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*Investor Briefing*

April 25, 2005 No.247

**SBC Delivers Strong Execution in First Quarter:**

**1.4 Million Net Subscriber Gain at Cingular Wireless, Record DSL Growth, Continued Improvement in Retail Access Line Trends, Fourth Consecutive Quarter of Wireline Revenue Growth**

**SAN ANTONIO, April 25, 2005** SBC Communications Inc. (NYSE: SBC) today reported first-quarter results driven by solid progress in its wireline operations, including its best-ever growth in DSL lines, and continued strong subscriber growth at Cingular Wireless, the United States' largest wireless provider.

SBC's first-quarter 2005 revenues increased 2.4 percent to \$10.2 billion, with wireline revenues up 2.8 percent and consumer wireline revenues up 3.9 percent, marking SBC's fourth consecutive quarter of positive revenue growth. Earnings were \$885 million, or \$0.27 per diluted share on a reported basis, and \$1.1 billion, or \$0.34 per diluted share before merger-related expenses at Cingular Wireless, which is 60 percent owned by SBC.

We have begun 2005 with good momentum, said Edward E. Whitacre Jr., SBC chairman and chief executive officer. Cingular Wireless is doing an outstanding job of winning customers and integrating operations. We have taken DSL growth to a new level. Customers appreciate our long distance and bundled service offerings, and our penetration rates continue to grow. And in the first quarter, we achieved improved retail line results in both consumer and business markets.

Most important, after adjusting for Cingular's merger costs and the impact of asset sales last year, our earnings were up from comparable results a year ago, Whitacre said. This demonstrates SBC's ability to execute, generate solid bottom-line results and deliver value to stockholders while we invest in major initiatives to transform and grow our business.

Through Project Lightspeed, we are building a new generation of integrated digital video, data and voice services, Whitacre said. And through our planned acquisition of AT&T, we will create a premier provider with outstanding network capabilities, global reach and advanced product sets, including IP-based services. Approval processes for this transaction are moving forward, and we have launched teams to begin, consistent with applicable legal requirements, initial integration planning using many of the approaches that proved successful in Cingular's preparation for integration with AT&T Wireless.

***Reported first-quarter earnings of \$0.27 per diluted share, \$0.34 per diluted share excluding merger-related expenses at Cingular Wireless***

*504,000 net increase in DSL lines, SBC's best-ever quarterly gain, to reach 5.6 million in service*

*Improved business and consumer retail access line trends with consumer primary retail lines up by 16,000, first quarterly gain in five years*

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*The Quarter in focus*

SBC delivered solid progress in both its wireline and wireless operations in the first quarter of 2005. Wireline revenues grew for the fourth consecutive quarter. Margins were up from fourth-quarter 2004 levels. And Cingular Wireless generated its second consecutive quarter of strong net-add growth, combined with reduced subscriber churn and improved margins.

**REVENUES**

In the first quarter, SBC sustained its revenue growth trends of recent quarters.

Consolidated revenues from continuing operations were \$10.2 billion, up 2.4 percent versus the year-ago first quarter.

Wireline revenues were up 2.8 percent to \$9.3 billion, driven by growth in DSL, data and long distance services and improved retail access line trends.

In its first full quarter of operations after its October 2004 acquisition of AT&T Wireless, Cingular Wireless revenues totaled \$8.2 billion, a 5.3 percent increase over pro forma revenues of \$7.8 billion in the first quarter of 2004. (Pro forma results, which are provided to facilitate more meaningful comparisons, include results from acquired properties and exclude results from properties that have been divested or have been agreed to be divested.)

Directory revenues from continuing operations totaled \$929 million in the quarter, versus \$938 million in the year-earlier first quarter. SBC's directory business produces more than 700 different Yellow Pages titles annually in 13 states and provides Internet Yellow Pages services.

**OPERATIONAL HIGHLIGHTS**

SBC's first-quarter results include operational progress in key areas, including the following:

**DSL** SBC added 504,000 DSL lines in the first quarter to reach 5.6 million in service, No. 1 among U.S. DSL providers. This marked SBC's best-ever quarterly increase in DSL lines, and it was the best ever by any DSL provider in the industry. Over the past four quarters, SBC added more than 1.6 million DSL lines, and its first-quarter DSL/Internet revenues were up 27.6 percent versus the year-ago quarter.

**Long Distance** SBC's total long distance lines increased by 1.1 million to 22 million in service. Over the past four quarters, SBC has added more than 5 million long distance lines, and its first-quarter long distance revenues were up 20.3 percent versus the year-ago quarter.

**Bundles** SBC's penetration of retail consumer lines with at least one key service—long distance, DSL, joint-billed Cingular Wireless or SBC | DISH Network video—increased to 64 percent at the end of the first quarter, up from 50 percent a year earlier. Driven by success with bundled services, SBC's average revenues per retail consumer access line increased 8.4 percent versus the year-ago first quarter.

**Data Revenues** Wireline data revenues grew 6.7 percent to \$2.8 billion, driven by robust DSL/Internet growth, along with solid results in transport and integration services. SBC ranks No.1 among its immediate peers in total data revenues.

*Cingular Wireless reaches 50.4 million subscribers, delivers reduced subscriber churn and improved margins*

*Wireline revenues up 2.8 percent, with consumer wireline revenues up 3.9 percent—fourth straight quarter of revenue growth*

*15.2 percent operating income margin, up versus the year-earlier first quarter and the fourth quarter of 2004*

**First-Quarter EPS Summary**

	1Q05	1Q04
Reported EPS continuing operations(1)	\$ 0.27	\$ 0.58
Cingular merger integration costs	\$ 0.01	
Cingular noncash intangible amortization costs	\$ 0.06	
Gains from asset sales		\$ (0.22)
Foregone equity income(2)		\$ (0.02)
Adjusted EPS	\$ 0.34	\$ 0.33

Note: Totals may not foot due to rounding.

(1) Continuing operations exclude directory operations sold during the third quarter of 2004.

(2) Foregone equity income associated with SBC investments in Belgacom, TDC and Telkom SA.

**Access Lines** SBC posted significant improvement in retail access line trends in the first quarter. Total retail consumer primary lines increased by 16,000, SBC's first quarterly gain in this category in five years and a substantial upturn from declines of 73,000 in the preceding quarter and 156,000 in the first quarter a year ago. Consumer additional lines declined by 104,000 in the first quarter, versus declines of 119,000 in the preceding quarter and 149,000 in the first quarter of 2004. This was SBC's smallest decline in additional lines in four years. SBC's retail business line base declined by 45,000, compared with declines of 74,000 in the preceding quarter and 242,000 in the first quarter a year ago. SBC's switched wholesale lines declined by 343,000 due to a 364,000 decline in UNE-P lines. In the preceding quarter, switched wholesale lines declined by 302,000, and in the first quarter of 2004 they increased by 135,000. SBC ended the first quarter of 2005 with 51.9 million total switched access lines.

**Cingular Wireless** Cingular Wireless delivered its second consecutive quarter of strong subscriber growth following its acquisition of AT&T Wireless, which closed on Oct. 26, 2004. In the first quarter, Cingular posted a net subscriber increase of 1.4 million, following a pro forma gain of 1.8 million in the preceding quarter. Subscriber churn in the first quarter was 2.2 percent overall, down from a pro forma adjusted 2.4 percent in the fourth quarter of 2004. First-quarter postpaid churn was 1.9 percent, down from a pro forma 2.1 percent in the fourth quarter of 2004. Cingular ended the first quarter with 50.4 million total subscribers, solidifying its position as the nation's largest wireless provider.

**Video, Integrated Services** SBC continues to make solid progress with Project Lightspeed, its initiative to build an advanced, IP-based network to deliver next-generation, integrated all-digital TV, superhigh-speed broadband and IP voice services. The company expects the network to reach 18 million households, as part of its initial deployment, by the end of 2007. Lab tests of the technology have progressed over recent months; limited field trials were launched in April and are expected to be expanded in the coming months. At the same time, SBC continues to execute a targeted approach to marketing its integrated SBC | DISH Network satellite TV service. In the first quarter, total SBC | DISH Network subscribers increased by 71,000 to reach 394,000 in service, all added since the company began offering the integrated service in March 2004.

## OPERATING EXPENSES AND MARGINS

SBC's first-quarter operating expenses and margins reflect solid cost management, offset by expenses for new growth products, weather-related expenses, and an increase in pension and retiree benefit costs versus 2004 levels.

Operating expenses totaled \$8.7 billion, versus \$8.5 billion in the first quarter of 2004.

