or our inability to comply with the required financial ratios could result in a default under our existing debt instruments. If a default occurs, the lenders under our senior secured credit facilities or the holders of our outstanding 8% senior notes may elect to declare all of our outstanding obligations, together with accrued interest and other fees, to be immediately due and payable. If we are unable to repay outstanding borrowings under our senior secured credit facilities or to pay interest on our outstanding 8% senior notes when due, the lenders under our senior secured credit facilities will have the right to call on the guarantees and, ultimately, to proceed against the collateral granted to them to secure the debt. If our outstanding indebtedness were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that debt and any future indebtedness, which would cause the market price of our common shares to decline.

Risks Related to our Common Shares

Control by Our Sponsor Group—Because our sponsor group, through its ownership of New SAC, holds a controlling interest in us, the influence of our public shareholders over significant corporate actions is limited.

After giving effect to our initial public offering and the related distributions, affiliates of Silver Lake Partners, Texas Pacific Group, August Capital, J.P. Morgan Partners, LLC and investment partnerships affiliated with Goldman, Sachs & Co. indirectly own approximately 26.1%, 18.1%, 9.3%, 5.4% and 1.8%, respectively, of our outstanding common shares through their ownership of New SAC. The sponsors' ownership of New SAC and New SAC's and the sponsors' ownership of us is the subject of shareholders agreements and other arrangements that result in the sponsors' acting as a group with respect to all matters submitted to our shareholders. As a result, the members of our sponsor group have the power to:

- control all matters submitted to our shareholders;
- elect our directors; and
- exercise control over our business, policies and affairs.

Also, New SAC is not prohibited from selling a controlling interest in us to a third party.

**SEAGATE TECHNOLOGY
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Accordingly, our ability to engage in significant transactions, such as a merger, acquisition or liquidation, is limited without the consent of members of our sponsor group. Conflicts of interest could arise between us and our sponsor group, and any conflict of interest may be resolved in a manner that does not favor us. The members of our sponsor group may continue to retain control of us for the foreseeable future and may decide not to enter into a transaction in which you would receive consideration for your common shares that is much higher than the cost to you or the then-current market price of those shares. In addition, the members of our sponsor group could elect to sell a controlling interest in us and you may receive less than the then-current fair market value or the price you paid for your shares. Any decision regarding their ownership of us that members of our sponsor group may make at some future time will be in their absolute discretion.

Future Sales—Additional sales of our common shares by New SAC, our sponsors or our employees or issuances by us in connection with future acquisitions or otherwise could cause the price of our common shares to decline.

If New SAC or—after any distribution to our sponsors of our shares by New SAC—our sponsors sell a substantial number of our common shares in the future, the market price of our common shares could decline. The perception among investors that these sales may occur could produce the same effect. New SAC and our sponsors have rights, subject to specified conditions, to require us to file registration statements covering common shares or to include common shares in registration statements that we may file. By exercising their registration rights and selling a large number of common shares, New SAC or any of the sponsors could cause the price of our common shares to decline. Furthermore, if we were to include common shares in a registration statement initiated by us, those additional shares could impair our ability to raise needed capital by depressing the price at which we could sell our common shares. In addition, as an exception to the restrictions on the transfer of shares by our employees contained in our option plan, beginning on March 10, 2003, each of our non-officer employees will have the right to sell a number of shares equal to the lesser of (1) the number of their vested options and shares or (2) 1,500 vested options and shares. This could result in a maximum of approximately 11,100,000 shares being eligible for sale 90 days after the closing of the offering, assuming that all non-officer employees choose to sell the maximum permitted number of shares. Beginning on June 8, 2003, our officers and employees, excluding Messrs. Luczo, Watkins and Pope, who are subject to restrictions on sale under the Seagate Technology Shareholders Agreement, will be released from lock-up agreements entered into in connection with our initial public offering. This could result in the sale of up to approximately 39,300,000 shares including the approximately 11,100,000 shares that will be eligible for sale beginning on March 10, 2003. In addition, on June 8, 2003, New SAC will no longer be subject to a lock-up in connection with its ownership of 351,500,000 Seagate Technology shares. However, these shares may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 under the Securities Act. The shares held by New SAC are subject to the provisions of a shareholders agreement among us, New SAC and our sponsor group, which, among other things, governs the sale and distribution of our shares by New SAC.

One component of our business strategy is to make acquisitions. In the event of any future acquisitions, we could issue additional common shares, which would have the effect of diluting your percentage ownership of the common shares and could cause the price of our common shares to decline.

Volatile Public Markets—The price of our common shares may be volatile and could decline significantly.

The stock market in general, and the market for technology stocks in particular, has recently experienced volatility that has often been unrelated to the operating performance of companies. If these market or industry-based fluctuations continue, the trading price of our common shares could decline significantly independent of our actual operating performance. The market price of our common shares could fluctuate significantly in response to several factors, including among others:

- actual or anticipated variations in our results of operations;
- announcements of innovations, new products or significant price reductions by us or our competitors;
- our failure to meet the performance estimates of investment research analysts;

**SEAGATE TECHNOLOGY
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- the timing of announcements by us or our competitors of significant contracts or acquisitions;
- general stock market conditions;
- the occurrence of major catastrophic events; and
- changes in financial estimates by investment research analysts.

Failure to Pay Quarterly Cash Distributions—Our failure to pay quarterly cash distributions to our common shareholders could cause the market price of our common shares to decline significantly.

On February 4, 2003, we announced that, consistent with our quarterly dividend and distribution policy, our board of directors declared a quarterly cash distribution of \$0.03 per share to be paid on or before February 28, 2003 to all of our common shareholders of record as of February 14, 2003. We expect to continue to pay our shareholders a quarterly cash distribution of up to \$0.03 per share (\$0.12 annually) so long as the aggregate amount of the distributions do not exceed 50% of our consolidated net income for the quarter in which the distributions are declared. The credit agreement governing our senior secured credit facilities, as amended, permits us to pay our shareholders regularly scheduled quarterly cash distributions of up to \$80 million during any period of four consecutive fiscal quarters.

Our ability to continue to pay quarterly cash distributions will be subject to, among other things, general business conditions within the rigid disc drive industry, our financial results, the impact of paying distributions on our credit ratings, and legal and contractual restrictions on the payment of distributions by our subsidiaries to us or by us to our shareholders, including restrictions imposed by the covenants contained in the indenture governing our senior notes and the credit agreement governing our senior secured credit facilities. Any reduction or discontinuation of quarterly cash distributions could cause the market price of our common shares to decline significantly. Moreover, in the event our payment of quarterly cash distributions is reduced or discontinued, our failure or inability to resume paying quarterly cash distributions at historical levels could result in a persistently low market valuation of our common shares.

Securities Litigation—Significant fluctuations in the market price of our common shares could result in securities class action claims against us.

Significant price and value fluctuations have occurred with respect to the publicly traded securities of rigid disc drive companies and technology companies generally. The price of our common shares is likely to be volatile in the future. In the past, following periods of decline in the market price of a company's securities, class action lawsuits have often been pursued against that company. If similar litigation were pursued against us, it could result in substantial costs and a diversion of management's attention and resources, which could materially adversely affect our results of operations, financial condition and liquidity.

**SEAGATE TECHNOLOGY
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Limited Protection of Shareholder Interests—Holders of the common shares may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our second amended and restated memorandum and articles of association, by the Companies Law (2002 Revision) and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States. Therefore, you may have more difficulty in protecting your interests in the face of actions by our management, directors or controlling shareholder than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less developed nature of Cayman Islands law in this area.

Unlike many jurisdictions in the United States, Cayman Islands law does not specifically provide for shareholder appraisal rights on a merger or consolidation of a company. This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient.

Shareholders of Cayman Islands exempted companies such as ourselves have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders of the company. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors. Our Cayman Islands counsel is not aware of any reported class action or derivative action having been brought in a Cayman Islands court.

Anti-Takeover Provisions Could Discourage or Prevent an Acquisition of Us—Provisions of our articles of association and Cayman Islands corporate law may impede a takeover, which could adversely affect the value of the common shares.

Our articles of association permit our board of directors to issue preferred shares from time to time, with such rights and preferences as they consider appropriate. Our board of directors could authorize the issuance of preferred shares with terms and conditions and under circumstances that could have an effect of discouraging a takeover or other transaction.

**SEAGATE TECHNOLOGY
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Unlike many jurisdictions in the United States, Cayman Islands law does not provide for mergers as that expression is understood under corporate law in the United States. While Cayman Islands law does have statutory provisions that provide for the reconstruction and amalgamation of companies, which are commonly referred to in the Cayman Islands as a “scheme of arrangement,” the procedural and legal requirements necessary to consummate these transactions are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States. Under Cayman Islands law and practice, a scheme of arrangement in relation to a solvent Cayman Islands company must be approved at a shareholders’ meeting by a majority of the company’s shareholders who are present and voting (either in person or by proxy) at such meeting. The shares voted in favor of the scheme of arrangement must also represent at least 75% of the value of each class of the company’s shareholders (excluding the shares owned by the parties to the scheme of arrangement) present and voting at the meeting. The convening of these meetings and the terms of the amalgamation must also be sanctioned by the Grand Court of the Cayman Islands. Although there is no requirement to seek the consent of the creditors of the parties involved in the scheme of arrangement, the Grand Court typically seeks to ensure that the creditors have consented to the transfer of their liabilities to the surviving entity or that the scheme of arrangement does not otherwise materially adversely affect the creditors’ interests. Furthermore, the Grand Court will only approve a scheme of arrangement if it is satisfied that:

- the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the scheme of arrangement is such as a businessman would reasonably approve; and
- the scheme of arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

Enforcement of Civil Liabilities—Holders of our common shares may have difficulty obtaining or enforcing a judgment against us because we are incorporated under the laws of the Cayman Islands.

Because we are a Cayman Islands company, there is uncertainty as to whether the Grand Court of the Cayman Islands would recognize or enforce judgments of United States courts obtained against us predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in the Cayman Islands against us predicated upon the securities laws of the United States or any state thereof.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and long-term debt. We currently do not use derivative financial instruments in either our investment portfolio, or to hedge debt.

We invest in high credit quality issuers and, by policy, limit the amount of credit exposure to any one issuer. As stated in our policy, we are averse to principal loss and ensure the safety and preservation of our invested funds by limiting default risk, market risk, and reinvestment risk.

We mitigate default risk by maintaining a diversified portfolio and by investing in only high quality securities. We constantly monitor our investment portfolio and position our portfolio to respond appropriately to a reduction in credit rating of any investment issuer, guarantor or depository. We maintain a highly liquid portfolio by investing only in marketable securities with active secondary or resale markets.

We have both fixed and floating rate debt obligations. We enter into debt obligations to support general corporate purposes including capital expenditures and working capital needs. We have used derivative financial instruments in the form of an interest rate swap agreement to hedge a portion of our floating rate debt obligations. For example, in December 2000, we entered into a fixed rate interest rate swap agreement with a notional amount of \$245 million and an interest rate of 5.40% for a term of two years. The maturity date of the swap matched the principal serial maturities on the underlying debt. Credit exposure resulting from the derivative financial instruments was diversified among various commercial banking institutions in the United States and Europe. The interest rate swap agreement matured in November 2002.

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The table below presents principal (or notional) amounts and related weighted average interest rates by year of maturity for our investment portfolio and debt obligations as of December 27, 2002. All investments mature in three years or less.

Dollars in millions	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Thereafter</u>	<u>Total</u>	<u>Fair Value December 27, 2002</u>
Assets								
Cash equivalents								
Fixed rate	\$ 533	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 533	\$ 533
Average interest rate	1.50%	—	—	—	—	—	1.50%	
Short-term investments								
Fixed rate	33	19	57	4	—	—	113	114
Average interest rate	1.89%	3.23%	2.66%	2.60%	—	—	2.43%	
Variable rate	238	—	—	—	—	—	238	238
Average interest rate	1.60%	—	—	—	—	—	1.60%	
Total investment securities	804	19	57	4	—	—	884	885
Average interest rate	1.86%	3.23%	2.66%	2.60%	—	—	1.65%	
Long-Term Debt								
Fixed rate	—	—	—	—	—	400	400	400
Average interest rate	—	—	—	—	—	8.00%	8.00%	
Floating rate								
Tranche B	2	5	4	3	336	—	350	350
(LIBOR + 200 bp)	3.43%	3.43%	3.43%	3.43%	3.43%	—	3.43%	

Foreign Currency Risk. We transact business in various foreign countries. Our primary foreign currency cash flows are in emerging market countries in Asia and in European countries. During the six months ended December 27, 2002, we did not hedge any of our local currency cash flows. All foreign currency cash flow requirements were met using spot foreign exchange transactions. We are currently reviewing the potential for hedging local currency cash flows.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures within 90 days before the filing date of this quarterly report. Based on that evaluation, our management, including our chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

**PART II
OTHER INFORMATION**

ITEM 1. LEGAL PROCEEDINGS

The following discussion contains forward-looking statements. These statements relate to our legal proceedings described below. Litigation is inherently uncertain and may result in adverse rulings or decisions. Additionally, we may enter into settlements or be subject to judgments that may, individually or in the aggregate, have a material adverse effect on our results of operations. Accordingly, actual results could differ materially from those projected in the forward-looking statements.

Intellectual Property Litigation

Convolve, Inc.— Between 1998 and 1999, Convolve, Inc., a small privately held technology consulting firm, engaged in discussions with Seagate Delaware with respect to the potential license of technology that Convolve claimed to own. During that period, the parties entered into non-disclosure agreements. We declined Convolve's offer of a license in late 1999. On July 13, 2000, Convolve and the Massachusetts Institute of Technology filed suit against Compaq Computer Corporation and us in the U.S. District Court for the Southern District of New York, alleging patent infringement, misappropriation of trade secrets, breach of contract, tortious interference with contract and fraud relating to Convolve and MIT's Input Shaping[®] and Convolve's Quick and Quiet[™] technology. The plaintiffs claim their technology is incorporated in our sound barrier technology, which was publicly announced on June 6, 2000. The complaint seeks injunctive relief, \$800 million in compensatory damages and unspecified punitive damages. We answered the complaint on August 2, 2000, and filed cross-claims for declaratory judgment that two Convolve/MIT patents are invalid and not infringed and that we own any intellectual property based on the information that we disclosed to Convolve. The court denied plaintiffs' motion for expedited discovery, and ordered plaintiffs to identify their trade secrets to defendants before discovery could begin. Convolve served a trade secrets disclosure on August 4, 2000, and we filed a motion challenging the disclosure statement. On May 3, 2001, the court appointed a special master to review the trade secret issues. The special master resigned on June 5, 2001, and the court appointed another special master on July 26, 2001. After a hearing on our motion challenging the trade secrets disclosure on September 21, 2001, the special master issued a report and recommendation to the court that the trade secret list was insufficient. Convolve revised the trade secret list, and the court entered an order on January 1, 2002, accepting the special master's recommendation that this trade secret list was adequate. Discovery is in process on all non-damages issues. On November 6, 2001, the USPTO issued US Patent No. 6,314,473 to Convolve. Convolve filed an amended complaint on January 16, 2002, alleging defendants' infringement of this patent and we answered and filed counterclaims on February 8, 2002. On July 26, 2002, we filed a Rule 11 motion challenging the adequacy of Convolve's pre-filing investigation on the first two patents alleged in the complaint and seeking dismissal of Convolve's claims related to these patents and reimbursement of attorney's fees. Briefing on claims construction issues is set to be completed by January 2003, with a claims construction (Markman) hearing likely to follow in the months thereafter. No trial date has been set. We believe that the claims are without merit and we intend to defend against them vigorously.

People's Court of Nanjing City— In July 2002, we were sued in the People's Court of Nanjing City, China by an individual and a private Chinese company. The complaint alleged that two of our personal storage rigid disc drive products infringe Chinese patent which prevents the corruption of systems data stored on rigid disc drives. The suit, which sought to stop us from manufacturing the two products and claimed immaterial monetary damages, was dismissed by the court on procedural grounds on November 29, 2002. On December 3, 2002, the plaintiffs served us with notice that they had refiled the lawsuit. The new complaint claims immaterial monetary damages and attorney fees, and requests injunctive relief and a recall of the products from the Chinese market. Based upon a preliminary analysis of the patent and the products, we do not believe we infringe. Moreover, the accused products were scheduled for end of life at the end of 2002.

