

# The Value is in the Data

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Imation Corp

# Risk Factors

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*Certain information contained in this presentation, which does not relate to historical financial information, including the business outlook, may be deemed to constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause the company's actual results in the future to differ materially from its historical results and those presently anticipated or projected. The company wishes to caution investors not to place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and the company undertakes no obligation to update such statement to reflect events or circumstances arising after such date. Among these factors are continuing uncertainty in global economic conditions that make it particularly difficult to predict product demand, the company's ability to meet its cost reduction and revenue growth targets, its ability to introduce new offerings in a timely manner either independently or in association with OEMs or other third parties, its ability to achieve the expected benefits in a timely manner from the Moser Baer relationships, including the Global Data Media joint venture, the competitive pricing environment, foreign currency fluctuations, the outcome of litigation, the ready availability and price of energy, availability of key raw materials or critical components, the market acceptance of newly introduced product and service offerings, the rate of decline for certain existing products as well as various factors set forth, from time to time, in the company's filings with the Securities and Exchange Commission.*

# Topics

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- Removable Data Storage Industry
- Imation's Leadership Role in the Industry
- 2004 Financial Results and Key Actions

# Imation is a \$1.2 billion leader in data storage media



Data Center and Business Storage  
Magnetic Tape, Optical

Personal Storage  
CDs, DVDs, Diskettes

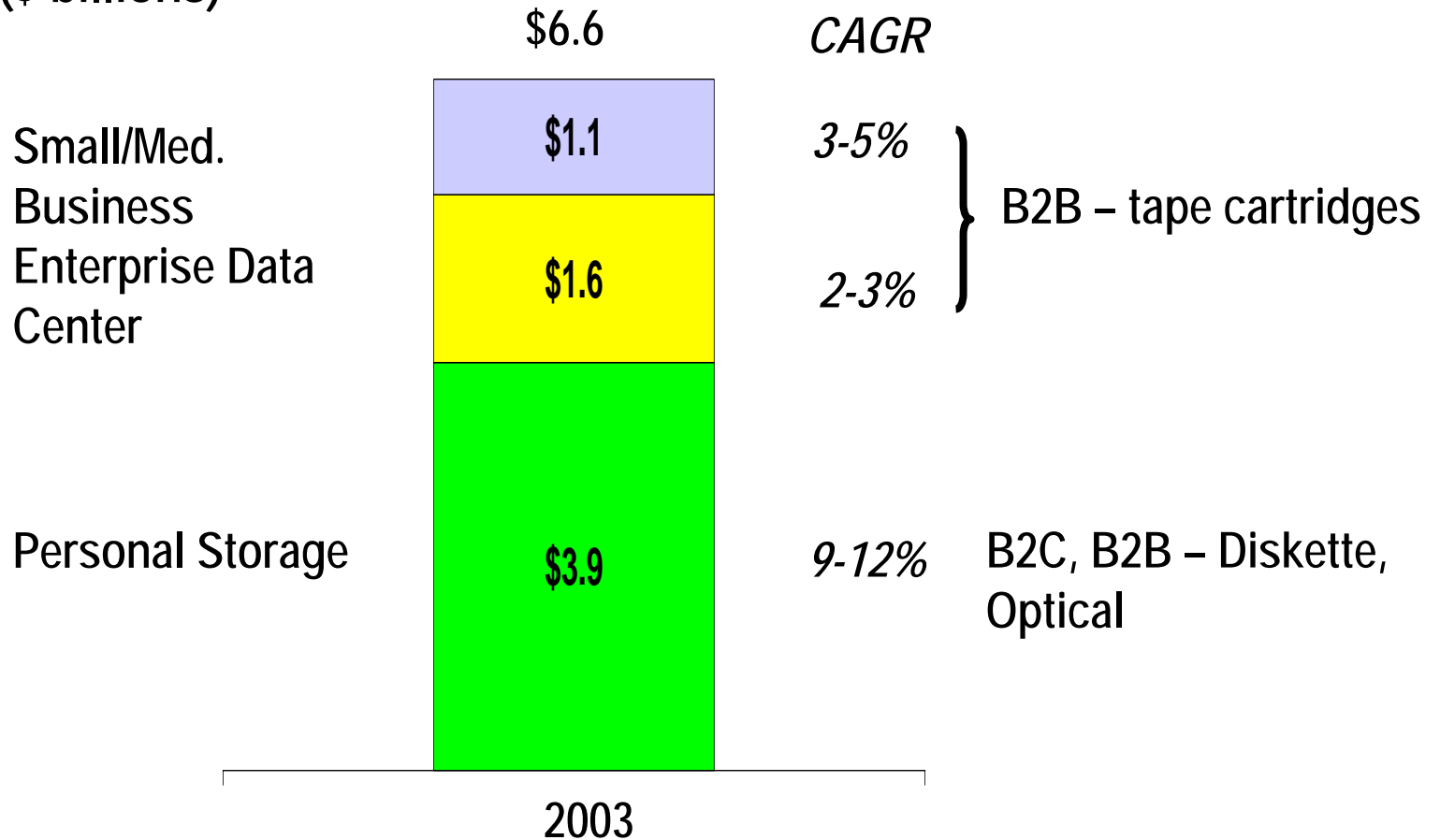


Flash Drives

# The Data Storage Media Market is Large and Growing



Removable Data Storage Market – 2003  
(\$ billions)



# Annual Data Media Consumption for Typical Industry Applications

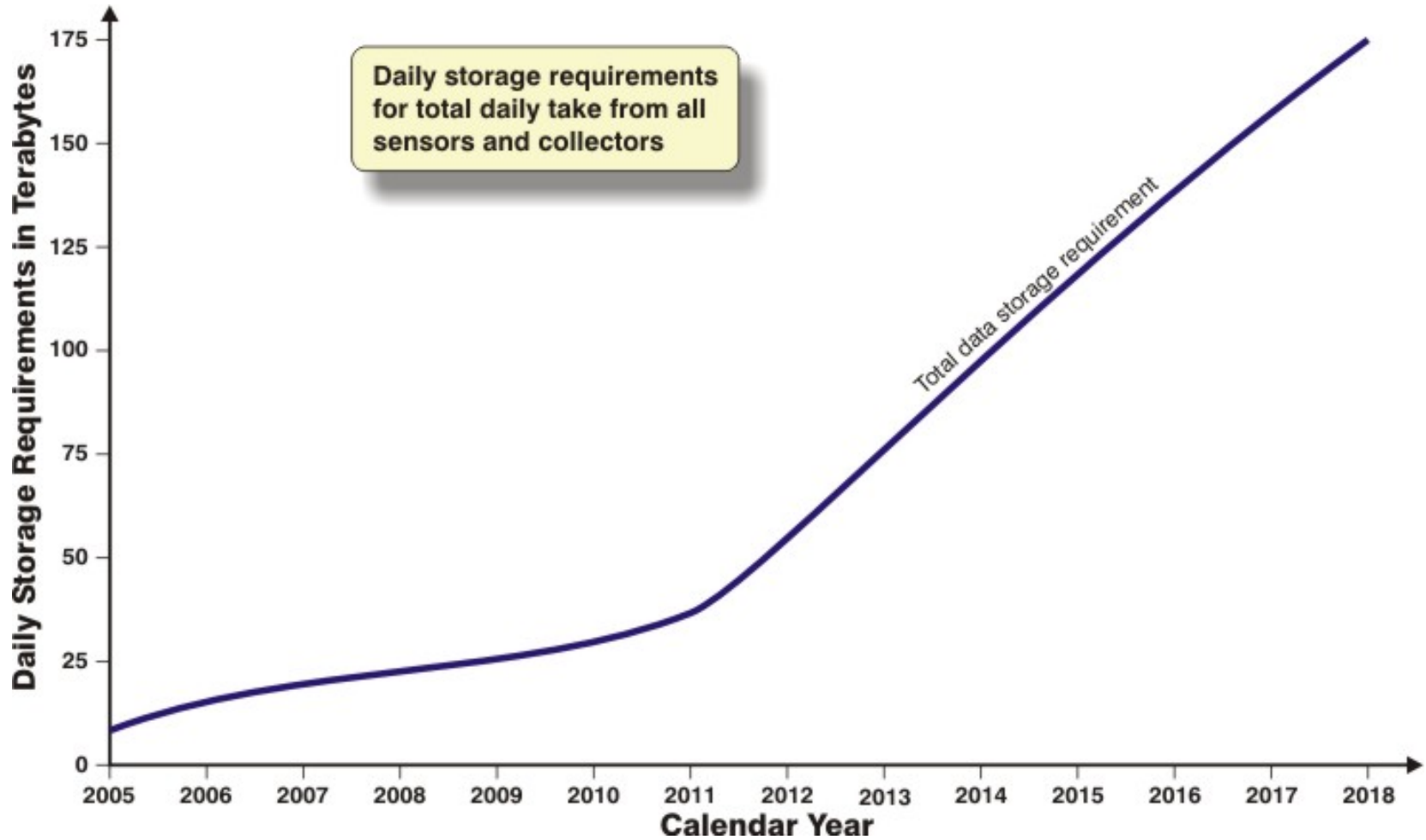
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- Money Center Bank 735 Tb (Terabytes)
- Aerospace Manufacturer 1600 Tb
- Financial Services 1500 Tb
- Insurance 900 Tb
- Telecommunications 3800 Tb
- NOAA Weather Satellites 2100 Tb
- Software Company 190 Tb
- Gov't Satellite Imagery 3300 Tb

1 Tb =  $1 \times 10^{12}$  bytes or 1,000 Gigabytes  
1 Tb = 185 DVD movies or 43 high definition movies  
50 Tb = Typical Large Mass Storage system

Source: Imation Corp Est.