First-quarter 2005 operating expenses included weather-related costs of approximately \$100 million due primarily to severe rains and floods in Southern California.

SBC's operating income margin in the first quarter was 15.2 percent, up from 15.1 percent in the year-earlier first quarter. In the fourth quarter of 2004, SBC's operating income margin was 12.1 percent on a reported basis and 14.5 percent excluding costs from severance payments and management pension plan changes.

To increase productivity and further improve its cost structure, SBC has a number of initiatives under way, including projects to transform call center operations, enhance online sales and service capabilities and standardize and streamline network center operations. During 2004, SBC had a net reduction in its total work force of more than 6,000. In the first quarter of 2005, total force declined by approximately 1,800 on track with its previously announced expectation of a net reduction during 2005 of approximately 7,000, primarily through attrition.

## EARNINGS COMPARISONS

SBC's first-quarter earnings reflect wireline and wireless operational progress as well as increased expenses associated with Cingular's acquisition and integration of AT&T Wireless.

In the quarter ended March 31, 2005, SBC reported earnings from continuing operations of \$885 million, or \$0.27 per diluted share. These results included after-tax expenses of \$242 million, or \$0.07 per diluted share, for SBC's portion of merger integration and noncash intangible amortization costs at Cingular Wireless. Excluding these items, SBC's adjusted first-quarter earnings totaled \$1.1 billion, or \$0.34 per diluted share.

In the first quarter of 2004, SBC reported earnings from continuing operations of \$1.9 billion, or \$0.58 per diluted share. This included a one-time gain of \$0.22 per share from the disposition of its investment in Belgacom, S.A. Excluding this gain and



foregone equity income from investments disposed of during 2004, SBC's first-quarter 2004 earnings were \$1.1 billion, or \$0.33 per diluted share.

SBC's first-quarter 2005 earnings also reflect increased interest expense resulting from debt for SBC's portion of funding required for Cingular Wireless' fourth-quarter 2004 acquisition of AT&T Wireless. Interest expense in the first quarter of 2005 was \$353 million, versus \$232 million in the year-ago quarter.

#### **CASH FLOW AND USES OF CASH**

SBC continues to generate solid cash flow to invest in its operations and to return value directly to stockholders.

In the first quarter, SBC generated \$1.3 billion in cash from operations and received an additional \$596 million in cash from Cingular Wireless. This compares with cash from operations in the year-ago first quarter of \$2.0 billion. In the first quarter of 2004, cash from operations was reduced by a \$232 million voluntary contribution to benefit plans. First-quarter 2005 cash from operations also reflects cash tax payments that were \$1.1 billion higher than in the year-ago first quarter.

Capital expenditures in the first quarter of 2005 totaled \$1.1 billion, versus \$936 million in the year-ago first quarter.

Dividends paid in the first quarter totaled \$1.1 billion.

At the end of the quarter, long-term debt was \$20.9 billion, total debt was \$27.1 billion, and SBC's debt-to-total capitalization ratio was 40.2 percent.

SBC ended the quarter with cash, cash equivalents and short-term investments totaling \$462 million.

#### **AGREEMENT TO ACQUIRE AT&T**

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On Jan. 31, 2005, SBC and AT&T announced an agreement for SBC to acquire AT&T, a transaction that combines AT&T's global systems capabilities, business and government customers, and fast-growing Internet protocol (IP)-based business with SBC's local exchange, broadband and wireless capabilities.

Under terms of the agreement approved by the boards of directors of both companies, shareholders of AT&T will receive 0.77942 shares of SBC common stock for each common share of AT&T. In addition, at the time of closing, AT&T will pay its shareholders a special dividend of \$1.30 per share. The stock consideration in the transaction is expected to be tax-free to AT&T shareholders.

The acquisition is subject to approval by AT&T's shareholders and regulatory authorities and other customary closing conditions. AT&T shareholders are expected to vote on the proposed merger as early as June 2005.

**Wireline *in focus***

In the first quarter, SBC achieved 2.8 percent growth in wireline revenues, its fourth consecutive quarter of positive growth. At the same time, SBC took major steps to expand its capabilities and strengthen its prospects for the future. It moved forward with Project Lightspeed, its initiative to build an advanced network to deliver a new generation of integrated, IP-based TV, superhigh-speed broadband and voice services. And in January, SBC agreed to acquire AT&T Corp., which would create a premier provider with broad network capabilities, global reach and advanced services.

**GROWTH PRODUCTS AND BUNDLING**

SBC's wireline operations delivered their fourth consecutive quarter of revenue growth, with consumer revenues up 3.9 percent, business revenues up 0.4 percent and wholesale revenues up 4.4 percent. These results reflect continued solid progress in growth products, along with improved retail access line trends, including a first-quarter net increase in retail consumer primary access lines of 16,000, and a shift in UNE-P lines to resale and retail.

**DSL/Internet** Total DSL and Internet revenues grew 27.6 percent to \$638 million in the first quarter. SBC ended the quarter with 5.6 million total DSL lines, up more than 1.6 million over the past four quarters. Its DSL penetration of customer locations passed exceeded 14 percent at the end of the quarter, with the West SBC's strongest region approaching 20 percent.

To drive further growth and enhance the customer experience with its DSL service, SBC continues to innovate.

For example, in the first quarter, SBC and Yahoo! announced plans to significantly upgrade the e-mail storage capacity for SBC Yahoo! subscribers. Beginning in early May, SBC Yahoo! customers will have 2 gigabytes of storage for each of their 10 available e-mail subaccounts, as well as their main e-mail account, bringing the total potential storage capacity for a family or small business to 22 gigabytes. Last year, the companies began offering the same industry-leading 2 gigabytes of e-mail storage for SBC Yahoo! subscribers' main accounts.

SBC also continues to expand its Wi-Fi access. The SBC *FreedomLink* Wi-Fi network is one of the nation's largest and fastest-growing Wi-Fi networks, with more than 7,000 nationwide hot spots, including select McDonald's restaurants, Barnes & Noble bookstores, Caribou Coffee shops and The UPS Store® and Mail Boxes Etc.® locations.

**Long Distance** SBC's long distance revenues grew 20.3 percent in the first quarter to \$901 million. Consumer long distance revenues were up 16.1 percent, and business long distance revenues were up 26.7 percent.

*1.1 million long distance lines added to reach 22 million, long distance revenues up 20.3 percent*

*Data revenues grow 6.7 percent to \$2.8 billion, with DSL/Internet revenues up 27.6 percent*

*Consumer key-product bundle penetration reaches 64 percent, average revenue per consumer line up 8.4 percent*

**Consumer Bundles** Penetration of key-product bundles increased to 64 percent at the end of the quarter, up from 50 percent a year earlier. Over the past two years, SBC's key-product bundle penetration has more than doubled. (A key-product bundle includes a retail consumer line plus one or more of the following: long distance, DSL, jointly billed Cingular Wireless or SBC | DISH Network TV service.) Driven by this increased penetration, SBC's average revenue per retail consumer line was up 8.4 percent versus the year-earlier first quarter.

#### **PROJECT LIGHTSPEED**

To further strengthen its capabilities, SBC has launched Project Lightspeed, an initiative to extend its fiber-optics network deeper into neighborhoods to reach 18 million households, as part of its initial deployment, by the end of 2007 with integrated IP-based video, voice, wireless and data services, providing a communications and entertainment experience not previously realized in the mass market. The company plans to offer the first set of products under the U-verse<sup>SM</sup> brand in late 2005 or early 2006.

Instead of using a traditional broadcast video system in which all content is continuously sent to every customer's home, Lightspeed will use a switched IP video distribution system. In the switched IP video network, only the content the customer requests is sent, freeing up bandwidth to be used for other applications.

In 2005, Project Lightspeed has achieved substantial progress in terms of trials, deployment plans and technology development:

Lab tests of IPTV (Internet Protocol Television) technology continue with good results, and a limited initial field trial for IP video was launched in early April. SBC expects to begin a full field trial of IPTV with the addition of high-speed Internet access in the next few months.

Fiber-to-the-premise deployment has begun. For the fiber-to-the-node portion of the build, network planning is complete, and network conditioning has begun.

SBC has also expanded its content acquisition team as it works to deliver a rich array of programming to customers.

In March, SBC selected Scientific-Atlanta to provide IP-based video equipment for the initiative, including an IP video operations center, two national IP video superhub offices and 41 regional IP video hub offices.

In late February, Alcatel and Microsoft Corp., both technology providers for Project Lightspeed, announced an IPTV alliance to develop an integrated IPTV delivery solution that can help IPTV service providers

reduce deployment costs and shorten time to market.

**BUSINESS MARKETS**

SBC continues to deliver solid results in business markets.

