SEAGATE TECHNOLOGY
Form 424B4
July 25, 2003

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Filed Pursuant to Rule 424(b)(4)

Registration No. 333-106599

PROSPECTUS

60,000,000 Shares

COMMON SHARES

Our parent, the selling shareholder, is offering 60,000,000 common shares. We will not receive any of the proceeds from the sale of common shares in this offering.

Our common shares are listed on the New York Stock Exchange under the trading symbol STX. On July 24, 2003 the last reported sale price of our common shares on the New York Stock Exchange was $18.93 per share.

Investing in our common shares involves risks. See Risk Factors beginning on page 14.

PRICE $18.75 PER SHARE

	Price to	***Underwriting***	***Proceeds to***

	Public	Discounts and Commissions	Selling Shareholder
Per Share	*$18.75*	*$0.56*	*$18.19*
Total	*$1,125,000,000*	*$33,750,000*	*$1,091,250,000*

The selling shareholder has granted the underwriters the right to purchase up to an additional 9,000,000 common shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the common shares to purchasers on July 30, 2003.

Sole Bookrunner and Joint Lead Manager

MORGAN STANLEY

Joint Lead Manager

JPMORGAN

CITIGROUP

GOLDMAN, SACHS & CO.

BEAR, STEARNS & CO. INC.

LEHMAN BROTHERS

MERRILL LYNCH & CO.

THOMAS WEISEL PARTNERS LLC

July 24, 2003

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You should rely only on the information contained in this prospectus. Neither we nor the selling shareholder has authorized anyone to provide you with information different from that contained in this prospectus. The selling shareholder is offering to sell, and seeking offers to buy, common shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of common shares.

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PROSPECTUS SUMMARY

You should read the following summary together with the entire prospectus, including the more detailed information in our consolidated financial statements and related notes appearing elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in Risk Factors. Unless the context indicates otherwise, as used in this prospectus, 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, and the term common shares refers to our common shares. For ease of reference, throughout this prospectus, we use the term Seagate Delaware to refer to Seagate Technology, Inc., a Delaware corporation, and, unless it is otherwise evident from the context, its subsidiaries before the November 2000 transactions described below.

SEAGATE TECHNOLOGY

We are the worldwide leader in the design, manufacturing and marketing of rigid disc drives. Rigid disc drives, which are commonly referred to as hard drives, are used as the primary medium for storing electronic information in systems ranging from personal computers and consumer electronics to data centers. According to IDC, we are the largest manufacturer of rigid disc drives in terms of unit shipments, with a 28.8% market share for the three months ended March 31, 2003 and a 29.4% market share for calendar year 2002. 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 desktop personal computers, or PCs, and consumer electronics. We have also recently introduced new products for the mobile sector, where our rigid disc drives are used in notebook computers.

We have achieved our leadership position through ownership of critical component technologies, a commitment to advanced research and development and a focus on manufacturing and supply chain efficiency and flexibility. We believe our current industry leadership in technology and manufacturing efficiency has been achieved through our successful ongoing execution of our long-term strategic plan. This long-term plan involves:

- increasing our commitment to investment in fundamental research and technological innovation;
- leveraging our research investment to bring new products to market, such as our notebook rigid disc drives;
- instituting common technology platforms throughout our product portfolio;
- streamlining our operations;
- continuing to improve the efficiency of our manufacturing processes; and
- realizing the benefits of our Six Sigma program.

We sell our rigid disc drives primarily to major original equipment manufacturers, or OEMs, with whom we have longstanding relationships. These customers include Dell Computer Corporation, EMC Corporation, Hewlett-Packard Company, International Business Machines Corporation and Sun Microsystems, Inc. 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.

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Our Strategy

To enhance our position as the leading designer and manufacturer of rigid disc drives and increase our market share, we intend to pursue the following business strategies:

Continue to Lead Technological Innovation. We intend to strengthen our industry leading position by continuing to make substantial investments in research and development while leveraging our integrated manufacturing operations.

Increase Manufacturing and Supply Chain Efficiency and Flexibility. We intend to continue our manufacturing improvement and cost reduction efforts. By further integrating our operations with our suppliers and customers, we believe that we can continue to reduce our working capital needs and improve our responsiveness to customer requirements.

Expand and Deepen Relationships with Customers. We intend to increase the strength and broaden the scope of our customer relationships by expanding our design and engineering services to become a more integrated part of our customers supply chains.

Capitalize on Emerging Storage Demand and Increase Market Share. We are dedicated to being the industry leader in all markets for rigid disc drives. We believe that through our focus on technological innovation and manufacturing efficiency, we will continue to grow our market share as well as address new, high-growth markets. We also intend to leverage our investment in technology to continue to introduce new products for the mobile rigid disc drive market.

Continue to Pursue Select Alliances, Acquisitions and Investments. We will continue to evaluate and selectively pursue strategic alliances, acquisitions and investments that are complementary to our business.

Historical Transactions

November 2000 Transactions. We are the successor to the rigid disc drive and storage area networks divisions of Seagate Delaware that were acquired by New SAC, an exempted limited liability company organized under the laws of the Cayman Islands, in November 2000. In the series of transactions that took place in November 2000, a group of private equity investment firms, which we refer to as our sponsor group, contributed approximately $875 million for ordinary and preferred shares of New SAC. New SAC used these proceeds, together with borrowings, to acquire the rigid disc drive and storage area networks divisions of Seagate Delaware for $1.684 billion. In addition, certain officers of Seagate Delaware, which we refer to as the management group, converted a portion of their restricted shares of Seagate Delaware common stock and unvested options to acquire Seagate Delaware common stock, valued at approximately $184 million, into deferred compensation plan interests and restricted ordinary and preferred shares of New SAC. We refer to the conversion of the management group s common stock and options in Seagate Delaware as the management rollover. For ease of reference, we refer to these transactions as the November 2000 transactions throughout this prospectus. The November 2000 transactions are described more fully in the Historical Transactions November 2000 Transactions section of this prospectus.

The 2002 Refinancing. In May 2002, we refinanced all of our then outstanding indebtedness in a series of transactions that consisted of:

- the repurchase of all of our $210 million principal amount 12½% senior subordinated notes due 2007;
- the issuance and private placement of $400 million in aggregate principal amount of 8% senior notes due 2009 by our subsidiary, Seagate Technology HDD Holdings, and our unconditional guarantee, on a senior unsecured basis, of such notes (for ease of reference, we refer to these notes as our 8% senior notes throughout this prospectus);

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- the repayment of approximately $673 million under our previously existing senior secured credit facilities;
- the entry by Seagate Technology HDD Holdings and Seagate Technology (US) Holdings, our indirect subsidiary, into new senior secured credit facilities, which consist of:

  a $350 million term loan facility that has been drawn in full, and

  a $150 million revolving credit facility, of which $28 million had been used for outstanding letters of credit and bankers guarantees as of March 28, 2003;
- the distribution of approximately $167 million to our existing shareholders, consisting of New SAC and employees who had exercised options granted under our share option plan; and
- the payment of approximately $32 million to deferred compensation plan participants, consisting of members of the management group.

For ease of reference, we refer to these refinancing transactions as the 2002 refinancing throughout this prospectus. The 2002 refinancing is described more fully in the Historical Transactions The 2002 Refinancing section of this prospectus.

Our 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 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 our initial public offering, we paid a 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 members of our sponsor group 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 common shares in our initial public offering, after deducting underwriting discounts and commissions. New SAC distributed these net proceeds, together with the proceeds from the distribution described above, to holders of its preferred and ordinary 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, and as a consequence there are no longer any outstanding obligations under that deferred compensation plan.

Our Sponsor Group

A group of private equity investment firms led by Silver Lake Partners and members of our current and former management group indirectly own, through their ownership of New SAC, 80.1% of our outstanding share capital as of June 27, 2003. After this offering, they will indirectly own approximately 66.4% of our outstanding share capital. Our sponsor group consists of affiliates of Silver Lake Partners, Texas Pacific Group, August Capital, J.P. Morgan Partners, LLC, investment partnerships of which the general partner, managing general partner or investment manager is affiliated with Goldman, Sachs & Co. and other investors.

In the November 2000 transactions, our sponsor group and some members of our management group indirectly acquired, through the purchase of ordinary and preferred shares of New SAC for cash, approximately 318 million and 8 million of our shares, respectively, for an implicit allocated per share purchase price of

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$1.96 (based on their overall investment in New SAC). In addition, our management group indirectly acquired, through participation in the management rollover, unvested ownership interests in approximately 67 million of our shares with an implicit allocated per share purchase price of $1.96.

The sponsors and our management s ownership of New SAC is subject to a shareholders agreement and other arrangements that result in the sponsors and our management acting as a group with respect to all matters submitted to our shareholders.

The following diagram provides a summary illustration of our ownership structure, including our sponsors indirect ownership percentages of Seagate Technology, immediately after giving effect to this offering.

Recent Developments

On July 15, 2003, we announced our preliminary results for the quarter and year ended June 27, 2003. For the quarter, our revenue was $1.55 billion, and our net income was $160 million, with diluted earnings per share of $0.33. For the year-ago quarter, our revenue was $1.47 billion and we had a net loss of $198 million, with a loss of $0.49 per share. The year-ago quarter results include a pre-tax charge for deferred compensation of $179 million and costs related to debt restructuring of $93 million.

Gross margin for the quarter ended June 27, 2003 was 27.6%, compared to 26.8% in the prior quarter. The sequential increase in gross margin percentage is a result of the strength of our enterprise business and improved yields for products introduced over the previous two quarters. The increase was offset somewhat by lower overall unit volumes in the personal storage sector combined with price declines for the quarter. We shipped 13.0 million units of personal storage products in the quarter ended June 27, 2003, compared to 11.8 million units in the year ago quarter and 13.9 million units in the prior quarter. We enjoyed higher levels of enterprise units sales than we anticipated and we shipped 2.9 million units in the quarter ended June 27, 2003, compared to 2.7 million units in each of the year ago quarter and the prior quarter. We believe that on a unit basis, we maintained our market

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share in the enterprise sector and our market share in the personal storage sector declined between 1.0% and 1.5%. We also began limited revenue shipments of our Momentus notebook disc drives to certain OEM customers during the quarter and are continuing qualification programs with a number of other OEMs that are material to the success of this product.

For fiscal year 2003, our revenue was $6.49 billion and our net income was $641 million, with diluted earnings per share of $1.36. For fiscal year 2002, our revenue was $6.09 billion and our net income was $153 million, with diluted earnings per share of $0.36. We shipped 67.5 million rigid disc drives in fiscal year 2003, a 23% increase compared to the prior year.

Principal Executive Offices

The address of our principal executive offices is Seagate Technology c/o M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, and the telephone number at that address is (345) 949-8066. Our worldwide web site address is www.seagate.com. However, the information in, or that can be accessed through, our web site is not part of this prospectus.

Trademarks

Seagate, Seagate Technology, Barracuda and Cheetah, among others, are our registered trademarks. We also have a registration pending for our Momentus trademark. This prospectus also includes trademarks of other persons.

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THE OFFERING

Shares offered by New SAC, the selling shareholder	60,000,000 shares
Shares to be outstanding after this offering	438,870,267 shares
Use of proceeds	The selling shareholder will receive all of the net proceeds from the sale of common shares in this offering.
NYSE trading symbol	STX
Dividend policy	In accordance with our quarterly dividend policy, as amended by our board of directors on June 27, 2003, we expect to pay our shareholders a quarterly distribution of up to $0.04 per share ($0.16 annually) so long as the aggregate amount of the distribution does not exceed 50% of our consolidated net income for the quarter in which the distribution is declared.
	On July 14, 2003, our board of directors declared a quarterly distribution of $0.04 per share to be paid on or before August 22, 2003 to our shareholders of record as of August 8, 2003. Since the closing of our initial public offering, we have made distributions of $0.03 per share to our shareholders of record as of each of February 14, 2003 and May 9, 2003. These distributions have totalled approximately $26 million in the aggregate.
	See the Dividend Policy section and the Certain Income Tax Considerations section of this prospectus for further information about these distributions and our dividend policy.

The number of common shares to be outstanding immediately after this offering is based on 438,870,267 common shares outstanding on June 27, 2003, and excludes:

- 73,084,486 common shares issuable upon the exercise of options outstanding as of June 27, 2003 at a weighted average exercise price of $4.55 per share; and
- 12,045,247 common shares reserved for future issuance under our option plan as of June 27, 2003.

Except as otherwise indicated, all information contained in this prospectus assumes no exercise by the underwriters of their right to purchase up to an additional 9,000,000 shares from the selling shareholder to cover over-allotments.

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SUMMARY FINANCIAL INFORMATION

The table below summarizes historical consolidated and combined financial information relating to us and our predecessor for the periods indicated. Through November 22, 2000, the rigid disc drive business that we now operate and the storage area networks business that we operated through November 4, 2002 were the rigid disc drive and storage area networks divisions of Seagate Delaware. Those divisions are our predecessor, and our operations prior to our sale of XIOtech Corporation, our wholly-owned indirect subsidiary, were substantially identical to the operations of our predecessor before the November 2000 transactions.

This summary financial information should be read in conjunction with Selected Historical Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated and combined financial statements and related notes contained elsewhere in this prospectus.