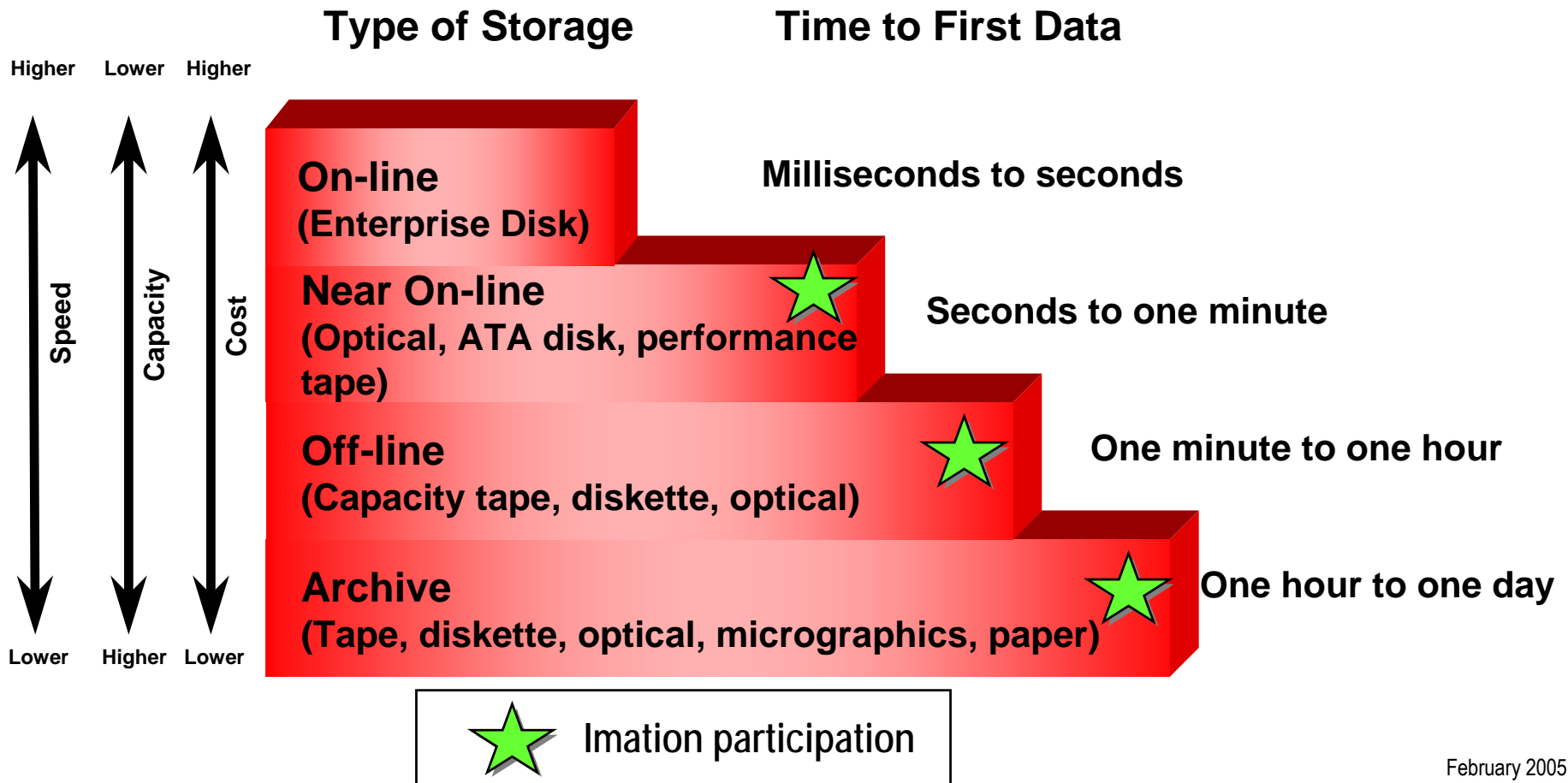
# Storage Requirements Accelerating in Satellite Imagery Government Applications



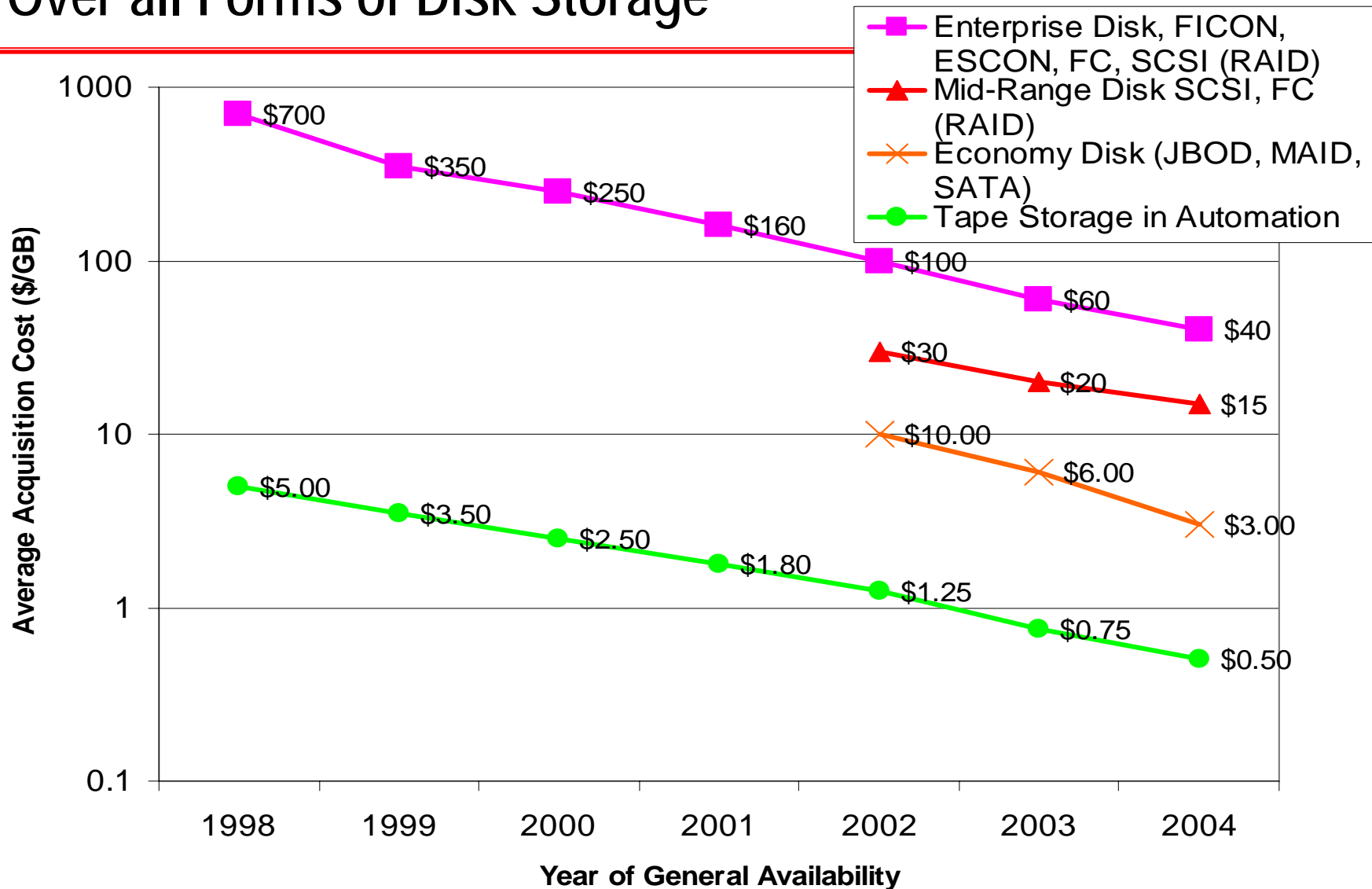
Source: Imation Corp

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# Imation Plays in Three Out of Four Major Application Segments




# Tape Maintains a Significant Cost Advantage Over all Forms of Disk Storage



Source: Imation

# Topics

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- Removable Data Storage Industry
-  • Imation's Leadership Role in the Industry
- 2004 Financial Results and Key Actions

# Imation is a \$1.2 Billion Leader in Data Storage Media with Over 50 Years Experience

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- 1952 – 3M introduces first commercial magnetic tape for computers
- 1996 – Imation formed as spin off of 3M data storage and imaging systems groups
- 1996-2002 – Non data storage businesses divested
- 2002+ – Focused data storage media business moves forward

# Imation's Technology Leadership Begins at Discovery Technology Center



- 423,000 square feet; >300 scientific personnel
- The only dedicated tape/optical research facility in North America – close to OEMs
- Focused on advanced tape and optical storage technology
- Working with manufacturing sites and suppliers
- More than 360 data storage patents