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Other Matters

We are involved in a number of other judicial and administrative proceedings incidental to our business, and we may be involved in various legal proceedings arising in the normal course of our business in the future. Although occasional adverse decisions or settlements may occur, we believe that the final disposition of such matters will not have a material adverse effect on our financial position or results of operations.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

During the six months ended December 27, 2002, we granted options to purchase 3,970,420 common shares under our 2001 share option plan, at an exercise price of \$10.00 per share and 200,000 options at an exercise price of \$14.00 per share, of which no shares have been exercised. The issuance of these unregistered securities was deemed to be exempt from registration under the Securities Act of 1933 by virtue of Rule 701 promulgated under Section 3(b) of the Securities Act of 1933 as transactions pursuant to compensation benefit plans and contracts relating to compensation.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
2.1	Stock Purchase Agreement, dated as of March 19, 2000, by and among Suez Acquisition Company (Cayman) Limited, Seagate Technology, Inc. and Seagate Software Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
2.2	Agreement and Plan of Merger and Reorganization, dated as of March 29, 2000, by and among VERITAS Software Corporation, Victory Merger Sub, Inc. and Seagate Technology, Inc. (incorporated by reference to Exhibit 2.2 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
2.3	Indemnification Agreement, dated as of March 29, 2000, by and among VERITAS Software Corporation, Seagate Technology, Inc. and Suez Acquisitions Company (Cayman) Limited (incorporated by reference to Exhibit 2.3 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
2.4	Joinder Agreement to the Indemnification Agreement, dated as of November 22, 2000, by and among VERITAS Software Corporation, Seagate Technology, Inc. and the SAC Indemnitors listed therein (incorporated by reference to Exhibit 2.4 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
2.5	Consolidated Amendment to Stock Purchase Agreement, Agreement and Plan of Merger and Reorganization, and Indemnification Agreement, and Consent, dated as of August 29, 2000, by and among Suez Acquisition Company (Cayman) Limited, Seagate Technology, Inc., Seagate Software Holdings, Inc., VERITAS Software Corporation and Victory Merger Sub, Inc. (incorporated by reference to Exhibit 2.5 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
2.6	Consolidated Amendment No. 2 to Stock Purchase Agreement, Agreement and Plan of Merger and Reorganization, and Indemnification Agreement, and Consent, dated as of October 18, 2000, by and among Suez Acquisition Company (Cayman) Limited, Seagate Technology, Inc., Seagate Software Holdings, Inc., VERITAS Software Corporation and Victory Merger Sub, Inc. (incorporated by reference to Exhibit 2.6 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
2.7	Letter Agreement, dated as of March 29, 2000, by and between VERITAS Software Corporation and Suez Acquisition Company (Cayman) Limited (incorporated by reference to Exhibit 2.7 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)

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<u>Exhibit Number</u>	<u>Description</u>
2.8	Stock Purchase Agreement, dated as of October 28, 2002, by and among Oak Investment Partners X, Limited Partnership, Oak X Affiliates Fund, L.P., Oak Investment Partners IX, Limited Partnership, Oak IX Affiliates Fund, L.P., Oak IX Affiliates Fund-A, L.P., Seagate Technology Holdings. Seagate Technology SAN Holdings and XIOtech Corporation (incorporated by reference to Exhibit 2.8 to amendment no. 6 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on November 8, 2002)
2.9	Amendment No. 1, dated as of October 31, 2002, to the Stock Purchase Agreement, dated as of October 28, 2002, by and among Oak Investment Partners X, Limited Partnership, Oak X Affiliates Fund, L.P., Oak Investment Partners IX, Limited Partnership, Oak IX Affiliates Fund, L.P., Oak IX Affiliates Fund-A, L.P., Seagate Technology Holdings. Seagate Technology SAN Holdings and XIOtech Corporation (incorporated by reference to Exhibit 2.9 to amendment no. 6 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on November 8, 2002)
3.1*	Second Amended and Restated Memorandum of Association of Seagate Technology (formerly known as Seagate Technology Holdings)
3.2*	Second Amended and Restated Articles of Association of Seagate Technology (formerly known as Seagate Technology Holdings)
4.1	Form of 8% Senior Notes due 2009 (incorporated by reference to Exhibit 4.1 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
4.2	Indenture, dated as of May 13, 2002, by and among Seagate Technology HDD Holdings, Seagate Technology Holdings and U.S. Bank, N.A. (incorporated by reference to Exhibit 4.2 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
4.3	Registration Rights Agreement, dated as of May 13, 2002, by and among Seagate Technology HDD Holdings, Seagate Technology Holdings, Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc., Credit Suisse First Boston Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Smith Barney Inc. (incorporated by reference to Exhibit 4.3 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
4.5*	Shareholders Agreement by and among Seagate Technology Holdings, New SAC, Silver Lake Technology Investors Cayman, L.P., Silver Lake Investors Cayman, L.P., Silver Lake Partners Cayman, L.P., SAC Investments, L.P., August Capital III, L.P., J.P. Morgan Partners, L.L.C., GS Capital Partners III, L.P., GS Capital Partners III Offshore, L.P., Goldman Sachs & Co. Verwaltungs GmbH, Stone Street Fund 2000 L.P., Bridge Street Special Opportunities Fund 2000, L.P., Staenberg Venture Partners II, L.P., Staenberg Seagate Partners, LLC, Integral Capital Partners V, L.P., Integral Capital Partners V Side Fund, L.P. and the Shareholders listed on the signature pages thereto
10.1	Credit Agreement, dated as of May 13, 2002, by and among Seagate Technology Holdings, Seagate Technology HDD Holdings, Seagate Technology (US) Holdings, Inc., the Lenders party thereto, JPMorgan Chase Bank, as administrative agent, J.P. Morgan Securities Inc., as joint bookrunner and co-lead arranger, Morgan Stanley Senior Funding, Inc., as syndication agent, joint bookrunner and co-lead arranger, Citicorp USA, Inc., as documentation agent, Merrill Lynch Capital Corporation, as documentation agent, and Credit Suisse First Boston, as documentation agent (incorporated by reference to Exhibit 10.1 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.2(a)	Form of Employment Agreement by and between Seagate Technology (US) Holdings, Inc. and the Executive listed therein (incorporated by reference to Exhibit 10.2(a) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.2(b)	Employment Agreement, dated as of February 2, 2001, by and between Seagate Technology (US) Holdings, Inc. and Stephen J. Luczo (incorporated by reference to Exhibit 10.2(b) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.2(c)	Employment Agreement, dated as of February 2, 2001, by and between Seagate Technology (US) Holdings, Inc. and William D. Watkins (incorporated by reference to Exhibit 10.2(c) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)

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<u>Exhibit Number</u>	<u>Description</u>
10.3(a)	Form of Management Retention Agreement by and between the Employee listed therein and Seagate Technology, Inc. (incorporated by reference to Exhibit 10.3(a) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.3(b)	Management Retention Agreement, dated November 1998, by and between Seagate Technology, Inc. and Stephen J. Luczo (incorporated by reference to Exhibit 10.3(b) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.4	Management Participation Agreement, dated as of March 29, 2000, by and among Seagate Technology, Inc., Suez Acquisition Company (Cayman) Limited and the Senior Managers party thereto (incorporated by reference to Exhibit 10.4 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.5	Form of Rollover Agreement, dated as of November 13, 2000, by and among New SAC, Seagate Technology HDD Holdings and the Senior Manager listed therein (incorporated by reference to Exhibit 10.5 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.6	Seagate Technology HDD Holdings Deferred Compensation Plan (incorporated by reference to Exhibit 10.6 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.7(a)	New SAC 2000 Restricted Share Plan (incorporated by reference to Exhibit 10.7(a) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.7(b)	Form of New SAC 2000 Restricted Share Agreement (incorporated by reference to Exhibit 10.7(b) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.8(a)	New SAC 2001 Restricted Share Plan (incorporated by reference to Exhibit 10.8(a) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.8(b)	Form of New SAC 2001 Restricted Share Agreement (Tier 1 Senior Managers) (incorporated by reference to Exhibit 10.8(b) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.8(c)	Form of New SAC 2001 Restricted Share Agreement (Other Employees) (incorporated by reference to Exhibit 10.8(c) to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.9	Seagate Technology Holdings 2001 Share Option Plan (incorporated by reference to Exhibit 10.9 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.10	Shareholders Agreement, dated as of November 22, 2000, by and among New SAC, Silver Lake Technology Investors Cayman, L.P., Silver Lake Investors Cayman, L.P., Silver Lake Partners Cayman, L.P., SAC Investments, L.P., August Capital III, L.P., Chase Equity Associates, L.P., GS Capital Partners III, L.P., GS Capital Partners III Offshore, L.P., Goldman, Sachs & Co. Verwaltungs GmbH, Stone Street Fund 2000 L.P., Bridge Street Special Opportunities Fund 2000, L.P., Staenberg Venture Partners II, L.P., Staenberg Seagate Partners, LLC, Integral Capital Partners V, L.P., Integral Capital Partners V Side Fund, L.P. and the individuals listed therein (incorporated by reference to Exhibit 10.10 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.11	Management Shareholders Agreement, dated as of November 22, 2000, by and among New SAC and the Management Shareholders listed therein (incorporated by reference to Exhibit 10.11 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.12	Disc Drive Research and Development Cost Sharing Agreement, dated as of June 29, 1996, by and among Seagate Technology, Inc., Seagate Technology International, Seagate Technology (Ireland), Seagate Technology (Clonmel), Seagate Technology International (Wuxi) Co., Ltd., Seagate Microelectronics Limited and Seagate Peripherals, Inc. (incorporated by reference to Exhibit 10.12 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.13	World-Wide Services Agreement, dated as of July 1, 1993, by and among Seagate Technology, Inc. and Seagate Technology International (incorporated by reference to Exhibit 10.13 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)

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<u>Exhibit Number</u>	<u>Description</u>
10.14	Promissory Note, dated as of May 8, 1998, by and between Seagate Technology, Inc., as lender, and David Wickersham, as borrower (incorporated by reference to Exhibit 10.14 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.15	Promissory Note, dated as of October 10, 2000, by and between Seagate Technology LLC, as lender, and Brian Dexheimer, as borrower (incorporated by reference to Exhibit 10.15 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.16	Promissory Note, dated as of February 16, 2001, by and between Seagate Technology LLC, as lender, and Jeremy Tennenbaum, as borrower (incorporated by reference to Exhibit 10.16 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.17	Purchase Agreement, dated as of May 3, 2002, by and among Seagate Technology HDD Holdings, Seagate Technology Holdings and Morgan Stanley & Co. Incorporated and J.P. Morgan Securities Inc. and the other initial purchasers named therein (incorporated by reference to Exhibit 1.1 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on May 16, 2002)
10.18	Form of Indemnification Agreement between Seagate Technology Holdings and the director or officer named therein (incorporated by reference to Exhibit 10.17 to amendment no. 1 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on July 5, 2002)
10.19	Reimbursement Agreement, dated as of July 1, 2002, by and among New SAC and its subsidiaries party thereto.
10.20	Promissory Note, dated as of October 10, 2000, by and between Seagate Technology LLC, as lender, and Patrick J. O'Malley III and Patricia A. O'Malley, as borrowers (incorporated by reference to Exhibit 10.19 to amendment no. 7 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on November 18, 2002)
10.21	Amendment No. 1, dated December 5, 2002, to the Credit Agreement, dated as of May 13, 2002, by and among Seagate Technology Holdings, Seagate Technology HDD Holdings, Seagate Technology (US) Holdings, Inc., the Lenders party thereto, JPMorgan Chase Bank, as administrative agent, J.P. Morgan Securities Inc., as joint bookrunner and co-lead arranger, Morgan Stanley Senior Funding, Inc., as syndication agent, joint bookrunner and co-lead arranger, Citicorp USA, Inc., as documentation agent, Merrill Lynch Capital Corporation, as documentation agent, and Credit Suisse First Boston, as documentation agent (incorporated by reference to Exhibit 10.20 to amendment no. 9 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on December 6, 2002)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to amendment no. 4 to the registrant's registration statement on Form S-4 (reg. no. 333-88388) filed with the SEC on September 27, 2002)
99.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.

Reports on Form 8-K

No reports on Form 8-K have been filed with the Securities and Exchange Commission during the three months ended December 27, 2002.

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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 thereunto duly authorized.

DATE: February 10, 2003

BY: /s/ STEPHEN J. LUCZO

STEPHEN J. LUCZO
Chief Executive Officer
(Principal Executive Officer
and Director)

DATE: February 10, 2003

BY: /s/ CHARLES C. POPE

CHARLES C. POPE
Executive Vice President
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

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Exhibit 3.1

THE COMPANIES LAW (2002 REVISION)

COMPANY LIMITED BY SHARES

SECOND AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

OF

SEAGATE TECHNOLOGY

Amended and Restated by Special Resolution dated 3rd December, 2002

1. The name of the Company is **Seagate Technology** .
2. The Registered Office of the Company shall be at the offices of M&C Corporate Services Limited, PO Box 309GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands or at such other place as the Directors may from time to time decide.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2002 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.
4. The liability of each Member is limited to the amount from time to time unpaid on such Member's Shares.
5. The authorized share capital of the Company consists of (a) 1,250,000,000 common shares with a par value of US \$0.00001 per share and having the rights and privileges attached thereto as provided in the Company's Articles of Association (the "**Common Shares** ") and (b) 100,000,000 undesignated preferred shares with a par value of US \$0.00001 per share and having the rights and preferences attached thereto as provided in the Company's Articles of Association (the "**Preferred Shares** ").
6. The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.
7. Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company.

Exhibit 3.2

THE COMPANIES LAW (2002 REVISION)

COMPANY LIMITED BY SHARES

SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF
SEAGATE TECHNOLOGY

Amended and Restated by Special Resolution dated 3rd December, 2002

INTERPRETATION

1. In these Articles Table A in the Schedule to the Statute does not apply and, unless there be something in the subject or context inconsistent therewith,

“Articles”	means these articles of association of the Company, as amended from time to time by Special Resolution.
“Auditors”	means the persons for the time being performing the duties of auditors of the Company.
“Board”	means the board of directors of the Company.
“Common Shares”	has the meaning given in the Company’s Memorandum of Association.
“Company”	means the above-named company.
“Directors”	means the directors for the time being of the Company.
“dividend”	includes interim dividends and bonus dividends.
“Electronic Record”	has the same meaning as in the Electronic Transactions Law (2000 Revision).
“Exchange”	shall mean any securities exchange or other system on which the Shares of the Company may be listed or otherwise authorised for trading from time to time.

“Independent Director”	shall mean a person recognised as such by the relevant code, rules and regulations applicable to the listing of the Shares on the Exchange.
“Member”	has the same meaning as in the Statute.
“Memorandum”	means the memorandum of association of the Company as amended from time to time by Special Resolution.
“month”	means calendar month.
“Ordinary Resolution”	means a resolution passed by a simple majority of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each Member is entitled by the Articles.
“paid-up”	means paid-up and/or credited as paid-up.
“Preferred Shares”	has the meaning given in the Company’s Memorandum of Association.
“Register of Members”	means the register maintained in accordance with the Statute and includes (except where otherwise stated) any duplicate Register of Members.
“registered office”	means the registered office for the time being of the Company.
“Seal”	means the common seal of the Company and includes every duplicate seal.
“Secretary”	includes an assistant secretary and any person appointed to perform the duties of secretary of the Company.
“Share” and “Shares”	means a share or shares in the Company and includes a fraction of a share.
“Special Resolution”	has the same meaning as in the Statute.
“Statute”	means the Companies Law (2002 Revision) of the Cayman Islands.
“written” and “in writing”	include all modes of representing or reproducing words in visible form.

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2. In the Articles:
 - 2.1 words importing the singular number include the plural number and vice-versa;
 - 2.2 words importing the masculine gender include the feminine gender;
 - 2.3 words importing persons include corporations;
 - 2.4 “written” and “in writing” include all modes of representing or reproducing words in visible form, including in the form of an Electronic Record;
 - 2.5 references to provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced from time to time;
 - 2.6 any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms; and
 - 2.7 headings are inserted for reference only and shall be ignored in construing these Articles.

SHARE CAPITAL: ISSUE OF SHARES

3. The authorised share capital of the Company at the date of the adoption of these Articles is US\$13,500 divided into 1,250,000,000 Common Shares and 100,000,000 Preferred Shares.
4. Subject to the provisions, if any, in the Memorandum and these Articles and to any direction that may be given by the Company in a general meeting and without prejudice to any rights attached to any existing Shares, the Directors may allot, issue, grant options, rights or warrants over or otherwise dispose of any Shares (including fractions of any Share) with or without preferred, deferred, qualified or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and on such other terms as they think proper. Notwithstanding and without prejudice to the generality of the foregoing, the Board is expressly authorised and empowered to implement or effect at its sole discretion the issuance of a preferred share purchase right to be issued on a pro rata basis to each holder of a Common Share with such terms and for such purposes, including the influencing of takeovers, as may be described in a rights agreement between the Company and a rights agent.
5. Upon approval of the Board, such number of Common Shares, or other shares or securities of the Company, as may be required for such purposes shall be reserved for issuance in connection with an option, right, warrant or other security of the Company or any other person that is exercisable for, convertible into, exchangeable for or otherwise issuable in respect of such Common Shares or other shares or securities of the Company.

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6. All Shares shall be issued fully paid as to their nominal value and any premium determined by the Directors at the time of issue and shall be non-assessable.
 7. The Company shall not issue Shares to bearer.

COMMON SHARES

8. The holders of the Common Shares shall be:
 - 8.1 entitled to dividends in accordance with the relevant provisions of these Articles;
 - 8.2 entitled to and are subject to the provisions in relation to winding up of the Company provided for in these Articles;
 - 8.3 entitled to attend general meetings of the Company and shall be entitled to one vote for each Common Share registered in his name in the Register of Members, both in accordance with the relevant provisions of these Articles.
9. All Common Shares shall rank *pari passu* with each other in all respects.