First-quarter business revenues increased 0.4 percent overall, driven by 5.2 percent growth in small- and medium-business revenues.

SBC's first-quarter decline in retail business access lines was nearly 40 percent lower than in the preceding quarter and less than one-fifth the decline in the first quarter a year earlier.

Business long distance revenues grew 26.7 percent versus the first quarter of 2004.

Business data revenues increased 3.8 percent.

**SBC Data Revenue Growth Rates**

	Year Over Year 1Q05 vs.1Q04	Sequential 1Q05 vs.4Q04
DSL/Internet	27.6%	7.4%
Hi-cap (retail)	1.7%	0.7%
Hi-cap (wholesale)	1.2%	2.0%
Data Integration	3.2%	(19.7)%

Overall, SBC's data revenues were up 6.7 percent in the first quarter, reflecting strong DSL/Internet growth and solid results in transport and integration services.

Major companies continue to turn to SBC for data services and managed network solutions. Major contracts announced in recent weeks include:

A five-year, \$59.7 million contract with the American Red Cross to provide and manage voice, data and wireless transport services for its Washington, D.C., headquarters as well as provide audio and web conferencing services to remote locations. The American Red Cross manages nearly half of the nation's blood supply, provides relief to victims of disasters, and helps people prevent, prepare for and respond to emergencies.

A three-year voice and data networking services contract with Republic Bancorp Inc., which has customers located throughout Michigan, Ohio and Indiana.

A three-year contract with San Antonio-based H.E. Butt Grocery (H-E-B), one of the nation's largest independently owned food retailers, to provide SBC PremierSERV<sup>SM</sup> Network-based Virtual Private Network services utilizing MPLS technology as the primary network architecture for all of its stores and corporate offices. This is in addition to existing contracts for local access, long distance voice and SBC PremierSERV Dedicated Internet Access service.

A five-year contract with Indiana State University in Terre Haute, Ind., to maintain its entire voice network by providing SBC PremierSERV Voice CPE Support Services. The services will provide dependable and easily expandable communications for the university's 1,600 staff and faculty members and more efficient communications with other institutions and prospective students.

A large data services contract with San Diego-based PETCO Animal Supplies, Inc., one of the fastest-growing animal supply retailers in the country.





## **Cingular *Wireless***

In its first full quarter of combined operations following its acquisition of AT&T Wireless, Cingular Wireless delivered continued strong subscriber growth, along with reduced subscriber churn, improved margins and a substantial increase in data service revenues. At the same time, Cingular achieved solid progress in converting subscribers to GSM (Global System for Mobil Communications) and in merger integration activities.

### **STRONG SUBSCRIBER GROWTH, IMPROVED CHURN**

Cingular delivered net subscriber additions of more than 1.4 million in the first quarter, its second consecutive quarter of strong growth following a pro forma net gain of 1.8 million in the fourth quarter of 2004. Cingular ended the first quarter of 2005 with 50.4 million subscribers.

Cingular's postpaid net adds totaled 1.1 million in the first quarter, representing 79 percent of its total subscriber increase.

Gross additions were nearly 4.8 million, and average monthly churn improved to 2.2 percent overall for the first quarter. This is a sequential improvement of 20 basis points over comparably calculated adjusted pro forma churn of 2.4 percent. Postpaid churn was 1.9 percent, versus a pro forma rate of 2.1 percent in the fourth quarter of 2004. (As previously disclosed, beginning in the first quarter of 2005, Cingular has adopted a methodology for reseller churn that will result in an aggregate churn calculation which is more comparable with the company's major competitors.)

Pro forma results reflect acquisitions and dispositions, including the acquisition of AT&T Wireless, as if they had occurred on Jan. 1, 2004.

### **GSM PROGRESS**

In addition to strong subscriber growth during the quarter, Cingular continued to grow its GSM customer base and had additional success in transitioning former AT&T Wireless customers to Cingular plans. These two developments contributed to the quarter's improved churn results.

At the end of the first quarter, 72 percent of Cingular's subscriber base was GSM-equipped, up from 65 percent in the fourth quarter of 2004. Approximately 9 percent of Cingular's customer base upgraded handsets during the quarter almost entirely onto GSM, the world's most widely used wireless technology.

Cingular operates the nation's largest digital voice and data network, with 84 percent of its minutes now carried on its GSM network. Through roaming alliances with other GSM-based providers around the world, Cingular has the largest global presence of any U.S. wireless carrier, with

coverage in more than 170 countries.

In addition, since deploying the Cingular Common Service Experience on Nov. 15, 2004 just 20 days after closing the acquisition of AT&T Wireless Cingular has converted nearly 3 million former AT&T Wireless subscribers to Cingular plans, as customers have responded positively to Cingular's broad network coverage and attractive products and services.

*First-quarter net subscriber additions top 1.4 million second consecutive quarter of strong subscriber growth*

*Further improvement in subscriber churn, declining to 2.2 percent overall, 1.9 percent for postpaid subscribers*

*Continued progress in GSM conversion, with 84 percent of minutes now on Cingular's GSM network*

*Integration initiatives on schedule*

**FINANCIAL RESULTS**

In the first quarter, Cingular's reported revenues were \$8.2 billion, which is an improvement of 5.3 percent over pro forma revenue of \$7.8 billion during the year-ago first quarter. Operating income was \$114 million. (First-quarter revenues included \$55 million in revenues from properties not yet divested, which were not included in pro forma results for 2004. Had the \$55 million been excluded from first-quarter results, the revenue increase would have been 4.6 percent.)

Reported average revenue per user (ARPU) in the first quarter was \$49.59, versus a pro forma \$49.97 in the preceding quarter and down 3.3 percent from pro forma ARPU of \$51.26 in the year-ago first quarter. This represents a significant slowing in the rate of ARPU decline versus the preceding quarter, when the year-over-year pro forma decrease was 5.5 percent. Among other factors, ARPU benefited from a substantial increase in data revenues.

ARPU from data services continued its strong growth in the first quarter, increasing to \$3.70, up \$0.81 from the previous quarter. This growth was spurred by the increasing popularity of text messaging, mobile instant messaging, mobile e-mail, downloadable ringtones, games and photo messaging. Cingular delivered 4.4 billion text messages during the quarter.

Cingular's reported first-quarter operating expenses were \$8.1 billion, and its reported OIBDA service margin was 24.1 percent. Direct merger integration costs increased Cingular's operating expenses by \$105 million in the first quarter. Expected synergies from the merger of Cingular and AT&T Wireless operations are on plan and are expected to drive greater cost savings in the second half of 2005.

Normalized to exclude direct merger integration costs, Cingular's first-quarter OIBDA service margin was 25.5 percent, a sequential increase of 210 basis points. First-quarter OIBDA service margin included negative pressure of more than 180 basis points, when compared to the fourth quarter of 2004, in connection with roaming and other costs on networks recently sold to T-Mobile. OIBDA is defined as operating income (loss) before depreciation and amortization. OIBDA margin is calculated as OIBDA divided by service revenue. In addition, purchase and other integration costs added \$263 million of operating expenses during the quarter. This amount includes \$486 million in amortization of intangibles that were acquired as part of the merger with AT&T Wireless, partially offset by purchase accounting adjustments to reduce depreciation associated with property, plant and equipment.

In the first quarter, to be consistent with industry practices, Cingular's income statement presentation was changed for the current and prior-year periods to reflect, as revenues, the gross receipts tax and other fees billed to our customers and to reflect, as expenses, the taxes assessed by the various state jurisdictions. The impact of this reclassification was an increase in first-quarter revenue and expense of \$39 million. Similar revenue and expense increases for the same quarter a year ago were \$25 million. Operating income and net income for all periods were unaffected by this reclassification in income statement presentation.

## **HIGHLIGHTS AND INITIATIVES**

Cingular's Business Markets group continued its leadership in offering solutions to virtually every type of business customer from large enterprises to mid-size companies, small businesses, government agencies, and colleges and universities. Cingular serves 95 of the Fortune 100 companies and counts more than 80 percent of the Fortune 500 and well over 1,200 federal, state and local government agencies as customers. New customers this quarter include Acuity Brands, Inc., the State of Tennessee, University of Indiana, State of

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Missouri Highway Patrol, State of Georgia Department of Health and Human Services, City of Scottsdale and County of Milwaukee.

Through roaming agreements with other wireless carriers, the company increased the breadth of the fastest national wireless data network in the United States EDGE to cover more than 250 million people, with availability in 13,000 cities and towns and along nearly 40,000 miles of interstate highways across the country.