**TeraÅngstrom Tape Technology**

**Servo Expertise**

**Cartridge Technology**

**Emerging Technologies**

**Manufacturing Excellence**

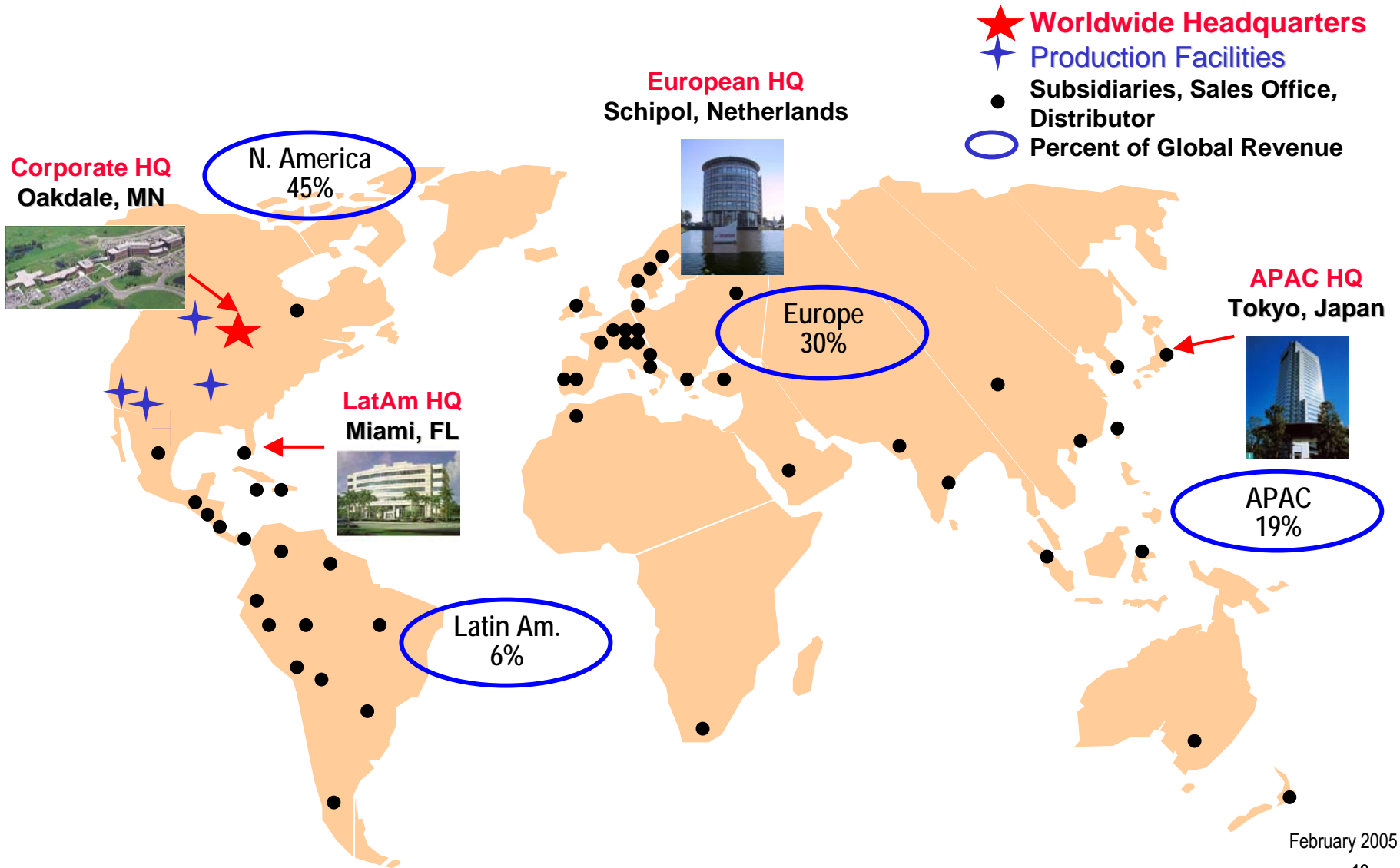


**Optical Technology,  
Dyes, Media, Coatings**

**Molding & Tooling Technology**

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# Imation has a Broad Global Footprint; 59% of Revenue Comes from Outside North America

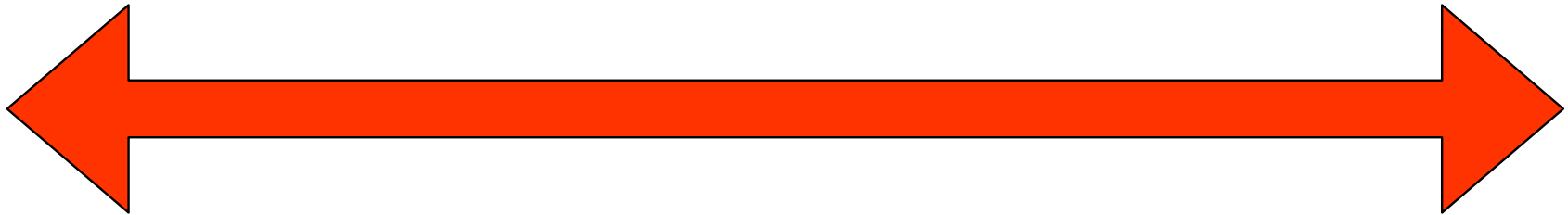


# Imation Spans all Major Sectors of Removable Storage



*Capacity Starts at 1.44MB  
Typical Single Use of Media  
Transfer Rate Begins at ~0.5 MB/Sec*

*Highest Capacity Per Cartridge ~400GB  
High Levels of Automation  
Peak Transfer Rate ~ 60 MB/Sec*



## Personal Storage

CD-R, CD-RW,  
DVD optical discs;  
1.44MB Diskettes,  
Devices/Accessories  
USB Swivel Flash Drive

## Small-Medium Business

Exabyte™ VXA,  
Travan™/Travan NS  
4mm/8mm, SLR , Data  
Cartridges; DVD  
Optical Disc  
USB Swivel Flash Drive

## Network Server

Ultrium Tape Cartridges,  
DLTape™ Tape Cartridges,  
Super DLTape™ Cartridges

## Data Center

BlackWatch™ 9840, 9940;  
BlackWatch™ 3590, 3590E,  
3480, 3490E;  
Royal Guard™ 3480  
9490EE Tape Cartridges

## Competitors

*Memorex, TDK,  
Verbatim*

*Sony*

*Fuji, Maxell*

*Fuji*

# Imation Is, by Far, the Most Focused Data Storage Media Company

*% of Total Company Revenue from Data Storage Media  
And 2003 Data Storage Revenue (est.)*

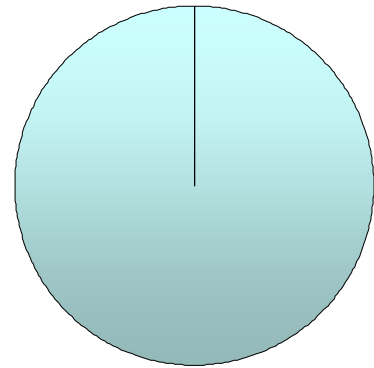
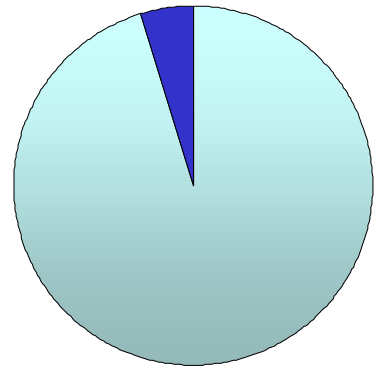
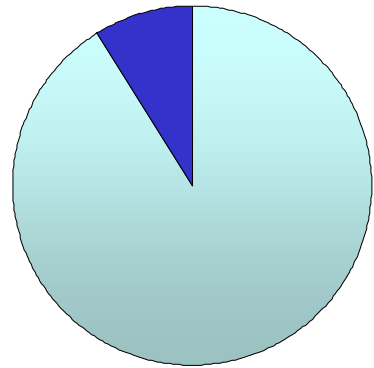
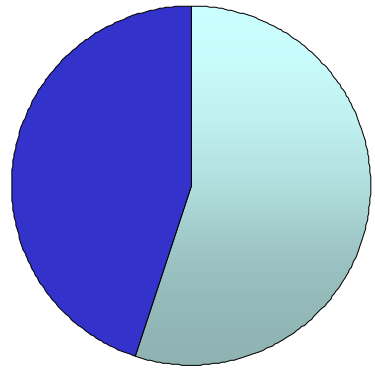
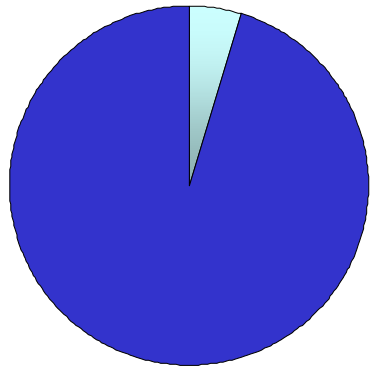
**Imation**