PREFERRED SHARES

10. Preferred Shares may be issued from time to time in one or more series, each of such series to have such voting powers (full or limited or without voting powers), designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof as are stated and expressed, or in any resolution or resolutions providing for the issue of such series adopted by the Board as hereinafter provided.
11. Authority is hereby granted to the Board, subject to the provisions of the Memorandum, these Articles and applicable law, to create one or more series of Preferred Shares and, with respect to each such series, to fix by resolution or resolutions, without any further vote or action by the Members of the Company providing for the issue of such series:
 - 11.1 the number of Preferred Shares to constitute such series and the distinctive designation thereof;
 - 11.2 the dividend rate on the Preferred Shares of such series, the dividend payment dates, the periods in respect of which dividends are payable (“ **Dividend Periods** ”), whether such dividends shall be cumulative and, if cumulative, the date or dates from which dividends shall accumulate;

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- 11.3 whether the Preferred Shares of such series shall be convertible into, or exchangeable for, Shares of any other class or classes or any other series of the same or any other class or classes of Shares of the Company and the conversion price or prices or rate or rates, or the rate or rates at which such exchange may be made, with such adjustments, if any, as shall be stated and expressed or provided in such resolution or resolutions;
 - 11.4 the preferences, if any, and the amounts thereof, which the Preferred Shares of such series shall be entitled to receive upon the winding up of the Company;
 - 11.5 the voting power, if any, of the Preferred Shares of such series;
 - 11.6 transfer restrictions and rights of first refusal with respect to the Preferred Shares of such series; and
 - 11.7 such other terms, conditions, special rights and provisions as may seem advisable to the Board. Notwithstanding the fixing of the number of Preferred Shares constituting a particular series upon the issuance thereof, the Board at any time thereafter may authorise the issuance of additional Preferred Shares of the same series subject always to the Statute and the Memorandum.
12. No dividend shall be declared and set apart for payment on any series of Preferred Shares in respect of any Dividend Period unless there shall likewise be or have been paid, or declared and set apart for payment, on all Preferred Shares of each other series entitled to cumulative dividends at the time outstanding which rank senior or equally as to dividends with the series in question, dividends ratably in accordance with the sums which would be payable on the said Preferred Shares through the end of the last preceding Dividend Period if all dividends were declared and paid in full.
 13. If, upon the winding up of the Company, the assets of the Company distributable among the holders of any one or more series of Preferred Shares which (i) are entitled to a preference over the holders of the Common Shares upon such winding up, and (ii) rank equally in connection with any such distribution, shall be insufficient to pay in full the preferential amount to which the holders of such Preferred Shares shall be entitled, then such assets, or the proceeds thereof, shall be distributed among the holders of each such series of the Preferred Shares ratably in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full.

ISSUE OF WARRANTS

14. The Board may issue warrants to subscribe for any class of Shares or other securities of the Company on such terms as it may from time to time determine. No warrants shall be issued to bearer.

CERTIFICATES FOR SHARES

15. Every person whose name is entered as a Member in the Register of Members shall be entitled without payment to receive, within twenty days, after allotment or lodgment of transfer (or within such other period as the conditions of issue shall provide), one certificate for all his Shares of each class or, upon payment of such reasonable fee as the Board shall prescribe, such number of certificates for Shares held as that person may request, provided that in respect of a Share or Shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of several joint holders shall be sufficient delivery to all such holders.
16. Every share certificate shall specify the number of Shares in respect of which it is issued and the amount paid thereon or the fact that they are fully paid, as the case may be, and may otherwise be in such form as shall be determined by the Directors. Such certificates may be under Seal. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. The name and address of the person to whom the Shares represented thereby are issued, with the number of Shares and date of issue, shall be entered in the Register of Members of the Company. All certificates surrendered to the Company for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of Shares shall have been surrendered and cancelled. The Directors may authorise certificates to be issued with the seal and authorised signature(s) affixed by some method or system of mechanical process.
17. If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating evidence, as the Directors may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.

REGISTER OF MEMBERS

18. The Company shall maintain or caused to be maintained a Register of its Members in accordance with the Statute.
19. If the Board considers it necessary or appropriate, the Company may establish and maintain a duplicate Register or Registers of Members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The original Register of Members shall be treated as the Register of Members for the purposes of these Articles and the Statute.
20. The Company, or any agent(s) appointed by it to maintain the duplicate Register of Members in accordance with these Articles, shall as soon as practicable and on a regular basis record or procure the recording in the original Register of Members all transfers of Shares effected on any duplicate Register of Members and shall at all times maintain the original Register of Members in such manner as to show at all times the Members for the time being and the Shares respectively held by them, in all respects in accordance with the Statute.

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21. The Company shall not be bound to register more than four persons as joint holders of any Share. If any Share shall stand in the names of two or more persons, the person first named in the Register of Members shall be deemed the sole holder thereof as regards service of notices and, subject to the provisions of these Articles, all or any other matters connected with the Company.

TRANSFER OF SHARES

22. All transfers of Shares may be effected by an instrument of transfer in the usual common form or in such other form as the Board may approve. All instruments of transfer must be left at the registered office of the Company or at such other place as the Board may appoint and all such instruments of transfer shall be retained by the Company.
23. The instrument of transfer shall be executed by or on behalf of the transferor and by or on behalf of the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The instrument of transfer of any Share shall be in writing and shall be executed with a manual signature or facsimile signature (which may be machine imprinted or otherwise) by or on behalf of the transferor and transferee provided that in the case of execution by facsimile signature by or on behalf of a transferor or transferee, the Board shall have previously been provided with a list of specimen signatures of the authorised signatories of such transferor or transferee and the Board shall be reasonably satisfied that such facsimile signature corresponds to one of those specimen signatures. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members in respect thereof.
24. The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any Share unless:
- 24.1 the instrument of transfer is lodged with the Company accompanied by the certificate for the Shares to which it relates (which shall upon registration of the transfer be cancelled) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
 - 24.2 the instrument of transfer is in respect of only one class of Shares;
 - 24.3 the instrument of transfer is properly stamped (in circumstances where stamping is required);
 - 24.4 in the case of a transfer to joint holders, the number of joint holders to which the Share is to be transferred does not exceed four;
 - 24.5 the Shares concerned are free of any lien in favour of the Company; and

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- 24.6 a fee of such maximum amount as the Exchange (if any) may from time to time determine to be payable (or such lesser sum as the Board may from time to time require) is paid to the Company in respect thereof.
25. If the Board shall refuse to register a transfer of any Share, it shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.
26. The Company shall not be obligated to make any transfer to an infant or to a person in respect of whom an order has been made by an competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs or under other legal disability.
27. Upon every transfer of Shares the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued without charge to the transferee in respect of the Shares transferred to him, and if any of the Shares included in the certificate so given up shall be retained by the transferor, a new certificate in respect thereof shall be issued to him without charge. The Company shall also retain the instrument(s) of transfer.

REDEMPTION AND REPURCHASE OF SHARES

28. Subject to the provisions of the Statute the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the Member or the Company. The redemption of Common Shares shall be effected in such manner as the Company may, by Special Resolution, determine before the issue of the Common Shares and the redemption of Preferred Shares shall be effected in such manner as the Board may, by resolution, determine before the issue of the Preferred Shares (this authorisation is in accordance with Section 37(1) of the Statute or any modification or re-enactment thereof for the time being in force).
29. Subject to the provisions of the Statute, the Company may purchase its own Shares (including any redeemable Shares) provided that the Members shall have approved the manner of purchase by Ordinary Resolution or that the manner of purchase is in accordance with the following Articles (this authorisation is in accordance with Section 37(2) of the Statute or any modification or re-enactment thereof for the time being in force).
30. Purchase of Common Shares listed on an Exchange. The Company is authorised to purchase any Common Share listed on such Exchange in accordance with the following manner of purchase: The maximum number of Common Shares that may be repurchased shall be equal to the number of issued and outstanding Common Shares less one Common Share; at such time; at such price and on such other terms as determined and agreed by the Board in their sole discretion, provided, however, that (i) such repurchase transactions shall be in accordance with the relevant code, rules and regulations applicable to the listing of the Shares on the Exchange; and (ii) at the time of the repurchase the Company is able to pay its debts as they fall due in the ordinary course of its business.

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31. Purchase of Common Shares not listed on an Exchange. The Company is authorised to purchase any Common Share not listed on an Exchange in accordance with the following manner of purchase: The Company shall serve a repurchase notice in a form approved by the Directors on the Member from whom the Common Shares are to be repurchased at least 2 days prior to the date specified in the notice as being the repurchase date; the price for the Common Shares being repurchased shall be such price agreed between the Board and the applicable Member; the date of repurchase shall be the date specified in the repurchase notice; and the repurchase shall be on such other terms as specified in the repurchase notice as determined and agreed by the Board and the applicable Member in their sole discretion.
 32. The purchase of any Share shall not be obliged the Company to purchase any other Share other than as may be required pursuant to applicable law and any other contractual obligations of the Company.
 33. The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Statute, including out of capital.
 34. The holder of the Shares being purchased shall be bound to deliver up to the Company at its registered office or such other place as the Board shall specify, the certificate(s) (if any) thereof for cancellation and thereupon the Company shall pay to him the purchase or redemption monies or consideration in respect thereof.

VARIATION OF RIGHTS OF SHARES

35. If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may be varied with the consent in writing of the holders of two-thirds of the issued Shares of that class, or with the sanction of a Special Resolution passed at a general meeting of the holders of the Shares of that class.
36. The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class of Shares except that the necessary quorum shall be one person holding or representing by proxy at least one-third of the issued Shares of the class.
37. The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith. The rights of holders of Common Shares shall not be deemed to be varied by the creation or issue of Shares with preferred or other rights which may be effected by the Board as provided in these Articles without any vote or consent of the holders of Common Shares.

COMMISSION ON SALE OF SHARES

- 38.** The Company may in so far as the Statute from time to time permits pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares of the Company. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up Shares or partly in one way and partly in the other. The Company may also on any issue of Shares pay such brokerage as may be lawful.

NON-RECOGNITION OF TRUSTS

- 39.** The Company shall not be obligated to recognise any person as holding any Share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future, or partial interest in any Share, or any interest in any fractional part of a Share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any Share except an absolute right to the entirety thereof in the registered holder.

TRANSMISSION OF SHARES

- 40.** In case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the Shares, but nothing herein contained shall release the estate of any such deceased holder from any liability in respect of any Shares which had been held by him solely or jointly with other persons.
- 41.** Any person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the Share or to make such transfer of the Share to such other person nominated by him and to have such person registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by that Member before his death or bankruptcy as the case may be.
- 42.** If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- 43.** A person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of the holder (or in any other case than by transfer) shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the Share, except that he shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company provided however that the Directors may at any time give notice requiring any such person to elect either to be

registered himself or to transfer the Share and if the notice is not complied with within ninety days the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

AMENDMENT OF MEMORANDUM OF ASSOCIATION,
CHANGE OF LOCATION OF REGISTERED OFFICE, AND
ALTERATION OF CAPITAL

- 44.** The Company may by ordinary resolution:
- 44.1.1 increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
 - 44.1.2 consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;
 - 44.1.3 by subdivision of its existing Shares or any of them divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum or into Shares without par value; and
 - 44.1.4 cancel any Shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person.
- 44.2 Subject to the provisions of the Statute, the Company may by Special Resolution change its name, alter or add to the Memorandum with respect to any objects, powers or other matters specified therein or alter or add to these Articles.
- 44.3 Subject to the provisions of the Statute, the Company may by Special Resolution reduce its share capital and any capital redemption reserve fund.
- 44.4 Subject to the provisions of the Statute, the Company may by resolution of the Directors change the location of its registered office.

CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

- 45.** For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any dividend, or in order to make a determination of Members for any other proper purpose, the Directors of the Company may provide that the Register of Members shall be closed for transfers for a stated period but not to exceed in any case forty days. If the Register of Members shall be so closed for the purpose of determining Members entitled to notice of or to vote at a meeting of Members such Register of Members shall be so closed for at least ten days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members.

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- 46.** In lieu of, or apart from, closing the Register of Members, the Directors may fix in advance or arrears a date as the record date for any such determination of Members entitled to notice of or to vote at a meeting of the Members, and for the purpose of determining the Members entitled to receive payment of any dividend.
- 47.** If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of or to vote at a meeting of Members or Members entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof.

GENERAL MEETING

- 48.** The Company shall, if required by the Statute, other applicable law or the relevant code, rules or regulations applicable to the listing of any Shares on the Exchange, hold a general meeting as its annual general meeting, and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as the Directors shall appoint provided that the period between the date of one annual general meeting of the Company and that of the next shall not be longer than such period as applicable law or the relevant code, rules and regulations applicable to the listing of the Shares on the Exchange permits. At these meetings the report of the Directors (if any) shall be presented.
- 49.** The Directors may whenever they think fit proceed to convene a general meeting of the Company. General meetings of the Company may be held at such place, either within or without the Cayman Islands, as determined by the Board. The Board may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as follows:
- 49.1** if authorized by the Board in its sole discretion, and subject to such guidelines and procedures as the Board may adopt, Members and proxies entitled to attend and vote but not physically present at a meeting of Members may, by means of remote communication:
- 49.1.1** participate in a meeting of Members; and
 - 49.1.2** be deemed present in person and vote at a meeting of Members whether such meeting is to be held at a designated place or solely by means of remote communication.

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- 49.2 if authorised by the Board, any vote taken by written ballot may be satisfied by a ballot submitted by electronic transmission, provided that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the Member or proxy.

NOTICE OF GENERAL MEETINGS

50. At least ten days' notice shall be given of any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify such details as are required by applicable law or the relevant code, rules and regulations applicable to the listing of the Shares on the Exchange.
51. A general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if applicable law so permits and it is so agreed.
- 51.1 in the case of a general meeting called as an annual general meeting by all the Members entitled to attend and vote thereat or their proxies; and
- 51.2 in the case of any other general meeting by such number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than two thirds of the Shares in issue that carry a right to vote or their proxies.
52. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to all Members other than such as, under the provisions hereof or the terms of issue of the Shares they hold, are not entitled to receive such notice from the Company.
53. There shall appear with reasonable prominence in every notice of general meetings of the Company a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a Member of the Company.
54. The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings of that meeting.
55. In cases where instruments of proxy are sent out with notices, the accidental omission to send such instrument of proxy to, or the non-receipt of such instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution passed or any proceeding at any such meeting.

PROCEEDINGS AT GENERAL MEETINGS

56. No business shall be transacted at any general meeting unless a quorum is present. One or more Members present in person or by proxy holding not less than a majority of the issued and outstanding Shares of the Company entitled to vote at the meeting in question shall be a quorum.
57. If within one hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other time or such other place as the Directors may determine and if at the adjourned meeting a quorum is not present within one hour from the time appointed for the meeting the Members present shall be a quorum.
58. The Chairman, if any, of the Board of Directors shall preside as Chairman at every general meeting of the Company, or if there is no such Chairman, or if he shall not be present within one hour after the time appointed for the holding of the meeting, or is unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting or if all of the Directors present decline to take the chair, then the Members present shall choose one of their own number to be chairman of the meeting.
59. If at any general meeting no Director is willing to act as Chairman or if no Director is present within one hour after the time appointed for holding the meeting, the Members present shall choose one of their number to be Chairman of the meeting.
60. The Chairman may, with the consent of any general meeting duly constituted hereunder, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting; save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned general meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.
61. At any general meeting a resolution put to the vote of the meeting shall be decided on a poll.
62. A poll shall be taken in such manner and at such time and place, not being more than ten days from the date of the meeting or adjourned meeting at which the vote was taken, as the Chairman directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded. Any other business other than that upon which a poll is to be taken or is contingent thereon may be proceeded with pending the taking of the poll.

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63. In the case of an equality of votes the Chairman of the general meeting at which the poll is taken shall not be entitled to a second or casting vote.

VOTES OF MEMBERS

64. Subject to any rights or restrictions for the time being attached to any class or classes of Shares, every Member of record present in person or by proxy shall have one vote for each Share registered in his name in the Register of Members.
65. In the case of joint holders of record the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
66. A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote by his committee, receiver, curator bonis, or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis or other persons may vote by proxy.
67. No Member shall be entitled to vote at any general meeting unless he is registered as a Member of the Company on the record date for such meeting.
68. No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at such general meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the general meeting whose decision shall be final and conclusive.
69. Votes may be given either personally or by proxy. A Member may appoint more than one proxy or the same proxy under one or more instruments to attend and vote at a meeting and may appoint one proxy to vote both in favour of and against the same resolution in such proportion as specified in the instrument appointing the proxy. Where a Member appoints more than one proxy the instrument of proxy shall state which proxy is entitled to vote on a show of hands.

PROXIES

70. The rules and procedures relating to the form of a proxy, the depositing or filing of proxies and voting pursuant to a proxy and any other matter incidental thereto shall be approved by the Board, subject to such rules and procedures as required by applicable law or the relevant code, rules and regulations applicable to the listing of the Shares on the Exchange and as provided in the following Articles under this heading of “**PROXIES**”.
71. The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation under the hand of an officer or attorney duly authorised in that behalf

provided however, that a Member may also authorise the casting of a vote by proxy pursuant to telephonic or electronically transmitted instructions (including, without limitation, instructions transmitted over the internet) obtained pursuant to procedures approved by the Board which are reasonably designed to verify that such instructions have been authorised by such Member. A proxy need not be a Member of the Company.

72. The instrument appointing a proxy may be in any usual or common form and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.