	Predecessor				Seagate Technology					
	Fiscal Year Ended (a)					Fiscal Year Ended	Quarter Ended		Nine Months Ended	
	July 3, 1998	July 2, 1999	June 30, 2000	July 1, 2000 to Nov. 22, 2000	Nov. 23, 2000 to June 29, 2001	June 28, 2002 (b)	March 29, 2002	March 28, 2003	March 29, 2002	March 28, 2003 (b)
							(unaudited)			
	(in millions, except per share data)									
Statement of Operations Data:										
Revenue	$ 6,267	$ 6,180	$ 6,073	$ 2,310	$ 3,656	$ 6,087	$ 1,691	$ 1,620	$ 4,614	$ 4,933
Cost of revenue	5,523	4,902	4,822	2,035	2,924	4,494	1,180	1,186	3,368	3,634
Product development	555	566	664	409	388	698	177	167	492	496
Marketing and administrative	330	345	464	450	288	498	97	85	302	276
Amortization of goodwill and other intangibles	21	20	33	20	12	19	5		15	
In-process research and development (c)	216	2	105		52					
Restructuring (d)	347	59	206	19	66	4	4		4	7
Unusual items (e)	(22)	75	64							
Income (loss) from operations (f)	(703)	211	(285)	(623)	(74)	374	228	182	433	520
Other income (expense):										
Interest income	98	102	101	57	31	25	6	4	21	12
Interest expense	(51)	(48)	(52)	(24)	(54)	(77)	(19)	(11)	(61)	(36)
Other non-operating income (expense) (g)	(66)	10	877	(28)	(4)	(83)	(1)	5	10	(1)
Income (loss) before income taxes	(722)	275	641	(618)	(101)	239	214	180	403	495
Provision for (benefit from) income taxes	(191)	61	275	(206)	9	86	21	6	52	14
Net income (loss)	$ (531)	$ 214	$ 366	$ (412)	$ (110)	$ 153	$ 193	$ 174	$ 351	$ 481
Net income per share (h):										
Basic						$ 0.38	$ 0.48	$ 0.41	$ 0.88	$ 1.17

Diluted	$ 0.36	$ 0.45	$ 0.37	$ 0.85	$ 1.04
Number of shares used in per share calculations:					
Basic	401	401	429	400	413
Diluted	428	429	476	411	465
Cash distributions declared per share (i)	$ 0.50	$ 0.08	$ 0.03	$ 0.08	$ 0.68

(Footnotes on next page)

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		As of March 28, 2003
		(in millions)
Balance Sheet Data:		
Cash and cash equivalents	$	679
Short-term investments		397
Total assets		3,382
Total debt		749
Total shareholders equity		1,146

(a) We report, and our predecessor reported, financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30 of that year. Accordingly, each fiscal year ended on the date indicated above. Fiscal year 1998 was 53 weeks. All other fiscal years presented were 52 weeks. All references to years represent fiscal years unless otherwise noted.

(b) On November 4, 2002, we sold XIOtech, our wholly-owned indirect subsidiary, to New SAC in return for a $32 million promissory note from New SAC. Immediately after the sale, we made an in-kind distribution of the promissory note to our existing shareholders, including New SAC. XIOtech s revenue and net loss were $74 million and $51 million, respectively, for the fiscal year ended June 28, 2002 and $24 million and $9 million, respectively, for the nine months ended March 28, 2003. In addition, we refinanced all of our then outstanding indebtedness in May 2002. As a result of the 2002 refinancing, we incurred $93 million of debt refinancing charges, which were comprised of a premium paid on the redemption of our 12 $^{1}/2$% senior subordinated notes due 2007, write-off of unamortized discount, write-off of previously capitalized debt issuance costs and other miscellaneous charges. See Unaudited Pro Forma Condensed Consolidated Financial Information for a description of the pro forma effects of these transactions.

(c) These amounts represent portions of the purchase price of prior acquisitions that were attributed to in-process research and development projects of acquired companies. Our predecessor recorded the following charges related to the write-off of in-process research and development: (1) in fiscal year 1998, principally consisting of $216 million in connection with the acquisition of Quinta; (2) in fiscal year 1999, of $2 million in connection with the acquisition of a minority interest in Seagate Software Holdings; (3) in fiscal year 2000, of $105 million in connection with the acquisition of XIOtech; and (4) in the period from November 23, 2000 to June 29, 2001, of $52 million in connection with the November 2000 transactions.

(d) Restructuring charges are the result of board approved restructuring plans we have implemented to align our global workforce and manufacturing capacity with existing and anticipated future market requirements. These charges are described in more detail in the notes to the audited consolidated and combined financial statements of Seagate Technology and its predecessor included elsewhere in this prospectus and in Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

(e) Unusual items include: (1) in fiscal year 1998, a $22 million reversal of expense recognized in fiscal year 1997 but paid in a lesser amount in fiscal year 1998 relating to the settlement of litigation; (2) in fiscal year 1999, a gross charge of $78 million of cash compensation expense related to the acquisition of Quinta by our predecessor, which was offset by $3 million of other one-time items; and (3) in fiscal year 2000, $64 million of expense related to the settlement of litigation.

(f) Income (loss) from operations includes: (1) in fiscal year 2000, $43 million of non-cash compensation expense and payroll taxes related to the reorganization of Seagate Software Holdings, Inc., of which $2 million was allocated to cost of revenue, $1 million was allocated to product development expense and $40 million was allocated to marketing and administrative expense; (2) in the period from July 1, 2000 to November 22, 2000, non-cash compensation expense totaling $567 million related to the November 2000 transactions, of which $265 million was allocated to cost of revenue, $116 million was allocated to product development expense and $185 million was allocated to marketing and administrative expense; and (3) in fiscal year 2002, a $179 million charge to record $32 million paid to participants in our deferred compensation plan and $147 million to accrue the remaining obligations

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under the plan. Of the $179 million charge, $38 million was allocated to cost of revenue, $29 million was allocated to product development expense and $112 million was allocated to marketing and administrative expense.

(g) Other non-operating income (expense) includes: (1) in fiscal year 1998, mark-to-market losses of $76 million on foreign exchange hedging contracts partially offset by gains on the sale of certain investments in equity securities of $8 million; (2) in fiscal year 2000, $679 million of gains on the sale of SanDisk Corporation stock and $199 million of gains on the exchange of certain investments in equity securities; (3) for the period from July 1, 2000 through November 22, 2000, losses recognized on investments in Lernout & Hauspie Speech Products N.V. and Gadzoox Networks, Inc., and losses on the sale of marketable securities of $138 million, $8 million and $8 million, respectively, partially offset by gains on sales of SanDisk Corporation and Veeco Instruments, Inc. stock of $102 million and $20 million, respectively; and (4) in fiscal year 2002, $93 million in debt refinancing charges.

(h) Net income (loss) per share data is not presented prior to November 23, 2000 because our predecessor had no formal capital structure. Basic and diluted net loss per share information is not presented for the period from November 23, 2000 to June 29, 2001 because Seagate Technology had a net loss and had no outstanding common shares, and the assumed conversion of Seagate Technology s then-outstanding Series A preferred shares (which were automatically converted into common shares on a one-for-one basis upon the consummation of our initial public offering) would be antidilutive. Basic and diluted net income per share for fiscal year 2002 includes weighted average common shares outstanding and the dilutive effect as if all 400 million Series A preferred shares had converted into common shares on a one-to-one basis. Diluted net income per share for fiscal year 2002 also includes the dilutive effect (calculated using the treasury stock method) of the assumed exercise of outstanding options to purchase common shares.

(i) Excludes the in-kind distribution to shareholders of a $32 million promissory note we received in connection with our sale of XIOtech. All distributions, with the exception of the $0.03 per share distribution paid in accordance with our then-current dividend policy in the quarter ended March 28, 2003, were declared and paid prior to our initial public offering on December 11, 2002.

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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 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. We may need to reduce our prices to retain our market share, which could adversely affect our results of operations. Based on our recent experience in the industry with respect to new product introductions, we believe that the rate of increase in areal density, or the storage capacity per square inch on a disc, is slowing from its previous levels. This trend may contribute to increased average price erosion to the extent that historical price erosion patterns continue, product life cycles are lengthened and we are unable to offset these factors with new product introductions at higher average prices. As a result, our results of operations could be adversely affected.

Moreover, a significant portion of our success over the past two fiscal years 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:

Captive	**Independent**
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 than we do. To the extent we are not successful competing with captive or independent rigid disc drive manufacturers, our results of operations will be adversely affected.

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

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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 of the date of this prospectus. 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, due to seasonality and other factors;
- 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 or specific product lines 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;
- the impact of external factors, such as Severe Acute Respiratory Syndrome, or SARS, on customer demand or on our operations; 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.

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.

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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 computers, 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, notebook 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. Because our working capital needs peak during periods in which we are increasing production in anticipation of orders that have not yet been received, our operating results will fluctuate seasonally even if the forecasted demand for our products proves accurate. Furthermore, it is difficult for us to evaluate the degree to which this seasonality may affect our business in future periods because our overall growth may have reduced the impact of this seasonality in recent periods.

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, 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;

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- the timing of orders from and shipment of products to key customers;
- 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 or specific product lines and liquidate their remaining 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.

Variable Product Life Cycles The variability of product life cycles can make planning product transitions difficult.

Historically the rate of increase of areal density has grown rapidly; however, recently this rate of increase is slowing. 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. As a result, product life cycles shortened because of recent rapid increases in areal density. The introduction of new rigid disc drives requires us to engage in new product qualifications with our customers and we expect to engage in several competitive product qualifications during the balance of this calendar year, particularly with respect to our notebook products, and on an ongoing basis in future years. Short 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.

In contrast to historical trends, based on our recent experience in the industry with respect to new product introductions, we believe that the current rate of increase in areal density is slowing from the rate of the last several years. We believe that this slowdown in the rate of increase in areal density will continue until a significant advance in technology for the electronic storage of data, such as perpendicular recording technology, becomes commercially available. When the rate of increase in areal density slows, it may contribute to increased average price erosion to the extent historical price erosion patterns continue, product life cycles are lengthened and our ability to introduce new products at higher prices is limited. In addition, the variability of product life cycles can make planning product transitions more difficult. To the extent that we prematurely discontinue a product, or do not timely introduce new products, our operating results may be adversely affected.

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.

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In addition, the success of our new product introductions is dependent upon our ability to qualify as a primary source of supply with our original equipment manufacturer, or OEM, customers. 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 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.

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

Increases in sales of notebook computers and in areal density are resulting 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 3.5-inch form factor, which we currently manufacture. Notebook computers typically use 2.5-inch form factor rigid disc drives. Although we are currently shipping notebook drives to OEMs, we currently have not completed qualification programs with a number of OEMs which are material to the success of these products. Furthermore, our announced products only address a limited portion of the existing notebook market. We cannot assure you that we will receive additional qualifications or that we will be able to successfully compete in the market for smaller form factor rigid disc drives. 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.

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. 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.

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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.

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. For the fiscal year ended June 28, 2002 and the nine months ended March 28, 2003, we had product development expenses of $698 million and $496 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. In addition, as areal densities have increased, delivering products with the reliability and performance characteristics, as well as manufacturing yields, of prior product generations has become increasingly difficult. This may cause our OEM customers to delay transitions to our newer product offerings. These factors 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

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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. 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 near 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. Furthermore, based on our recent experience in the industry with respect to new product introductions, we believe that the rate of increase of areal density is slowing as compared to its previous levels, which has lengthened the life cycles of existing products and may further postpone returns on our investments in new technologies. If we have invested too much in new 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

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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.

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 nine months ended March 28, 2003, 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 17% of our rigid disc drive revenue in the nine months ended March 28, 2003. 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.

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, IBM, which is one 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.

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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, our customers   credit and access to capital and health-related risks.

We have significant operations in foreign countries, including manufacturing facilities, sales personnel and customer support operations. For fiscal year 2002 and the nine months ended March 28, 2003, approximately 31% and 32%, respectively, of our rigid disc drive revenue were from sales to customers located in Europe and approximately 30% and 35%, 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.

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.

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- *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.

- *Health-Related Risks.* We have manufacturing facilities in China, Singapore, Malaysia and Thailand, all of which are areas that have recently experienced outbreaks of SARS. An outbreak of SARS in or near any of our facilities could result in the quarantine or closure of such a facility and have an adverse effect on our results of operations and financial condition.

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, the ongoing hostilities in Afghanistan and Iraq and the risk of hostilities with North Korea 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 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 board of New SAC, and on the boards of Certance Holdings, a tape drive company, and Crystal Decisions, a software company, both of which are owned by New SAC. Several of our executive officers also serve as officers and/or directors of those entities as well as of 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 distributions 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. Furthermore, 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 also resolved the claim by Papst that its license agreement was not properly transferred.

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. We have since received additional letters from Read-Rite Corporation making the same claims. Seagate Delaware entered into a Patent Cross License Agreement dated December 31, 1994, which covered the two patents referenced in the November 20 letter, as well as other intellectual property of Read-Rite Corporation. 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 materially the same terms as the 1994 agreement.

In order to clarify the parties rights under the Patent Cross License Agreement, we filed a declaratory judgment action on May 7, 2003 in the Superior Court of California, County of Santa Clara, seeking a declaration that we are entitled to a cross-license, effective as of November 22, 2000, under terms substantially identical to those contained in the Patent Cross License Agreement. On June 11, 2003, Read-Rite Corporation answered the

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complaint putting forward a general denial and asserting various affirmative defenses. On June 17, 2003, Read-Rite Corporation filed a voluntary petition for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. Upon notice, our declaratory judgment action has been stayed. On July 23, 2003, the U.S. Bankruptcy Court approved the sale of the assets of Read-Rite Corporation, including the intellectual property that was the subject of Read-Rite s assertions against us, to Western Digital Corporation in a transaction that is scheduled to close by August 2003. We, together with two other entities, have provided a back-up bid that would require us to purchase a portion of the Read-Rite assets if the Western Digital purchase does not close. Under the back-up bid, Seagate would provide consideration of approximately $31 million. We understand that the back-up bid is being reviewed by the Federal Trade Commission and, accordingly, we cannot assure you that if the Western Digital proposal does not close, we would be able to purchase the Read-Rite assets under our proposal.

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 Convolve, Inc. and the Massachusetts Institute of Technology and a suit pending in Nanjing, China. In addition, as noted above, Read-Rite Corporation, in a letter dated November 20, 2002 and in correspondence since that date, 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. We filed a declaratory judgment action in the Superior Court of California, seeking to clarify our rights to Read-Rite Corporation s patented technology. Read-Rite Corporation responded by filing a general denial and asserting various affirmative defenses. On June 17, 2003, Read-Rite Corporation filed a voluntary petition for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code and, pursuant to a notice we received on June 19, 2003, our declaratory judgment action has been stayed. As discussed above, on July 23, 2003, the U.S. Bankruptcy Court approved the sale of the assets of Read-Rite Corporation, including the intellectual property that was the subject of Read-Rite s assertions against us, to Western Digital Corporation in a transaction that is scheduled to close by August 2003.