**Maxell**

**TDK**

**Fuji**

**Sony**



95%  
\$1,110.6M

~45%  
~\$800M

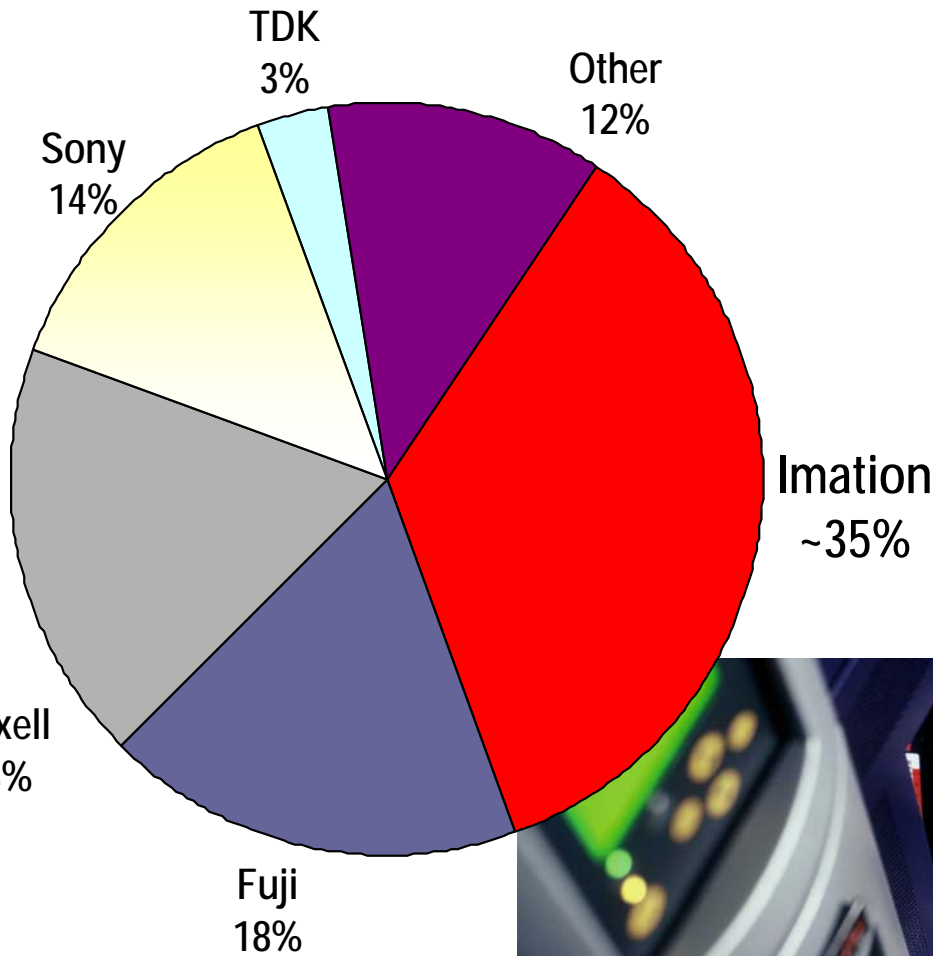
9%  
~\$500M

<5%  
~\$800M

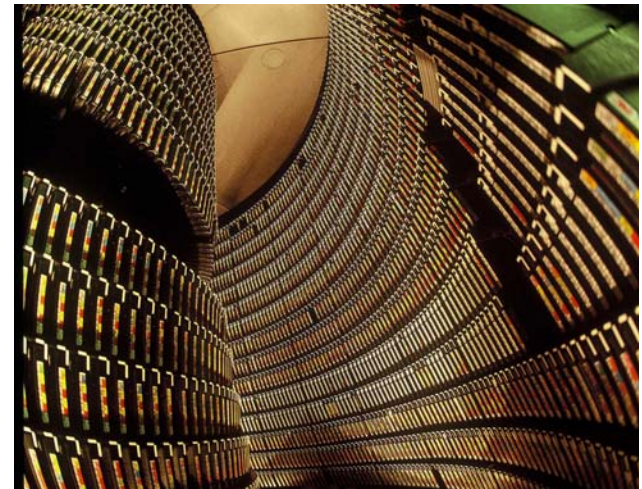
<1%  
~\$500M

 Data Storage Media Revenue       All Other Revenue

# Imation is the Global Leader in Magnetic Storage Media



Working closely with leading OEMs



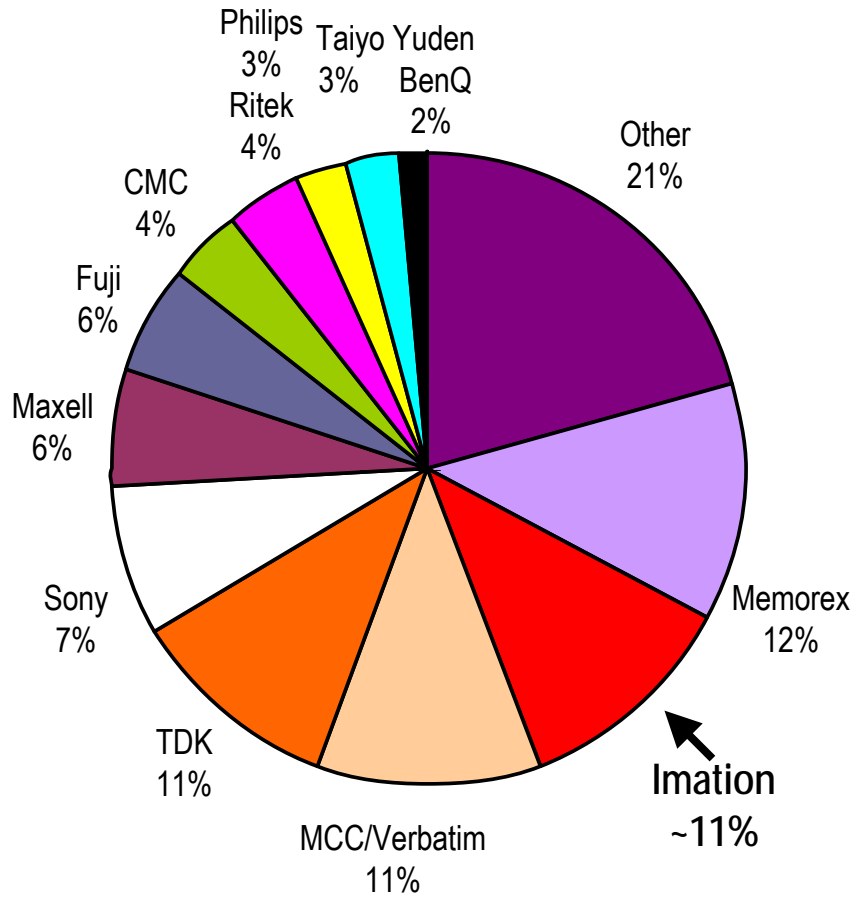
# Magnetic Tape Strategy

- Maintain #1 global position
- Invest in advanced tape technology
  - Achieve 1 TB cartridge in two years
  - Continue development of multi-terabyte tape
  - Maintain solid OEM relationships
- Achieve Lean Manufacturing excellence to ensure quality and low cost
- Leverage global footprint



# Imation is a Leading Supplier of Optical Products

## Estimated 2003 Market Share



# Optical Media Strategy

- Maximize Efficiency for Sourced Products; Segment Markets; Selective Participation
- Introduce Differentiated Products
- Leverage IP and R&D for Advanced Optical
- Enhance consumer brand preference
- Optimize distribution leverage
- Build on Fast Response capabilities
  - Long-term relationships with key players
  - Strong relationships with manufacturers
  - Data storage focus

Lightscribe



**lifemix™** digital greetings from Imation

Send sights, sounds, & warm wishes this holiday...



Send more than just a card. Send memories.



ForceField

Home data,  
music, photos,  
video



Gaming



Music



Photos



Video

CD audio



DVD videos



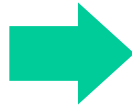
Business data,  
mobile &  
server



# Topics

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- Removable Data Storage Industry
- Imation's Leadership Role in the Industry



- 2004 Financial Results and Key Actions

# Q4 2004 is characterized by a strong Q1 and Q4 and relatively weak Q2 and Q3

	2003 FY	Q1	Q2	2004 Q3	Q4	FY
<b>Sales</b>	\$ 1,163.5	\$ 339.3	\$ 284.1	\$ 269.7	\$ 326.2	\$ 1,219.3
Gross margin	334.7	93.5	70.2	61.5	74.7	299.9
GM %	28.8%	27.6%	24.7%	22.8%	22.9%	24.6%
Operating Expenses	223.3	60.0	56.8	53.0	51.0	220.8
% to sales	19.2%	17.7%	20.0%	19.7%	15.7%	18.1%
<b>Operating Income *</b>	\$ 111.4	\$ 33.5	\$ 13.4	\$ 8.5	\$ 23.7	\$ 79.1
% to sales	9.6%	9.9%	4.7%	3.2%	7.3%	6.5%
<b>EPS (continuing ops) *</b>	\$ 2.10	\$ 0.60	\$ 0.25	\$ 0.28	\$ 0.46	\$ 1.62
<b>Operating Cash Flow</b>	\$ 81.0	\$ 24.2	\$ 5.9	\$ 19.9	\$ 78.1	\$ 128.1