CORPORATE MEMBERS

73. Any corporation or other non-natural person which is a Member may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member.

SHARES THAT MAY NOT BE VOTED

74. Shares in the Company that are beneficially owned by the Company shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding Shares at any given time.

DIRECTORS

75. There shall be a Board consisting of not less than one or more than fifteen persons (exclusive of alternate Directors) provided however that the Company may from time to time by Ordinary Resolution increase or reduce the limits in the number of Directors and provided that so long as Shares of the Company are listed on an Exchange, the Board shall include such number of Independent Directors as the relevant code, rules or regulations applicable to the listing of any Shares on the Exchange require.

REMUNERATION OF DIRECTORS

76. The remuneration to be paid to the Directors shall be such remuneration as the Directors shall determine. Such remuneration shall be deemed to accrue from day to day. The Directors shall also be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Directors, or any committee of the Directors, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

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- 77.** The Directors may by resolution approve additional remuneration to any Director of the Company undertaking any special work or services for, or undertaking any special mission on behalf of, the Company other than his ordinary routine work as a Director. Any fees paid to a Director who is also counsel or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to his remuneration as a Director.
- 78.** The Directors may by resolution approve additional remuneration to any Director for any services other than his ordinary routine work as a Director. Any fees paid to a Director who is also legal counsel to the Company, or otherwise serves it in a professional capacity shall be in addition to his remuneration as a Director.

NO MINIMUM SHAREHOLDING

- 79.** No shareholding qualification is required to be held by a Director.

DIRECTORS' INTERESTS

- 80.** A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Board may determine.
- 81.** A Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.
- 82.** A Director or alternate Director of the Company may be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of such other company.
- 83.** No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is interested provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.

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- 84.** A general notice that a Director or alternate Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

ALTERNATE DIRECTORS

- 85.** Any Director (other than an alternate Director) may by writing appoint any other Director, or any other person willing to act, to be an alternate Director and by writing may remove from office an alternate Director so appointed by him.
- 86.** An alternate Director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which his appointor is a member, to attend and vote at every such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in his absence.
- 87.** An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.
- 88.** Any appointment or removal of an alternate Director shall be by notice to the Company signed by the Director making or revoking the appointment or in any other manner approved by the Directors.
- 89.** An alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

POWERS AND DUTIES OF DIRECTORS

- 90.** Subject to the provisions of the Statute, the Memorandum and the Articles and to any directions given by Special Resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.
- 91.** All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall determine by resolution.
- 92.** The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

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- 93.** The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

MINUTES

- 94.** The Directors shall cause minutes to be made in books kept for the purpose of all appointments of officers made by the Directors, all proceedings at meetings of the Company or the holders of any class of Shares and of the Directors, and of committees of Directors including the names of the Directors or alternate Directors present at each meeting.

DELEGATION OF DIRECTORS' POWERS

- 95.** The Directors may delegate any of their powers to any committee consisting of one or more Directors. They may also delegate to any Director holding any executive office such of their powers as they consider desirable to be exercised by him. Any such delegation may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee of Directors shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.
- 96.** The Directors may establish any committees, local boards or agencies or appoint any person to be a manager or agent for managing the affairs of the Company and may appoint any person to be a member of such committees or local boards.
- 97.** The Directors may by power of attorney or otherwise appoint any person to be the agent of the Company on such conditions as the Directors may determine, provided that the delegation is not to the exclusion of their own powers and may be revoked by the Directors at any time.
- 98.** The Directors may by power of attorney or otherwise appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or authorised signatory of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorneys or authorised signatories as the Directors may think fit and may also authorise any such attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in him.

EXECUTIVE OFFICERS

- 99.** The Board may from time to time appoint one or more Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer and such other officers as it considers necessary in the management of the business of the Company and as it may decide for such period and upon such terms as it thinks fit and upon such terms as to remuneration as it may decide in accordance with these Articles. Such officers need not also be a Director.
- 100.** Every Director appointed to an office under the above Article hereof shall, without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director for any breach of any contract of service between him and the Company, be liable to be dismissed or removed from such executive office by the Board. A Director appointed to an office under the above Article shall *ipso facto* and immediately cease to hold such executive office if he shall cease to hold the office of Director for any cause.

PROCEEDINGS OF DIRECTORS

- 101.** Except as otherwise provided by these Articles, the Directors shall meet together for the despatch of business, convening, adjourning and otherwise regulating their meetings as they think fit. Questions arising at any meeting shall be decided by a majority of votes of the Directors and alternate Directors present at a meeting at which there is a quorum, the vote of an alternate Director not being counted if his appointor be present at such meeting. In case of an equality of votes, the Chairman shall have a second or casting vote.
- 102.** A Director or alternate Director may, and the Secretary on the requisition of a Director or alternate Director shall, at any time summon a meeting of the Directors by at least two days' notice in writing to every Director and alternate Director which notice shall set forth the general nature of the business to be considered unless notice is waived by all the Directors (or their alternates) either at, before or after the meeting is held and provided further if notice is given in person, by cable, telex or telecopy the same shall be deemed to have been given on the day it is delivered to the Directors or transmitting organisation as the case may be. The accidental omission to give notice of a meeting of the Directors to, or the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings of that meeting.
- 103.** The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be two, a Director and his appointed alternate Director being considered only one person for this purpose, provided always that if there shall at any time be only a sole Director the quorum shall be one. For the purposes of this Article an alternate Director or proxy appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him is not present.
- 104.** The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose.

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- 105.** The Directors may elect a chairman of their Board and determine the period for which he is to hold office; but if no such chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.
- 106.** All acts done by any meeting of the Directors or of a committee of Directors (including any person acting as an alternate Director) shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or alternate Director, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director or alternate Director as the case may be.
- 107.** Members of the Board of Directors or of any committee thereof may participate in a meeting of the Board or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. Unless otherwise determined by the Directors the meeting shall be deemed to be held at the place where the chairman is at the start of the meeting. A resolution in writing (in one or more counterparts), signed by all the Directors for the time being or all the members of a committee of Directors (an alternate Director being entitled to sign such resolution on behalf of his appointor) shall be as valid and effectual as if it had been passed at a meeting of the Directors or committee as the case may be duly convened and held.
- 108.** A Director but not an alternate Director may be represented at any meetings of the board of Directors by a proxy appointed in writing by him. The proxy shall count towards the quorum and the vote of the proxy shall for all purposes be deemed to be that of the appointing Director.

VACATION OF OFFICE OF DIRECTOR

- 109.** The office of a Director shall be vacated:
- 109.1 if he gives notice in writing to the Company that he resigns the office of Director;
- 109.2 if he absents himself (without being represented by proxy or an alternate Director appointed by him) from three consecutive meetings of the Board of Directors without special leave of absence from the Directors, and they pass a resolution that he has by reason of such absence vacated office;
- 109.3 if he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

109.4 if he is found a lunatic or becomes of unsound mind.

APPOINTMENT AND REMOVAL OF DIRECTORS

- 110.** The Company may by Ordinary Resolution appoint any person to be a Director and may in like manner remove any Director and may in like manner appoint another person in his stead.
- 111.** The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total amount of Directors (exclusive of alternate Directors) shall not at any time exceed the number fixed in accordance with these Articles.

PRESUMPTION OF ASSENT

- 112.** A Director of the Company who is present at a meeting of the Board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

SEAL

- 113.** The Company may, if the Directors so determine, have a Seal which shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf and every instrument to which the Seal has been affixed shall be signed by one person who shall be either a Director or the Secretary or Secretary-Treasurer or some person appointed by the Directors for the purpose.
- 114.** The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the Common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.
- 115.** A Director, Secretary or other officer or representative or attorney may without further authority of the Directors affix the Seal of the Company over his signature alone to any document of the Company required to be authenticated by him under Seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

- 116.** Subject to the Statute, the Directors may from time to time declare dividends (including interim dividends) and distributions on Shares of the Company outstanding and authorise payment of the same out of the funds of the Company lawfully available therefor.

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- 117.** The Directors may, before declaring any dividends or distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business of the Company.
- 118.** No dividend or distribution shall be payable except out of the profits of the Company, realised or unrealised, or out of the share premium account or as otherwise permitted by the Statute.
- 119.** Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends or distributions, if dividends or distributions are to be declared on a class of Shares they shall be declared and paid according to the amounts paid or credited as paid on the Shares of such class outstanding on the record date for such dividend or distribution as determined in accordance with these Articles but no amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Share.
- 120.** The Directors may deduct from any dividend or distribution payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.
- 121.** The Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of paid up Shares, debentures, or debenture stock of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.
- 122.** Any dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses, or other monies payable in respect of the Share held by them as joint holders.
- 123.** No dividend or distribution shall bear interest against the Company.

CAPITALISATION

- 124.** The Company may upon the recommendation of the Directors by Ordinary Resolution authorise the Directors to capitalise any sum standing to the credit of any of the Company's reserve accounts (including Share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalisation, with full power to the Directors to make such provisions as they think fit for the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

BOOKS OF ACCOUNT

- 125.** The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.
- 126.** The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in general meeting.
- 127.** The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

AUDIT

- 128.** The appointment of and provisions relating to Auditors shall be in accordance with applicable law and the relevant code, rules and regulations applicable to the listing of the Shares on the Exchange.
- 129.** In the event that no such code, rules and regulations referred to in the above Article apply, the appointment of and provisions relating to Auditors shall in accordance with the following provisions:
- 129.1 Directors may appoint an Auditor who shall hold office until removed from office by a resolution of the Directors, and may fix his or their remuneration.
- 129.2 Every Auditor shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the Auditor.
- 129.3 Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next extraordinary general meeting following their appointment and at any other time during their term of office, upon request of the Directors or any general meeting of the Members.

NOTICES

- 130.** Notices shall be in writing and shall be given by the Company in accordance with applicable law and the relevant code, rules and regulations applicable to the listing of the Shares on the Exchange.
- 131.** In the event that no such code, rules and regulations referred to in the above Article applies, notice shall be given in accordance with the following provisions:
- 131.1 notices to any Member shall be given either personally or by sending it by post, cable, telex, fax or e-mail to him or to his address as shown in the Register of Members (or where the notice is given by e-mail by sending it to the e-mail address provided by such Member);
- 131.2 where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays) following the day on which the notice was posted. Where a notice is sent by cable, telex or fax, service of the notice shall be deemed to be effected by properly addressing and sending such notice and shall be deemed to have been received on the same day that it was transmitted. Where a notice is given by e-mail service shall be deemed to be effected by transmitting the e-mail to the e-mail address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient;

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- 131.3 a notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member in the same manner as other notices which are required to be given under these Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

WINDING UP

132. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.
133. If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

INDEMNITY

134. The Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall be indemnified out of the assets of the Company to the fullest extent permitted by law from and against all actions, proceedings, costs, charges, losses, damages and expenses (including, without limitation, attorney's fees and expenses) which they or any of them shall or may incur or sustain by reason of any act (including, without limitation, the investigation of any act) done or omitted in or about the execution of their duty in their respective offices or trusts, except such (if any) as they shall incur or sustain by or through their own wilful neglect or default respectively and no such Director, officer or trustee shall be answerable for the acts, receipts, neglects or defaults of any other Director, officer or trustee or for joining in any receipt for the sake of conformity or for the solvency or honesty of any banker or

other persons with whom any monies or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency of any security upon which any monies of the Company may be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through the wilful neglect or default of such Director, Officer or trustee.

135. The Board may, notwithstanding any interest of the Directors in such action, authorize the Company to purchase and maintain insurance on behalf of any person described in the above Article, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of the above Article.

FINANCIAL YEAR

136. The financial year of the Company shall be as prescribed by the Board from time to time.

TRANSFER BY WAY OF CONTINUATION

137. If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

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Exhibit 4.5

SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT, dated as of December 6, 2002 (this "Agreement"), is entered into among Seagate Technology Holdings (the "Company"), New SAC ("New SAC"), Silver Lake Technology Investors Cayman, L.P., Silver Lake Investors Cayman, L.P., Silver Lake Partners Cayman, L.P., (collectively, "Silver Lake"), SAC Investments, L.P. ("TPG"), August Capital III, L.P. ("August"), J.P. Morgan Partners (BHCA), L.P. ("J.P. Morgan"), GS Capital Partners III, L.P., GS Capital Partners III Offshore, L.P., Goldman, Sachs & Co. Verwaltungs GmbH, Stone Street Fund 2000 L.P., Bridge Street Special Opportunities Fund 2000, L.P. (collectively, "GS"), Staenberg Venture Partners II, L.P., Staenberg Seagate Partners, LLC (collectively, "Staenberg"), Integral Capital Partners V, L.P., Integral Capital Partners V Side Fund, L.P. (collectively, "Integral") and the individuals listed on the signature pages hereto. Each of the entities listed above other than the Company and each of the individuals listed on the signature pages hereto are sometimes referred to individually as a "Shareholder" and together as the "Shareholders."

RECITALS:

- A. The Company, a subsidiary of New SAC and New SAC are proposing to sell common shares, par value \$.00001 per share (the "Shares"), to the public in an initial Public Offering;
- B. As of December 3, 2002, New SAC has 11,421,719.63 aggregate outstanding common shares and non-voting common shares and 9,204,391.7070 outstanding preferred shares, and the ownership of such shares is as follows: Silver Lake holds 3,629,000 of the aggregate outstanding common shares and non-voting common shares and 3,629,000 of the outstanding preferred shares of New SAC; TPG holds 2,520,000 of the aggregate outstanding common shares and non-voting common shares and 2,520,000 of the outstanding preferred shares of New SAC; August holds 1,300,000 of the aggregate outstanding common shares and non-voting common shares and 1,300,000 of the outstanding preferred shares of New SAC; Integral holds 191,000 of the aggregate outstanding common shares and non-voting common shares and 191,000 of the outstanding preferred shares of New SAC; J.P. Morgan holds 750,000 of the aggregate outstanding common shares and non-voting common shares and 750,000 of the outstanding preferred shares of New SAC; GS holds 250,000 of the aggregate outstanding common shares and non-voting common shares and 250,000 of the outstanding preferred shares of New SAC; Staenberg holds 100,000 of the aggregate outstanding common shares and non-voting common shares and 100,000 of the outstanding preferred shares of New SAC, and the remainder of the outstanding shares of New SAC are held by certain management employees of the Company;
- C. After the completion of the Company's initial Public Offering, it is expected that New SAC will own approximately 82.4% of the Company's issued and outstanding common shares, which may be distributed to the other Shareholders on the terms and conditions set forth herein;

D. Each of the Shareholders is a party to the New SAC Shareholders Agreement which grants to the Shareholders certain rights, and imposes certain obligations, with respect to their ownership of shares of New SAC and the Company.

E. The Shareholders wish to provide for certain matters relating to their respective current and future holdings of Shares and the governance of the Company, including an agreement as to the manner in which they will exercise (or refrain from exercising) their rights under the New SAC Shareholders Agreement upon the consummation of the Company's initial Public Offering.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I. INTRODUCTORY MATTERS

1.1. Defined Terms. In addition to the terms defined elsewhere herein, the following terms have the following meanings when used herein with initial capital letters:

“AAA” has the meaning given that term in Section 5.12 of this Agreement.

“Additional Director” means a Director who is nominated by the Company's governance committee and approved by a majority of the Board (excluding the Additional Directors).

“Affiliate” has the meaning given that term in Rule 405 promulgated under the Securities Act; provided that officers, directors or employees of the Company will not be deemed to be Affiliates of a shareholder of the Company for purposes hereof solely by reason of being officers, directors or employees of the Company.

“Agreement” means this Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

“Assumption Agreement” means a writing substantially in the form of Exhibit A hereto whereby a Permitted Transferee or other Transferee pursuant to Section 2.4 becomes a party to, and agrees to be bound to the same extent as its Transferor by, the terms of this Agreement.

“Board” means the Board of Directors of the Company.

“Business Day” means a day other than a Saturday, Sunday, federal or New York or California state holiday or other day on which commercial banks in New York City or San Francisco are authorized or required by law to close.

“Chief Executive Officer” has the meaning given that term in Section 4.1(a) of this Agreement.

“Company” means Seagate Technology Holdings. For the avoidance of doubt, the Company will change its name to “Seagate Technology” upon the consummation of its initial Public Offering.

“Demand Registration” has the meaning given that term in Section 3.2(a) of this Agreement.

“Determination Date” has the meaning given that term in Section 4.2(b) of this Agreement.

“Director” means any member of the Board.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

“Holder” has the meaning given that term in Section 3.6(a) of this Agreement.

“Indemnified Parties” has the meaning given that term in Section 3.6(a) of this Agreement.

“Initial Share Holding Period” has the meaning given to that term in Section 2.1(a) of this Agreement.

“Initiating Holder” has the meaning given that term in Section 3.1(a) of this Agreement.

“Legend” has the meaning given that term in Section 2.1(i) of this Agreement.

“Majority Shareholders” means the Shareholder or Shareholders holding, in the aggregate, at least a majority of the aggregate outstanding Shares.

“Management Director” means a Director who is (i) an executive officer of the Company and (ii) reasonably acceptable to a majority of the Board (other than the Management Director).

“Management Shareholders” means, collectively, the parties identified on the signature pages of the Management Shareholders Agreement as “Management Shareholders” and each other individual who from time to time executes a Joinder Agreement as contemplated by Section 7.2 of the Management Shareholders Agreement.