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

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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, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States, or protect us from independently developing or acquiring technology that is similar to ours. For example, through its bankruptcy proceedings under Chapter 7 of the U.S. Bankruptcy Code, on July 23, 2003, the U.S. Bankruptcy Court approved the sale of Read-Rite Corporation s patents and other intellectual property rights to Western Digital Corporation in a transaction that is scheduled to close by August 2003. If Western Digital completes its acquisition of these assets, it can use this intellectual property to compete against us. 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

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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.

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 and offsite properties, principally in connection with historical operations. In addition, we have been named as a potentially responsible party at several contaminated disposal sites. While we are not currently aware of any contaminated 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.

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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 U.S. federal 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. In addition, certain state legislatures have proposed similar legislation. Therefore, it is possible that federal or state 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 distributions or make other restricted payments and investments.

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

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- 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. See Description of Material Indebtedness.

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, 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 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. 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.

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. See Description of Material Indebtedness.

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 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 our outstanding indebtedness were to be accelerated, we

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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 significantly.

Risks Related to this Offering and the Common Shares

Control by Our Sponsor Group Because our sponsor group, through its ownership of New SAC, will continue to hold a controlling interest in us, the influence of our public shareholders over significant corporate actions will be limited.

After this offering, affiliates of Silver Lake Partners, Texas Pacific Group, August Capital, J.P. Morgan Partners, LLC and investment partnerships affiliated with Goldman, Sachs & Co. will indirectly own approximately 21.1%, 14.7%, 7.6%, 4.4% and 1.5%, 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, after this offering, the members of our sponsor group will continue to 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.

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, and after this offering will continue to 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. See Shares Eligible for Future Sale for a more detailed description of the common shares that will be available for future sales upon completion of the offering.

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.

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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, and you could lose all or a substantial part of your investment. 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;
- 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 Distributions Our failure to pay quarterly distributions to our common shareholders could cause the market price of our common shares to decline significantly.

In accordance with our quarterly dividend policy in effect at such time, our board of directors declared and paid quarterly distributions of $0.03 per share, or approximately $13 million, to all of our shareholders of record as of each of February 14, 2003 and May 9, 2003, including New SAC. On June 27, 2003, our board of directors amended our dividend policy and, pursuant to our amended policy, we expect to pay our shareholders a quarterly distribution of up to $0.04 per share ($0.16 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. On July 14, 2003, our board of directors declared a quarterly distribution of $0.04 per share to be paid on or before August 22, 2003 to our shareholders of record as of August 8, 2003. See Dividend Policy.

Our ability to pay quarterly 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 which limit annual distributions to $80 million. See Description of Material Indebtedness. Any reduction or discontinuation of quarterly distributions could cause the market price of our common shares to decline significantly. Moreover, in the event our payment of quarterly distributions is reduced or discontinued, our failure or inability to resume paying distributions at historical levels could result in a persistently low market valuation of our common shares.

Taxation of Distributions Certain U.S. shareholders may be ineligible for favorable U.S. federal income tax treatment on distributions on our common shares.

Because we did not have any current or accumulated earnings and profits for U.S. federal income tax purposes for our taxable year ended June 27, 2003, distributions on our common shares during this period were treated as a return of capital rather than dividend income for U.S. federal income tax purposes. There can be no assurance, however, that we will not have current or accumulated earnings and profits for U.S. federal income tax purposes in future years. To the extent that we have current or accumulated earnings and profits for U.S. federal income tax purposes, distributions on our common shares will not be treated as a return of capital distribution and will be treated as dividend income.

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Furthermore, we currently believe that we are a foreign personal holding company for U.S. federal income tax purposes. Under recent U.S. federal income tax legislation, U.S. shareholders who are individuals will not be eligible for reduced rates of taxation applicable to certain dividend income (currently a maximum rate of 15%) on distributions on our common shares if we qualify as a foreign personal holding company in the year in which such distributions were made or in the preceding taxable year. As a result, if distributions on our common shares are treated as dividend income because we have current or accumulated earnings and profits in the taxable year in which such distributions are made, U.S. shareholders who are individuals may not qualify for favorable U.S. federal income tax treatment under the new legislation.

Potential Governmental Action Governmental action against companies located in offshore jurisdictions may lead to a reduction in the demand for our common shares.

Recently, several state and other governmental officials have threatened to take legislative and other actions against U.S. companies that have expatriated to specific foreign jurisdictions. For example, the California state treasurer has requested that certain pension funds eliminate from their investment portfolios all public equity and fixed income holdings of companies that have reincorporated in foreign jurisdictions. If we are included within the scope of such legislation or governmental action, it may reduce the demand for, and have a material adverse effect on the price 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.

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 (2003 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.

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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.

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 exempted 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 exempted 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. See Special Notes About Forward-Looking Statements and Enforcement of Civil Liabilities.

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SPECIAL NOTES ABOUT FORWARD-LOOKING STATEMENTS AND ENFORCEMENT OF CIVIL LIABILITIES

Forward-Looking Statements

Some of the statements and assumptions included in this prospectus are 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, including, in particular, the statements about our plans, strategies and prospects in Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business. 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 r 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. 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, as well as any other cautionary language in this prospectus, 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. Before you invest in our common shares, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this prospectus could have an adverse effect on our business, results of operations and financial position.

Enforcement of Civil Liabilities

We are incorporated as an exempted company with limited liability under the laws of the Cayman Islands. A substantial portion of our assets are located outside of the United States. As a result, it may be difficult for persons purchasing the common shares to enforce judgments against us or judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States.

We have been advised by our Cayman Islands counsel, Maples and Calder, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given recognize and enforce a foreign judgment of a court of competent jurisdiction if such judgment is final, for a liquidated sum, not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands judgment in respect of the same matters, and was not obtained in a manner, and is not a kind, the enforcement of which is contrary to the public policy of the Cayman Islands. There is doubt, however, as to whether the Grand Court of the Cayman Islands will: (i) recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the securities laws of the United States or any state of the United States, or (ii) in original actions brought in the Cayman Islands, impose liabilities predicated upon the civil liability provisions of the securities laws of the United States or any state of the United States, on the grounds that such provisions are penal in nature.

The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares by the selling shareholder. The selling shareholder will receive all of the net proceeds from the sale of the common shares in this offering.

PRICE RANGE OF COMMON SHARES

Our common shares have been traded on the New York Stock Exchange under the symbol STX since December 11, 2002. The high and low closing sale prices of our common shares, as reported by the New York Stock Exchange, are set forth below for the periods indicated.

	Price Range	
Fiscal year 2003	**High**	**Low**
Quarter ending December 27, 2002 (commencing December 11, 2002)	$ 11.61	$ 10.03
Quarter ending March 28, 2003	$ 12.60	$ 8.06
Quarter ending June 27, 2003	$ 18.38	$ 10.27
Fiscal year 2004		
Quarter ending October 3, 2003 (through July 24, 2003)	$ 21.56	$ 17.65

The closing sale price of our common shares as reported by the New York Stock Exchange on July 24, 2003 was $18.93. As of July 22, 2003, there were 1,218 holders of record of our common shares.

DIVIDEND POLICY

On June 27, 2003, our board of directors amended our quarterly dividend policy and, pursuant to our amended policy, we expect to pay our shareholders a quarterly distribution of up to $0.04 per share ($0.16 annually) so long as the aggregate amount of the distribution does not exceed 50% of our consolidated net income for the quarter in which the distribution is declared, as determined under generally accepted accounting principles and reflected in our publicly filed financial statements for the quarter. In the event that quarterly distributions are declared, all holders of our common shares, including New SAC, will participate ratably on a per share basis in all distributions declared by our board of directors after the completion of the offering.

We are restricted in our ability to pay distributions by the covenants contained in the indenture governing our senior notes and the credit agreement governing our senior secured credit facilities which limits annual distributions to $80 million. See Description of Material Indebtedness. Our declaration of distributions is also subject to Cayman Islands law and the discretion of our board of directors. Under the terms of the Seagate Technology shareholders agreement, at least seven members of our board of directors must approve the payment of distributions in excess of 15% of our net income in the prior fiscal year. See Related Party Transactions Seagate Technology Shareholders Agreement. In deciding whether or not to declare quarterly distributions, our directors will take into account such factors as general business conditions within the rigid disc drive industry, our financial results, our capital requirements, contractual and legal restrictions on the payment of distributions by our subsidiaries to us or by us to our shareholders, the impact of paying distributions on our credit ratings and such other factors as our board of directors may deem relevant.

On July 14, 2003, our board of directors declared a quarterly distribution of $0.04 per share to be paid on or before August 22, 2003 to our shareholders of record as of August 8, 2003. Since the closing of the November 2000 transactions, we have made distributions of approximately $520 million in the aggregate. These include:

- distributions of approximately $33 million and $167 million to our shareholders of record as of March 19, 2002 and May 17, 2002, respectively;

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- an in-kind distribution of a $32 million promissory note to our shareholders of record immediately following our sale of XIOtech on November 4, 2002. See Management s Discussion and Analysis Financial Condition and Results of Operations Disposition of Assets Sale of XIOtech Corporation;

- a distribution of approximately $262 million to our shareholders of record on December 11, 2002 in connection with our initial public offering; and

- distributions in accordance with our quarterly distribution policy in effect at such time of $0.03 per share to our shareholders of record as of February 14, 2003 and May 9, 2003, totaling approximately $26 million in the aggregate.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for U.S. federal income tax purposes in any taxable year, the distribution will be treated as a return of capital for U.S. tax purposes, causing a reduction in your adjusted tax basis in the common shares. We did not have current or accumulated earnings and profits for U.S. federal income tax purposes for our taxable year ended June 27, 2003 and, accordingly, distributions paid on our common shares during this period were treated as a return of capital for U.S. federal income tax purposes. There can be no assurances that we will not have current or accumulated earnings and profits for U.S. federal income tax purposes in future years. To the extent that we do have current or accumulated earnings and profits for U.S. federal income tax purposes, a distribution on our common shares will not be treated as a return of capital distribution and will be treated as dividend income.

Furthermore, we currently believe that we are a foreign personal holding company for U.S. federal income tax purposes. Under recent U.S. federal income tax legislation, U.S. shareholders who are individuals will not be eligible for reduced rates of taxation applicable to certain dividend income (currently a maximum rate of 15%) on distributions on our common shares if we qualify as a foreign personal holding company in the year in which such distributions were made or in the preceding taxable year. For a more complete discussion of the U.S. federal income taxation of distributions on our common shares, see Certain Income Tax Considerations U.S. Federal Income Tax Considerations Taxation of Dividends.

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CAPITALIZATION

The following table sets forth, as of March 28, 2003, our cash, cash equivalents and short-term investments and capitalization, excluding 74,489,000 common shares issuable upon the exercise of options outstanding and 18,055,738 common shares reserved for future issuance under our option plan. You should read this table in conjunction with Selected Historical Consolidated Financial Information, Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and Historical Transactions.

	As of March 28, 2003 (unaudited) (in millions)
Cash, cash equivalents and short-term investments	$ 1,076
Total debt (including current portion of long-term debt):	
Senior secured credit facilities:	
Revolving credit facility	$
Term loan facility	348
8% senior notes due 2009	400
Capitalized lease obligations	1
Total debt	749
Shareholders equity:	
Preferred shares: $0.00001 par value; 100 million authorized; no shares outstanding at March 28, 2003	
Common shares: $0.00001 par value; 1,250 million authorized; 431,455,262 issued and outstanding at March 28, 2003	
Additional paid-in capital	631
Deferred stock compensation	(9)
Retained earnings	524
Total shareholders equity	1,146
Total capitalization	$ 1,895

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

We list in the table below selected historical consolidated and combined financial information relating to us and our predecessor for the periods indicated. Through November 22, 2000, the rigid disc drive business that we now operate and the storage area networks business that we operated through November 4, 2002 were the rigid disc drive and storage area networks divisions of Seagate Delaware. Those divisions are our predecessor, and our operations prior to our sale of XIOtech were substantially identical to the operations of our predecessor before the November 2000 transactions.

- We have derived our predecessor s historical financial information below as of the end of and for fiscal years 1998 and 1999 from the audited combined financial statements and related notes of our predecessor, which are not included in this prospectus.

- We have derived our predecessor s historical financial information below as of the end of and for fiscal year 2000 and for the period from July 1, 2000 through November 22, 2000 from the audited combined financial statements and related notes of our predecessor included elsewhere in this prospectus.

- We have derived our historical financial information as of and for the period from November 23, 2000 through June 29, 2001 and for fiscal year 2002 from our audited consolidated financial statements and related notes included elsewhere in this prospectus.

- We have derived our historical financial information as of March 28, 2003 and for the nine-month periods ended March 28, 2003 and March 29, 2002, from our unaudited condensed consolidated financial information and related notes included elsewhere in this prospectus.