\* Excluding charges & special items

Collapse of optical prices

Rebound in tape; improved optical margins; coater start-up costs

Strong data center and optical sales

Slow magnetic sales, coater start-up costs and sell-through of low margin optical

# Q4 2004 is characterized by a strong Q1 and Q4 and relatively weak Q2 & Q3

	2003 FY	Q1	Q2	2004 Q3	Q4	FY
Sales	\$ 1,163.5	\$ 339.3	\$ 284.1	\$ 269.7	\$ 326.2	\$ 1,219.3
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GM %	28.8%	27.6%	24.7%	22.8%	22.9%	24.6%
Operating Expenses	223.3	60.0	56.8	53.0	51.0	220.8
% to sales	19.2%	17.7%	20.0%	19.7%	15.7%	18.1%
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Operating Cash Flow	\$ 81.0	\$ 24.2	\$ 5.9	\$ 19.9	\$ 78.1	\$ 128.1

### Actions:

- Smarter Purchasing (price protection, multi-sourcing)
- JIT Management (postponement close to markets)
- Market Segmentation (high value consumers e.g “memory keepers”)
- Product Differentiation (e.g. LifeMix digital greeting card)

### Actions:

- Ramp up TeraAngstrom coater
- Launch LTO Gen 3
- Accelerate Lean Enterprise Implementation
- Announced Tucson Plant Closure
- Announced Q4 Restructuring

# Restructuring Actions Will Continue to Drive Lower Operating Expenses to Support the Company's Business Model

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Simplify our structure, improve decision making speed and lower overall operating costs

## Tucson Production Facilities Closing

- Reduction of 265 positions (net reduction = ~175)

- Charge of \$3 million in second quarter of 2004

- Additional costs of approximately \$6 million

- Benefits beginning in 2006

## Administrative Reductions

- Elimination of approximately 260 positions

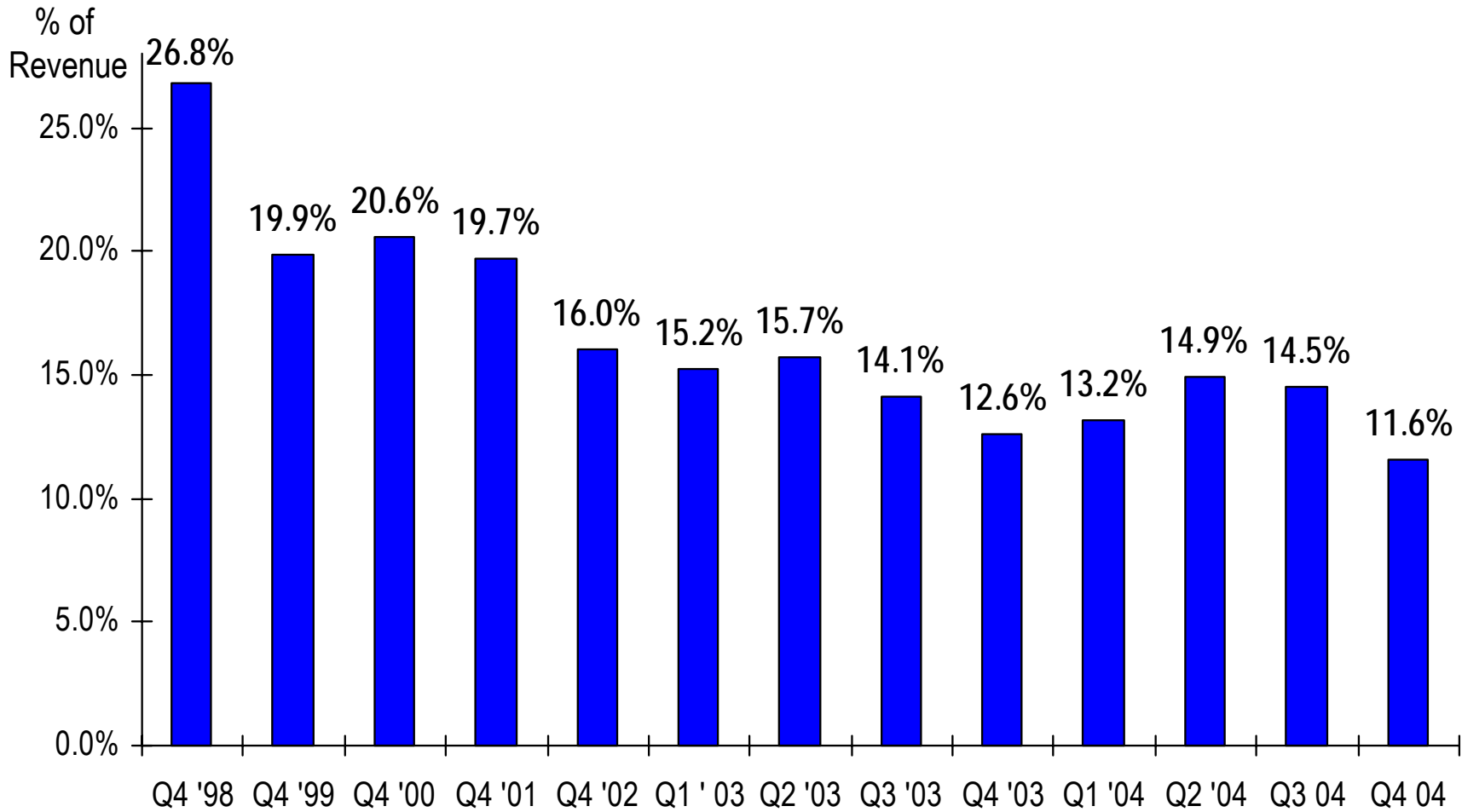
- Majority in Oakdale at headquarters

- Restructuring charge of \$22.1 million included \$6 million of non-cash asset impairment

- Annual savings of \$25 to \$30 million

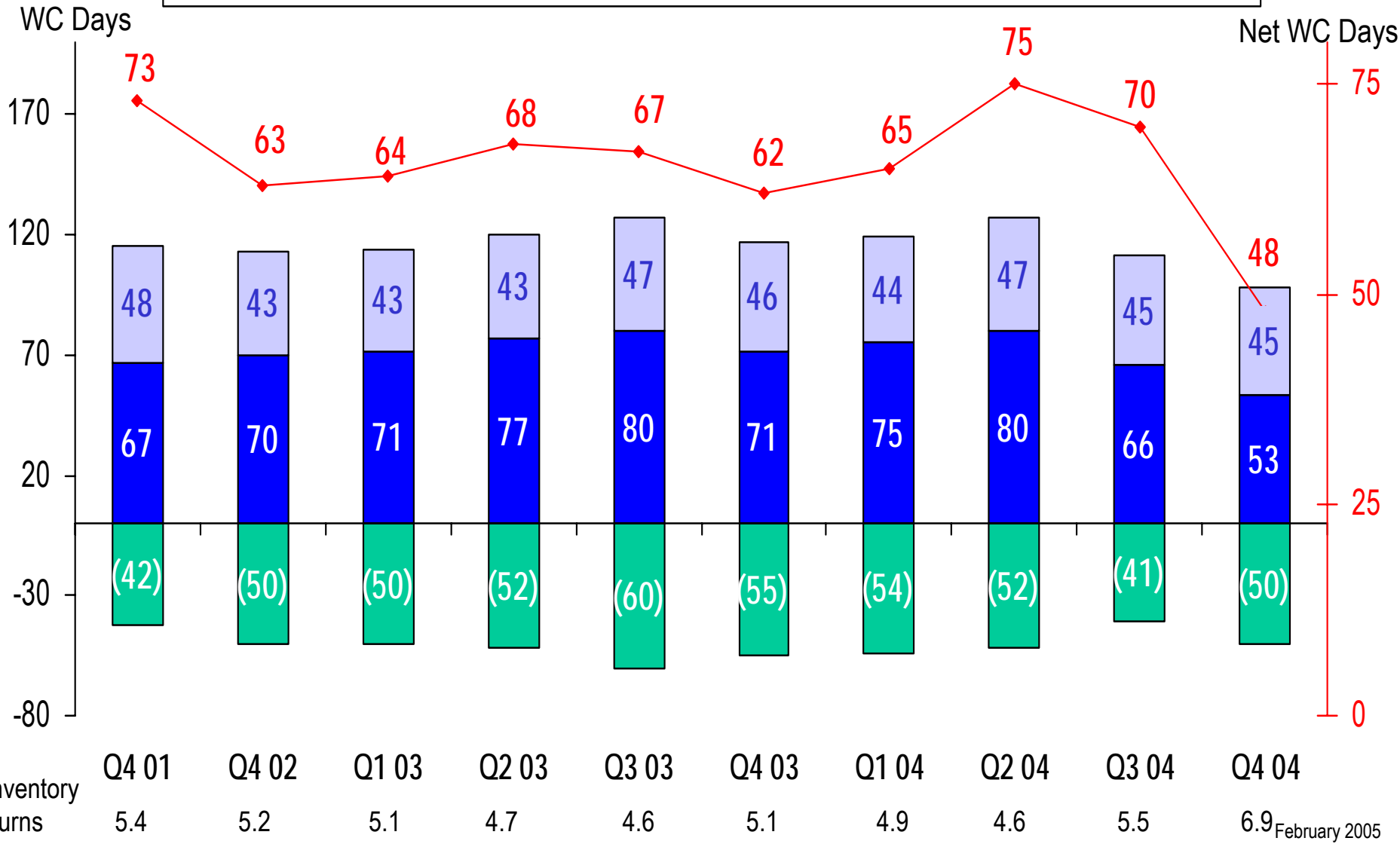
- Restructuring 90% completed in 2004 with remainder to be completed in 2005