“Management Shareholders Agreement” means that certain Management Shareholders Agreement, dated as of November 22, 2000, among the Company and the Management Shareholders that are parties thereto.

“New SAC Shareholders Agreement” means that certain Shareholders Agreement dated as of November 22, 2000 among New SAC, Silver Lake, TPG, August, J.P. Morgan, GS, Staenberg, Integral and the individuals listed on the signature pages thereto.

“Permitted Transferee” means, in the case of any Shareholder, (A) any controlled Affiliate (other than an individual) of such Shareholder, any Affiliate (other than an individual) which is under common control with such Shareholder or any Affiliate (other than an individual) which controls such Shareholder (which, in the case of J.P. Morgan, shall include any investment fund managed by a controlled Affiliate of J.P. Morgan Chase & Co.), (B) any general or limited partner, director, officer, managing or non-managing member or employee of such Shareholder or controlled Affiliate of such Shareholder (including, in the case of Silver Lake and TPG, the general or limited partners of the general and limited partners of such Shareholders), (C) the heirs, executors, administrators, testamentary trustees, legatees or beneficiaries of any of the individuals referred to in clause (B), (D) for estate planning purposes, any trust, the beneficiaries of which include only (1) such Shareholder, (2) Permitted Transferees referred to in clauses (A), (B) and (C) and (3) spouses and lineal descendants of Permitted Transferees referred to in clause (B), and (E) a corporation, partnership, limited liability company or similar entity, a majority of the equity of which is owned and controlled by such Shareholder and/or Permitted Transferees referred to in clauses (A), (B), (C) and (D).

“Person” means any individual, corporation, limited liability company, partnership, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other legal entity of any nature whatsoever.

“Proposed Sale” has the meaning given that term in Section 2.3(a) of this Agreement.

“Proposed Transferee” has the meaning given that term in Section 2.3(a) of this Agreement.

“Public Offering” means the sale of any class of common shares of the Company or equivalent securities to the public pursuant to an effective registration statement (other than a registration statement on Form S-4 or S-8 or any similar or successor form) filed under the Securities Act.

“Registrable Securities” means (i) any Shares held by a Shareholder or any Permitted Transferees, (ii) any Shares issued as (or issuable upon the conversion or exercise of any warrant, right, option or other convertible security which is issued as) a dividend, share split or other distribution, recapitalization or reclassification with respect to, or in exchange for, or in replacement of, such Shares (iii) any Shares or any security convertible into, or exchangeable or exercisable for, Shares which may be issued or distributed in respect thereof by way of a share dividend, share split or other distribution, recapitalization or reclassification, (iv) any Shares held by Management Shareholders that were received directly from New SAC and not acquired pursuant to an exercise of options and (v) any Shares held by the original parties to the New SAC Shareholders Agreement who are not parties to this Agreement. For purposes of this Agreement, with

respect to any Shareholder, any Registrable Securities held by such Shareholder will cease to be Registrable Securities when (A) a registration statement covering such Registrable Securities has been declared effective and such Registrable Securities have been disposed of pursuant to such effective registration statement, (B) such Registrable Securities shall have been offered and sold pursuant to Rule 144 (or any similar provision then in effect) under the Securities Act, (C) all Registrable Securities held by such Shareholder are eligible for transfer to the public pursuant to Rule 144 (or any similar provision then in effect) under the Securities Act, without restriction as to manner of sale or amount sold, (D) such Registrable Securities are sold by a Person in a transaction in which rights under the provisions of this Agreement are not assigned in accordance with this Agreement or (E) such Registrable Securities cease to be outstanding.

“Registration Expenses” means any and all expenses incident to the performance by the Company of its obligations under Sections 3.1 and 3.2, including without limitation (i) all SEC, stock exchange, or National Association of Securities Dealers, Inc. (the “NASD”) registration and filing fees (including, if applicable, the fees and expenses of any “qualified independent underwriter,” as such term is defined in Rule 2720 of the NASD, and of its counsel), (ii) all fees and expenses of complying with securities or blue sky laws (including fees and disbursements of counsel for the underwriters in connection with blue sky qualifications of the Registrable Securities), (iii) all printing, messenger and delivery expenses, (iv) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange and all rating agency fees, (v) the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits and/or “cold comfort” letters required by or incident to such performance and compliance, (vi) any fees and disbursements of underwriters customarily paid by the issuers or sellers of securities, including liability insurance if the Company so desires or if the underwriters so require, and the reasonable fees and expenses of any special experts retained in connection with the requested registration, but excluding underwriting discounts and commissions and transfer taxes, if any, (vii) the reasonable out-of-pocket expenses of not more than one law firm incurred by all the Shareholders and their Permitted Transferees in connection with any registration of Registrable Securities, and (viii) the costs and expenses of the Company relating to analyst and investor presentations or any “road show” undertaken in connection with any registration and/or marketing of the Registrable Securities; provided that nothing in this clause (viii) shall obligate the Company to engage or participate in any such presentations or road show.

“Registration Rights Holders” means, collectively, the Shareholders and their Permitted Transferees and also, for purposes of Section 3.1 only, (i) the Management Shareholders and (ii) the parties to the New SAC Shareholders Agreement who are not parties to this Agreement.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

“Selling Holder” has the meaning given that term in Section 2.3 of this Agreement.

“Shareholder” has the meaning given that term in the recitals to this Agreement.

“Shares” means, with respect to any shareholder of the Company, the common shares, par value \$0.0001 per share, of the Company, whether now owned or hereafter acquired (including upon exercise of options, warrants, rights, including preemptive rights, or otherwise), held by such shareholder other than shares acquired in a Public Offering or in the public market after the initial Public Offering of the Company.

“Silver Lake Designee” has the meaning given that term in Section 4.1(a) of this Agreement.

“Tagging Shareholder” has the meaning given that term in Section 2.3(a) of this Agreement.

“Target” has the meaning given that term in Section 4.2(b)(ii) of this Agreement.

“TPG Designee” has the meaning given that term in Section 4.1(a) of this Agreement.

“Transfer” means, with respect to any Share (or direct or indirect economic or other interest therein), a transfer, sale, assignment, pledge, hypothecation or other disposition, whether directly or indirectly (pursuant to the creation of a derivative security or otherwise), the grant of an option or other right or the imposition of a restriction on disposition or voting or by operation of law. When used as a verb, “Transfer” shall have the correlative meaning. In addition, “Transferred” and “Transferee” shall have the correlative meanings.

1.2. Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party. Unless the context otherwise requires: (a) “or” is disjunctive but not exclusive, (b) words in the singular include the plural, and in the plural include the singular, and (c) the words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Exhibit references are to this Agreement unless otherwise specified.

ARTICLE II. TRANSFERS; CERTAIN DISTRIBUTIONS

2.1. Limitations on Transfer. (a) Unless Silver Lake, TPG and the Chief Executive Officer each consent in writing, New SAC may not Transfer any Shares (including Transfers contemplated by Section 2.2) prior to the date 18 months following the date of the initial Public Offering of the Shares (such period, the “Initial Share Holding Period”).

(b) Without the written consent of each of Silver Lake and TPG, none of the individual Shareholders listed on the signature pages hereto may Transfer any Shares (including Transfers contemplated by Section 2.2) acquired by them through the exercise of employee stock options (other than the same-day sale of that number of Shares which generates net sales proceeds equal to the aggregate exercise price of such employee stock options and the aggregate estimated tax obligations generated by such exercise) until the earlier of (i) the end of the Initial Share Holding Period, (ii) the date upon which New SAC Transfers any of its Shares pursuant to Section 2.1(a) or (iii) the date of the termination of such person's employment with the Company (whether or not such termination was effected for cause).

(c) From the end of the Initial Share Holding Period until the fourth anniversary of the date of the initial Public Offering by the Company, either Silver Lake or TPG may request in writing that all or a portion of the Shares held by New SAC be distributed to the shareholders of New SAC in accordance with the Memorandum and Articles of Association of New SAC. A copy of any such request shall be delivered to each of the other Shareholders contemporaneously with the delivery of such request to the Company. During such period, if either Silver Lake or TPG requests in writing that New SAC distribute a portion of its Shares, within 15 days of New SAC's receipt of such request the other may request that New SAC increase the number of Shares to be so distributed. Upon the receipt of any such request to distribute Shares, New SAC shall take all actions necessary to ensure that any such distribution takes place as promptly as practicable.

(d) After the fourth anniversary of the date of the initial Public Offering of the Shares, any of Silver Lake, TPG, August, J.P. Morgan, GS, Staenberg or Integral may request that New SAC distribute all, but not less than all, of its remaining Shares pro rata to the shareholders of New SAC. Upon the receipt of any such request to distribute Shares, New SAC shall use all commercially reasonable efforts to take all actions necessary to ensure that any such distribution takes place as promptly as practicable.

(e) Notwithstanding anything to the contrary in this Section 2.1, in no event shall New SAC be required to make more than one distribution of Shares in any three-month period.

(f) After the Initial Share Holding Period, Silver Lake, TPG or August may demand that the Company effect the registration under the Securities Act of all or a portion of the Shares held by New SAC, consummate such sale, and distribute the proceeds of such sale pro rata to the shareholders of New SAC; provided that Silver Lake, TPG or August may exercise its demand right under this Section 2.1(f) only if at the time of such exercise it would be entitled to exercise a demand pursuant to the terms of Section 3.2(a)(ii). Any party exercising its rights under this Section 2.1(f) shall be deemed to have exercised a demand for its own account and the number of demand requests that such party is entitled to pursuant to Section 3.2 shall be reduced by one. The demand registration procedures set forth in Sections 3.2, 3.3, 3.4 and 3.5 shall apply to any demand request made pursuant to this Section 2.1(f).

(g) Shareholders may Transfer Shares only in accordance with, and subject to the applicable provisions of, both Article II and Article III hereof.

(h) In the event of any purported Transfer by a Shareholder of any Shares in violation of the provisions of this Agreement, such purported Transfer will be void and of no effect, and the Company will not give effect to such Transfer.

(i) Each certificate representing Shares held by a Shareholder will bear a legend on the face thereof substantially to the following effect (with such additions thereto or changes therein as the Company may be advised by counsel are required by law or necessary to give full effect to this Agreement, the “Legend”):

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE SHAREHOLDERS AGREEMENT AMONG SEAGATE TECHNOLOGY AND THE OTHER SHAREHOLDERS PARTY THERETO, DATED AS OF DECEMBER 6, 2002, AS AMENDED AND SUPPLEMENTED FROM TIME TO TIME IN ACCORDANCE WITH THE TERMS THEREOF, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF SEAGATE TECHNOLOGY. THE SHAREHOLDERS AGREEMENT CONTAINS, AMONG OTHER THINGS, CERTAIN PROVISIONS RELATING TO THE VOTING AND TRANSFER OF THE SHARES SUBJECT TO THE AGREEMENT. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE, DIRECTLY OR INDIRECTLY, MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH SHAREHOLDERS AGREEMENT. THE HOLDER OF THIS CERTIFICATE, BY ACCEPTANCE OF THIS CERTIFICATE, AGREES TO BE BOUND BY ALL OF THE PROVISIONS OF SUCH SHAREHOLDERS AGREEMENT.”

“THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.”

The Legend will be removed by the Company, with respect to any certificate representing Shares, by the delivery of substitute certificates without such Legend in the event of a Transfer permitted by this Agreement and in which the Transferee is not required to enter into an Assumption Agreement pursuant to Section 2.4; provided, however, that the second paragraph of the Legend will only be removed if at such time it is no longer required for purposes of applicable securities laws.

2.2. Transfer to Permitted Transferees. (a) Subject to the limitations set forth in Section 2.1, any Shareholder may Transfer any or all of the Shares held by it to any Permitted Transferee of such Shareholder who duly executes and delivers an Assumption Agreement, provided that such Transfer shall not be effective unless and until the Company shall have been furnished with information reasonably satisfactory to it demonstrating that such Transfer is exempt from or not subject to the provisions of Section 5 of the Securities Act and any other applicable securities laws.

(b) Each Permitted Transferee of any Shareholder to which Shares are transferred shall, and such Shareholder shall cause such Permitted Transferee to, transfer back to such Shareholder (or to another Permitted Transferee of such Shareholder) any Shares it owns prior to such Permitted Transferee ceasing to be a Permitted Transferee of such Shareholder.

(c) This Section 2.2 shall not apply to the grant by J.P. Morgan of a participation interest to one or more other investment funds managed by a controlled Affiliate of J.P. Morgan Chase & Co. without change in record ownership.

2.3. Tag-Along Rights. (a) So long as this Agreement remains in effect, in the case of a proposed Transfer of Shares in excess of twelve million (12,000,000) of the issued and outstanding Shares (as adjusted for any dividend, share split or other distribution, recapitalization or reclassification with respect to, or in exchange for, or in replacement of, such Shares) in a single transaction or related series of transactions by Silver Lake, TPG or August (a “Selling Shareholder”) (other than (i) pursuant to Section 2.2 hereof, (ii) following the initial Public Offering by the Company pursuant to the exercise of rights set forth in Article III or (iii) in a bona fide sale to the public pursuant to Rule 144 under the Securities Act) (a “Proposed Sale”), Silver Lake, TPG, August or Integral (each of such Shareholders who exercises their rights under this Section 2.3(a), a “Tagging Shareholder”) shall have the right to require the proposed Transferee (a “Proposed Transferee”) to purchase from such Tagging Shareholder up to the number of Shares of the same class proposed to be Transferred equal to the product (rounded up to the nearest whole Share) of (i) the quotient determined by dividing (A) the aggregate number of Shares of such class owned by such Tagging Shareholder by (B) the aggregate number of Shares of such class owned by the Selling Holder and all Tagging Shareholders and (ii) the total number of Shares of such class proposed to be directly or indirectly Transferred to the Proposed Transferee in the Proposed Sale, at the same price per Share and upon the same terms and conditions (including, without limitation, time of payment and form of consideration) as to be paid and given to the Selling Holder; provided that in order to be entitled to exercise its right to sell Shares to the Proposed Transferee pursuant to this Section 2.3, each Tagging Shareholder must agree to make to the Proposed Transferee the same representations, warranties, covenants, indemnities and agreements as the Selling Holder agrees to make in connection with the Proposed Sale and agree to the same conditions to the Proposed Sale as the Selling Holder agrees (except that, in the case of representations, warranties, conditions, covenants, indemnities and agreements pertaining specifically to the Selling Holder, each Tagging Shareholder shall make comparable representations, warranties, covenants, indemnities and agreements and shall agree to comparable conditions, in each case to the extent applicable and pertaining specifically to itself and only to itself); provided that all representations, warranties, covenants, indemnities and agreements (other than those referred to in the immediately preceding exception) shall be made by the Selling Holder and each Tagging Shareholder severally and not jointly and that any liability to the Selling Holder and the Tagging Shareholders thereunder shall be borne by each of them on a pro rata basis determined according to the number of Shares sold by each of them. Each Tagging Shareholder will be responsible for its proportionate share of the costs of the Proposed Sale to the extent not paid or reimbursed by the Proposed Transferee or the Company.

(b) The Selling Holder will give notice to each Tagging Shareholder of each Proposed Sale not later than five days after the execution of the definitive agreement relating to the Proposed Sale, setting forth the number of Shares proposed to be so Transferred, the name and address of the Proposed Transferee, the proposed amount and form of consideration (and if such consideration consists in part or in whole of property other than cash, the Selling Holder will provide such information, to the extent reasonably available to the Selling Holder, relating to such non-cash consideration as the Tagging Shareholders together may reasonably request in order to evaluate such non-cash consideration) and other terms and conditions of payment offered by the Proposed Transferee. The Selling Holder will deliver or cause to be delivered to each Tagging Shareholder copies of all transaction documents relating to the Proposed Sale as the same become available. The tag-along rights provided by this Section 2.3 must be exercised by the Tagging Shareholders within five Business Days following receipt of the notice required by the preceding sentence by delivery of a written notice to the Selling Holder indicating its desire to exercise its rights and specifying the number of Shares it desires to sell.

(c) If any Tagging Shareholder exercises its rights under Section 2.3(a), the closing of the purchase of the Shares with respect to which such rights have been exercised will take place concurrently with the closing of the sale of the Selling Holder's Shares to the Proposed Transferee.

2.4. Rights and Obligations of Transferees. Any Transferee of Shares (other than Transferees who acquire Shares (i) pursuant to Section 2.2, (ii) pursuant to the exercise of rights set forth in Article III or, (iii) following the initial Public Offering by the Company, in a bona fide sale to the public pursuant to Rule 144 under the Securities Act) will be required, at the time of and as a condition to such Transfer, to become a party to this Agreement by executing and delivering an Assumption Agreement and, upon executing and delivering an Assumption Agreement, will be treated as a Shareholder for all purposes hereof; provided, however, that no such Transferee will acquire any rights (but will be subject to the obligations) under Article IV unless it acquires all of the Shares held by either Silver Lake and its Permitted Transferees, TPG and its Permitted Transferees or August and its Permitted Transferees, as the case may be.