Cingular continued to move forward with plans to deploy UMTS (Universal Mobile Telecommunications System) 3G network technology with HSDPA (High-Speed Downlink Packet Access). UMTS with HSDPA provides superior speeds for data and video services, and it delivers outstanding operating efficiencies, using the same spectrum and infrastructure for voice and data on an IP-based platform. Cingular expects to have UMTS/HSDPA deployed in 15 to 20 markets by the end of the year.

Cingular sponsored the fourth season of the popular American Idol TV series, which has contributed to the growth of text messaging in the United States and to the company's own text messaging traffic.

Cingular also brought out an array of exciting new devices for consumers, including the Sony Ericsson 710, an innovatively designed Cingular exclusive that doubles as a digital camera, complete with a photo light and lens cover. It lets the user take print-quality pictures and record video clips. Another was the tri-band Samsung p777, which comes with MP3 technologies and up to one hour of video recording capabilities.

Cingular and its partners introduced several business solutions enabled for its EDGE network, including the first high-speed wide-area wireless solutions for healthcare, the first commercially available wireless backup solution for companies' critical data, and the first national unlimited EDGE/Wi-Fi plan. Cingular also certified Sybase's popular suite of iAnywhere mobile work force solutions for its EDGE network.





**Directory *in focus***

SBC's directory operations generated revenues from continuing operations of \$929 million in the first quarter, versus \$938 million in the year-ago first quarter.

Segment income from continuing operations totaled \$483 million, versus \$525 million in the first quarter of 2004, reflecting, among other things, higher selling and bad debt expense.

SBC's directory business produces more than 700 different Yellow Pages titles annually, which are delivered to residences, businesses and government offices in 13 states.

In the third quarter of 2004, SBC sold its interest in directory operations in Illinois and northwest Indiana covering 129 directories to R.H. Donnelley. The sale included SBC's interest in the DonTech partnership, which was the exclusive sales agent for directories published by SBC in Illinois and northwest Indiana. Results from continuing operations exclude gains from this transaction and results from the divested businesses in all periods.

In November 2004, the directory businesses of SBC and BellSouth created an Internet Yellow Pages joint venture by acquiring the highly recognized YellowPages.com brand, with the goal of becoming the market leader in Internet Yellow Pages and local Internet search. SBC Directory Operations and BellSouth Advertising and Publishing will continue to manage their local online Yellow Pages relationships in their respective regions outside the new venture, while the new venture will develop a sales force for national advertising accounts.

**International *in focus***

SBC's international holdings reported segment income of \$70 million in the first quarter, compared with segment income in the year-earlier first quarter of \$445 million.

Two items affected first-quarter comparisons:

First-quarter 2005 results reflect the effect of foregone equity income from assets sold during 2004, including equity holdings in Belgacom SA, South Africa-based Telkom SA and Denmark-based TDC A/S.

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First-quarter 2004 results include a gain from the sale of its ownership in Belgacom of \$1.1 billion pretax, or \$0.22 per share after tax. The portion of this gain coming from SBC's direct ownership \$832 million was included in Other Income on SBC's Consolidated Statements of Income. The portion of the gain realized indirectly from SBC's ownership in TDC \$251 million was included in the Equity in Net Income of Affiliates line.

## SBC Communications Inc.

## Consolidated Statements of Income (Unaudited)

(Dollars in Millions, Except per Share Amounts)

	3/31/05	Three Months Ended 3/31/04	% Change
<b>Operating Revenues</b>			
Voice	\$ 5,086	\$ 5,213	-2.4%
Data	2,824	2,647	6.7%
Long-distance voice	901	749	20.3%
Directory advertising	946	962	-1.7%
Other	491	441	11.3%
<b>Total Operating Revenues</b>	<b>10,248</b>	<b>10,012</b>	<b>2.4%</b>
<b>Operating Expenses</b>			
Cost of sales (exclusive of depreciation and amortization shown separately below)	4,397	4,227	4.0%
Selling, general and administrative	2,470	2,346	5.3%
Depreciation and amortization	1,825	1,923	-5.1%
<b>Total Operating Expenses</b>	<b>8,692</b>	<b>8,496</b>	<b>2.3%</b>
<b>Operating Income</b>	<b>1,556</b>	<b>1,516</b>	<b>2.6%</b>
<b>Interest Expense</b>	<b>353</b>	<b>232</b>	<b>52.2%</b>
<b>Interest Income</b>	<b>109</b>	<b>116</b>	<b>-6.0%</b>
<b>Equity in Net Income (Loss) of Affiliates</b>	<b>(58)</b>	<b>592</b>	
<b>Other Income (Expense) Net</b>	<b>47</b>	<b>861</b>	<b>-94.5%</b>
<b>Income Before Income Taxes</b>	<b>1,301</b>	<b>2,853</b>	<b>-54.4%</b>
<b>Income Taxes</b>	<b>416</b>	<b>942</b>	<b>-55.8%</b>
<b>Income From Continuing Operations</b>	<b>885</b>	<b>1,911</b>	<b>-53.7%</b>
<b>Income From Discontinued Operations, net of tax</b>		<b>26</b>	
<b>Net Income</b>	<b>\$ 885</b>	<b>\$ 1,937</b>	<b>-54.3%</b>
<b>Basic Earnings Per Share:</b>			
Income from Continuing Operations	\$ 0.27	\$ 0.58	-53.4%
Net Income	\$ 0.27	\$ 0.59	-54.2%
Weighted Average Common Shares Outstanding (000,000)	3,303	3,308	-0.2%
<b>Diluted Earnings Per Share:</b>			
Income from Continuing Operations	\$ 0.27	\$ 0.58	-53.4%
Net Income	\$ 0.27	\$ 0.58	-53.4%
Weighted Average Common Shares Outstanding with Dilution (000,000)	3,315	3,323	-0.2%

## SBC Communications Inc.

## Statements of Segment Income (Unaudited)

(Dollars in Millions)

	3/31/05	Three Months Ended 3/31/04	% Change	
<b>Wireline</b>				
<b>Segment Operating Revenues</b>				
Voice	\$ 5,086	\$ 5,213	-2.4%	
Data	2,824	2,647	6.7%	
Long-distance voice	901	749	20.3%	
Other	478	431	10.9%	
<b>Total Segment Operating Revenues</b>	<b>9,289</b>	<b>9,040</b>	<b>2.8%</b>	
<b>Segment Operating Expenses</b>				
Cost of sales	4,182	4,021	4.0%	
Selling, general and administrative				
Selling	1,662	1,663	-0.1%	
General and administrative	621	520	19.4%	
Selling, general and administrative	2,283	2,183	4.6%	
Depreciation and amortization	1,798	1,898	-5.3%	
<b>Total Segment Operating Expenses</b>	<b>8,263</b>	<b>8,102</b>	<b>2.0%</b>	
<b>Segment Income</b>	<b>\$ 1,026</b>	<b>\$ 938</b>	<b>9.4%</b>	
<b>Cingular*</b>				
<b>Segment Operating Revenues</b>				
Service revenues	\$ 7,419	\$ 3,583		
Equipment sales	810	384		
<b>Total Segment Operating Revenues</b>	<b>8,229</b>	<b>3,967</b>		
<b>Segment Operating Expenses</b>				
Cost of services and equipment sales	3,439	1,492		
Selling, general and administrative	3,001	1,372		
Depreciation and amortization	1,675	553		
<b>Total Segment Operating Expenses</b>		<b>(11)</b>	<b>18</b>	<b>3.1 years</b>
<b>Total amortizable other intangible assets</b>	<b>\$ 865</b>	<b>\$ (473)</b>	<b>\$ 392</b>	<b>3.5 years</b>

The carrying value of IPR&D not subject to amortization was \$14 million as of September 30, 2016.

The carrying value of other intangible assets subject to amortization as of July 1, 2016 is set forth in the following table:

(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life
Existing technology	\$ 297	\$ (79)	\$ 218	4.1 years
Customer relationships	510	(328)	182	3.2 years
Trade name	29	(14)	15	2.6 years
Other intangible assets	29	(10)	19	3.2 years

Total amortizable other intangible assets	\$	865	\$	(431)	\$	434	3.6 years
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The carrying value of IPR&D not subject to amortization was 14 million on July 1, 2016.