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You should read the selected historical consolidated financial information below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Predecessor				Seagate Technology					
	Fiscal Year Ended (a)					Fiscal Year Ended	Quarter Ended		Nine Months Ended	
	July 3, 1998	July 2, 1999	June 30, 2000	July 1, 2000 to Nov. 22, 2000	Nov. 23, 2000 to June 29, 2001	June 28, 2002 (b)	March 29, 2002	March 28, 2003	March 29, 2002	March 28, 2003 (b)
							(unaudited)			
	(in millions, except per share data)									
Statement of Operations Data:										
Revenue	$ 6,267	$ 6,180	$ 6,073	$ 2,310	$ 3,656	$ 6,087	$ 1,691	$ 1,620	$ 4,614	$ 4,933
Cost of revenue	5,523	4,902	4,822	2,035	2,924	4,494	1,180	1,186	3,368	3,634
Product development	555	566	664	409	388	698	177	167	492	496
Marketing and administrative	330	345	464	450	288	498	97	85	302	276
Amortization of goodwill and other intangibles	21	20	33	20	12	19	5		15	
In-process research and development (c)	216	2	105		52					
Restructuring (d)	347	59	206	19	66	4	4		4	7
Unusual items (e)	(22)	75	64							
Income (loss) from operations (f)	(703)	211	(285)	(623)	(74)	374	228	182	433	520
Other income (expense):										
Interest income	98	102	101	57	31	25	6	4	21	12
Interest expense	(51)	(48)	(52)	(24)	(54)	(77)	(19)	(11)	(61)	(36)
Other non-operating income (expense) (g)	(66)	10	877	(28)	(4)	(83)	(1)	5	10	(1)
Income (loss) before income taxes	(722)	275	641	(618)	(101)	239	214	180	403	495
Provision for (benefit from) income taxes	(191)	61	275	(206)	9	86	21	6	52	14
Net income (loss)	$ (531)	$ 214	$ 366	$ (412)	$ (110)	$ 153	$ 193	$ 174	$ 351	$ 481
Net income per share (h):										
Basic						$ 0.38	$ 0.48	$ 0.41	$ 0.88	$ 1.17
Diluted						$ 0.36	$ 0.45	$ 0.37	$ 0.85	$ 1.04
Number of shares used in per share calculations:										
Basic						401	401	429	400	413
Diluted						428	429	476	411	465
Cash distributions declared per share (i)						$ 0.50	$ 0.08	$ 0.03	$ 0.08	$ 0.68

Balance Sheet Data (at end of Period):							
Cash and cash equivalents	$ 656	$ 368	$ 868	$ 726	$ 612	$ 679	$ 679
Short-term investments	1,161	1,227	1,140	183	231	397	397
Total assets	5,442	5,122	5,818	2,966	3,095	3,382	3,382
Accrued deferred compensation					147		
Total debt (including current portion of long-term debt)	705	704	703	900	751	749	749
Total shareholders equity	2,839	2,362	2,942	653	641	1,146	1,146

(a) We report, and our predecessor reported, financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30 of that year. Accordingly, each fiscal year ended on the date indicated above. Fiscal year 1998 was 53 weeks. All other fiscal years presented were 52 weeks. All references to years represent fiscal years unless otherwise noted.

(b) On November 4, 2002, we sold XIOtech to New SAC in return for a $32 million promissory note from New SAC. Immediately after the sale, we made an in-kind distribution of the promissory note to our existing shareholders, including New SAC. XIOtech s revenue and net loss were $74 million and $51 million, respectively, for the fiscal year ended June 28, 2002 and $24 million and $9 million, respectively, for the nine months ended March 28, 2003. In addition, we refinanced all of our then outstanding indebtedness in May 2002. As a result of the 2002 refinancing, we incurred $93 million of debt refinancing charges, which were comprised of a premium paid on the redemption of our 12 $^{1}/2$% senior subordinated notes due 2007, write-off of unamortized discount, write-off of previously capitalized debt issuance costs and other miscellaneous charges. See Unaudited Pro Forma Condensed Consolidated Financial Information for a description of the pro forma effects of these transactions.

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(c) These amounts represent portions of the purchase price of prior acquisitions that were attributed to in-process research and development projects of acquired companies. Our predecessor recorded the following charges related to the write-off of in-process research and development: (1) in fiscal year 1998, principally consisting of $216 million in connection with the acquisition of Quinta; (2) in fiscal year 1999, of $2 million in connection with the acquisition of a minority interest in Seagate Software Holdings; (3) in fiscal year 2000, of $105 million in connection with the acquisition of XIOtech; and (4) in the period from November 23, 2000 to June 29, 2001, we recorded an in-process research and development charge of $52 million in connection with the November 2000 transactions.

(d) Restructuring charges are the result of board approved restructuring plans we have implemented to align our global workforce and manufacturing capacity with existing and anticipated future market requirements. These charges are described in more detail in the notes to the audited consolidated and combined financial statements of Seagate Technology and its predecessor included elsewhere in this prospectus and in Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

(e) Unusual items include: (1) in fiscal year 1998, a $22 million reversal of expense recognized in fiscal year 1997, but paid in a lesser amount in fiscal year 1998 relating to the settlement of litigation; (2) in fiscal year 1999, a gross charge of $78 million of cash compensation expense related to the acquisition of Quinta by our predecessor, which was offset by $3 million of other one-time items; and (3) in fiscal year 2000, $64 million of expense related to the settlement of litigation.

(f) Income (loss) from operations includes: (1) in fiscal year 2000, $43 million of non-cash compensation expense and payroll taxes related to the reorganization of Seagate Software Holdings, Inc., of which $2 million was allocated to cost of revenue, $1 million was allocated to product development expense and $40 million was allocated to marketing and administrative expense; (2) in the period from July 1, 2000 to November 22, 2000, non-cash compensation expense totaling $567 million related to the November 2000 transactions, of which $265 million was allocated to cost of revenue, $116 million was allocated to product development expense and $185 million was allocated to marketing and administrative expense; and (3) in fiscal year 2002, a $179 million charge to record $32 million paid to participants in our deferred compensation plan and $147 million to accrue the remaining obligations under the plan. Of the $179 million charge, $38 million was allocated to cost of revenue, $29 million was allocated to product development expense and $112 million was allocated to marketing and administrative expense.

(g) Other non-operating income (expense) includes: (1) in fiscal year 1998, mark-to-market losses of $76 million on foreign exchange hedging contracts partially offset by gains on the sale of certain investments in equity securities of $8 million; (2) in fiscal year 2000, $679 million of gains on the sale of SanDisk Corporation stock and $199 million of gains on the exchange of certain investments in equity securities; (3) for the period from July 1, 2000 through November 22, 2000, losses recognized on investments in Lernout & Hauspie Speech Products N.V. and Gadzoox Networks, Inc., and losses on the sale of marketable securities of $138 million, $8 million and $8 million, respectively, partially offset by gains on sales of SanDisk Corporation and Veeco Instruments, Inc. stock of $102 million and $20 million, respectively; and (4) in fiscal year 2002, $93 million in debt refinancing charges.

(h) Net income (loss) per share data is not presented prior to November 23, 2000 because our predecessor had no formal capital structure. Basic and diluted net loss per share information is not presented for the period from November 23, 2000 to June 29, 2001 because Seagate Technology had a net loss, had no outstanding common shares, and the assumed conversion of Seagate Technology s then-outstanding Series A preferred shares (which were automatically converted into common shares on a one-for-one basis upon the consummation of our initial public offering) would be antidilutive. Basic and diluted net income per share for fiscal year 2002 includes weighted average common shares outstanding and the dilutive effect as if all 400 million Series A preferred shares had converted into common shares on a one-to-one basis. Diluted net income per share for fiscal year 2002 also includes the dilutive effect (calculated using the treasury stock method) of the assumed exercise of outstanding options to purchase common shares.

(i) Excludes the in-kind distribution to shareholders of a $32 million promissory note we received in connection with our sale of XIOtech. All distributions, with the exception of the $0.03 per share distribution paid in accordance with our then-current dividend policy in the quarter ended March 28, 2003, were declared and paid prior to our initial public offering on December 11, 2002.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

We have prepared the following unaudited pro forma condensed consolidated financial information for the fiscal year ended June 28, 2002 and for the nine months ended March 28, 2003. This unaudited pro forma condensed consolidated financial information has been prepared based on our historical consolidated financial statements and gives pro forma effect to the 2002 refinancing and the sale of XIOtech. For a description of the refinancing which took place in May 2002, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The 2002 Refinancing.

On November 4, 2002, we sold XIOtech, our wholly-owned indirect subsidiary that operated our storage area networks business, to New SAC. New SAC in turn sold 51% of the shares that it had acquired in 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. This estimate as to fair value was based in part on the per share price paid by the third party investor to New SAC for XIOtech. Immediately after the sale of XIOtech to New SAC, we made an in-kind pro rata distribution of the entire promissory note to our existing shareholders, 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 no longer consolidate XIOtech s operations with our operations subsequent to November 4, 2002.

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 distribution of an amount equal to the net book value of XIOtech rather than as a sale for the fair value of the promissory note.

The unaudited pro forma condensed consolidated statements of operations for the fiscal year ended June 28, 2002 and the nine months ended March 28, 2003 have been adjusted to give pro forma effect to the refinancing and the sale of XIOtech, as if they had occurred on the first day of our fiscal year 2002. The unaudited pro forma condensed consolidated statement of operations for the nine months ended March 28, 2003 does not include pro forma adjustments relating to the 2002 refinancing because the 2002 refinancing is already included in our historical financial information for this period. We did not include an unaudited pro forma balance sheet as of March 28, 2003 because the 2002 refinancing and the effect of the XIOtech sale are already reflected in our historical financial information for this date.

The pro forma adjustments to our unaudited pro forma consolidated statement of operations for the fiscal year ended June 28, 2002 relating to the 2002 refinancing eliminate the loss that was recorded on the extinguishment of the debt, reduce interest income as a result of cash used in the 2002 refinancing and lower interest expense as a result of the reduction in outstanding principal and the lower average interest rate of our new indebtedness. The pro forma adjustments to our unaudited pro forma consolidated statement of operations for the fiscal year ended June 28, 2002 and for the nine months ended March 28, 2003 relating to the sale of XIOtech deduct the historical operating results of XIOtech and increase revenue and cost of revenue to recognize our intercompany sales of rigid disc drives to XIOtech and intercompany sales of storage area networks products by XIOtech to us. These intercompany sales transactions were previously eliminated by us in consolidation.

The unaudited pro forma adjustments are based on available information and upon assumptions that management believes are reasonable as described above and in the accompanying notes. The unaudited pro forma condensed consolidated financial information does not purport to represent what our results of operations or financial position would actually have been had the 2002 refinancing or the sale of XIOtech actually occurred as of the beginning of our fiscal year 2002. This unaudited pro forma condensed consolidated financial information should be read in conjunction with our audited consolidated financial statements and the related notes and our unaudited consolidated condensed financial statements and the related notes included in this prospectus.

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SEAGATE TECHNOLOGY

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Fiscal Year Ended June 28, 2002

(in millions, except per share data)

	Seagate Technology	Pro Forma Adjustments: Less: XIOtech (a)	Pro Forma Adjustments: 2002 Refinancing and Other Adjustments	Pro Forma Seagate Technology
Revenue	$ 6,087	$ 74	$ 10 (b)	$ 6,023
Cost of revenue	4,494	38	3 (b)	4,465
			6 (c)	
Product development	698	17		681
Marketing and administrative	498	66		432
Amortization of intangibles	19	1		18
Restructuring	4			4
Income (loss) from operations	374	(48)	1	423
Interest income	25		(9)(d)	16
Interest expense	(77)	(3)	19 (d)	(58)
			(3)(e)	
Debt refinance charge	(93)		93 (d)	
Other, net	10			10
Other income (expense), net	(135)	(3)	100	(32)
Income (loss) before income taxes	239	(51)	101	391
Provision (benefit) for income taxes	86			86
Net income (loss)	$ 153	$ (51)	$ 101	$ 305
Net income per share:				
Basic	$ 0.38			$ 0.76
Diluted	$ 0.36			$ 0.71
Number of shares used in per share calculations:				
Basic	401			401
Diluted	428			428

(Footnotes on page 44)

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SEAGATE TECHNOLOGY

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Nine Months Ended March 28, 2003

(in millions, except per share data)

		Pro Forma Adjustments		
	Seagate Technology	Less: XIOtech (a)	Other Adjustments	Pro Forma Seagate Technology
Revenue	$ 4,933	$ 24	$ 2(b)	$ 4,911
Cost of revenue	3,634	12	1(b)	3,624
			1(c)	
Product development	496	4		492
Marketing and administrative	276	16		260
Restructuring	7	1		6
Income (loss) from operations	520	(9)		529
Interest income	12			12
Interest expense	(36)			(36)
Other, net	(1)			(1)
Other income (expense), net	(25)			(25)
Income (loss) before income taxes	495	(9)		504
Provision for (benefit from) income taxes	14			14
Net income (loss)	$ 481	$ (9)	$	$ 490
Net income per share:				
Basic	$ 1.17			$ 1.19
Diluted	$ 1.04			$ 1.05
Number of shares used in per share calculations:				
Basic	413			413
Diluted	465			465

(Footnotes on page 44)

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SEAGATE TECHNOLOGY

NOTES TO UNAUDITED PRO FORMA

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(a) To deduct the historical results of operations and financial position of XIOtech.

(b) To record revenue and cost of revenue from our intercompany sales of disc drives to XIOtech and intercompany sales of storage area networks products by XIOtech to us. These intercompany sales transactions were previously eliminated by us in consolidation.

(c) To adjust cost of revenue and inventory for intercompany profit previously eliminated by us in consolidation.

(d) To record adjustments relating to the 2002 refinancing as follows: (1) to reduce interest income by $9 million to reflect lower average invested cash balances as a result of $419 million of cash used in the 2002 refinancing primarily to reduce outstanding debt, including a redemption premium, pay distributions to shareholders, and pay deferred compensation plan participants; (2) to reduce interest expense by $19 million to reflect lower interest expense as a result of the reduction in principal and a lower interest rate on our new indebtedness; and (3) to eliminate the $93 million non-recurring loss on extinguishment of the debt that was recorded in May 2002.

(e) To add back intercompany interest expense incurred by XIOtech in its stand alone financial statements but not included in Seagate Technology s consolidated financial statements.