ARTICLE III. REGISTRATION RIGHTS

3.1. Piggyback Rights. (a) If the Company at any time following the initial Public Offering by the Company proposes to register any of the Shares under the Securities Act (other than a registration on Form S-4 or S-8, or any successor or other forms promulgated for similar purposes), whether or not for sale for its own account (including pursuant to Section 3.3), it will, at each such time, give prompt written notice to the Registration Rights Holders of its intention to do so and of the Registration Rights Holders' rights under this Section 3.1. Upon the written request of any Registration Rights Holder made within 14 days after the receipt of any such notice (which request shall specify the number of Registrable Securities intended to be disposed of by such Registration Rights Holder), the Company will use its reasonable best efforts to effect the registration under the Securities Act of all Registrable Securities which the Registration Rights Holders have so requested to be registered; provided that (i) if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company or any other holder of securities that initiated such registration (an "Initiating Holder") shall determine for any reason not to proceed with the proposed registration of the securities to be sold by it, the Company or such Initiating Holder may, at its election, give written notice of such determination

to the Registration Rights Holders and, thereupon, the Company shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses incurred in connection therewith), and (ii) if such registration involves an underwritten offering, the Registration Rights Holders of Registrable Securities requesting to be included in the registration must sell their Registrable Securities to the underwriters selected by the Company, on the same terms and conditions as apply to the Company or the Initiating Holders, as the case may be, with, in the case of a combined primary and secondary offering, such differences, including any with respect to indemnification and liability insurance, as may be customary or appropriate in combined primary and secondary offerings. If a registration requested pursuant to this Section 3.1(a) involves an underwritten public offering, any Registration Rights Holder requesting to be included in such registration may elect, in writing prior to the effective date of the registration statement filed in connection with such registration, not to register all or any portion of such securities in connection with such registration. Nothing in this Section 3.1(a) shall operate to limit the right of a Registration Rights Holder to (i) request the registration of Registrable Securities that consist of Shares issuable upon conversion, exercise or exchange of convertible, exercisable or exchangeable securities, as applicable, held by such Registration Rights Holder notwithstanding the fact that at the time of request such Registration Rights Holder holds only such securities and not the underlying Shares or (ii) request the registration at one time of Registrable Securities that consist of both Shares and securities convertible into or exercisable or exchangeable for Shares.

(b) The Company will pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 3.1.

(c) If a registration pursuant to this Section 3.1 involves an underwritten offering and the managing underwriter advises the Company in writing that, in its opinion, the number of Registrable Securities and other securities requested to be included in such registration exceeds the number which can be sold in such offering, so as to be reasonably likely to have an adverse effect on the price, timing or distribution of the securities offered in such offering, then the Company will include in such registration (i) first, 100% of the securities, if any, the Company proposes to sell for its own account, provided that the registration of Shares contemplated by this Section 3.1 was initiated by the Company with respect to shares intended to be registered for sale for its own account, (ii) second, the number of securities requested to be included by New SAC, if any, in such registration which in the opinion of the managing underwriter, can be sold, without having the adverse effect referred to above, and (iii) third, such number of Registrable Securities requested to be included in such registration which, in the opinion of such managing underwriter, can be sold without having the adverse effect referred to above, which number of Registrable Securities shall be allocated pro rata among all such requesting holders of Registrable Securities, based on the relative number of Registrable Securities then held by each such requesting holder of Registrable Securities. In the event that (i) the Company did not initiate the registration of securities intended to be registered for sale for its own account and (ii) the number of Registrable Securities and Shares of other holders, in each case entitled to registration rights with respect to such Shares requested to be included in such registration is less than the number which, in the opinion of the managing underwriter, can be sold, the Company may include in such registration securities it proposes to sell for its own account up to the number of securities that, in the opinion of the underwriter, can be sold.

3.2. Demand Registration. (a) At any time after the 180th day following the initial Public Offering by the Company and, in the case of Silver Lake, TPG or August, after New SAC has distributed Shares pursuant to Section 2.1, upon the written request of any of New SAC, TPG, Silver Lake or August (a “Demand Party”) requesting that the Company effect the registration (a “Demand Registration”) under the Securities Act of all or part of such Demand Party’s Registrable Securities and specifying the amount and intended method of disposition thereof, the Company will promptly give written notice of such requested registration to the other holders of Registrable Securities and other holders of securities entitled to notice of such registration and thereupon will, as expeditiously as possible, file a registration statement to effect the registration under the Securities Act of:

- (i) such Registrable Securities which the Company has been so requested to register by the Registration Rights Holders; and
- (ii) the Registrable Securities of other holders which the Company has been requested to register by written request given to the Company within 14 days after the giving of such written notice by the Company (which request shall specify the amount and intended method of disposition of such securities);

all to the extent necessary to permit the disposition (in accordance with the intended method thereof as aforesaid) of the Registrable Securities and such other securities so to be registered; provided that the Company shall not be required to effect the registration of Registrable Securities (i) at the request of New SAC under this Section 3.2(a) on more than six occasions, (ii) at the request of Silver Lake under this Section 3.2(a) or under Section 2.1(f) on more than three occasions, (iii) at the request of TPG under this Section 3.2(a) or under Section 2.1(f) on more than three occasions, or (iv) at the request of August under this Section 3.2(a) or under Section 2.1(f) on more than one occasion; provided, that the Company shall not be obligated to file a registration statement relating to any registration request under this Section 3.2(a):

(x) within a period of 180 days (or such lesser period as the managing underwriters in an underwritten offering may permit) after the effective date of any other registration statement relating to any registration request under this Section 3.2(a), Section 2.1(f) or relating to any registration effected under Section 3.1;

(y) if with respect thereto the managing underwriter, the SEC, the Securities Act, or the form on which the registration statement is to be filed, would require the conduct of an audit other than the regular audit conducted by the Company at the end of its fiscal year, in which case the filing may be delayed until the completion of such audit (and the Company shall, upon request of TPG, Silver Lake or August, as the case may be, use its reasonable best efforts to cause such audit to be completed expeditiously and without unreasonable delay); or

(z) if the Company is in possession of material non-public information and the Board determines in good faith that disclosure of such information would not be in the best interests of the Company and its shareholders, in which case the filing of the registration statement may be delayed until the earlier of the second Business Day after such conditions shall have ceased to exist and the 90th day after receipt by the Company of the written request from TPG, Silver Lake or August, as the case may be, to register Registrable Securities under this Section 3.2(a).

Nothing in this Section 3.2(a) shall operate to limit the right of a Registration Rights Holder to (i) request the registration of Registrable Securities that consist of Shares issuable upon conversion, exercise or exchange of convertible, exercisable or exchangeable securities, as applicable, held by such Registration Rights Holder notwithstanding the fact that at the time of request such Registration Rights Holder holds only such securities and not the underlying Shares or (ii) request the registration at one time of Registrable Securities that consist of both Shares and securities convertible into or exercisable or exchangeable for Shares.

(b) The Company will pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 3.2.

(c) A registration requested pursuant to this Article III will not be deemed to have been effected unless it has become effective; provided that, if, within 180 days after it has become effective, the offering of Registrable Securities pursuant to such registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court, then such registration will be deemed not to have been effected.

(d) If a requested registration pursuant to this Section 3.2 involves an underwritten offering and regardless of whether the Company is registering any securities therein, the Board shall have the right to select the investment banker or bankers and managers to administer the offering, including the lead managing underwriter.

(e) If a requested registration pursuant to this Section 3.2 involves an underwritten offering and the managing underwriter advises the Company in writing that, in its opinion, the number of Registrable Securities requested to be included in such registration exceeds the number which can be sold in such offering, so as to be reasonably likely to have an adverse effect on the price, timing or distribution of the securities offered in such offering, then the Company will include in such registration such number of Registrable Securities requested to be included in such registration which, in the opinion of such managing underwriter, can be sold without having the adverse effect referred to above, which number shall be allocated pro rata among all such holders of Registrable Securities requesting to be included in such registration based on the relative number of Registrable Securities then held by each such holder of Registrable Securities. In the event that the number of Registrable Securities and Shares of other holders, in each case entitled to registration rights with respect to such Shares requested to be included in such registration is less than the number which, in the opinion of the managing underwriter, can be sold, the Company may include in such registration securities it proposes to sell for its own account up to the number of securities that, in the opinion of the underwriter, can be sold.

(f) August agrees not to exercise any demand registration rights it may have pursuant to Section 3.2 of the New SAC Shareholders Agreement without first obtaining the written consent of each of Silver Lake and TPG. Each of Silver Lake and TPG agree not to exercise any demand registration rights it may have pursuant to Section 3.2 of the New SAC Shareholders Agreement without first obtaining the written consent of TPG, in the case of Silver Lake; or Silver Lake, in the case of TPG.

3.3. Form S-3 Registration. If the Company receives from New SAC, Silver Lake, TPG or August a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Shareholder or Shareholders, the Company will:

(a) promptly give notice of the proposed registration, and any related qualification or compliance, to the other Registration Rights Holders who hold Registrable Securities; and

(b) as expeditiously as possible, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Registration Rights Holder's or Registration Rights Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Registration Rights Holder or Registration Rights Holders joining in such request as are specified in a written request given within fourteen (14) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 3.3:

(i) if Form S-3 (or any successor form) is not available for such offering by the Registration Rights Holders; or

(ii) if the Registration Rights Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than \$500,000; or

(iii) if the Company shall furnish to the Registration Rights Holders a certificate signed by the chairman of the Board stating that in the good faith judgment of the Board, it would not be in the best interests of the Company for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Registration Rights Holder or Registration Rights Holders under this Section 3.3; provided, that such right to delay a request shall be exercised by the Company not more than once in any twelve (12) month period; or

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form S-3 for the Registration Rights Holders pursuant to this Section 3.3; or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as expeditiously as possible after receipt of the request or requests of the Registration Rights Holders. Registrations effected pursuant to this Section 3.3 shall not be counted as demands for registration or registrations effected pursuant to Section 3.2.

(d) The Company will pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 3.3.

3.4. Registration Procedures. If and whenever the Company is required to file a registration statement with respect to, or to use its reasonable best efforts to effect or cause the registration of, any Registrable Securities under the Securities Act as provided in this Agreement the Company will as expeditiously as possible:

(a) prepare and, in any event within 120 days after the end of the period within which a request for registration may be given to the Company pursuant to Section 3.2, file with the SEC a registration statement on an appropriate form with respect to such Registrable Securities and use its reasonable efforts to cause such registration statement to become effective; provided, however, that the Company may discontinue any registration of securities as to which it is the Initiating Party at any time prior to the effective date of the registration statement relating thereto (and, in such event, the Company shall pay the Registration Expenses incurred in connection therewith); provided, further, that not less than five (5) Business Days before filing a registration statement or prospectus, or any amendments or supplements thereto, the Company will furnish to counsel for the sellers of Registrable Securities covered by such registration statement copies of all documents proposed to be filed, which documents will be subject to the review and input of such counsel;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period not in excess of 270 days and to comply with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement; provided that not less than five (5) Business Days before filing a registration statement or prospectus, or any amendments or supplements thereto, the Company will furnish to counsel for the sellers of Registrable Securities covered by such registration statement copies of all documents proposed to be filed, which documents will be subject to the review and input of such counsel;

(c) furnish to each seller of such Registrable Securities such number of copies of such registration statement and of each amendment and supplement thereto (in each case including all exhibits filed therewith, including any documents incorporated by reference), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and summary prospectus), in conformity with the requirements of the Securities Act, and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities by such seller;

(d) use its reasonable efforts to register or qualify such Registrable Securities covered by such registration in such jurisdictions as each seller shall reasonably request, and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction where, but for the requirements of this subsection (d), it would not be obligated to be so qualified, to subject itself to taxation in any such jurisdiction or to consent to general service of process in any such jurisdiction;

(e) use its reasonable best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities;

(f) notify each seller of any such Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act within the appropriate period mentioned in Section 3.3(b), of the Company's becoming aware that the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at the request of any such seller, prepare and furnish to such seller a reasonable number of copies of an amended or supplemental prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable (but not more than 18 months) after the effective date of the registration statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act;

(h) (i) use its reasonable best efforts to list such Registrable Securities on any securities exchange on which the Shares are then listed if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange; (ii) if such Registrable Securities are convertible, exchangeable or exercisable into Shares, upon the reasonable request of sellers of a majority of such Registrable Securities, use its reasonable best efforts to list such securities and, if requested, the Shares underlying such securities, notwithstanding that at the time of request such sellers hold only such securities, on any securities exchange so requested, if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange; and (iii) use its reasonable efforts to provide a transfer agent and registrar for such Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(i) enter into such customary agreements (including an underwriting agreement in customary form), which may include indemnification provisions in favor of underwriters and other Persons in addition to, or in substitution for the indemnification provisions hereof, and take such other actions as sellers of a majority of shares of such Registrable Securities or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(j) obtain a “cold comfort” letter or letters from the Company’s independent public accounts in customary form and covering matters of the type customarily covered by “cold comfort” letters as the seller or sellers of a majority of shares of such Registrable Securities shall reasonably request;

(k) make available for inspection by any seller of such Registrable Securities covered by such registration statement, by any underwriter participating in any disposition to be effected pursuant to such registration statement and by any attorney, accountant or other agent retained by any such seller or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company’s officers, directors and employees to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement;

(l) notify counsel for the holders of Registrable Securities included in such registration statement and the managing underwriter or agent, immediately, and confirm the notice in writing (i) when the registration statement, or any post-effective amendment to the registration statement, shall have become effective, or any supplement to the prospectus or any amendment to the prospectus shall have been filed, (ii) of the receipt of any comments from the SEC, (iii) of any request of the SEC to amend the registration statement or amend or supplement the prospectus or for additional information, and (iv) of the issuance by the SEC of any stop order suspending the effectiveness of the registration statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the registration statement for offering or sale in any jurisdiction, or of the institution or threatening of any proceedings for any of such purposes;

(m) use its reasonable best efforts to prevent the issuance of any stop order suspending the effectiveness of the registration statement or of any order preventing or suspending the use of any preliminary prospectus and, if any such order is issued, to obtain the withdrawal of any such order at the earliest possible moment;

(n) if requested by the managing underwriter or agent or any holder of Registrable Securities covered by the registration statement, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or agent or such holder reasonably requests to be included therein, including, with respect to the number of Registrable Securities being sold by such holder to such underwriter or agent, the purchase price being paid therefor by such underwriter or agent and with respect to any other terms of the underwritten offering of the Registrable Securities to be sold in such offering; and make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after being notified of the matters incorporated in such prospectus supplement or post-effective amendment;

(o) cooperate with the holders of Registrable Securities covered by the registration statement and the managing underwriter or agent, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the registration statement, and enable such securities to be in such denominations and registered in such names as the managing underwriter or agent, if any, or the Registration Rights Holders that sellers may request;

(p) obtain for delivery to the holders of Registrable Securities being registered and to the underwriter or agent an opinion or opinions from counsel for the Company in customary form and in form, substance and scope reasonably satisfactory to such holders, underwriters or agents and their counsel; and

(q) cooperate with each seller of Registrable Securities and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the NASD.

3.5. Other Registration-Related Matters. (a) The Company may require any Person that is selling Shares in a Public Offering pursuant to Sections 3.1, 3.2 or 3.3 to furnish to the Company in writing such information regarding such Person and pertinent to the disclosure requirements relating to the registration and the distribution of the Registrable Securities which are included in such Public Offering as the Company may from time to time reasonably request in writing.

(b) Each Registration Rights Holder agrees, severally and not jointly, that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3.4(f), it will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until its receipt of the copies of the amended or supplemented prospectus contemplated by Section 3.4(f) and, if so directed by the Company, each Registration Rights Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in their possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company gives any such notice, the period for which the Company will be required to keep the registration statement effective will be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 3.4(f) to and including the date when each seller of Registrable Securities covered by such registration statement has received the copies of the supplemented or amended prospectus contemplated by Section 3.4(f).

(c) Each holder of Registrable Securities will, in connection with an underwritten Public Offering of the Company's securities, upon the request of the Company or of the underwriters managing any underwritten offering of the Company's securities, agree in writing not to effect any sale, disposition or distribution of Registrable Securities (other than those included in the Public Offering) without the prior written consent of the managing

underwriter for such period of time commencing 7 days before and ending 30 days (or such earlier date as the managing underwriter shall agree) after the effective date of such registration. No Shareholder shall be released from such lock-up period by the managing underwriter unless all of the Shareholders are so released.

3.6. Indemnification. (a) In the event of any registration of any securities of the Company under the Securities Act pursuant to Section 3.1, 3.2 or 3.3, the Company hereby indemnifies and agrees to hold harmless, to the extent permitted by law, the sellers of any Registrable Securities covered by such registration statement (each a “Holder”), each Affiliate of such Holder and their respective directors and officers, members or general and limited partners (and the directors, officers, employees, affiliates and controlling Persons of any of the foregoing), each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such Holder or any such underwriter within the meaning of the Securities Act (collectively, the “Indemnified Parties”), against any and all losses, claims, damages or liabilities, joint or several, and expenses to which such Indemnified Party may become subject under the Securities Act, common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof, whether or not such Indemnified Party is a party thereto) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary, final or summary prospectus contained therein, or any amendment or supplement thereto, or (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances when they were made, and the Company will reimburse such Indemnified Party for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided that the Company will not be liable to any Indemnified Party in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, in any such preliminary, final or summary prospectus, or any amendment or supplement thereto in reliance upon and in conformity with written information with respect to such Indemnified Party furnished to the Company by such Indemnified Party expressly for use in the preparation thereof. Such indemnity will remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any Indemnified Party and will survive the Transfer of such securities by such Holder.