# SG&A Expenses\* Have Declined 15 Percentage Points Since 1998



\* Excluding special items

# Working Capital Days Declined with Improved Inventories and Receivables



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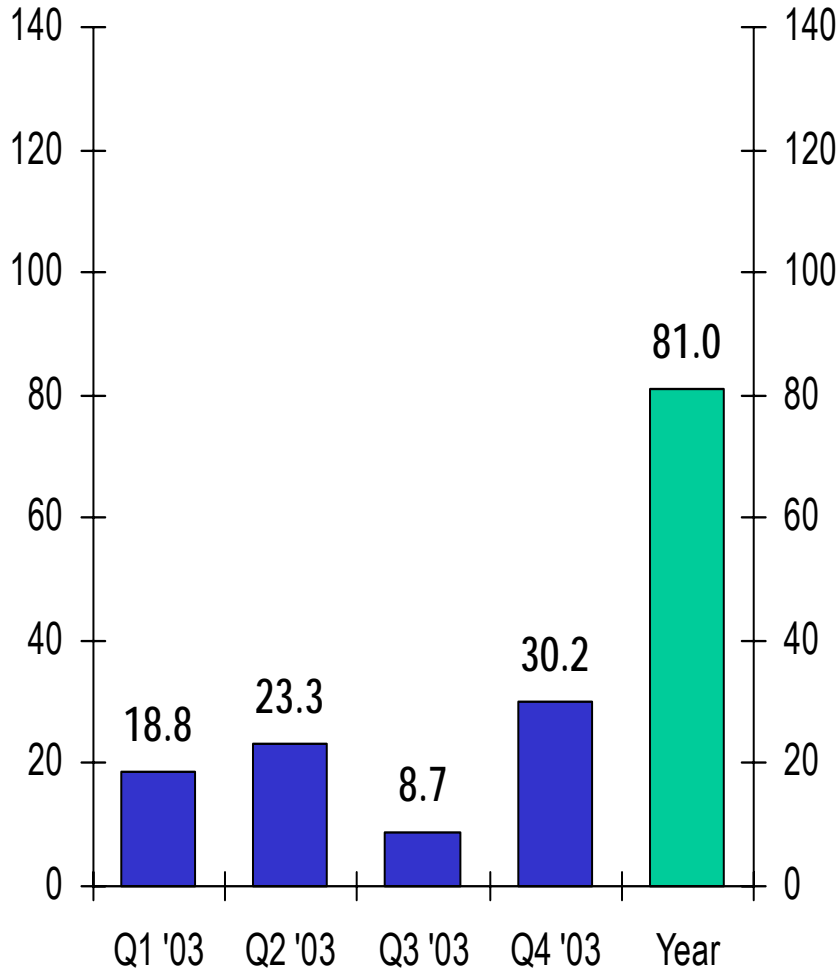
# The Company has Maintained Strong Cash Flow Generation Despite Two Difficult Quarters