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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 year ended June 30, 2000, the period from July 1, 2000 through November 22, 2000, the period from November 23, 2000 through June 29, 2001, the fiscal year ended June 28, 2002 and the quarter and nine months ended March 28, 2003 for us and our predecessor. Financial information for the fiscal year ended June 30, 2000 and the period from July 1, 2000 through November 22, 2000 is the historical financial information of our predecessor. Through November 22, 2000, the rigid disc drive business that we now operate and the storage area networks business that was operated through November 4, 2002 by XIOtech Corporation, our former wholly-owned subsidiary, were the rigid disc drive and storage area networks divisions of Seagate Delaware. Those divisions are our predecessor, and our operations prior to the sale of XIOtech were substantially identical to the operations of our predecessor before the November 2000 transactions. Although we were incorporated on August 10, 2000, prior to November 23, 2000, our operations were not material. Pro forma financial information related to revenue and cost of revenue for the fiscal year ended June 29, 2001 is based on our historical consolidated financial statements for the period from November 23, 2000 through June 29, 2001 and the historical combined financial statements of our predecessor for the period from July 1, 2000 through November 22, 2000, adjusted to give pro forma effect to the November 2000 transactions and to eliminate the related compensation charges, as if the November 2000 transactions had occurred on July 1, 2000.

You should read this discussion in conjunction with the selected historical consolidated financial information and the consolidated financial statements and related notes relating to us and our predecessor included elsewhere in this prospectus. Except as noted, references to any fiscal year mean the twelve-month period ending on the Friday closest to June 30 of that year.

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. According to IDC, we are the largest manufacturer of rigid disc drives in terms of unit shipments, with a 28.8% market share for the three months ended March 31, 2003 and a 29.4% market share for calendar year 2002. These unit shipment statistics take into account all shipments of rigid disc drives.

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. According to IDC, our share of unit shipments of enterprise drives in the three months ended March 31, 2003 reached 58.1%, compared to 53.9% for calendar year 2002. In the personal storage sector, our share of unit shipments for the three months ended March 31, 2003 reached 32.5%, compared to 33.0% for calendar year 2002.

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 pro forma fiscal year 2001, fiscal year 2002 and the nine months ended March 28, 2003, approximately 70%, 66% and 63%, respectively, 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 pro forma fiscal year 2001, fiscal year 2002 and the nine months ended March 28, 2003, approximately 40%, 39% and 33%, respectively, of our revenue came from customers located in North America, approximately 34%, 31% and 32%, respectively, came from customers located in Europe and approximately 26%, 30% and 35%, respectively, came from customers located in the Far East. Substantially all of our revenue is denominated in U.S. dollars.

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November 2000 Transactions

Overview

Prior to November 22, 2000, Suez Acquisition Company, the predecessor to New SAC, entered into a stock purchase agreement with Seagate Delaware and Seagate Software Holdings, Inc., a subsidiary of Seagate Delaware. Concurrently, Seagate Delaware and VERITAS Software Corporation entered into an agreement and plan of merger and reorganization. Suez Acquisition Company was an exempted company incorporated with limited liability under the laws of the Cayman Islands and formed solely for the purpose of entering into the stock purchase agreement and undertaking the related acquisitions. As discussed below, Suez Acquisition Company later assigned all of its rights and obligations under the stock purchase agreement to New SAC, an exempted company incorporated with limited liability under the laws of the Cayman Islands and formed for the same purpose.

In connection with the stock purchase agreement, Suez Acquisition Company agreed to purchase for $1.840 billion in cash substantially all of the operating assets of Seagate Delaware and its consolidated subsidiaries, including Seagate Delaware s disc drive, tape drive, storage area networks and software businesses and operations and selected cash balances, but excluding the approximately 128 million shares of VERITAS common stock held by Seagate Software Holdings, Inc. and Seagate Delaware s equity investments in Gadzoox Networks, Inc. and Lernout & Hauspie Speech Products N.V., or LHSP. The $1.840 billion included transaction costs of $25 million. In addition, under the stock purchase agreement, Suez Acquisition Company agreed to assume substantially all of the operating liabilities of Seagate Delaware and its consolidated subsidiaries. Suez Acquisition Company also agreed to acquire Seagate Technology Investments Holdings, Inc., or STIH, a former subsidiary of Seagate Delaware, which at the time of the November 2000 transactions held strategic investments in various companies, such as e2open.com and Iolon, Inc. Prior to the closing of the November 2000 transactions, Suez Acquisition Company assigned all its rights and obligations under the stock purchase agreement to New SAC. After the closing of those transactions, New SAC became our direct parent company and the indirect parent company of various other former subsidiaries of Seagate Delaware.

Immediately following the consummation of the November 2000 transactions, VERITAS acquired the remainder of Seagate Delaware by way of a merger of a wholly-owned subsidiary of VERITAS with and into Seagate Delaware, with Seagate Delaware surviving and becoming a wholly-owned subsidiary of VERITAS. We refer to this transaction as the VERITAS merger. VERITAS did not acquire Seagate Delaware s disc drive business or any other Seagate Delaware operating business, but it did acquire:

- approximately 128 million shares of VERITAS common stock held by Seagate Software Holdings, Inc.;
- capital stock of Seagate Software Holdings, Inc.;
- cash on the balance sheet of Seagate Delaware in excess of the required cash balance of $765 million, as adjusted, that was purchased by Suez Acquisition Company; and
- Seagate Delaware s equity investments in Gadzoox Networks and LHSP.

In the VERITAS merger, Seagate Delaware s stockholders received merger consideration consisting of VERITAS stock, cash and an interest in specified tax refunds that are attributable to Seagate Delaware.

An indemnification agreement provides that New SAC and its subsidiaries are required to indemnify VERITAS and its affiliates for specified liabilities of Seagate Delaware and Seagate Software Holdings, Inc., including selected taxes. In return, VERITAS, Seagate Delaware and their affiliates agreed to indemnify New SAC and its subsidiaries for specified liabilities, including all taxes of Seagate Delaware for which New SAC is not obligated to indemnify VERITAS and its affiliates. VERITAS deposited $150 million in an escrow account, which may be applied by New SAC to satisfy certain tax liabilities, and which remains in the escrow account in full. To the extent that any part of the $150 million is not utilized to satisfy these tax liabilities, it will be paid out to the former Seagate Delaware stockholders. In July 2002, we and those of our affiliates that are parties to the

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indemnification agreement entered into a reimbursement agreement which allocates the respective liabilities and obligations under the indemnification agreement. Under the reimbursement agreement, if we and our affiliates become obligated to indemnify Seagate Delaware, VERITAS or any of their affiliates for tax liabilities under the indemnification agreement, Seagate Technology HDD Holdings will be responsible for the first $125 million of the tax liabilities, and any amount exceeding $125 million will then be allocated among Seagate Technology HDD Holdings, Seagate Technology SAN Holdings, Certance Holdings and Seagate Software (Cayman) Holdings on a pro rata basis in accordance with the portion of the purchase price allocated to each entity in connection with the November 2000 transactions. For indemnification obligations other than tax liabilities under the indemnification agreement, the responsible entity will reimburse any entity that satisfies the obligation on its behalf. See Related Party Transactions Indemnification Agreement.

Management Rollover

In connection with the November 2000 transactions, approximately 100 members of Seagate Delaware s management group entered into rollover agreements under which they agreed not to receive merger consideration consisting of VERITAS stock and cash in respect of a portion of their restricted shares of Seagate Delaware s common stock and unvested options to purchase those shares. The aggregate value of this foregone consideration was approximately $184 million. Instead of receiving this merger consideration, members of the management group received restricted ordinary and preferred shares of New SAC granted under the New SAC 2000 Restricted Share Plan and participation interests in our deferred compensation plan.

New SAC Restricted Shares. At the closing of the November 2000 transactions, the board of directors of New SAC adopted the New SAC 2000 Restricted Share Plan. The 2000 Restricted Share Plan allows for the awarding of grants of ordinary and preferred shares of New SAC to management, employees, directors and consultants of New SAC and its affiliates. New SAC issued 1,843,000 restricted ordinary shares and 48,500 restricted preferred shares under this plan to those members of management participating in the rollover agreements described below. The restricted ordinary and preferred shares granted under the 2000 Restricted Share Plan vested as follows:

- one-third of the shares vested on November 22, 2001;
- one-third vested proportionately each month over the 18 months following November 22, 2001; and
- the final one-third vested on May 22, 2003.

In addition, at the closing of the November 2000 transactions certain individuals purchased additional ordinary and preferred shares of New SAC for approximately $41 million in cash. Of this $41 million, approximately $21 million was purchased by members of the management group.

Following the closing of the November 2000 transactions, the board of directors of New SAC approved the 2001 Restricted Share Plan. Unlike the 2000 Restricted Share Plan, the 2001 Restricted Share Plan only provides for the grant of restricted ordinary shares of New SAC and does not provide for the grant of restricted preferred shares of New SAC. Like the 2000 Restricted Share Plan, the 2001 Restricted Share Plan allows for the award of grants to management, employees, directors and consultants of New SAC and its affiliates. New SAC has issued 483,523 restricted ordinary shares under this plan. Restricted shares granted under the 2001 Restricted Share Plan will vest as follows:

- 25% of the shares will vest on the first anniversary of the vesting commencement date; and
- 75% of the shares will vest proportionately each month over the 36 months following the first anniversary of the vesting commencement date.

New SAC redeemed all of its outstanding preferred shares as of March 14, 2003. As of March 28, 2003 there were 2,256,152 restricted ordinary shares outstanding under both the 2000 and 2001 Restricted Share Plans. Accordingly, we have been recognizing, and will continue to recognize, compensation expense of approximately

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$28 million proportionately over the respective vesting periods based on the estimated fair value of these shares on the date of issuance. Through March 28, 2003, we had recognized $24 million of this compensation expense.

Deferred Compensation Plan. In connection with the management rollover, and in addition to the grant of restricted ordinary and preferred shares of New SAC, members of the management group received approximately $179 million of interests in deferred compensation plans adopted by our wholly-owned subsidiaries. Each member of the management group received an interest in one of the plans, with the substantial majority of the members receiving interests in the Seagate Technology HDD Holdings plan. At inception, the interests in the deferred compensation plan were subject to multi-year vesting.

In May 2002, we made $32 million in payments to participants in the deferred compensation plan. On June 19, 2002, the board of directors accelerated vesting of all deferred compensation interests under the terms of the plan. As a result of certain distributions by New SAC to holders of its preferred shares in connection with our initial public offering, Seagate Technology HDD Holdings became obligated to make payments of approximately $147 million to participants of its deferred compensation plan, including named executive officers. Those payments were made following the closing of our initial public offering, thereby satisfying all remaining obligations under the deferred compensation plan.

Seagate Technology Share Option Plan

In December 2000, our board of directors adopted our share option plan. Under the terms of this share option plan, eligible employees, directors and consultants can be awarded options to purchase our common shares under vesting terms to be determined at the date of grant. In January 2002, this share option plan was amended to increase the maximum number of common shares issuable under the share option plan from 72 million to 100 million shares. No options to purchase our common shares had been issued through June 29, 2001. From July 1, 2001 through March 28, 2003, options to purchase 81,944,262 common shares were granted to employees under this share option plan, net of cancellations. This represents approximately 16% of our total voting power, assuming the exercise of all options. As of March 28, 2003, options to purchase 7,455,262 common shares had been exercised.

Allocation of Net Purchase Price

New SAC accounted for the November 2000 transactions as a purchase in accordance with Accounting Principles Board, or APB, Opinion No. 16, Business Combinations. All acquired tangible assets, identifiable intangible assets and assumed liabilities were valued based on their relative fair values and reorganized into the following businesses:

- the rigid disc drive and storage area networks business, which is now Seagate Technology;
- the tape drive business, which is now known as Certance Holdings;
- the software business, or Crystal Decisions; and

- an investment holding company, Seagate Technology Investments Holdings, or STIH.

Certance Holdings, Crystal Decisions and STIH are direct or indirect subsidiaries of New SAC and are not owned by us. The fair value of the net assets acquired by New SAC exceeded the net purchase price of $1.840 billion by approximately $909 million. Accordingly, the resultant negative goodwill was allocated on a pro rata basis to the acquired long-lived assets and reduced the recorded amounts by approximately 46%.

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The table below summarizes the allocation of net purchase price by New SAC (dollars in millions).

Description	Useful Life in Years	Total New SAC	Seagate Technology	Certance Holdings	Crystal Decisions	STIH
Net current assets (1)		$ 939	$ 869	$ 36	$ 9	$ 25
Long-term investments (2)		42				42
Other long-lived assets		42	42			
Property, plant and equipment (3)	Up to 30	778	763	10	5	
Identified intangibles:						
Trade names (4)	10	47	47			
Developed technologies (4)	3-7	76	49	12	15	
Assembled workforces (4)	1-3	53	43	3	7	
Other	5	1	1			
Total identified intangibles		177	140	15	22	
Long-term deferred taxes (5)		(75)	(63)	(10)	(2)	
Long-term liabilities		(122)	(119)	(3)		
Net assets		1,781	1,632	48	34	67
In-process research and development (4)		59	52		7	
Net Purchase Price		$ 1,840	$ 1,684	$ 48	$ 41	$ 67

(1) Acquired current assets included cash and cash equivalents, accounts receivable, inventories and other current assets. The fair values of current assets generally approximated the recorded historic book values. Short-term investments were valued based on quoted market prices. Inventory values were estimated based on the current market value of the inventories less completion costs and less a profit margin for activities remaining to be completed until the inventory is sold. Valuation allowances were established for current deferred tax assets in excess of long-term deferred tax liabilities. Assumed current liabilities included accounts payable, accrued compensation and expenses and accrued income taxes. The fair values of current liabilities generally approximated the historic recorded book values because of the monetary nature of most of the liabilities.

(2) The value of individual long-term equity investments was based upon quoted market prices, where available, and where market prices were not available, was based on New SAC s estimates of the fair values of the individual investments.

(3) New SAC estimated the fair value of the acquired property, plant and equipment. In arriving at the determination of market value for these assets, New SAC considered the estimated cost to construct or acquire comparable property. Machinery and equipment were assessed using replacement cost estimates reduced by depreciation factors representing the condition, functionality and operability of the assets. The sales comparison approach was used for office and data communication equipment. Land, land improvements, buildings and building and leasehold improvements were valued based upon discussions with knowledgeable independent personnel.