The amortization expense of other intangible assets was \$42 million and \$41 million for the three months ended September 30, 2016 and October 2, 2015, respectively. As of September 30, 2016, expected amortization expense for other intangible assets for each of the next five fiscal years and thereafter is as follows:

<b>(Dollars in millions)</b>	<b>Amount</b>
Remainder of 2017	\$ 124
2018	106
2019	68
2020	50
2021	23
Thereafter	21
	<b>\$ 392</b>

## 7. Restructuring and Exit Costs

For the three months ended September 30, 2016, the Company recorded restructuring charges of approximately 82 million, comprised primarily of charges related to employee termination costs and facility exit costs associated with restructuring of its workforce during the fiscal year. The Company's significant restructuring plans are described below. All restructuring charges are reported in Restructuring and other, net on the Condensed Consolidated Statements of Operations.

*July 2016 Plan* - On July 11, 2016, the Company committed to a restructuring plan (the July 2016 Plan) for continued consolidation of its global footprint across Asia, EMEA and the Americas. The July 2016 Plan included reducing worldwide headcount by approximately 6,500 employees. The July 2016 Plan, is expected to be largely completed by the end of fiscal year 2017. For the three months ended September 30, 2016, the Company recorded total restructuring charges of approximately \$73 million related to the July 2016 Plan, comprised of approximately \$72 million for employee termination costs and \$1 million facility exit costs, respectively. For the three months ended September 30, 2016, the Company made cash payments of \$4 million, comprised primarily of \$3 million for employee termination costs and \$1 million for facility exit costs related to the July 2016 Plan.

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*June 2016 Plan* - On June 27, 2016, the Company committed to a restructuring plan (the June 2016 Plan ) as part of the Company's efforts to reduce its cost structure to align with the current macroeconomic conditions. The June 2016 Plan included reducing worldwide headcount by approximately 1,600 employees. The June 2016 Plan was largely completed by the fiscal quarter ended September 30, 2016. The Company did not record any material restructuring charges related to the June 2016 Plan for the three months ended September 30, 2016. For the three months ended September 30, 2016, the Company made cash payments of \$35 million comprised primarily of employee termination costs related to the June 2016 Plan.

*February 2016 Plan* - On February 15, 2016, the Company committed to a restructuring plan (the February 2016 Plan ) intended to align its manufacturing footprint with current macroeconomic conditions. The February 2016 Plan included reducing worldwide headcount by approximately 2,000 employees. The February 2016 Plan was largely completed by the fiscal quarter ended April 1, 2016. For the three months ended September 30, 2016, the Company recorded total restructuring charges and made cash payments of \$1 million related to the February 2016 Plan, comprised of facility exit costs.

*September 2015 Plan* - On September 4, 2015, the Company committed to a restructuring plan (the September 2015 Plan ) intended to realign its cost structure with the current macroeconomic business environment. The September 2015 Plan included reducing worldwide headcount by approximately 1,000 employees. The September 2015 Plan was largely completed by the fiscal quarter ended January 1, 2016. For the three months ended September 30, 2016, the Company recorded total restructuring charges of approximately \$2 million and made cash payments of approximately \$1 million related to the September 2015 Plan, comprised primarily of facility exit costs.

*Other Restructuring and Exit Costs* - For the three months ended September 30, 2016, the Company recorded restructuring charges of approximately \$6 million, and made cash payments of \$1 million, respectively, related to other restructuring plans.

**8. Derivative Financial Instruments**

The Company is exposed to foreign currency exchange rate, interest rate, and to a lesser extent, equity price risks relating to its ongoing business operations. The Company enters into foreign currency forward exchange contracts in order to manage the foreign currency exchange rate risk on forecasted expenses denominated in foreign currencies and to mitigate the remeasurement risk of certain foreign currency denominated liabilities. The Company's accounting policies for these instruments are based on whether the instruments are classified as designated or non-designated hedging instruments. The Company records all derivatives in the Condensed Consolidated Balance Sheets at fair value. The changes in the fair value of the effective portions of designated cash flow hedges are recorded in Accumulated other comprehensive loss until the hedged item is recognized in earnings. Derivatives that are not designated as hedging instruments and the ineffective portions of cash flow hedges are adjusted to fair value through earnings. The amounts of net unrealized loss on cash flow hedges were \$2 million and \$2 million, respectively as of September 30, 2016 and July 1, 2016.

The Company dedesignates its cash flow hedges when the forecasted hedged transactions are realized or it is probable the forecasted hedged transactions will not occur in the initially identified time period. At such time, the associated gains and losses deferred in Accumulated other comprehensive income are reclassified immediately into earnings and any subsequent changes in the fair value of such derivative instruments are immediately reflected in earnings. The Company did not recognize any net gains or losses related to the loss of hedge designation on discontinued cash flow hedges during the three months ended September 30, 2016. As of September 30, 2016, the Company's existing foreign currency forward exchange contracts mature within 12 months. The deferred amount currently recorded in

Accumulated other comprehensive loss expected to be recognized into earnings over the next 12 months is immaterial.

The following tables show the total notional value of the Company's outstanding foreign currency forward exchange contracts as of September 30, 2016 and July 1, 2016:

<b>(Dollars in millions)</b>	<b>As of September 30, 2016</b>	
	<b>Contracts Designated as Hedges</b>	<b>Contracts Not Designated as Hedges</b>
British Pound Sterling	\$ 46	\$ 10

<b>(Dollars in millions)</b>	<b>As of July 1, 2016</b>	
	<b>Contracts Designated as Hedges</b>	<b>Contracts Not Designated as Hedges</b>
British Pound Sterling	\$ 47	\$ 10

The Company is subject to equity market risks due to changes in the fair value of the notional investments selected by its employees as part of its Non-qualified Deferred Compensation Plan the Seagate Deferred Compensation Plan (the SDCP ).

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In fiscal year 2014, the Company entered into a Total Return Swap ( TRS ) in order to manage the equity market risks associated with the SDCP liabilities. The Company pays a floating rate, based on LIBOR plus an interest rate spread, on the notional amount of the TRS. The TRS is designed to substantially offset changes in the SDCP liability due to changes in the value of the investment options made by employees. As of September 30, 2016, the notional investments underlying the TRS amounted to \$99 million. The original contract term of the TRS was through January 2016, and was settled on a monthly basis, therefore limiting counterparty performance risk. The Company renewed the contract term through January 2017 under materially the same terms. The Company did not designate the TRS as a hedge. Rather, the Company records all changes in the fair value of the TRS to earnings to offset the market value changes of the SDCP liabilities.

The following tables show the Company's derivative instruments measured at fair value as reflected in the Condensed Consolidated Balance Sheet as of September 30, 2016 and July 1, 2016:

(Dollars in millions)	As of September 30, 2016			
	Asset Derivatives Balance Sheet		Liability Derivatives Balance Sheet	
	Location	Fair Value	Location	Fair Value
<b>Derivatives designated as hedging instruments:</b>				
Foreign currency forward exchange contracts	Other current assets	\$	Accrued expenses	\$ (2)
<b>Derivatives not designated as hedging instruments:</b>				
Foreign currency forward exchange contracts	Other current assets		Accrued expenses	(1)
Total return swap	Other current assets		Accrued expenses	
<b>Total derivatives</b>		\$		\$ (3)

(Dollars in millions)	As of July 1, 2016			
	Asset Derivatives Balance Sheet		Liability Derivatives Balance Sheet	
	Location	Fair Value	Location	Fair Value
<b>Derivatives designated as hedging instruments:</b>				
Foreign currency forward exchange contracts	Other current assets	\$	Accrued expenses	\$ (2)
<b>Derivatives not designated as hedging instruments:</b>				
Foreign currency forward exchange contracts	Other current assets		Accrued expenses	(1)
Total return swap	Other current assets	3	Accrued expenses	
<b>Total derivatives</b>		\$ 3		\$ (3)



The following tables show the effect of the Company's derivative instruments on the Condensed Consolidated Statement of Comprehensive Income and the Condensed Consolidated Statement of Operations for the three months ended September 30, 2016:

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss)		Location of Gain or (Loss) Recognized in	
		Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) (a)
<b>(Dollars in millions)</b>					
<b>Derivatives Designated as Hedging Instruments</b>					
Foreign currency forward exchange contracts	\$ (1)	Cost of revenue	\$ (1)	Cost of revenue	\$

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	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
<b>Derivatives Not Designated as Hedging Instruments</b>		
Foreign currency forward exchange contracts	Other, net	\$ (1)
Total return swap	Operating expenses	3

(a) The amount of gain or (loss) recognized in income represents \$0 related to the ineffective portion of the hedging relationships and \$0 related to the amount excluded from the assessment of hedge effectiveness for the three months ended September 30, 2016, respectively.

