

## FPR Q4 Teleconference Comments

Thank you and good morning.

Before I turn the call over to Paul Zeller Imation's CFO, who will give you more details on the results, I want to make several points coming out of our fourth quarter and looking towards 2008.

### **First point: We had a very solid quarter on several fronts.**

- We posted record revenue, operating income before charges and operating cash flows in the quarter.
- Our core business showed year-over-year growth in both tape and optical media even before any contribution from TDK brand recording media. We remain pleased with the enduring strength and contributions of our cornerstone tape business.
- We saw improvements in gross margins on our base optical and flash media vs. Q3.
- Organizational changes we made earlier in the year to centralize supply chain operations have begun to benefit our results.

### **Second Point: Integration of our acquisitions is on track and they are contributing positively to our results.**

- This is the first full quarter with both the TDK brand recording media business and the Memcorp acquisition, now called Electronic Products.
- The TDK recording media business is actually contributing earnings ahead of plan. Our Electronic Products business has had a very solid start as well.
- Even with these promising early results from our acquisitions, we had to take a non-cash write down to goodwill. This was driven by accounting requirements. The write down DOES NOT reflect either the returns from these acquisitions or our view of the long term value that they bring to Imation.
- I have also been pleased by the enthusiasm, energy and excitement that our new Imation employees are bringing to the company and how well they are working together throughout the organization with the rest of the Imation team. One of the toughest parts of acquisitions is successful integration, and so far I feel very confident that we are succeeding here.

### **Third point: The strategy we laid out last May is working and the market is responding.**

- During the fourth quarter we continued to operationalize key elements of our strategy as we transform Imation to a brand and product management company.

- Our new Chief Marketing Officer, Steve Moss, is building out the brand management capability, bringing talent in from outside the company as well as tapping resources from within as we map out brand strategies for the portfolio.
- As I mentioned to several of you at the Needham Conference earlier this month, we had a very positive experience at CES where we showed our broad portfolio of consumer products and brands together for the first time. Our retail channel partners responded quite positively to the breadth of the portfolio, the innovative designs we are offering, our demonstrated brand management capabilities and our understanding of end users.
- We also continue with our important optimization strategy in manufacturing. We have successfully transferred a significant amount of the activity at our Wahpeton plant to outsourced suppliers. We also reached agreement with a management group at the plant who have taken over the plastic modeling business. This management buyout accelerates implementation of our optimization plan and reduces our risk.
- After the close of the quarter, we also made two important announcements that reinforce our commitment to leadership in the commercial B2B space. We established a strategic relationship with a Korean company, Mtron, to bring proprietary solid state disk products to the market globally. And we unveiled leading adjacent track write-read head technology developed by Imation which we believe will be a necessary component of future high capacity tape.

**Fourth point: 2008 is an important transition year for the Company**

- We expect to complete the integration of the acquisitions and make significant progress on our manufacturing restructuring program this year. As Paul will discuss in a moment, our outlook for 2008 includes incremental costs for acquisition integration, I.T. integration and restructuring costs as well as incremental necessary investments in building our brands globally. I believe now is the time to make these valuable brand investments.
- The benefits from these actions will be greater in the second half of 2008. In addition as we transform the company we are seeing increased seasonality. As a result, we expect earnings in the second half of 2008 to be stronger than the first half. In particular, the first quarter of 2008 will have a difficult comparison with the strong Q1 of 07.
- We also recognize there is uncertainty in the overall economy and will continue to evaluate the risks inherent in this environment as the year progresses.

**Final point: I believe that our positive fourth quarter results demonstrate the resilience of the Company and the value of our strategic direction.**

- We have made significant changes in Imation over the past 24 months, beginning with the Memorex acquisition. I believe these changes have been positive for the company, for our customers and ultimately our shareholders.

- Last quarter we acted quickly to refocus our market approach to USB flash. We were able to work collaboratively with our retail channel partners in the US to reposition our USB flash business while preserving our position for other products. While we are not entirely through the transition with some channels, we have made significant changes in our USB flash business and the quarter benefited from those changes.
- I believe the Q4 results demonstrate the management team's continuing willingness and ability to act quickly and decisively to improve the business. It also illustrates the resilience and professionalism of the global Imation team.

**In summary:** We are encouraged by our strong finish to 2007, pleased with the progress on our acquisitions and strategic actions and are optimistic about the future for Imation. Let me turn the call over to Paul then we'll take your questions.