(4) New SAC estimated the value of acquired identified intangibles. The significant assumptions relating to each category are discussed in the following paragraphs. Also, these assets are being amortized on the straight-line basis over their estimated useful life and resultant amortization is included in amortization of goodwill and other intangibles.

Trade names The value of the trade names was based upon discounting to their net present value the licensing income that would arise by charging the operating businesses that use the trade names.

Developed technologies The value of this asset for each operating business was determined by discounting to their net present value the expected future cash flows attributable to all existing technologies that had reached technological feasibility, after considering risks relating to: (a) the characteristics and applications of the technology, (b) existing and future markets and (c) life cycles of the technologies. Estimates of future revenues and expenses used to determine the value of developed technology were consistent with the historical trends in the industry and expected performance.

Assembled workforces The value of the assembled workforce was determined by estimating the recruiting, hiring and training costs to replace each group of existing employees.

In-process research and development The value of in-process research and development was based on an evaluation of all developmental projects using the guidance set forth in Interpretation No. 4 of Financial Accounting Standards Board, or FASB, Statement No. 2, Accounting for Research and Development Costs and FASB Statement No. 86, Accounting for the Cost of Computer Software to Be Sold, Leased, or Otherwise Marketed.

The amount was determined by: (a) obtaining management estimates of future revenues and operating profits associated with existing developmental projects, (b) projecting the cash flows and costs to completion of the underlying technologies and resultant products and (c) discounting these cash flows to their net present value.

Estimates of future revenues and expenses used to determine the value of in-process research and development were consistent with the historical trends in the industry and expected performance. The entire amount was charged to operations because related technologies had not reached technological feasibility and they had no alternative future use.

(5) Long-term deferred tax liabilities arose as a result of the excess of the fair values of inventory and acquired intangible assets over their related tax basis. We had $434 million of U.S. federal and state deferred tax assets for which a full valuation allowance was established.

Allocation of Purchase Price to Us Pursuant to the Application of Push Down Accounting

The November 2000 transactions constituted a purchase transaction by New SAC of substantially all the operating assets and liabilities of Seagate Delaware. Under purchase accounting rules, the net purchase price has been allocated to the acquired assets and liabilities of Seagate Delaware and its subsidiaries based on their estimated fair values at the date of the November 2000 transactions. New SAC estimated the fair values, including in-process research and development. However, the estimated fair values of identifiable tangible and intangible assets and liabilities acquired from Seagate Delaware and its subsidiaries were greater than the amount paid, resulting in negative goodwill. The negative goodwill was allocated to the long-lived tangible and intangible assets, as well as in-process research and development. This includes amounts relating to Seagate Technology, on the basis of relative fair values. Subsequently, in the fourth quarter of fiscal year 2002, in accordance with SFAS 109 we reduced the net carrying value of the long-lived intangibles from $104 million to zero to reflect the recognition of tax benefits. See Note 5 of the audited consolidated and combined financial statements of Seagate Technology and its Predecessor.

In accordance with SEC Staff Accounting Bulletin No. 54, Push Down Basis of Accounting Required in Certain Limited Circumstances, the accounting for the purchase transaction has been pushed down from New SAC to our financial statements. Our condensed consolidated financial statements as of and for all periods subsequent to November 23, 2000 reflect the new basis in our assets and liabilities at that date, including the pushed down purchase accounting adjustments.

As a result of the November 2000 transactions and the push down accounting, our results of operations following the November 2000 transactions, particularly the depreciation and amortization charges, are not necessarily comparable to our predecessor s results of operations prior to the November 2000 transactions. Depreciation charges following the November 2000 transactions are lower as a result of write-downs of our depreciable assets pursuant to purchase accounting rules. The favorable effect on results of operations from these lower charges will gradually decrease in future periods as our older assets become fully depreciated and new, higher-priced assets are acquired.

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.

Consolidation is also occurring among our customers. For example, Compaq, our largest customer in 2001, merged with Hewlett-Packard in 2002. 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

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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.

Historically, our industry has been characterized by continuous and significant advances in technology, which contributed to rapid product life cycles, the importance of being first to market with new products and the difficulty in recovering research and development expenses. However, based upon the recent pace of new product introductions, we believe that our industry is entering a period in which the rate of increases in areal density will be lower than the rate of the last several years. The slowing change in areal density contributes to:

- the increased importance of successfully executing product transitions, as factors such as quality, reliability and manufacturing yields become of increasing competitive importance; and
- increasing average price erosion, as product life cycles are lengthened and the ability of rigid disc drive producers to introduce new products at higher prices is limited.

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, higher-priced 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.

The slowing rate of increase of areal density has increased the importance of our successful execution of new product transitions and of competitive factors such as quality, reliability and our manufacturing yield. We recently completed our transition to the 80 gigabyte per disc platform for our desktop products and our improved manufacturing yields from these products have contributed to our recent financial performance. We also have begun limited revenue shipments of our first notebook products, the Momentus disc drives, which address a segment of the notebook computer market. Although we are shipping notebook drives to OEMs, we currently have not completed qualification programs with a number of OEMs which are material to the success of these products.

Because we use a fiscal year instead of a calendar year, it is necessary every four to five years to realign our fiscal quarter-ends with calendar quarter-ends. As a result, fiscal year 2004 will have 53 weeks and our first quarter of the year will have 14 weeks, ending on October 3, 2003. We do not expect the additional week in the

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first fiscal quarter to have a material impact on our operating results, as compared to what we would have expected during a 13-week quarter.

Based on the information available to us as of the date of this prospectus and assuming a historically normal seasonal improvement in demand, for the quarter ending October 3, 2003, we expect revenues to be in the range of $1.60 billion to $1.64 billion and diluted earnings per share to be in the range of $0.33 to $0.37. Our outlook for revenue and earnings per share for fiscal year 2004 has a higher degree of uncertainty than the outlook for the quarter ending October 3, 2003 due to the long-term nature of the forecast and potential changes in general economic and industry conditions. Based on current conditions, we are targeting and believe we can attain revenue of about $7.0 billion and diluted earnings per share of about $1.55, representing a 14% increase in earnings over the just completed fiscal year. Key assumptions in these earnings estimates are an annual tax rate of 3% to 5%, with some variation in the rate quarter to quarter, and an average outstanding share count of 490 million for the diluted earnings per share calculation for both the quarter ending October 3, 2003 and the fiscal year 2004. The share count estimate was calculated using the share price as of July 15, 2003. The foregoing are 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. As noted above, these forward-looking statements are based on current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. These risks include, among others, risks related to price and product competition in our industry, customer demand for our products, the development and introduction of new products, the impact of technological advances, risks related to our intellectual property, general market conditions and the factors discussed in the Risk Factors section of this prospectus. These forward-looking statements are made as of the date of this prospectus and should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.

Disposition of Assets

Sale of XIOtech Corporation. On November 4, 2002, we sold XIOtech 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 our existing shareholders, 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 no longer consolidated XIOtech s operations with our operations subsequent to November 4, 2002. See Unaudited Pro Forma Condensed Consolidated Financial Information.

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 distribution 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.

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. After the sale, Jabil became our 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.

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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 quarter ended December 27, 2002 to offset an immediate repair cost increase, and the remaining $5 million is being utilized over the remaining period of the long-term services agreement.

Stock Compensation Expense

In connection with certain options granted during the six months ended December 27, 2002, 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 March 28, 2003, we have amortized approximately $2 million of such compensation expense.

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 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 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 members of our sponsor group 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 common shares in our initial public offering, after deducting underwriting discounts and commissions. New SAC distributed these net proceeds, together with the proceeds from the distribution described above, to holders of its preferred and ordinary 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, and as a consequence there are no longer any outstanding obligations under that deferred compensation plan.

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Results of Operations

We list in the tables below the historical consolidated and combined statements of operations in dollars and as a percentage of revenue for the periods indicated.

	Predecessor		Seagate Technology					
					Quarter Ended		Nine Months Ended	
	Fiscal Year Ended June 30, 2000	July 1, 2000 to Nov. 22, 2000	Nov. 23, 2000 to June 29, 2001	Fiscal Year Ended June 28, 2002	March 29, 2002	March 28, 2003	March 29, 2002	March 28, 2003
				(in millions)				
Revenue	$ 6,073	$ 2,310	$ 3,656	$ 6,087	$ 1,691	$ 1,620	$ 4,614	$ 4,933
Cost of revenue	4,822	2,035	2,924	4,494	1,180	1,186	3,368	3,634
Gross margin	1,251	275	732	1,593	511	434	1,246	1,299
Product development	664	409	388	698	177	167	492	496
Marketing and administrative	464	450	288	498	97	85	302	276
Amortization of intangibles	33	20	12	19	5		15	
In-process research and development	105		52					
Restructuring	206	19	66	4	4		4	7
Unusual items	64							
Income (loss) from operations	(285)	(623)	(74)	374	228	182	433	520
Other income (expense), net	926	5	(27)	(135)	(14)	(2)	(30)	(25)
Income (loss) before income taxes	641	(618)	(101)	239	214	180	403	495
Provision for (benefit from) income taxes	275	(206)	9	86	21	6	52	14
Net income (loss)	$ 366	$ (412)	$ (110)	$ 153	$ 193	$ 174	$ 351	$ 481

	Predecessor		Seagate Technology					
					Quarter Ended		Nine Months Ended	
	Fiscal Year Ended	July 1, 2000 to Nov. 22,	Nov. 23, 2000 to June 29,	Fiscal Year Ended June 28,	March 29,			

	June 30, 2000	2000	2001	2002	2002	March 28, 2003	March 29, 2002	March 28, 2003
Revenue	100%	100%	100%	100%	100%	100%	100%	100%
Cost of revenue	79	88	80	74	70	73	73	74
Gross margin	21	12	20	26	30	27	27	26
Product development	11	18	11	12	10	11	11	10
Marketing and administrative	8	19	8	8	6	5	7	6
Amortization of intangibles	1	1						
In-process research and development	2		1					
Restructuring	3	1	2					
Unusual items	1							
Income (loss) from operations	(5)	(27)	(2)	6	14	11	9	10
Other income (expense), net	15		(1)	(2)	(1)			
Income (loss) before income taxes	10	(27)	(3)	4	13	11	9	10
Provision for (benefit from) income taxes	4	(9)		1	1		1	
Net income (loss)	6%	(18)%	(3)%	3%	12%	11%	8%	10%

Charges recorded in the historical financial statements of us and our predecessor, including charges related to the November 2000 transactions, have been significant and impact the comparability of the results of operations of us and our predecessor for the periods presented and will impact the comparability of results for future periods. For a description of these charges, see Selected Historical Consolidated Financial Information and the notes thereto.

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In the discussions of Fiscal Year 2002 Results of Operations, Fiscal Year 2001 Results of Operations and Fiscal Year 2000 Results of Operations set forth below, we refer to the revenue and cost of revenue data for fiscal year 2001 as pro forma for comparative purposes. The pro forma revenue and cost of revenue data give effect to the November 2000 transactions as if they had occurred on July 1, 2000. Pro forma revenue for fiscal year 2001 is the sum of the historical revenue of our predecessor for the period from July 1, 2000 through November 22, 2000 and our historical revenue for the period from November 23, 2000 through June 29, 2001. Pro forma cost of revenue for fiscal year 2001 is the sum of the historical cost of revenue of our predecessor for the period from July 1, 2000 through November 22, 2000 and our historical cost of revenue for the period from November 23, 2000 through June 29, 2001, as adjusted for:

- the elimination of the $265 million compensation charge recorded as a result of the acceleration and net exercise of Seagate Delaware stock options held by employees of Seagate Technology at November 22, 2000;
- the reduction of depreciation expense by $107 million due to new, lower accounting basis in property, equipment and leasehold improvements; and
- the elimination of the adverse impact of $131 million related to the sale of higher cost inventories that were written up to fair value at the close of the November 2000 transactions.

Three Months Ended March 28, 2003 Compared to Three Months Ended March 29, 2002 and Three Months Ended December 27, 2002 and Nine Months Ended March 28, 2003 Compared to Nine Months Ended March 29, 2002

Revenue. Revenue for the quarter ended March 28, 2003 was $1.620 billion, down 4% from $1.691 billion in the quarter ended March 29, 2002, and down 7% from $1.734 billion from the quarter ended December 27, 2002. Revenue for the nine months ended March 28, 2003 was $4.933 billion, up 7% from $4.614 billion in the nine months ended March 29, 2002. Our overall average unit sales price for our rigid disc drive products was $97 for the quarter ended March 28, 2003, down 13% from $111 in the quarter ended March 29, 2002, and up 3% from $94 in the quarter ended December 27, 2002.

The decrease in revenue from the quarter ended March 29, 2002 was primarily attributable to price erosion, partially offset by an increase in rigid disc drive shipments from 15 million units in the quarter ended March 29, 2002 to 16.6 million units in the quarter ended March 28, 2003. The decrease in revenue from the quarter ended December 27, 2002 was primarily attributable to a decrease in rigid disc drive shipments from 18.3 million units in the quarter ended December 27, 2002 to 16.6 million units in the quarter ended March 28, 2003, as well as price erosion. This decrease was partially offset by a shift in mix to our higher-priced enterprise storage products. The increase in revenue from the nine months ended March 29, 2002 was primarily attributable to an increase in rigid disc drive shipments from 40.4 million units in the nine months ended March 29, 2002 to 51.6 million units in the nine months ended March 28, 2003.

Overall demand for disc drives continued to hold firm in the quarter ended March 28, 2003 as demand for desktop and consumer electronic drives were in line with our expectations. Although the total available market for enterprise drives was seasonally down, demand for our enterprise drives was in line with our expectations, and we believe we grew enterprise market share during this quarter.