(b) The Company may require, as a condition to including any Registrable Securities in any registration statement filed in accordance with Section 3.1, 3.2 or 3.3 that the Company shall have received an undertaking reasonably satisfactory to it from the Holder of such Registrable Securities or any prospective underwriter to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 3.6(a)) the Company, all other Holders or any prospective underwriter, as the case may be, and any of their respective Affiliates, directors, officers and controlling Persons, with respect to any untrue statement in or omission from such registration statement, any preliminary, final or summary prospectus contained therein, or any amendment or supplement, if such untrue statement or omission was made in reliance upon and in conformity with written information with respect to such Holder or underwriter furnished to the Company by such Holder or underwriter expressly for use in the

preparation of such registration statement, preliminary, final or summary prospectus or amendment or supplement, or a document incorporated by reference into any of the foregoing. Such indemnity will remain in full force and effect regardless of any investigation made by or on behalf of the Company or any of the Holders, or any of their respective affiliates, directors, officers or controlling Persons and will survive the Transfer of such securities by such Holder. In no event shall the liability of any selling Holder of Registrable Securities hereunder be greater in amount than the dollar amount of the net proceeds actually received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Promptly after receipt by an Indemnified Party hereunder of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 3.6, such Indemnified Party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided that the failure of the Indemnified Party to give notice as provided herein will not relieve the indemnifying party of its obligations under Section 3.6(a) or 3.6(b), except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an Indemnified Party, unless in such Indemnified Party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party will be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such Indemnified Party, and after notice from the indemnifying party to such Indemnified Party of its election so to assume the defense thereof, the indemnifying party will not be liable to such Indemnified Party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. If, in such Indemnified Party's reasonable judgment, having common counsel would result in a conflict of interest between the interests of such indemnified and indemnifying parties, then such Indemnified Party may employ separate counsel reasonably acceptable to the indemnifying party to represent or defend such Indemnified Party in such action, it being understood, however, that the indemnifying party will not be liable for the reasonable fees and expenses of more than one separate firm of attorneys at any time for all such Indemnified Parties (and not more than one separate firm of local counsel at any time for all such Indemnified Parties) in such action. No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect of such claim or litigation.

(d) If the indemnification provided for hereunder from the indemnifying party is unavailable to an Indemnified Party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to herein, then the indemnifying party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and Indemnified Parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and Indemnified Parties shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates

to information supplied by, such indemnifying party or Indemnified Parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party under this Section 3.6(d) as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding. In no event shall the liability of any selling Holder of Registrable Securities hereunder be greater in amount than the dollar amount of the net proceeds actually received by such Holder upon the sale of the Registrable Securities giving rise to such contribution obligation.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3.6(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) Indemnification similar to that specified in this Section 3.6 (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any law or with any governmental entity other than as required by the Securities Act.

(f) The obligations of the parties under this Section 3.6 will be in addition to any liability which any party may otherwise have to any other party.

ARTICLE IV. CORPORATE GOVERNANCE MATTERS

4.1. Board of Directors .

(a) Directors of the Company shall be elected annually. After the consummation of the initial Public Offering, the Board shall be comprised of eleven members, consisting of three designees of Silver Lake (each a "Silver Lake Designee"), two designees of TPG (each a "TPG Designee") one Management Director, four Additional Directors and the chief executive officer of the Company from time to time serving (the "Chief Executive Officer"). Members of the Board who are not required to be designated by a Shareholder pursuant to the rights provided in this Agreement shall be nominated and elected in accordance with the articles of association of the Company.

(b) A member of the Board designated by a Shareholder pursuant to the rights provided in this Agreement may only be removed by such Shareholder. Any other member of the Board may be removed with or without cause by vote of a majority of the Shareholders of the Company.

If, following an election to the Board pursuant to this Section 4.1, any Silver Lake Designee shall resign or be removed or be unable to serve for any reason prior to the expiration of his or her term as a Director, Silver Lake shall notify the Board in writing of a replacement Silver Lake Designee and each of the Company and all of the Shareholders hereby agree to take

such actions provided for under the terms of the Shares held by them as will result in the appointment of such Silver Lake Designee to the Board. If Silver Lake requests that any Silver Lake Designee be removed as a Director (with or without cause) by written notice thereof to the Company, then each of the Company and all of the Shareholders shall take all actions provided for under the terms of the Shares held by them necessary to effect such removal upon such request.

If, following an election to the Board pursuant to this Section 4.1, any TPG Designee shall resign or be removed or be unable to serve for any reason prior to the expiration of his or her term as a Director, TPG shall notify the Board in writing of a replacement TPG Designee and each of the Company and all of the Shareholders hereby agree to take such actions provided for under the terms of the Shares held by them as will result in the appointment of such TPG Designee to the Board. If TPG requests that any TPG Designee be removed as a Director (with or without cause) by written notice thereof to the Company, then each of the Company and all of the Shareholders shall take all actions provided for under the terms of the Shares held by them necessary to effect such removal upon such request.

If, following an election to the Board pursuant to this Section 4.1, any Additional Director shall resign or be removed or be unable to serve for any reason prior to the expiration of his or her term as a Director, the Nominating and Corporate Governance committee of the Company shall notify the Board in writing of a replacement and, provided that such replacement Additional Director satisfies all the criteria set forth in the definition of "Additional Director" herein, each of the Company and all of the Shareholders hereby agree to take such actions provided for under the terms of the Shares held by them as will result in the appointment of such replacement Additional Director to the Board.

Any director who is no longer designated by Silver Lake or TPG shall be designated instead by the other members of the Board and shall be considered a "Board Designee" for all purposes hereunder. If any Board Designee shall resign or be removed or be unable to serve for any reason prior to the expiration of his or her term as a Director, then the Nominating and Corporate Governance Committee of the Company will take such actions provided for under the terms of the Shares as will result in the appointment to the Board of an individual designated by the Board. If the Board requests that any Board Designee be removed as a Director (with or without cause) by written notice thereof to the Company, then each of the Company and each Shareholder shall take all actions provided for under the terms of the Shares necessary to effect such removal upon such request.

(c) The Company will pay all reasonable out-of-pocket expenses incurred by the Directors in connection with their participation in meetings of the Board (and committees thereof) and the Boards of Directors (and committees thereof) of the subsidiaries of the Company. The Silver Lake Designees and the TPG Designees will receive the same compensation that the Company pays to its Additional Directors, which amount will be determined by the Company and the Board from time to time.

(d) The board of directors of each subsidiary of the Company shall at any given time either be (i) comprised in the same manner as the Board is then comprised or (ii) comprised in a manner reasonably acceptable to both TPG and Silver Lake.

(e) Notwithstanding anything in this Agreement to the contrary, the Board and all of the committees of the Board will operate in such a way to permit the Company to comply with applicable law and maintain its listing on The New York Stock Exchange or NASDAQ system, as applicable.

4.2. Actions by the Board of Directors .

(a) The Shareholders and the Company shall use their reasonable best efforts to take all actions necessary (including amending the memorandum and articles of association of the Company, if necessary) to provide that, for so long as this Agreement is in effect, a quorum for any meeting of the Board shall require the presence of (x) directors constituting at least a majority of the entire Board, and (y) at least one of the Silver Lake Designees and (z) at least one of the TPG Designees. Unless agreed to by unanimous consent of the Board in writing, subject to applicable law, no action by the Board will be valid unless approved by a majority of the directors at a meeting properly convened at which a quorum is present. The Company and the Shareholders shall use their reasonable best efforts to take such further action to provide that the articles of association and/or bylaws of the Company will provide that they may not be amended by action of the Board unless such amendment is approved in the manner set forth in the immediately preceding sentence. The Company and the Shareholders shall take (or shall cause the Directors appointed by them to take) such action as is necessary to cause (i) the Board to establish executive, audit, strategic and financial transactions, compensation and governance committees of the Board, the duties of which shall be determined by the Board, (ii) at least one Silver Lake Designee and one TPG Designee to serve on each such committee of the Board of Directors (other than the audit committee) and (iii) the Chief Executive Officer of the Company to serve as the Chairman of the strategic and financial transactions committee. The Shareholders and the Company shall use their reasonable best efforts to take all necessary action to cause the memorandum and articles of association of the Company to provide that no action by a committee of the Board of a type referred to in Section 4.2(b) below shall be valid unless approved in the same manner as required by action of the entire Board, as provided in this paragraph (a).

(b) Subject to applicable law, the Company shall not take any of the actions set forth in items (i) through (iii) and (v) through (viii) below without the prior consent of at least seven of the eleven Directors and the Company shall not take the action set forth in item (iv) below without the prior consent of at least ten of the eleven Directors.

(i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency or similar law;

(ii) merge or consolidate with any other Person other than a subsidiary of the Company (the “Target”) if the book value of the assets of the Target as of the end of its most recently ended fiscal quarter preceding the earlier of the date the Company enters into definitive agreements in respect of such transaction or publicly announces such transaction (the “Determination Date”) would exceed 15% of the consolidated assets of the Company;

(iii) sell, transfer or otherwise dispose of (including by merger, dividend or other distribution, formation of a joint venture or otherwise) any assets in one or a series of related transactions if the book value of such assets exceeds 15% of the consolidated assets of the Company as of the end of the Company's most recent fiscal quarter preceding the Determination Date;

(iv) increase or decrease the number of Directors that comprise the entire Board;

(v) authorize, issue or sell (including by merger or otherwise) any shares, options, warrants or rights to acquire shares of the Company in excess of 15% of the Company's outstanding shares (other than issuances of Shares pursuant to management options issued pursuant to plans approved by the Board);

(vi) pay, declare or set aside any sums or other property for the payment of any dividends on, or make any other distributions in respect of (including by merger or otherwise), any shares of the Company, or any warrants, options, rights or securities convertible into, exchangeable or exercisable for, shares of the Company in excess of 15% of the net income of the Company for the fiscal year preceding the Determination Date (excluding purchases from employees pursuant to employee benefit plans or arrangements);

(vii) redeem, purchase or otherwise acquire (including by merger or otherwise), any shares of the Company or any warrants, options and rights or securities convertible into, exchangeable or exercisable for, shares of the Company in excess of 5% of the stockholders' equity, or redeem or purchase otherwise acquire or make any payments with respect to any share appreciation rights or phantom share plans in excess of 5% of the net income of the Company for the prior fiscal year preceding the Determination Date (excluding purchases from employees pursuant to employee benefit plans or arrangements); or

(viii) amend, modify or repeal any of the provisions of the memorandum and articles of association of the Company.

Finally, the prior consent of at least seven of the eleven Directors (other than the Chief Executive Officer and the Management Director, who shall be required to abstain) shall be required to hire or terminate the employment contract of the Chief Executive Officer. Notwithstanding the foregoing, nothing in this Section 4.2 shall limit the rights of any Shareholder under Article III.

(c) Unless otherwise agreed by the parties hereto, the Board shall follow the following procedures:

(i) Special meetings of the Board may be held at any time upon the call of at least two Directors by oral, telephonic, telegraphic, facsimile or e-mail notice duly given or sent at least one day, or by written notice sent by express mail at least three days, before the meeting to each director. Reasonable efforts shall be made to ensure that each director actually receives timely notice of any meeting. The annual meeting of the Board shall be held without notice immediately following the annual meeting of shareholders of the Company.

(ii) A reasonably detailed agenda shall be supplied to each director reasonably in advance of each meeting of the Board, together with other appropriate documentation with respect to agenda items calling for board action, to inform adequately directors regarding matters to come before the board. Any director wishing to place a matter on the agenda for any meeting of the applicable board of directors may do so by communicating with the chairman of the Board sufficiently in advance of the meeting of the Board so as to permit timely dissemination to all directors of information with respect to the agenda items.

(d) The Shareholders shall upon request take all action provided for under the terms of the Shares held by them to cause the memorandum and articles of association or comparable governing documents of each subsidiary of the Company to be amended to require the prior approval of the Board of any actions of the subsidiary that, if made by the Company, would require the approval of the Company's Board under the articles of association of the Company or under this Agreement.

4.3. Voting of Shares; Action by the Company. At any annual or special meeting of shareholders of the Company or in any written consent executed in lieu of such a meeting of shareholders, the Shareholders shall take all other action provided for under the terms of the Shares held by them, including by way of voting their Shares, to give effect to the agreements contained in this Agreement. In order to effectuate the provisions of this Article IV, each Shareholder hereby agrees that when any action or vote is required to be taken by such Shareholder pursuant to this Agreement, such Shareholder shall use his or its best efforts to call, or cause the appropriate officers and directors of the Company to call, a special or annual meeting of shareholders of the Company, as the case may be, or execute or cause to be executed a consent in writing in lieu of any such meetings pursuant to applicable provisions of the Companies Law (2002 Revision) of the Cayman Islands and the common law of the Cayman Islands. In addition, the Company shall use its commercially reasonable best efforts to take all actions to give effect to the agreements contained in this Agreement.

ARTICLE V. MISCELLANEOUS

5.1. Competition. Any Shareholder and any Affiliate of such Shareholder may engage in or possess an interest in other investments, business ventures or entities of any nature or description, independently or with others, similar or dissimilar to, or that compete with, the investments or business of the Company, and may provide advice and other assistance to any such investment, business venture or entity, and the Company and the Shareholders shall have no rights by virtue of this Agreement in and to such investments, business ventures or entities or the income or profits derived therefrom, and the pursuit of any such investment or venture, even if competitive with the business of the Company, shall not be deemed wrongful or improper. Upon the written request of the Company (which request shall not be made more than once in any 90-day period), each Shareholder shall, subject to applicable law and the terms of any applicable confidentiality agreement or similar agreement or arrangement, use its reasonable efforts to

disclose, as soon as reasonably practicable and on a confidential basis, to the Board any such interest, investment or business venture that involves the disc drive, disc drive component or similar information storage business that is owned by such Shareholder. No Shareholder nor any Affiliate thereof shall be obligated to present any particular investment or business opportunity to the Company even if such opportunity is of a character that, if presented to the Company, could be taken by the Company, and any Shareholder or any Affiliate thereof shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment opportunity.

5.2. Effective Date. This Agreement shall become effective on the date of the consummation of the Company's initial Public Offering and prior to such time shall have no force or effect. If the Company's initial Public Offering is abandoned or is not consummated for any reason by June 30, 2003, this Agreement shall terminate without any further action of the parties hereto and neither party shall have any liability to the other with the respect to the provisions contained herein.

5.3. Exercise of Certain Rights Under the New SAC Shareholders Agreement.

(a) Each of Silver Lake and TPG agree to refrain from exercising their rights under Section 2.7 of the New SAC Shareholders Agreement.

(b) Each of Silver Lake and TPG (i) agree that the composition of the Board as provided herein is acceptable to them and (ii) agree not to exercise their rights under Section 5.1(d) of the New SAC Shareholders Agreement to cause the Board to be comprised in the same manner as the board of directors of New SAC.

(c) Each of the Shareholders agree to waive its rights under Section 5.2(d) of the New SAC Shareholders Agreement to require the amendment of the Memorandum and Articles of Association of the Company.

(d) Each of Silver Lake, TPG, August and New SAC agree that (i) New SAC shall not cause the Company to make, and the Company shall not be required to make, any distributions as a result of Section 6.5 of the New SAC Shareholders Agreement and (ii) the New SAC shareholders shall have no obligation to cause New SAC to make any distributions referred to in Section 6.5 of the New SAC Shareholders Agreement to the extent such distributions relate to the incurrence of "Subpart F Income" (within the meaning of Section 952 of the Internal Revenue Code of 1986, as amended) or other phantom income by a New SAC shareholder as a result of the investment by New SAC in the Company or any subsidiary of the Company.

(e) Pursuant to the provisions of Section 6.6(b) of the New SAC Shareholders Agreement, each of Silver Lake and TPG agree that New SAC shall have no obligation to avoid the incurrence of Subpart F Income with respect to the business and operations of the Company or any subsidiary of the Company.

5.4. Additional Securities Subject to Agreement. Each Shareholder agrees that any other equity securities of the Company which it hereafter acquires by means of a share split, share dividend, distribution, exercise of options or warrants or otherwise (other than shares acquired in a Public Offering, in the public market or otherwise from persons other than the Company or another Shareholder after the initial Public Offering of the Company) will be subject to the provisions of this Agreement to the same extent as if held on the date hereof.

5.5. Termination. Other than as specified below, the provisions of this Agreement will terminate and be of no further force and effect upon the date on which at least 50% of the number of issued and outstanding shares of the Company have been publicly distributed or sold (including shares issued upon the exercise of employee stock options), or are being actively traded on a national securities exchange or interdealer quotation system. Notwithstanding the foregoing, (i) Article III of this Agreement shall survive the termination of this Agreement until such time as all Registrable Securities held by the Shareholders cease to be Registrable Securities, (ii) Article IV of this Agreement shall survive the termination of this Agreement until the earlier of (x) such time as the Company is no longer qualified as a “controlled company” under the rules of the New York Stock Exchange or (y) the date on which at least 50% of the number of the issued and outstanding shares of the Company have been publicly distributed or sold (including shares issued upon the exercise of employee stock options), or are being actively traded on a national securities exchange or interdealer quotation system and (iii) Section 5.3 of this Agreement shall survive the termination of this Agreement until such time as the termination of the New SAC Shareholders Agreement.