The following tables show the effect of the Company's derivative instruments on the Condensed Consolidated Statement of Comprehensive Income (Loss) and the Condensed Consolidated Statement of Operations for the three months ended October 2, 2015:

	Location of Gain or (Loss) Recognized in Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)				
	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Excluded from Effectiveness Testing	Amount of Gain or (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)
<b>(Dollars in millions)</b>					
<b>Derivatives Designated as Hedging Instruments</b>					
Foreign currency forward exchange contracts	\$ (2)	Cost of revenue	\$ (1)	Cost of revenue	\$

	Location of Gain or (Loss) Recognized	Amount of Gain or (Loss)
<b>Derivatives Not Designated as Hedging Instruments</b>		

	<b>in Income on Derivatives</b>	<b>Recognized in Income on Derivatives</b>
Foreign currency forward exchange contracts	Other, net	\$ (5)
Total return swap	Operating expenses	(5)

- (a) The amount of gain or (loss) recognized in income represents \$0 related to the ineffective portion of the hedging relationships and \$0 related to the amount excluded from the assessment of hedge effectiveness for the three months ended October 2, 2015, respectively.

## **9. Fair Value**

### *Measurement of Fair Value*

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

### *Fair Value Hierarchy*

A fair value hierarchy is based on whether the market participant assumptions used in determining fair value are obtained from independent sources (observable inputs) or reflects the Company's own assumptions of market participant valuation (unobservable inputs). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

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Level 2 Quoted prices for identical assets and liabilities in markets that are inactive; quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; or

Level 3 Prices or valuations that require inputs that are both unobservable and significant to the fair value measurement.

The Company considers an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and views an inactive market as one in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. Where appropriate the Company's or the counterparty's non-performance risk is considered in determining the fair values of liabilities and assets, respectively.

*Items Measured at Fair Value on a Recurring Basis*

The following tables present the Company's assets and liabilities, by financial instrument type and balance sheet line item that are measured at fair value on a recurring basis, excluding accrued interest components, as of September 30, 2016:

(Dollars in millions)	Fair Value Measurements at Reporting Date			Total Balance
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Using Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Money market funds	\$ 532	\$	\$	\$ 532
Certificates of deposit		546		546
Corporate bonds		5		5
<b>Total cash equivalents and short-term investments</b>	<b>532</b>	<b>551</b>		<b>1,083</b>
<b>Restricted cash and investments:</b>				
Money market funds	2			2
Certificates of deposit		4		4
Derivative assets				
<b>Total assets</b>	<b>\$ 534</b>	<b>\$ 555</b>	<b>\$</b>	<b>\$ 1,089</b>
<b>Liabilities:</b>				
Derivative liabilities	\$	\$ (3)	\$	\$ (3)
<b>Total liabilities</b>	<b>\$</b>	<b>\$ (3)</b>	<b>\$</b>	<b>\$ (3)</b>

**Fair Value Measurements at Reporting Date  
Using**

<b>(Dollars in millions)</b>	<b>Quoted Prices in Active Markets for Identical Instruments (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Balance</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 532	\$ 546	\$	\$ 1,078
Short-term investments		5		5
Other current assets	2	4		6
<b>Total assets</b>	<b>\$ 534</b>	<b>\$ 555</b>	<b>\$</b>	<b>\$ 1,089</b>
<b>Liabilities:</b>				
Accrued expenses	\$	\$ (3)	\$	\$ (3)
<b>Total liabilities</b>	<b>\$</b>	<b>\$ (3)</b>	<b>\$</b>	<b>\$ (3)</b>

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The following tables present the Company's assets and liabilities, by financial instrument type and balance sheet line item that are measured at fair value on a recurring basis, excluding accrued interest components, as of July 1, 2016:

**Fair Value Measurements at Reporting Date  
Using**

<b>(Dollars in millions)</b>	<b>Quoted Prices in Active Markets for Identical Instruments (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Balance</b>
<b>Assets:</b>				
Money market funds	\$ 316	\$	\$	\$ 316
Certificates of deposit		439		439
Corporate bonds		6		6
<b>Total cash equivalents and short-term investments</b>	<b>316</b>	<b>445</b>		<b>761</b>
<b>Restricted cash and investments:</b>				
Money market funds	2			2
Certificates of deposit		5		5
Derivative assets		3		3
<b>Total assets</b>	<b>\$ 318</b>	<b>\$ 453</b>	<b>\$</b>	<b>\$ 771</b>
<b>Liabilities:</b>				
Derivative liabilities	\$	\$ (3)	\$	\$ (3)
<b>Total liabilities</b>	<b>\$</b>	<b>\$ (3)</b>	<b>\$</b>	<b>\$ (3)</b>

**Fair Value Measurements at Reporting Date  
Using**

<b>(Dollars in millions)</b>	<b>Quoted Prices in Active Markets for Identical Instruments (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Balance</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 316	\$ 439	\$	\$ 755
Short-term investments		6		6
Other current assets	2	8		10

Total assets	\$ 318	\$ 453	\$	\$ 771
Liabilities:				
Accrued expenses	\$	\$ (3)	\$	\$ (3)
Total liabilities	\$	\$ (3)	\$	\$ (3)

The Company classifies items in Level 1 if the financial assets consist of securities for which quoted prices are available in an active market.

The Company classifies items in Level 2 if the financial asset or liability is valued using observable inputs. The Company uses observable inputs including quoted prices in active markets for similar assets or liabilities. Level 2 assets include: agency bonds, corporate bonds, commercial paper, municipal bonds, U.S. Treasuries and certificates of deposits. These debt investments are priced using observable inputs and valuation models which vary by asset class. The Company uses a pricing service to assist in determining the fair values of all of its cash equivalents and short-term investments. For the cash equivalents and short-term investments in the Company's portfolio, multiple pricing sources are generally available. The pricing service uses inputs from multiple industry standard data providers or other third party sources and various methodologies, such as weighting and models, to determine the appropriate price at the measurement date. The Company corroborates the prices obtained from the pricing service against other independent sources and, as of September 30, 2016, has not found it necessary to make any adjustments to the prices obtained. The Company's derivative financial instruments are also classified within Level 2. The Company's derivative financial

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instruments consist of foreign currency forward exchange contracts and the TRS. The Company recognizes derivative financial instruments in its consolidated financial statements at fair value. The Company determines the fair value of these instruments by considering the estimated amount it would pay or receive to terminate these agreements at the reporting date.

As of September 30, 2016 and July 1, 2016, the Company had no Level 3 assets or liabilities measured at fair value on a recurring basis.

*Items Measured at Fair Value on a Non-Recurring Basis*

The Company enters into certain strategic investments for the promotion of business and strategic objectives. Strategic investments in equity securities where the Company does not have the ability to exercise significant influence over the investees, included in Other assets, net in the Condensed Consolidated Balance Sheets, are recorded at cost and are periodically analyzed to determine whether or not there are indicators of impairment. The carrying value of the Company's strategic investments at September 30, 2016 and July 1, 2016 totaled \$114 million and \$113 million, respectively, and consisted primarily of privately held equity securities without a readily determinable fair value.

For the three months ended October 2, 2015, the Company determined that a certain equity investment accounted for under the cost method was other-than-temporarily impaired, and recognized a charge of \$10 million in order to write down the carrying amount of the investments to zero. This amount was recorded in Other, net in the Condensed Consolidated Statement of Operations. The Company did not record any impairment charges in the three months ended September 30, 2016.

*Other Fair Value Disclosures*

The Company's debt is carried at amortized cost. The fair value of the Company's debt is derived using the closing price as of the date of valuation, which takes into account the yield curve, interest rates, and other observable inputs. Accordingly, these fair value measurements are categorized as Level 2. The following table presents the fair value and amortized cost of the Company's debt in order of maturity:

(Dollars in millions)	September 30, 2016		July 1, 2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
3.75% Senior Notes due November 2018	\$ 800	\$ 823	\$ 800	\$ 804
7.00% Senior Notes due November 2021	158	163	158	164
4.75% Senior Notes due June 2023	990	975	990	857
4.75% Senior Notes due January 2025	995	951	995	795
4.875% Senior Notes due June 2027	698	626	698	514
5.75% Senior Notes due December 2034	489	410	489	357
	\$ 4,130	\$ 3,948	\$ 4,130	\$ 3,491
Less: debt issuance costs	(38)		(39)	
Long-term debt, net of debt issuance costs	\$ 4,092	\$ 3,948	\$ 4,091	\$ 3,491
Less: short-term borrowings and current portion of long-term debt				



Long-term debt, less current portion	\$ 4,092	\$ 3,948	\$ 4,091	\$ 3,491
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## 10. Equity

### *Share Capital*

The Company's authorized share capital is \$13,500 and consists of 1,250,000,000 ordinary shares, par value \$0.00001, of which 298,607,364 shares were outstanding as of September 30, 2016, and 100,000,000 preferred shares, par value \$0.00001, of which none were issued or outstanding as of September 30, 2016.