Cost of Revenue. Cost of revenue for the quarter ended March 28, 2003 was $1.186 billion, up 1% from $1.180 billion in the quarter ended March 29, 2002, and down 4% from $1.241 billion in the quarter ended December 27, 2002. Gross margin as a percentage of revenue for the quarter ended March 28, 2003 was 27% as compared with 30% for the quarter ended March 29, 2002, and 28% for the quarter ended December

27, 2002. The decrease in gross margin as a percentage of revenue from the quarter ended December 27, 2002 was due to a return to a more normal pricing environment, increased costs associated with ramping production of the new products and lower overall total volume. The decrease in gross margin as a percentage of revenue from the

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quarter ended March 29, 2002 was primarily due to price erosion and a return to a more normal mix of product between personal storage and enterprise storage resulting in a higher mix of our personal storage products, which generally have lower gross margins than our enterprise storage products. The product mix in the quarter ended March 29, 2002 was more heavily weighted toward enterprise products due to favorable execution versus our competitors. Cost of revenue for the nine months ended March 28, 2003 was $3.634 billion, up 8% from $3.368 billion in the nine months ended March 29, 2002. Gross margin as a percentage of revenue for the nine months ended March 28, 2003 was 26% as compared with 27% for the nine months ended March 29, 2002.

Product Development Expenses. Product development expenses decreased by $10 million, or 6%, for the quarter ended March 28, 2003 when compared with the quarter ended March 29, 2002, and decreased by $2 million, or 1%, when compared with the quarter ended December 27, 2002. The decrease in product development expenses from the quarter ended March 29, 2002 was primarily due to decreases of $7 million in materials and tooling costs and $5 million in information technology expense partially offset by an increase of $5 million in depreciation expense. The decrease in product development expenses from the quarter ended December 27, 2002 was primarily due to decreases of $5 million in materials and tooling costs and $1 million in outside services partially offset by an increase of $4 million in salaries and related costs. Product development expenses increased by $4 million, or 1%, for the nine months ended March 28, 2003 when compared with the nine months ended March 29, 2002. The increase in product development expenses from the nine months ended March 29, 2002 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 several new product introductions and our development efforts in smaller than 3.5-inch form factor rigid disc drives.

Marketing and Administrative Expenses. Marketing and administrative expenses decreased by $12 million, or 12%, for the quarter ended March 28, 2003 when compared with the quarter ended March 29, 2002, and decreased by $20 million, or 19%, when compared with the quarter ended December 27, 2002. The decrease in marketing and administrative expenses from the quarter ended March 29, 2002 was primarily due to marketing and administrative expenses incurred in the quarter ended March 29, 2002 related to the XIOtech business, which was sold by us in the quarter ended December 27, 2002. The decrease in marketing and administrative expense from the quarter ended December 27, 2002 was primarily due to decreases of $4 million in marketing and administrative expenses related to the XIOtech business and $14 million in outside services, of which $12 million related to the payment in the quarter ended December 27, 2002 to certain New SAC investors in exchange for the discontinuation of an annual monitoring fee. Marketing and administrative expenses decreased by $26 million, or 9%, for the nine months ended March 28, 2003 when compared with the nine months ended March 29, 2002. The decrease in marketing and administrative expenses from the nine months ended March 29, 2002 was primarily due to decreases of $33 million in marketing and administrative expenses related to the XIOtech business and $19 million in the provision for bad debts. These decreases were partially offset by increases of $10 million in information technology expense, $15 million in salaries and related costs and $6 million in depreciation expense.

Restructuring. During the nine months ended March 28, 2003, 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 due to a change in estimated lease obligations. These combined actions resulted in a net restructuring charge of $7 million for the nine months ended March 28, 2003. 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, 1,955 of whom had been terminated as of March 28, 2003. 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 fiscal year 2003.

Net Other Income (Expense). Net other expense decreased $12 million, or 86%, for the quarter ended March 28, 2003 when compared with the quarter ended March 29, 2002, and decreased $15 million, or 88%, when compared with the immediately preceding quarter ended December 27, 2002. The decrease in net other expense from the quarter ended March 29, 2002 was primarily due to decreases of $7 million in interest as a result of lower outstanding debt because of our debt refinancing and net gains of $5 million on the sale of fixed assets. The decrease in net other expense from the quarter ended December 27, 2002 was primarily due to an $8 million write-down of our investment in a private company in the quarter ended December 27, 2002 and net gains of $5 million on the sale of fixed assets in the quarter ended March 28, 2003. Net other expense decreased $5 million, or 17%, for the nine months ended March 28, 2003 when compared with the nine months ended March 29, 2002. The decrease in net other expense from the nine months ended March 28, 2003 was primarily due to a decrease of $25 million in interest expense as a result of lower outstanding debt because of our debt refinancing partially offset by an $8 million write-down of our investment in a private company and a decrease in interest income of $9 million resulting from lower average interest rates and a lower balance in our interest bearing accounts.

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 that 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 in the three months ended March 28, 2003 and March 29, 2002 from a notional rate of 35% to an actual rate of approximately 8% and 10%, respectively. For the nine months ended March 28, 2003 and March 29, 2002, these tax holidays reduced our effective tax rate from a notional rate of 35% to an actual rate of approximately 8% and 13%, respectively. The effective tax rate for the three months and nine months ended March 28, 2003 was further reduced to approximately 3%, 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.

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 years 2003, 2004 and 2005. Although realization is not assured, our 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.

We anticipate that our effective tax rate will approximate 3% in the fourth quarter 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 remains before the Joint Committee on Taxation for review. The parties are in the process of incorporating comments from the Joint Committee on Taxation into the parties settlement agreements. The settlement and the anticipated execution of the closing agreement(s) will not result in an additional provision for income taxes.

As of March 28, 2003 and March 29, 2002, 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 Seagate Delaware s federal and state tax returns are under

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examination by tax authorities. We believe that the $125 million tax indemnification amount is adequate to cover any final assessments that may result from these examinations. The timing of the settlement of these examinations is uncertain. To the extent the settlement of these examinations results in tax liabilities that are less than the $125 million indemnification amount, the difference will be recorded as an income tax benefit and may significantly affect our effective tax rate for the period in which the settlement occurs.

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.

Fiscal Year 2002 Results of Operations

Revenue. Revenue in fiscal year 2002 was $6.087 billion, up 2% from $5.966 billion in pro forma fiscal year 2001. The increase in revenue was primarily due to improved unit sales volume and product mix that was substantially offset by price erosion. Our unit shipments increased from 43 million units in pro forma fiscal year 2001 to 55 million units in fiscal year 2002. This increase was primarily caused by market share gains driven by increased unit shipments of personal storage and enterprise storage rigid disc drive products to OEMs and continued growth in the rigid disc drive market for consumer electronics such as Microsoft s Xbox. We attribute these gains in market share primarily to the market acceptance of our 40 gigabyte personal storage disc drives and our 73 gigabyte enterprise storage disc drive, each of which achieved volume production in the beginning of fiscal year 2002. In addition, we gained a higher share of some of our OEM customers rigid disc drive purchases due to favorable execution versus our competitors and due to industry consolidation. Our strategy to implement operational efficiencies has increased our manufacturing flexibility and in fiscal year 2002 this enabled us to take advantage of unforecasted customer demand and deliver products on short notice.

Our overall average unit sales price for our rigid disc drive products was $118, $109, $111 and $100 for the first, second, third and fourth quarters of fiscal year 2002, respectively. Average price erosion from pro forma fiscal year 2001 to fiscal year 2002 was approximately 20%. Price erosion during the period was driven primarily by the introduction of new, higher storage capacity products. Due to the achievement of higher areal densities, these new products require fewer discs and read/write heads and therefore cost less to produce. Since they cost less to produce, these products can be priced lower than would otherwise be possible and, as a result, drive down prices of older generation products. Competition also contributed to price erosion during this period. The pricing environment during the fourth quarter of fiscal year 2002 was extremely aggressive; a condition that was exacerbated by competitors exiting the industry and liquidating their excess inventory. Price competition in our industry has historically been intense even during periods when demand for rigid disc drives is stable, and we expect intense price competition to continue for the foreseeable future. To remain competitive, it will be necessary for us to continue to reduce our prices. We expect a continuation of the aggressive pricing environment as industry participants respond to current economic conditions, a decline in global information technology spending and more efficient utilization of enterprise-wide storage capacity by end-users of storage products.

During fiscal year 2002, we continued to maintain various sales programs aimed at increasing customer demand. We exercise a considerable degree of judgment in formulating the underlying estimates related to distributor inventory levels, sales program participation and customer claims submittals in determining the provision for such programs. During fiscal year 2002, the total provision for sales programs recorded as contra-revenue was approximately 4% of total revenue, compared to 3% of total revenue over each of the two previous fiscal years. The increase in sales program expenses during fiscal year 2002 was due primarily to the higher cost of price protection programs, which are based on estimates of distributor inventory levels and current and future price erosion rates. As price erosion rates in the rigid disc drive industry escalated during the fourth quarter of fiscal year 2002, the cost of price protection programs increased accordingly. Furthermore, in the third quarter of fiscal year 2002, our North American distribution customers transitioned from a consignment model, where the inventory is owned by us until it is sold by the distributor, to a sell-in model, where the inventory is owned by the distributor. During fiscal year 2002, this transition resulted in a one-time increase in total revenue, operating

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income and net income of approximately 1%, 3% and 7%, respectively. In the third quarter of fiscal year 2002, this transition resulted in a one-time increase in total revenue, operating income and net income of approximately 4%, 9% and 9%, respectively. Because our North American distributors have transitioned to the sell-in model, the cost of our price protection programs may trend higher in future periods. Historically, actual sales program costs have approximated the estimated cost of such programs recognized in our financial statements. Variances between actual and estimated costs of sales programs during each of the last three fiscal years have not been material due to our ongoing reviews of actual program expenses to ensure that accruals are continuously adjusted to approximate the actual costs of sales programs. Should actual sales program costs in any period differ significantly from estimated sales program costs either as a result of higher than expected rates of price erosion or otherwise, our future results of operations could be materially affected.

Cost of Revenue. Cost of revenue for fiscal year 2002 was $4.494 billion, up 1% from $4.457 billion for pro forma fiscal year 2001. Gross margin as a percentage of revenue for fiscal year 2002 was 26% as compared with 25% for pro forma fiscal year 2001. As discussed in the paragraph above, we experienced significant price erosion during the period. This price erosion exerted substantial downward pressure on our gross margins. However, this downward pressure was more than offset by improved absorption of fixed costs from increased unit sales volume and a shift in mix to higher storage capacity products. It was also offset by ongoing cost savings as a result of our restructuring activities and our program to implement operational efficiencies. Our restructuring activities during these periods were comprised of workforce reductions, capacity reductions, including closure of facilities or portions of facilities, and the write-off of excess equipment, primarily in our Far East operations in Malaysia and Thailand. Our cost structure decreased as a result of reductions in our total number of manufacturing facilities and headcount. Pursuant to our strategy to implement operational efficiencies, we have increased the degree of automation in our manufacturing operations, closed facilities, reduced headcount and reconfigured our production lines to handle multiple products.

We exercise a considerable degree of judgment in formulating the underlying estimates used for product failure rates and trends, estimated repair costs and return rates. Actual warranty costs during fiscal year 2002 represented approximately 1% of total revenue. Warranty costs have trended down over the last few years even though shipment volumes have increased. These reductions are due to reduced warranty periods, better product quality and more efficient repair operations. Historically, actual warranty costs have approximated the estimated warranty costs recognized in our financial statements. Variances between actual and estimated warranty costs have not been material due to our ongoing reviews of return rates and repair costs to ensure that accruals are continuously adjusted to approximate actual warranty costs. Should actual warranty costs in any period differ significantly from estimated warranty costs, our future results of operations could be materially affected.

Operating Expenses. Under the credit agreement governing our new senior secured credit facilities and the indenture governing our 8% senior notes, the restrictions on our ability to make payments under our deferred compensation plan were substantially reduced. In addition, on June 19, 2002, our board of directors accelerated vesting of all deferred compensation plan interests under the terms of the plan. As a result, it became probable that all of our obligations under the deferred compensation plan will be paid. Accordingly, all of the remaining obligations under the deferred compensation plan, totaling $147 million, were accrued during the fourth quarter of fiscal year 2002. Together with the $32 million payment we made to participants in the deferred compensation plan in May 2002, our total deferred compensation expense recorded in the fourth quarter of fiscal year 2002 was $179 million before related tax benefits. The income statement classification of the $179 million charge was as follows: Cost of revenue $38 million; Product development expenses $29 million; Marketing and administrative expenses $112 million.

In fiscal year 2002, product development expenses were reduced by our restructuring activities, which resulted in a savings of $24 million in pre-production expenses, and by the consolidation of our rigid disc drive design centers, which resulted in a savings of $17 million. As discussed above, product development expenses and marketing and administrative expenses included deferred compensation expenses of $29 million and $112 million, respectively.

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Non-Operating Expenses. Net other expense includes $93 million of charges incurred as a result of our debt refinancing in the fourth quarter of fiscal year 2002. See Liquidity and Capital Resources The 2002 Refinancing. Interest income was lower in fiscal year 2002 as a result of lower average invested cash following the November 2000 transactions.

Income Taxes. We recorded a provision for income taxes of $86 million for the fiscal year ended June 28, 2002. Our provision for income taxes differs from the provision for income taxes that would be derived by applying a notional 35% tax rate to income before income taxes primarily due to (i) the net effect of the tax benefit related to income generated from our manufacturing plants located in China, Malaysia, Singapore and Thailand that operate under tax holidays (scheduled to expire in whole or in part at various dates through 2010) and (ii) an increase in our valuation allowance for U.S. deferred tax assets.

As of June 28, 2002, we have recorded net deferred tax assets of $58 million, the realization of which is dependent on our ability to generate sufficient U.S. taxable income in fiscal year 2003. 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 the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future U.S. domestic taxable income are reduced. We will review our forecasts of U.S. taxable income in each quarter of fiscal year 2003 to evaluate and record adjustments to our valuation allowance if required.