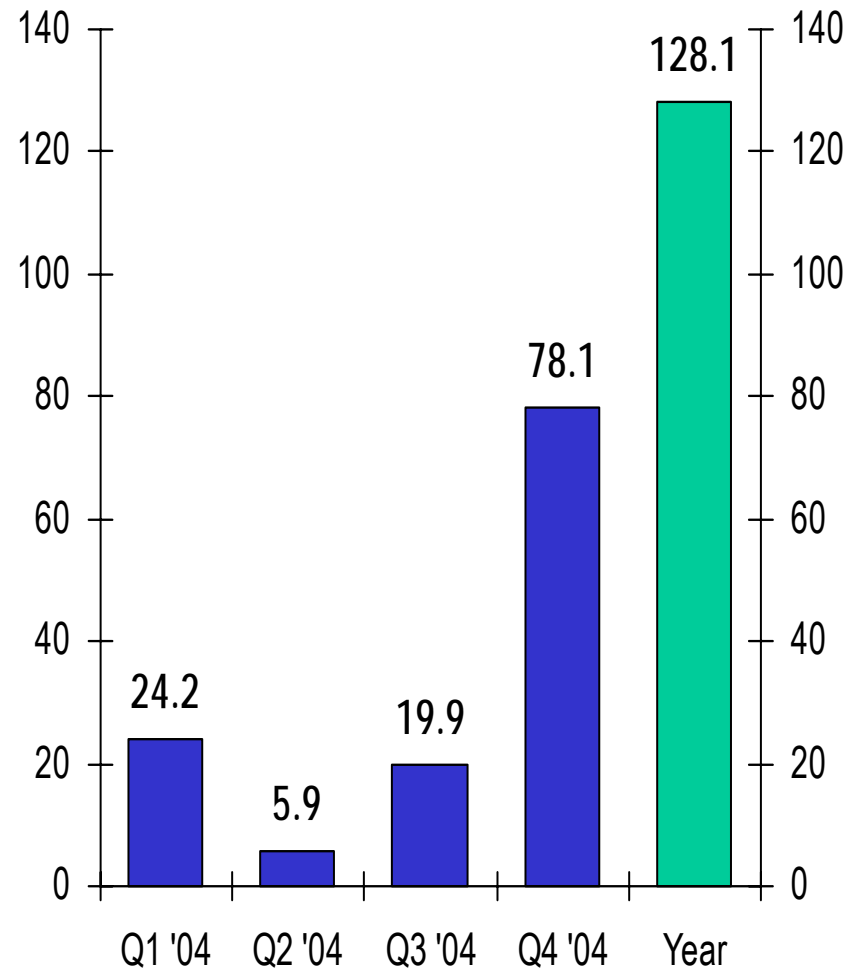
2003

2004

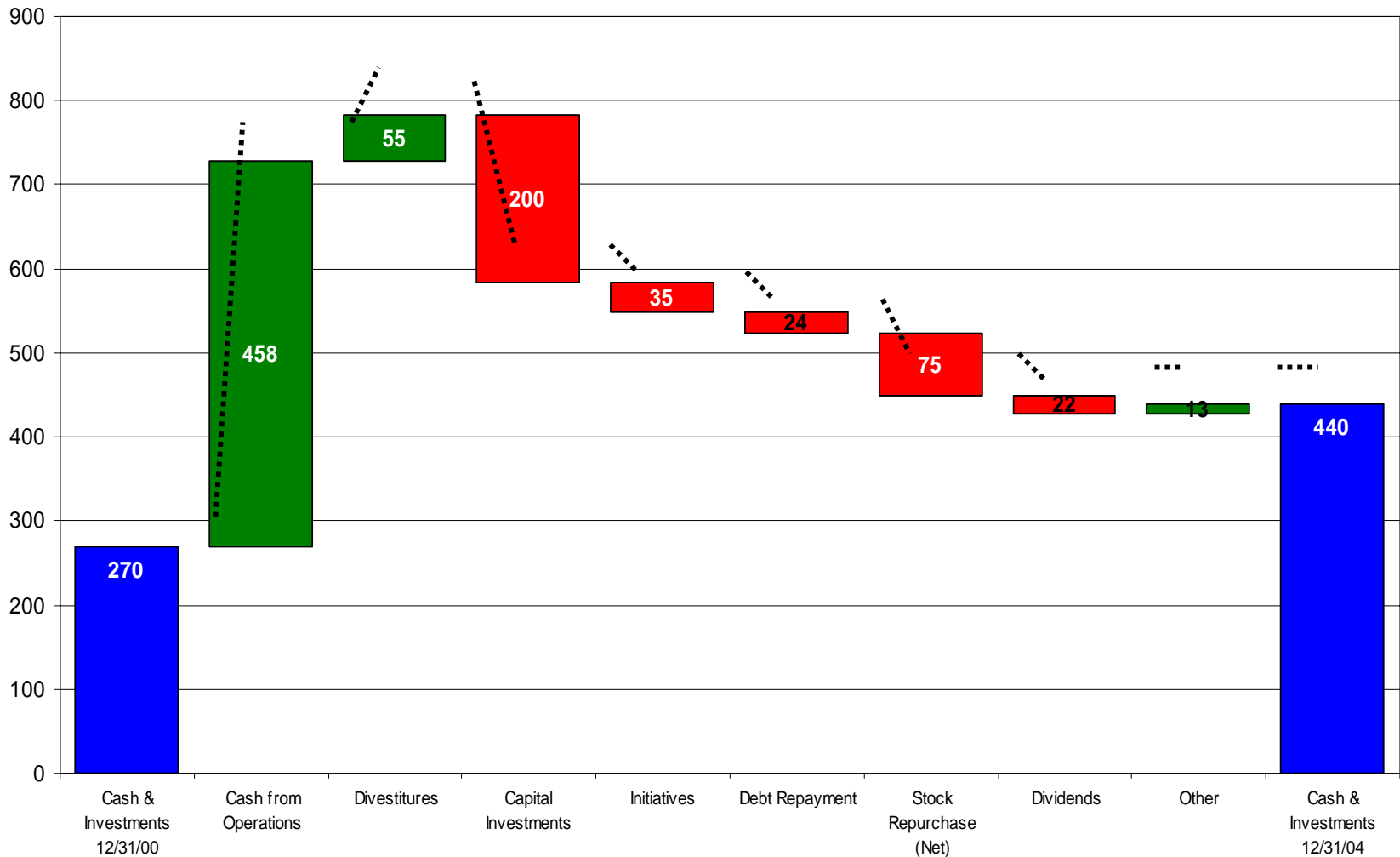
\$ in Millions



\$ in Millions



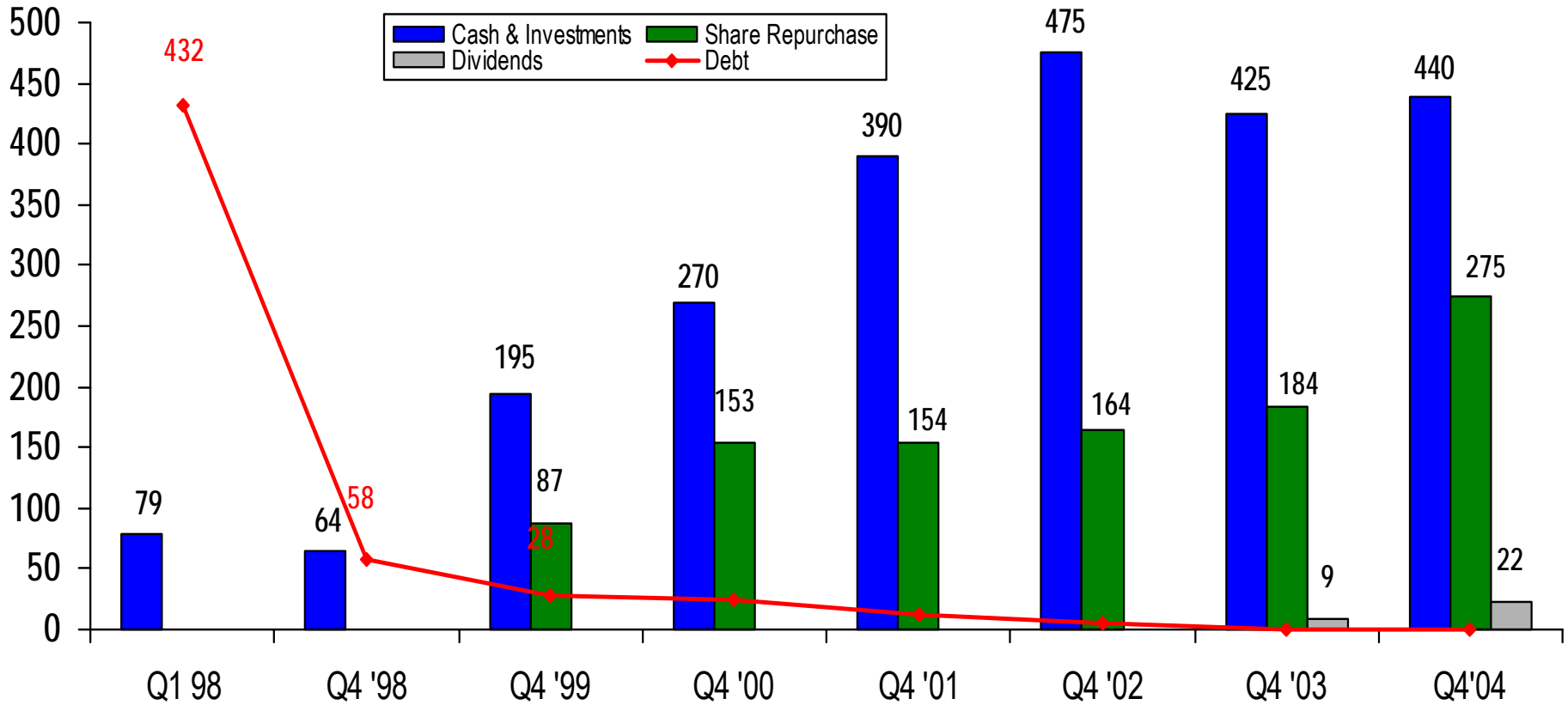
# Historically, cash from operations has funded investments and stock repurchase while still increasing cash by \$170 million



A financial turnaround of \$1 billion has been achieved since Q1 1998  
significant financial resources exist to fund growth



(\$ millions)

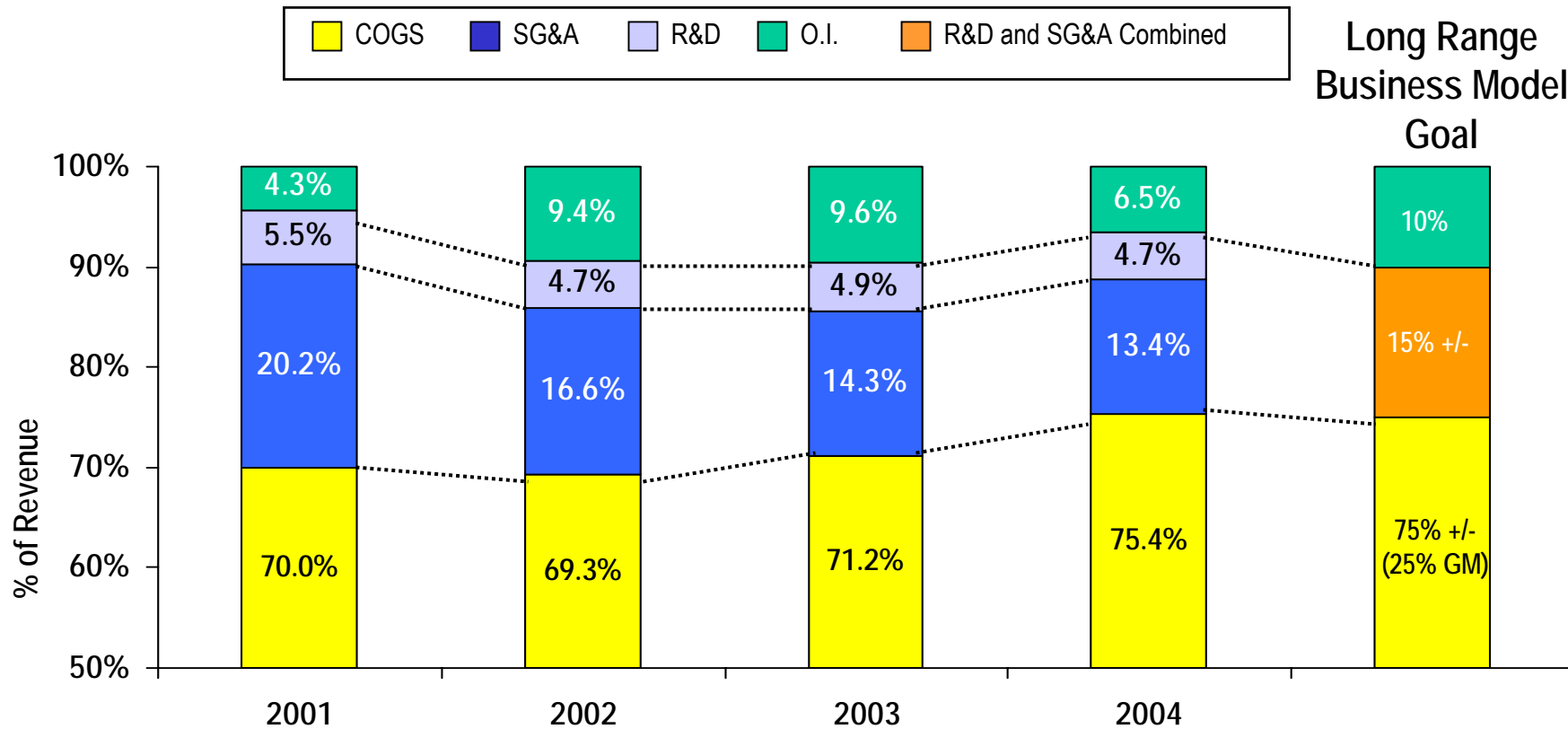


# Uses of Cash Focus on Creating Value

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- **Invest in Profitable Growth**
  - Internal organic growth opportunities
  - M&A and other strategic alliances
  - Approximately \$100 million in recent investments
    - \$50+ million TeraAngstrom Coater investment
    - \$20 million Exabyte distribution agreement and equity
    - \$15 million EMTEC asset purchase
    - \$5 million MBI joint venture
    - \$10 million O-MASS & other technology investments
- **Efficient Return of Cash to Shareholders**
  - \$90.5 million in 2004 stock repurchases through September
    - Remaining authorization of 4.2 million shares
  - \$13.2 million in 2004 dividends