*Ordinary shares* Holders of ordinary shares are entitled to receive dividends when and as declared by the Company's board of directors (the Board of Directors). Upon any liquidation, dissolution, or winding up of the Company, after required payments are made to holders of preferred shares, any remaining assets of the Company will be distributed ratably to holders of the preferred and ordinary shares. Holders of shares are entitled to one vote per share on all matters upon which the ordinary shares are entitled to vote, including the election of directors.

*Preferred shares* The Company may issue preferred shares in one or more series, up to the authorized amount, without shareholder approval. The Board of Directors is authorized to establish from time to time the number of shares to be included in each series, and to fix the rights, preferences and privileges of the shares of each wholly unissued series and any of its qualifications,

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limitations or restrictions. The Board of Directors can also increase or decrease the number of shares of a series, but not below the number of shares of that series then outstanding, without any further vote or action by the shareholders.

The Board of Directors may authorize the issuance of preferred shares with voting or conversion rights that could harm the voting power or other rights of the holders of the ordinary shares. The issuance of preferred shares, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of the Company and might harm the market price of its ordinary shares and the voting and other rights of the holders of ordinary shares.

*Repurchases of Equity Securities*

On April 22, 2015, the Board of Directors authorized the Company to repurchase an additional \$2.5 billion of its outstanding ordinary shares.

All repurchases are effected as redemptions in accordance with the Company's Articles of Association.

As of September 30, 2016, \$1.6 billion remained available for repurchase under the existing repurchase authorization limit.

The following table sets forth information with respect to repurchases of the Company's shares during the three months ended September 30, 2016:

<b>(In millions)</b>	<b>Number of Shares Repurchased</b>	<b>Dollar Value of Shares Repurchased</b>
Repurchases of Ordinary Shares	3	\$ 101
Tax Withholding Related to Vesting of Equity Awards	1	23
<b>Total</b>	<b>4</b>	<b>\$ 124</b>

**11. Share-based Compensation**

The Company recorded approximately \$40 million and \$33 million share-based compensation expense during the three months ended September 30, 2016 and October 2, 2015, respectively.

**12. Guarantees***Indemnifications to Officers and Directors*

On May 4, 2009, Seagate Technology, an exempted company incorporated with limited liability under the laws of the Cayman Islands ( Seagate-Cayman ), then the parent company, entered into a new form of indemnification agreement (the Revised Indemnification Agreement ) with its officers and directors of Seagate-Cayman and its subsidiaries (each, an Indemnitee ). The Revised Indemnification Agreement provides indemnification in addition to any of Indemnitee's indemnification rights under Seagate-Cayman's Articles of Association, applicable law or otherwise, and indemnifies

an Indemnitee for certain expenses (including attorneys' fees), judgments, fines and settlement amounts actually and reasonably incurred by him or her in any action or proceeding, including any action by or in the right of Seagate-Cayman or any of its subsidiaries, arising out of his or her service as a director, officer, employee or agent of Seagate-Cayman or any of its subsidiaries or of any other entity to which he or she provides services at Seagate-Cayman's request. However, an Indemnitee shall not be indemnified under the Revised Indemnification Agreement for (i) any fraud or dishonesty in the performance of Indemnitee's duty to Seagate-Cayman or the applicable subsidiary of Seagate-Cayman or (ii) Indemnitee's conscious, intentional or willful failure to act honestly, lawfully and in good faith with a view to the best interests of Seagate-Cayman or the applicable subsidiary of Seagate-Cayman. In addition, the Revised Indemnification Agreement provides that Seagate-Cayman will advance expenses incurred by an Indemnitee in connection with enforcement of the Revised Indemnification Agreement or with the investigation, settlement or appeal of any action or proceeding against him or her as to which he or she could be indemnified.

On July 3, 2010, pursuant to a corporate reorganization, the common shareholders of Seagate-Cayman became ordinary shareholders of Seagate Technology plc (the "Company") and Seagate-Cayman became a wholly owned subsidiary of the Company, as described more fully in the Current Report on Form 8-K filed by the Company on July 6, 2010 (the "Redomestication"). On July 27, 2010, in connection with the Redomestication, the Company, as sole shareholder of Seagate-Cayman, approved a form of deed of indemnity (the "Deed of Indemnity"), which provides for the indemnification by Seagate-Cayman of any director, officer, employee or agent of the Company, Seagate-Cayman or any subsidiary of the Company (each, a "Deed Indemnitee"), in addition to any of a Deed Indemnitee's indemnification rights under the Company's Articles of Association, applicable law or otherwise, with a similar scope to the Revised Indemnification Agreement. Seagate-Cayman entered into the Deed of Indemnity with certain Deed

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Indemnitees effective as of July 3, 2010 and continues to enter into the Deed of Indemnity with additional Deed Indemnitees from time to time.

The nature of these indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay on behalf of its officers and directors. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying condensed consolidated financial statements with respect to these indemnification obligations.

*Intellectual Property Indemnification Obligations*

The Company has entered into agreements with customers and suppliers that include limited intellectual property indemnification obligations that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party intellectual property claims arising from these transactions. The nature of the intellectual property indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to its customers and suppliers. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying condensed consolidated financial statements with respect to these indemnification obligations.

*Product Warranty*

The Company estimates probable product warranty costs at the time revenue is recognized. The Company generally warrants its products for a period of 1 to 5 years. The Company uses estimated repair or replacement costs and uses statistical modeling to estimate product return rates in order to determine its warranty obligation. Changes in the Company's product warranty liability during the three months ended September 30, 2016 and October 2, 2015 were as follows:

<b>(Dollars in millions)</b>	<b>For the Three Months Ended</b>	
	<b>September 30, 2016</b>	<b>October 2, 2015</b>
Balance, beginning of period	\$ 206	\$ 248
Warranties issued	31	33
Repairs and replacements	(30)	(41)
Changes in liability for pre-existing warranties, including expirations	9	(15)
Balance, end of period	\$ 216	\$ 225

**Table of Contents****13. Earnings Per Share**

Basic earnings per share is computed by dividing income available to shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings per share is computed by dividing income available to shareholders by the weighted-average number of shares outstanding during the period and the number of additional shares that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding options, unvested restricted share units and shares to be purchased under the ESPP. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in fair market value of the Company's share price can result in a greater dilutive effect from potentially dilutive securities. The following table sets forth the computation of basic and diluted net income per share attributable to the shareholders of Seagate Technology plc:

<b>(In millions, except per share data)</b>	<b>For the Three Months Ended</b>	
	<b>September 30,</b>	<b>October 2,</b>
	<b>2016</b>	<b>2015</b>
<b>Numerator:</b>		
Net income	\$ 167	\$ 34
<b>Number of shares used in per share calculations:</b>		
Total shares for purposes of calculating basic net income per share	299	302
<b>Weighted-average effect of dilutive securities:</b>		
Employee equity award plans	2	6
Total shares for purpose of calculating diluted net income per share	301	308
<b>Net income per share:</b>		
Basic	\$ 0.56	\$ 0.11
Diluted	\$ 0.55	\$ 0.11

The anti-dilutive shares related to employee equity award plans that were excluded from the computation of diluted net income (loss) were 3 million for the three months ended September 30, 2016 and immaterial for the three months ended October 2, 2015.

**14. Legal, Environmental and Other Contingencies**

The Company assesses the probability of an unfavorable outcome of all its material litigation, claims, or assessments to determine whether a liability had been incurred and whether it is probable that one or more future events will occur confirming the fact of the loss. In the event that an unfavorable outcome is determined to be probable and the amount of the loss can be reasonably estimated, the Company establishes an accrual for the litigation, claim or assessment. In addition, in the event an unfavorable outcome is determined to be less than probable, but reasonably possible, the Company will disclose an estimate of the possible loss or range of such loss; however, when a reasonable estimate cannot be made, the Company will provide disclosure to that effect. Litigation is inherently uncertain and may result in adverse rulings or decisions. Additionally, the Company may enter into settlements or be subject to judgments that may, individually or in the aggregate, have a material adverse effect on its results of operations. Accordingly, actual results could differ materially.