During the fiscal year ended June 28, 2002, we reduced our valuation allowance for deferred tax assets arising as a result of the November 2000 transactions to reflect the realization of acquired tax benefits in our U.S. income tax returns. The acquired tax benefits realized in our U.S. income tax returns exceeded the $104 million net carrying value of our long-lived intangible assets recorded in connection with the purchase of the operating assets of Seagate Delaware. In accordance with SFAS 109, we reduced our long-lived intangible assets acquired in the November 2000 transactions to zero. As a result of the adjustment to the long-lived intangible assets, we will have no future depreciation and amortization expense related to intangible assets acquired in the November 2000 transactions.

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 matters 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 remains before the Joint Committee on Taxation for review. The parties are in the process of incorporating comments from the Joint Committee on Taxation into the parties settlement agreements. The settlement and the anticipated execution of the closing agreements will not result in an additional provision for income taxes.

Certain of our U.S. federal and state tax returns and 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 assessments that may result from these examinations.

As a result of the November 2000 transactions and the ensuing corporate structure, we now consist of a foreign parent holding company with various U.S. domestic and foreign affiliates. We do not expect to be subject to U.S. federal income taxes on dividends or other earnings distributions that we may receive from foreign subsidiaries. Dividend distributions by U.S. subsidiaries to Seagate Technology HDD Holdings may be subject to U.S. withholding taxes, if and when distributed. A substantial portion of our manufacturing operations located in the Far East currently operate free from tax under various tax holidays, which are scheduled to expire in whole or in part at various dates through 2010. Because of our foreign ownership structure and subject to potential future increases in our valuation allowance for U.S. deferred tax assets, we anticipate that our effective tax rate in future periods will generally be less than the U.S. federal statutory rate.

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Fiscal Year 2001 Results of Operations

As a result of the closing of the November 2000 transactions, we initiated our operations on November 23, 2000. All results of operations prior to this date included in this prospectus are the results of operations of our predecessor, the rigid disc drive and storage area networks business of Seagate Delaware. The following discussion describes the results of operations of our predecessor for the period from July 1, 2000 through November 22, 2000 and our results of operations for the period from November 23, 2000 through June 29, 2001.

Period from July 1, 2000 to November 22, 2000. During this period our predecessor s ability to satisfy customer demand was constrained by a limited supply of certain electrical components from some of its external suppliers. This resulted in lower than expected revenues during this period and the shifting of unit shipments that were expected during this period into the subsequent period. As a result of the acceleration of stock options in connection with the November 2000 transactions, compensation charges were allocated to cost of revenue, product development expenses, and marketing and administrative expenses in the amounts of $265 million, $116 million and $185 million, respectively. Additionally, our predecessor incurred $77 million of marketing and administrative expenses related to administrative costs in connection with the November 2000 transactions. During this period, our predecessor recorded restructuring charges of $19 million to continue the alignment of its global workforce and manufacturing capacity with existing and anticipated future market requirements and net losses of $32 million relative to certain of its investments in equity securities.

Seagate Delaware recorded a benefit from income taxes of $206 million in this period. The recorded benefit from income taxes differs from the benefit from income taxes that would be derived by applying the U.S. federal statutory rate to the loss before income taxes primarily due to losses recorded in connection with the sale by Seagate Delaware of its operating assets located in the Far East that were not deductible for U.S. tax purposes and the write-off of deferred tax assets that could not be recognized in the U.S. federal and state tax returns of our predecessor for the taxable period ended November 22, 2000.

As of November 22, 2000, our predecessor s foreign manufacturing subsidiaries had approximately $3.050 billion of undistributed foreign earnings of which approximately $1.722 billion were considered permanently reinvested offshore. In connection with the sale of the operating assets of Seagate Delaware, approximately $1.650 billion of the unremitted foreign earnings were deemed to be distributed for U.S. tax purposes to the U.S. parent. Seagate Delaware had previously recorded deferred income tax liabilities of approximately $542 million for its foreign earnings not considered permanently reinvested offshore. The deferred tax liabilities were eliminated because the remaining unremitted earnings of our predecessor s foreign subsidiaries will not be subject to U.S. corporate level tax if remitted to us.

Period from November 23, 2000 to June 29, 2001. During this period, and particularly in the quarter ended June 29, 2001, our revenue was negatively affected by an overall decline in demand for storage products due to reductions in global information technology spending partially offset by the abatement of supply constraints with respect to certain electrical components. Our gross margins were positively impacted by lower charges to cost of revenue for depreciation of approximately $140 million resulting from write-downs to fair value of our depreciable assets in connection with the November 2000 transactions. Our gross margins were negatively impacted as a result of a $131 million write-up of inventories to fair value pursuant to purchase accounting rules and the subsequent sale of that inventory during the period. At the time of the closing of the November 2000 transactions, we incurred marketing and administrative expenses of $40 million as a result of management and advisory fees paid to selected members of our sponsor group and we recorded a $52 million charge to operations for in-process research and development. We recorded additional restructuring charges of $66 million to continue the alignment of our global workforce and manufacturing capacity with existing and anticipated future market requirements. In connection with the November 2000 transactions, our cash balances declined resulting in a lower level of interest income in this period and our predecessor repaid its long-term debt and we incurred new debt at higher interest rates resulting in a subsequently higher level of interest expense.

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We recorded a $9 million provision for income taxes for the period from November 23, 2000 to June 29, 2001. The $9 million provision for income taxes differs from the benefit from income taxes that would be derived by applying a notional 35% tax rate to the loss before income taxes primarily due to the net effect of non-deductible charges related to the acquisition of the operating assets of Seagate Delaware, an increase in our allowance for U.S. deferred tax assets of certain subsidiaries, and income generated from our manufacturing plants located in China, Malaysia, Singapore and Thailand that operate under tax holidays (scheduled to expire in whole or in part at various dates through 2010).

Fiscal Year 2000 Results of Operations

Revenue. Revenue in fiscal year 2000 was $6.073 billion, 2% higher than $5.966 billion in pro forma fiscal year 2001. The decline in revenue from fiscal year 2000 to pro forma fiscal year 2001 was primarily due to price erosion, which was partially offset by higher unit sales volumes particularly in the first and second quarters of pro forma fiscal year 2001. Unit shipments increased from 41 million units in fiscal year 2000 to 43 million units in pro forma fiscal year 2001. This was lower than historical unit growth rates and was due to the declining demand for information technology products in both the personal storage and enterprise sectors of the market. Revenue and the number of units sold declined 15% and 16%, respectively, in the fourth quarter of pro forma fiscal year 2001 as compared with the third quarter of pro forma fiscal year 2001. Overall average unit sales price on rigid disc drive products was $140, $149, $127, and $125 for the four quarters of pro forma fiscal year 2001, respectively. Average price erosion from fiscal year 2000 to pro forma fiscal year 2001 was approximately 8%, which is less than previously experienced in our business, due to industry-wide component supply constraints during the first half of the fiscal year and the successful transitioning of customers to higher priced 15,000 revolutions per minute enterprise disc drives.

Cost of Revenue. Cost of revenue for fiscal year 2000 was $4.822 billion, 8% higher than $4.457 billion for pro forma fiscal year 2001. Gross margin as a percentage of revenue for fiscal year 2000 was 21%, compared with 25% for pro forma fiscal year 2001. The increase in gross margin as a percentage of revenue from fiscal year 2000 to pro forma fiscal year 2001 was primarily due to lower depreciation charges in cost of revenue in pro forma fiscal year 2001 as a result of write-downs to fair value of our depreciable assets in connection with the November 2000 transactions, as well as our ongoing cost savings as a result of our restructuring activities and our program to implement operational efficiencies. Our and our predecessor s restructuring activities during these periods were comprised of workforce reductions, capacity reductions, including closures of facilities or portions of facilities, and the write-off of excess equipment, primarily in our Far East operations in Malaysia and Thailand.

Operating Expenses. During fiscal year 2000, our predecessor relocated certain of our manufacturing operations, which had historically shared costs with design centers in the same location, to offshore locations. As part of this relocation, employees and assets that previously had been associated with manufacturing engineering were redeployed to design engineering to help drive faster product launches. This contributed to product development expense increases with respect to salaries and related costs and depreciation expense during fiscal year 2000. Marketing and administrative expenses for fiscal year 2000 included a $40 million compensation charge related to the Seagate Software Holdings, Inc. reorganization. Amortization of goodwill and other intangibles increased in fiscal year 2000 due to additional amortization related to goodwill and intangibles arising from the acquisition of XIOtech Corporation in January 2000.

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In fiscal year 2000, our predecessor recorded total restructuring charges of $216 million, offset by $2 million of reversals of amounts recorded in the same period, $5 million of restructuring accruals recorded in fiscal year 1999 and $3 million of restructuring accruals recorded in fiscal year 1998, resulting in a net restructuring charge of $206 million. The $206 million restructuring charge was a result of a restructuring plan established to align the global workforce and manufacturing capacity with existing and anticipated future market requirements and was necessitated by improved productivity and operating efficiencies. We refer to this plan as the fiscal year 2000 restructuring plan. These actions included:

- workforce reductions;
- capacity reductions, including closure of facilities or portions of facilities;
- write-off of excess equipment; and
- consolidation of operations in recording media operations, disc drive assembly and test facilities, printed circuit board assembly manufacturing facilities, recording head operations, customer service operations, sales and marketing activities and research and development activities.

In connection with the fiscal year 2000 restructuring plan, our predecessor planned to reduce our workforce by approximately 23,000 employees primarily in manufacturing. All of these employees had been terminated as of March 29, 2002. As a result of employee terminations and the write-off of equipment and facilities in connection with the restructuring charges recorded during fiscal year 2000 related to the fiscal year 2000 restructuring plan, we estimate that after the completion of these restructuring activities, annual salary and depreciation expense have been reduced by approximately $151 million and $48 million, respectively. The implementation of the fiscal year 2000 restructuring plan was substantially complete as of December 29, 2000. Unusual items in fiscal year 2000 consisted of a $64 million charge related to various legal settlements.

Non-Operating Expenses. Net other income in fiscal year 2000 included a gain on the sale of portions of our predecessor s investment in SanDisk of $679 million as well as gains totaling $199 million on the exchange of their investments in the equity securities of Dragon Systems, Inc. for those of LHSP, on the exchange of their investments in the equity securities of CVC for those of Veeco Instruments and on the exchange of their investments in the equity securities of iCompression for those of Globespan.

Income Taxes. Our predecessor recorded a provision for income taxes of $275 million for fiscal year 2000 and its effective tax rate was 43%. The effective tax rate used to record the provision for income taxes for fiscal year 2000 differed from the U.S. federal statutory rate primarily due to in-process research and development expenses that were not deductible for tax purposes, partially offset by the benefit related to research and development tax credits.

Our predecessor provided for income taxes at the U.S. federal statutory rate of 35% on substantially all of our current year foreign earnings for fiscal year 2000. A substantial portion of our Far East manufacturing operations at plant locations in China, Malaysia, Singapore and Thailand operate under various tax holidays, which expire in whole or in part at various dates through 2010. The tax holidays had no impact on net income in fiscal year 2000. Cumulative undistributed earnings of our Far East subsidiaries for which no income taxes were provided aggregated approximately $1.631 billion at June 30, 2000. These earnings were considered to be permanently invested in non-U.S. operations. Additional U.S. federal and state taxes of approximately $584 million would have had to have been provided if these earnings had been repatriated to the United States in fiscal year 2000.

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Quarterly Financial Results

The following tables present the unaudited quarterly results of operations for us and for our predecessor in dollars and as a percentage of revenue for the periods indicated through the quarter ended March 28, 2003. The information for each of these periods is unaudited and has been prepared on the same basis as the audited consolidated and combined financial statements of us and our predecessor included elsewhere in this prospectus. In the opinion of management, all necessary adjustments, which consist only of normal and recurring adjustments, have been included to present fairly the unaudited quarterly results. This data should be read in conjunction with the consolidated and combined financial statements and the notes thereto included elsewhere in this prospectus. These operating results are not indicative of the expected results of any future period.

	Predecessor		Seagate Technology									
				Quarter Ended								
	Quarter Ended Sep. 29, 2000	Sep. 30, 2000 to Nov. 22, 2000	Nov. 23, 2000 to Dec. 29, 2000	Mar. 30, 2001	June 29, 2001	Sep. 28, 2001	Dec. 28, 2001	Mar. 29, 2002	June 28, 2002	Sep. 27, 2002	Dec. 27, 2002	Mar. 28, 2003
						(in millions)						
Revenue	$ 1,677	$ 633	$ 974	$ 1,468	$ 1,214	$ 1,294	$ 1,629	$ 1,691	$ 1,473	$ 1,579	$ 1,734	$ 1,620
Cost of revenue	1,298	737	862	1,102	961	996	1,192	1,180	1,125	1,207	1,241	1,186
Gross margin	379	(104)	112	366	253	298	437	511	348	372	493	434
Product development	183	226	69	162	157	151	164	177	206	160	169	167
Marketing and administrative	121	329	94	122	72	96	109	97	196	86	105	85
Amortization of intangibles	12	8	4	3	5	5	5	5	5			
In-process research and development (a)			52									
Restructuring costs (b)	19			54	12			4		7		
Income (loss) from operations (c)	44	(667)	(107)	25	7	46	159	228	(59)	119	219	182
Other income (expense), net (d)	144	(139)	(16)	(8)	(3)	(6)	(10)	(14)	(105)	(6)	(17)	(2)
Income (loss) before income taxes	188	(806)	(123)	17	4	40	149	214	(164)	113	202	180
Provision for (benefit from) income taxes	65	(271)	20	(9)	(3)	6	25	21	34	3	4	6
Net income (loss)	$ 123	$ (535)	$ (143)	$ 26	$ 7	$ 34	$ 124	$ 193	$ (198)	$ 110	$ 198	$ 174

	Predecessor		Seagate Technology	
	Quarter Ended	Sep. 30, 2000	Nov. 23, 2000	Quarter Ended

	Sep. 29, 2000	to Nov. 22, 2000	to Dec. 29, 2000	Mar. 30, 2001	June 29, 2001	Sep. 28, 2001	Dec. 28, 2001	Mar. 29, 2002	June 28, 2002	Sep. 27, 2002	Dec. 27, 2002	Mar. 28, 2003
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%