5.6. Notices. All notices, consents, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by cable, by telecopy, by telegram, by telex or registered or certified mail (postage prepaid, return receipt requested) as follows (or at such other address for a party as shall be specified in a notice given in accordance with this Section 5.6):

(i) if to the Company:

Seagate Technology
920 Disc Drive
Scotts Valley, CA 95066
Attention: William Hudson, Esq.
Telecopy:

With a copy to:

Simpson Thacher & Bartlett
3330 Hillview Avenue
Palo Alto, CA 94304
Attention: William Hinman, Esq.
Telecopy: (650) 251-5002

(ii) if to Silver Lake:

Silver Lake Partners, L.P.
2725 Sand Hill Road
Building C, Suite 150
Menlo Park, CA 94025
Attention: David Roux
Telecopy: (650) 233-8125

With a copy to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, NY 10017
Attention: William E. Curbow, Esq.
Telecopy: (212) 455-2502

(iii) if to TPG:

SAC Investments, L.P.
c/o Texas Pacific Group.
301 Commerce Street
Suite 3300
Fort Worth, TX 76102
Attention: Richard A. Ekleberry
Telecopy: (817) 871-4080

with a copy to:

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, NY 10006
Attention: Paul J. Shim, Esq.
Telecopy: (212) 225-3999

(iv) if to August:

August Capital
2480 Sand Hill Road
Suite 101
Menlo Park, CA 94025
Attention: Mark Wilson
Telecopy: (650) 234-9910

with a copy to:

Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP
155 Constitution Drive
Menlo Park, CA 94025
Attention: Steven R. Franklin, Esq.
Telecopy: (650) 321-2800

(v) if to J.P. Morgan:

J.P. Morgan Partners, L.L.C.
50 California Street
29th Floor
San Francisco, CA 94111
Attention: Shahan Soghikian
Telecopy: (415) 591-1205

with a copy to:

J.P. Morgan Partners, L.L.C.
Official Notices Clerk
1221 Avenue of the Americas
New York, NY 10020
Telecopy: (212) 899-3401

and to:

Latham & Watkins
135 Commonwealth Drive
Menlo Park, CA 94025
Attention: Anthony J. Richmond, Esq.
Telecopy: (650) 463-2600

(vi) if to GS:

GS Capital Partners III, L.P.
85 Broad Street, 10th Floor
New York, NY 10004
Attention: Anne Musella
Telecopy: (212) 357-5505

with a copy to:

Sullivan & Cromwell
1870 Embarcadero Road
Palo Alto, CA 94303
Attention: Matthew G. Hurd, Esq.
Telecopy: (650) 461-5700

(vii) if to Staenberg:

Staenberg Venture Partners
2000 First Avenue, Suite 1001
Seattle, WA 98121
Attention:
Telecopy:

with a copy to:

Dorsey & Whitney LLP
U.S. Bank Centre
1420 Fifth Avenue, Suite 3400
Seattle, WA 98101

(viii) if to Integral:

Integral Capital Partners
2750 Sand Hill Rd.
Menlo Park, CA 94025
Attention: Pamela Hagenah
Telecopy: 650-233-0366

(ix) if to New SAC:

New SAC
c/o Silver Lake Partners, L.P.
2725 Sand Hill Road
Building C, Suite 150
Menlo Park, CA 94025
Attention: David Roux
Telecopy: (650) 233-8125

with copies to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, NY 10017
Attention: William E. Curbow, Esq.
Telecopy: (212) 455-2502

-and-

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, NY 10006
Attention: Paul J. Shim, Esq.
Telecopy: (212) 225-3999

5.7. Further Assurances. The parties hereto will sign such further documents, cause such meetings to be held, resolutions passed, exercise their votes and do and perform and cause to be done such further acts and things as may be necessary in order to give full effect to this Agreement and every provision hereof.

5.8. Assignment. This Agreement will inure to the benefit of and be binding on the parties hereto and their respective successors and permitted assigns. Except as specifically provided herein, this Agreement may not be assigned by any party hereto without the express prior written consent of the other parties, and any attempted assignment, without such consents, will be null and void.

5.9. Amendment; Waiver. This Agreement may be amended, supplemented or otherwise modified only by a written instrument executed by the parties hereto; provided, however, that this Agreement may be amended, supplemented or otherwise modified by a written instrument executed only by the Shareholders so long as any such amendment, supplement or modification does not impose any material additional burdens on the Company. No waiver by any party of any of the provisions hereof will be effective unless explicitly set forth in writing and executed by the party so waiving. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, will be deemed to constitute a waiver by the party taking such action of compliance with any covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach.

5.10. Third Parties. Except as otherwise set forth herein, this Agreement does not create any rights, claims or benefits inuring to any person that is not a party hereto nor create or establish any third party beneficiary hereto; provided that the Management Shareholders shall be third party beneficiaries only with respect to the provisions of Sections 3.1, 3.4, 3.6 and related definitions of this Agreement.

5.11. Governing Law. This Agreement will be governed by, and construed in accordance with, the laws of the State of New York.

5.12. Binding Arbitration. Any controversy, dispute or claim arising out of, in connection with, or in relation to, the construction, performance, or breach of this Agreement shall be adjudicated by arbitration conducted in accordance with the existing rules for commercial arbitration of the American Arbitration Association, or any successor organization in New York or California (the “AAA”), as determined by the party initiating the arbitration. The demand for arbitration shall be delivered in accordance with the notice provisions of this Agreement. Arbitration hereunder shall be conducted by a single arbitrator selected jointly by the parties hereto. If within thirty (30) days after a demand for arbitration is made, the parties hereto are unable to agree on a single arbitrator, three arbitrators shall be appointed. Each party shall select one arbitrator and those two arbitrators shall then select within thirty (30) days a third neutral arbitrator. If the arbitrators selected by the parties cannot agree on the third arbitrator, they shall discuss the qualifications of such third arbitrator with the AAA prior to selection of such arbitrator, which selection shall be in accordance with the existing rules of the AAA. If an arbitrator cannot continue to serve, a successor to an arbitrator selected by the parties shall be also selected by the same party, and a successor to a neutral arbitrator shall be selected as specified above. A full rehearing will be held only if the neutral arbitrator is unable to continue to serve or if the remaining arbitrators unanimously agree that such a rehearing is appropriate. Any discovery in connection with arbitration hereunder shall be limited to information directly relevant to the controversy or claim in arbitration. Judgment upon any arbitration award rendered may be entered in any court of competent jurisdiction. EACH PARTY HERETO UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.

5.13. Specific Performance. Without limiting or waiving in any respect any rights or remedies of the parties hereto under this Agreement now or hereinafter existing at law or in equity or by statute, each of the parties hereto will be entitled to seek specific performance of the obligations to be performed by the other in accordance with the provisions of this Agreement, including during such time prior to the final and binding decision in any arbitration contemplated by Section 5.12.

5.14. Entire Agreement. This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof.

5.15. Titles and Headings. The section headings contained in this Agreement are for reference purposes only and will not affect the meaning or interpretation of this Agreement.

5.16. Severability. If any provision of this Agreement is declared by any court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Agreement will not be affected and will remain in full force and effect.

5.17. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which together will be deemed to be one and the same instrument.

5.18. Regulatory Matters. Each of New SAC, the Company and the Shareholders severally agrees to cooperate with J.P. Morgan in all reasonable respects in the event that any proposed distribution of Shares to J.P. Morgan pursuant to this Agreement or other transaction by the Company or New SAC would reasonably be expected by J.P. Morgan to result in a Regulatory Problem (as such term is defined in the Regulatory Sideletter between New SAC and the predecessor of J.P. Morgan dated as of November 22, 2000) for the purpose of avoiding or otherwise structuring around such a Regulatory Problem. Anything contained in this Section 5.18 to the contrary, neither any Shareholder nor the Company shall be required under this Section to take any action that would adversely affect such Person's rights under this Agreement or as a shareholder of the Company. J.P. Morgan agrees to notify the Company as to whether or not it would have a Regulatory Problem promptly (and in any event within five Business Days) after receipt of written notice of the specifics of a proposed transaction. Failure to respond within such five Business Day period shall be deemed to be a response that such transaction will not result in a Regulatory Problem. J.P. Morgan represents that, as of the date hereof and based on present law, the ownership by it of 4.9% or less of the outstanding voting stock of any class of stock of the Company would not constitute a Regulatory Problem.

5.19. Notice and Assistance Regarding Distributions. In the event that New SAC at any time determines that it will make a distribution of Shares in kind to the Shareholders, New SAC will use its reasonable best efforts to provide advance notice of such event to all Shareholders. In the event that such a distribution could reasonably be expected by New SAC to

require further action by a Shareholder to permit it to receive such Shares or a Shareholder appraises New SAC of such (including, by way of example, any further filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended), New SAC and the Company will use its respective reasonable best efforts to cooperate and assist with such action including, without limitation, making any related government filings required of any of them on a prompt and timely basis. Any such cooperation and assistance shall be provided in the same manner in all material respects to each Shareholder requesting the same.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or caused this Agreement to be executed on its behalf as of the date first written above.

SEAGATE TECHNOLOGY HOLDINGS

By: /s/ STEPHEN J. LUCZO

Name: Stephen J. Luczo
Title: Chief Executive Officer and Director

NEW SAC

By: /s/ STEPHEN J. LUCZO

Name: Stephen J. Luczo
Title: Chief Executive Officer and Director

SILVER LAKE TECHNOLOGY INVESTORS
CAYMAN, L.P.
By: Silver Lake (Offshore) AIV GP Ltd., its General
Partner

By: _____
Name:
Title:

SILVER LAKE INVESTORS CAYMAN, L.P.
By: Silver Lake (Offshore) AIV GP Ltd., its General
Partner

By: _____
Name:
Title:

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or caused this Agreement to be executed on its behalf as of the date first written above.

SEAGATE TECHNOLOGY HOLDINGS

By: _____
Name:
Title:

NEW SAC

By: _____
Name:
Title:

SILVER LAKE TECHNOLOGY INVESTORS
CAYMAN, L.P.

By: Silver Lake (Offshore) AIV GP Ltd., its General Partner

By: /s/ DAVID ROUX

Name: David Roux
Title:

SILVER LAKE INVESTORS CAYMAN, L.P.

By: Silver Lake (Offshore) AIV GP Ltd., its General Partner

By: /s/ DAVID ROUX

Name: David Roux
Title:

SILVER LAKE PARTNERS CAYMAN, L.P.
By: Silver Lake (Offshore) AIV GP Ltd., its General Partner

By: /s/ DAVID ROUX

Name: David Roux

Title:

SAC INVESTMENTS, L.P.

By: TPG SAC Advisors III Corp., its General Partner

By:

Name:

Title:

AUGUST CAPITAL III, L.P.

By:

Name:

Title:

J.P. MORGAN PARTNERS (BHCA), L.P.

By: JPMP MASTER FUND MANAGER, its General Partner

By: JPMP CAPITAL CORP, its General Partner

By:

Name:

Title: Managing Director

SILVER LAKE PARTNERS CAYMAN, L.P.
By: Silver Lake (Offshore) AIV GP Ltd., its General Partner

By: _____
Name:
Title:

SAC INVESTMENTS, L.P.
By: TPG SAC Advisors III Corp., its General Partner

By: /s/ R ICK E KLEBERRY _____
Name: Rick Ekleberry
Title: Vice President

AUGUST CAPITAL III, L.P.

By: _____
Name:
Title:

J.P. MORGAN PARTNERS (BHCA), L.P.
By: JPMP MASTER FUND MANAGER, its General Partner

By: JPMP CAPITAL CORP, its General Partner

By: _____
Name:
Title: Managing Director

SILVER LAKE PARTNERS CAYMAN, L.P.
By: Silver Lake (Offshore) AIV GP Ltd., its General
Partner

By: _____
Name:
Title:

SAC INVESTMENTS, L.P.
By: TPG SAC Advisors III Corp., its General Partner

By: _____
Name:
Title:

August Capital III, L.P. for itself and as nominee for
August Capital Strategic Partners III, L.P.
August Capital III Founders Fund, L.P., and
certain individuals thereof
By: August Capital Management III, L.L.C., its general
partner

By: /s/ M A R K G. W I L S O N

Mark G. Wilson, Member

J.P. MORGAN PARTNERS (BHCA), L.P.
By: JPMP MASTER FUND MANAGER, its General
Partner

By: JPMP CAPITAL CORP, its General Partner

By: _____
Name:
Title: Managing Director

SILVER LAKE PARTNERS CAYMAN, L.P.
By: Silver Lake (Offshore) AIV GP Ltd., its General Partner

By: _____
Name:
Title:

SAC INVESTMENTS, L.P.
By: TPG SAC Advisors III Corp., its General Partner

By: _____
Name:
Title:

AUGUST CAPITAL III, L.P.

By: _____
Name:
Title:

J.P. MORGAN PARTNERS (BHCA), L.P.
By: JPMP MASTER FUND MANAGER, its General Partner

By: JPMP CAPITAL CORP, its General Partner

By: /s/ A NDREW K AHN

Name: Andrew Kahn
Title: Managing Director

GS CAPITAL PARTNERS III, L.P.
By: GS Advisors III, L.L.C., its General Partner

By: /s/ J O H N E. B O N M A N

Name: John E. Bonman
Title: Attorney-in-Fact

GS CAPITAL PARTNERS III OFFSHORE, L.P.
By: GS Advisors III, L.L.C., its General Partner

By: /s/ J O H N E. B O N M A N

Name: John E. Bonman
Title: Attorney-in-Fact

GOLDMAN, SACHS & CO. VERWALTUNGS GmbH

By: /s/ J O H N E. B O N M A N

Name: John E. Bonman
Title: Attorney-in-Fact

STONE STREET FUND 2000 L.P.
By: Stone Street 2000, L.L.C., its General Partner

By: /s/ J O H N E. B O N M A N

Name: John E. Bonman
Title: Attorney-in-Fact

BRIDGE STREET SPECIAL OPPORTUNITIES FUND
2000, L.P.

By: Bridge Street Special Opportunities Fund 2000,
L.L.C., its General Partner

By: /s/ JOHN E. BONMAN

Name: John E. Bonman
Title: Attorney-in-Fact

STAENBERG VENTURE PARTNERS II, L.P.

By: _____

Name:
Title:

STAENBERG SEAGATE PARTNERS, LLC

By: _____

Name:
Title:

INTEGRAL CAPITAL PARTNERS V, L.P.

By: Integral Capital Management V, LLC, its General
Partner

By: _____

Name:
Title:

BRIDGE STREET SPECIAL OPPORTUNITIES FUND
2000, L.P.

By: Bridge Street Special Opportunities Fund 2000,
L.L.C., its General Partner

By: _____

Name:

Title:

STAENBERG VENTURE PARTNERS II, L.P.

By: /s/ JON R. STAENBERG

Name: Jon R. Staenberg

Title: Managing Director

STAENBERG SEAGATE PARTNERS, LLC

By: /s/ JON R. STAENBERG

Name: Jon R. Staenberg

Title: Managing Director

INTEGRAL CAPITAL PARTNERS V, L.P.

By: Integral Capital Management V, LLC, its General
Partner

By: _____

Name:

Title:

BRIDGE STREET SPECIAL OPPORTUNITIES FUND
2000, L.P.

By: Bridge Street Special Opportunities Fund 2000,
L.L.C., its General Partner

By: _____

Name:

Title:

STAENBERG VENTURE PARTNERS II, L.P.

By: _____

Name:

Title:

STAENBERG SEAGATE PARTNERS, LLC

By: _____

Name:

Title:

INTEGRAL CAPITAL PARTNERS V, L.P.

By: Integral Capital Management V, LLC, its General
Partner

By: /s/ PAMELA K. HAGENAH

Name: Pamela K. Hagenah

Title: Manager

INTEGRAL CAPITAL PARTNERS V SIDE FUND,
L.P.

By: ICP Management V, LLC, its General Partner

By: /s/ PAMELA K. HAGENAH

Name: Pamela K. Hagenah

Title: Manager

Stephen J. Luczo

Charles C. Pope

William D. Watkins

INTEGRAL CAPITAL PARTNERS V SIDE FUND,
L.P.

By: ICP Management V, LLC, its General Partner

By: _____

Name:

Title:

/s/ STEPHEN J. LUCZO

Stephen J. Luczo

Charles C. Pope

William D. Watkins

INTEGRAL CAPITAL PARTNERS V SIDE FUND,
L.P.

By: ICP Management V, LLC, its General Partner

By: _____

Name:

Title:

Stephen J. Luczo

/s/ C HARLES C. P OPE

Charles C. Pope

/s/ W ILLIAM D. W ATKINS

William D. Watkins

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Exhibit 99.1

CERTIFICATION

I, Stephen J. Luczo, chief executive officer of Seagate Technology, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Seagate Technology;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 10, 2003

/s/ Stephen J. Luczo

Name: Stephen J. Luczo
Title: Chief Executive Officer

Exhibit 99.2

CERTIFICATION

I, Charles C. Pope, chief financial officer of Seagate Technology, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Seagate Technology;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 10, 2003

/s/ Charles C. Pope

Name: Charles C. Pope
Title: Chief Financial Officer

End of Filing

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