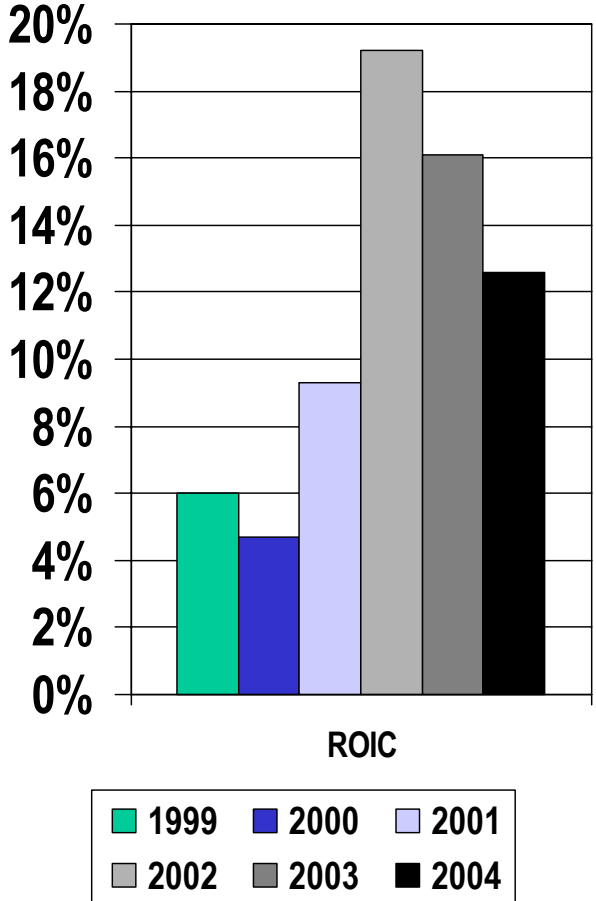
# Reduced SG&A Will Deliver Sustainable Profits on Lower Gross Margins




Revenue (\$MM)	927	1,057	1,164	1,219.3
YoY Growth	3.2%	14.0%	10.1%	4.8%
Gross Margin %	30.0%	30.7%	28.8%	24.6%
Operating Income* (\$MM)	47.6	100.3	111.4	79.1
% of Revenue*	4.3%	9.4%	9.6%	6.5%
*without Special Items				


# Return on Invested Capital

A Yardstick for Measurement of Our Long-Term Success



After-Tax Profit Margin\* 

X

Asset Turns (Invested Capital) 

## Success Factors

### Sourced Products

- Differentiated Products
- Channel Coverage & Expertise
- Effective Sourcing Relationships

### Mfd Products

- Maintain & Improve Technology
- Leverage TeraAng Investment
- Maintain Strong OEM Relationships
- First-to-Market

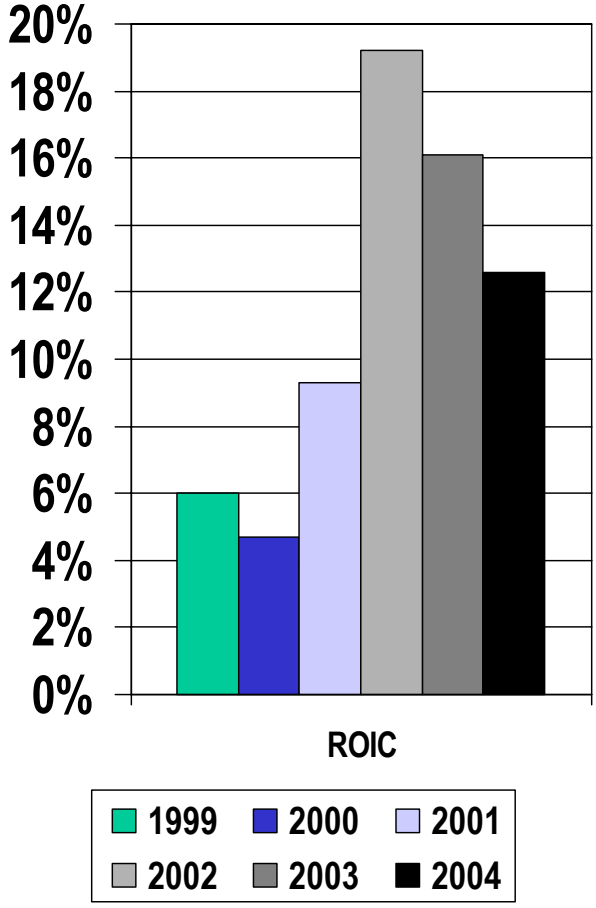
- 
- Shortened Supply Chain
  - Greater Velocity
  - Postponement

- Lean Transformation

\*Taxes have been adjusted to a normalized rate

# Return on Invested Capital

A Yardstick for Measurement of Our Long-Term Success



## Success Factors

<u>Sourced Products</u>	<u>Mfd Products</u>
-------------------------	---------------------

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Differentiated Products</li> <li>• Channel Coverage &amp; Expertise</li> <li>• Efficiency</li> </ul> | <ul style="list-style-type: none"> <li>• Maintain &amp; Improve Technology</li> <li>• Leverage TeraAng Investment</li> </ul> |
|---|--|

After-Tax Profit Margin\*  
X  
Asset Turns (Invested Capital)



- Post

\*Taxes have been adjusted to a normalized rate

# Imation's 2005 Priorities

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- Regenerate Revenue Growth
- Implement Lean Operations Globally – Starting in Manufacturing
  - Increased Velocity, Lower Costs, Higher Quality
- Focus R&D Investment
  - High Capacity/High Performance/Differentiated Media
- Ramp TeraÅngstrom Line
  - LTO Gen3; NGD; 1TB Cartridge
- Improve/Reposition/Fix Optical Business
  - Take Advantage of Sourcing Strengths; Stabilize Business
- Identify and Implement Profitable Growth Alternatives
  - JV's, M&A, Opportunistic
- Reduce Spending; Implement Restructuring
  - Lower Operating Expenses in 2005 on Path to Support Long Term Business Model

# Imation is Well Positioned to Grow Profitably in the Data Storage Market

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- The data storage removable media market is an attractive sustainable growth market
  - Demand for storage capacity doubles every 18 to 24 months
  - Sustainable revenue growth in each market sector
  - Imation has the leading share in magnetic and in the top 3 in optical
- Imation is well positioned to grow profitably in this market
  - Strong market presence and distribution reach
  - Broad portfolio of products
  - Deep technology base
  - Global footprint
- Experienced global Management Team and industry focus
- Strong balance sheet and solid financial position to fund profitable growth



## Reconciliation of Reported Results to Adjusted Results

*The As Adjusted results are provided solely to assist in an investor's understanding of the impact of these special items on the comparability of the Company's operations. The adjusted information should not be construed as an alternative to the reported results determined in accordance with accounting principles generally accepted in the United States of America.*

(\$ in millions, except per share data)	2004		2003		2002		2001	
	Reported	Adjusted (1)	Reported	Adjusted (2)	Reported	Adjusted (3)	Reported	Adjusted (4)
Net revenues	\$1,219.3	\$1,219.3	\$1,163.5	\$1,163.5	\$1,066.7	\$1,066.7	\$1,119.3	\$1,119.3
Gross profit	299.9	299.9	334.7	334.7	327.8	327.8	335.4	336.0
Selling, general and administrative	163.9	163.9	166.3	166.3	176.9	176.9	232.0	226.3
Research and development	56.9	56.9	57.0	57.0	50.6	50.6	62.1	62.1
Litigation	--	--	(1.0)	--	(6.4)	--	--	--
Restructuring and other	25.2	--	(7.2)	--	(4.0)	--	46.1	--
Operating income (loss)	53.9	79.1	119.6	111.4	110.7	100.3	(4.8)	47.6
Income (loss) from continuing operations before cumulative effect of accounting change	42.3	56.6	81.8	76.3	73.2	66.5	(0.8)	35.6
Diluted earnings (loss) per common share, continuing operations before cumulative effect of accounting change	\$1.19	\$1.59	\$2.25	\$2.10	\$2.05	\$1.86	(\$0.02)	\$1.02

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# *Reconciliation of Reported Results to Adjusted Results*



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*The As Adjusted results are provided solely to assist in an investor's understanding of the impact of these special items on the comparability of the Company's operations. The adjusted information should not be construed as an alternative to the reported results determined in accordance with accounting principles generally accepted in the United States of America.*

- 1) The year ended December 31, 2004 includes restructuring and other charges of \$25.2 million. The restructuring charges are primarily for cash severance payments. The charges also included approximately \$6 million for non-cash asset impairments.
- 2) The year ended December 31, 2003 includes the reversal of a reserve taken in 2002 for a litigation issue in Spain that was favorably settled during 2003 and a gain of \$11.1 million primarily related to outstanding transition services payments for the color proofing and color software business sold in 2001 and a \$0.7 million reversal of previously recorded charges due to lower than expected costs of restructuring, offset by a \$4.6 million impairment of a loan to a contract manufacturer.
- 3) In 2002, the Company recorded a net litigation benefit due primarily to the May 29, 2002, legal settlement with Quantum and Maxell, net of certain associated legal expenses. The Company also recorded adjustments of reserves of \$5.8 million from the Company's previous restructuring programs as the result of lower than expected costs offset by new charges of \$1.8 million.
- 4) In 2001, the Company recorded special charges of \$0.6 million in cost of goods sold and restructuring and other charges of \$48.0 million. Selling, general and administrative expenses (SG&A) includes \$5.7 million of amortization related to software that was abandoned. Restructuring and other also includes a \$1.9 million pre-tax gain on the sale of the Company's color proofing and color software business.