*Intellectual Property Litigation*

*Convolve, Inc. ( Convolve ) and Massachusetts Institute of Technology ( MIT ) v. Seagate Technology LLC, et al.* On July 13, 2000, Convolve and MIT filed suit against Compaq Computer Corporation and Seagate Technology LLC in the U.S. District Court for the Southern District of New York, alleging infringement of U.S. Patent No. 4,916,635 (the 635 patent ) and U.S. Patent No. 5,638,267 (the 267 patent ), misappropriation of trade secrets, breach of contract, and other claims. In the complaint, the plaintiffs requested injunctive relief, \$800 million in compensatory damages and unspecified punitive damages, including for willful infringement. On January 16, 2002, Convolve filed an amended complaint, alleging defendants infringe U.S. Patent No. 6,314,473 (the 473 patent ). The district court ruled in 2010 that the 267 patent was out of the case.

On August 16, 2011, the district court granted in part and denied in part the Company s motion for summary judgment. On July 1, 2013, the U.S. Court of Appeals for the Federal Circuit: 1) affirmed the district court s summary judgment rulings that Seagate did not misappropriate any of the alleged trade secrets and that the asserted claims of the 635 patent are invalid; 2) reversed and vacated the district court s summary judgment of non-infringement with respect to the 473 patent; and 3) remanded the case for further proceedings on the 473 patent. On July 11, 2014, the district court granted the Company s summary judgment motion regarding Convolve s only remaining cause of action, which alleged infringement of the 473 patent. The district court entered judgment in favor of the Company on July 14, 2014. Convolve filed a notice of appeal on August 13, 2014. On February 10, 2016, the U.S. Court of Appeals for the Federal Circuit: 1) affirmed the district court s summary judgment of no direct infringement by Seagate because Seagate s ATA/SCSI

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disk drives do not meet the user interface limitation of the asserted claims of the 473 patent; 2) affirmed the district court's summary judgment of non-infringement by Compaq's products as to claims 1, 3, and 5 of the 473 patent because Compaq's F10 BIOS interface does not meet the commands limitation of those claims; 3) vacated the district court's summary judgment of non-infringement by Compaq's accused products as to claims 7-15 of the 473 patent; 4) reversed the district court's summary judgment of non-infringement based on intervening rights; and 5) remanded the case to the district court for further proceedings on the 473 patent. In view of the rulings made by the district court and the Court of Appeals and the uncertainty regarding the amount of damages, if any, that could be awarded Convolve in this matter, the Company does not believe that it is currently possible to determine a reasonable estimate of the possible range of loss related to this matter.

*Alexander Shukh v. Seagate Technology* On February 12, 2010, Alexander Shukh filed a complaint against the Company in the U.S. District Court for the District of Minnesota, alleging, among other things, employment discrimination based on his Belarusian national origin and wrongful failure to name him as an inventor on several patents and patent applications. Mr. Shukh's employment was terminated as part of a company-wide reduction in force in fiscal year 2009. He seeks damages in excess of \$75 million. On March 31, 2014, the district court granted Seagate's summary judgment motion and entered judgment in favor of Seagate. Mr. Shukh filed a notice of appeal on April 7, 2014. On October 2, 2015, the court of appeals vacated and remanded the district court's grant of summary judgment on Mr. Shukh's claim for correction of inventorship and affirmed the district court's grant of summary judgment as to all other claims. On October 29, 2015, Mr. Shukh filed a petition for rehearing en banc with the court of appeals; the petition was denied on December 17, 2015. On March 16, 2016, Shukh filed a petition for writ of certiorari to the U.S. Supreme Court; the petition was denied on June 27, 2016. In view of the uncertainty regarding the amount of damages, if any, that could be awarded in this matter, the Company does not believe that it is currently possible to determine a reasonable estimate of the possible range of loss related to this matter.

*Enova Technology Corporation v. Seagate Technology (US) Holdings, Inc., et al.* On June 5, 2013, Enova Technology Corporation (Enova) filed a complaint against Seagate Technology (US) Holdings, Inc. and Seagate Technology LLC in the U.S. District Court for the District of Delaware alleging infringement of U.S. Patent No. 7,136,995 (the 995 patent), Cryptographic Device, and U.S. Patent No. 7,900,057 (the 057 patent), Cryptographic Serial ATA Apparatus and Method. The complaint seeks unspecified compensatory damages, enhanced damages, injunctive relief, attorneys fees, and other relief. On April 27, 2015, the district court ordered a stay of the case, in view of proceedings regarding the 995 and 057 patents before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office. The Company believes the claims are without merit and intends to vigorously defend this case. On September 2, 2015, PTAB issued its final written decision that claims 1-15 of the 995 patent are held unpatentable. On December 18, 2015, PTAB issued its final written decisions that claims 1-32 and 40-53 of the 057 patent are held unpatentable. On February 4, 2016, PTAB issued its final written decision that claims 33-39 of the 057 patent are held unpatentable. Enova has appealed PTAB's decisions on the 995 patent and the 057 patent to the U.S. Court of Appeals for the Federal Circuit. A hearing before the court of appeals has not yet been scheduled. In view of the uncertainty regarding the amount of damages, if any, that could be awarded in this matter, the Company does not believe that it is currently possible to determine a reasonable estimate of the possible range of loss related to this matter.

*Lambeth Magnetic Structures LLC v. Seagate Technology (US) Holdings, Inc., et al.* On April 29, 2016, Lambeth Magnetic Structures LLC filed a complaint against Seagate Technology (US) Holdings, Inc. and Seagate Technology LLC in the U.S. District Court for the Western District of Pennsylvania, alleging infringement of U.S. Patent No. 7,128,988, Magnetic Material Structures, Devices and Methods. The complaint seeks unspecified compensatory damages, enhanced damages, injunctive relief, attorneys fees, and other relief. The Company believes the claims asserted in the complaint are without merit and intends to vigorously defend this case. In view of the uncertainty regarding the amount of damages, if any, that could be awarded in this matter, the Company does not believe that it is currently possible to determine a reasonable estimate of the possible range of loss related to this matter.

*Environmental Matters*

The Company's operations are subject to U.S. and foreign laws and regulations relating to the protection of the environment, including those governing discharges of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Some of the Company's operations require environmental permits and controls to prevent and reduce air and water pollution, and these permits are subject to modification, renewal and revocation by issuing authorities.

The Company has established environmental management systems and continually updates its environmental policies and standard operating procedures for its operations worldwide. The Company believes that its operations are in material compliance with applicable environmental laws, regulations and permits. The Company budgets for operating and capital costs on an ongoing basis to comply with environmental laws. If additional or more stringent requirements are imposed on the Company in the future, it could incur additional operating costs and capital expenditures.



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Some environmental laws, such as the Comprehensive Environmental Response Compensation and Liability Act of 1980 (as amended, the Superfund law) and its state equivalents, can impose liability for the cost of cleanup of contaminated sites upon any of the current or former site owners or operators or upon parties who sent waste to these sites, regardless of whether the owner or operator owned the site at the time of the release of hazardous substances or the lawfulness of the original disposal activity. The Company has been identified as a potentially responsible party at several sites. At each of these sites, the Company has an assigned portion of the financial liability based on the type and amount of hazardous substances disposed of by each party at the site and the number of financially viable parties. The Company has fulfilled its responsibilities at some of these sites and remains involved in only a few at this time.

While the Company's ultimate costs in connection with these sites is difficult to predict with complete accuracy, based on its current estimates of cleanup costs and its expected allocation of these costs, the Company does not expect costs in connection with these sites to be material.

The Company may be subject to various state, federal and international laws and regulations governing the environment, including those restricting the presence of certain substances in electronic products. For example, the European Union ( EU ) enacted the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, which prohibits the use of certain substances, including lead, in certain products, including disk drives and server storage products, put on the market after July 1, 2006. Similar legislation has been or may be enacted in other jurisdictions, including in the United States, Canada, Mexico, Taiwan, China, Japan and others. The European Union REACH Directive (Registration, Evaluation, Authorization, and Restriction of Chemicals, EC 1907/2006) also restricts substances of very high concern ( SVHCs ) in products. If the Company or its suppliers fails to comply with the substance restrictions, recycle requirements or other environmental requirements as they are enacted worldwide, it could have a materially adverse effect on the Company's business.

*Other Matters*

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

**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following is a discussion of the financial condition, changes in financial condition, and results of operations for our fiscal quarters ended September 30, 2016, July 1, 2016 and October 2, 2015, referred to herein as the September 2016 quarter, the June 2016 quarter, and the September 2015 quarter, respectively. We operate and report financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. The September 2016, June 2016, and September 2015 quarters were 13 weeks.

You should read this discussion in conjunction with financial information and related notes included elsewhere in this report. Unless the context indicates otherwise, as used herein, the terms we, us, Seagate, the Company and our or Seagate Technology plc, an Irish public limited company, and its subsidiaries. References to \$ are to United States dollars.

Some of the statements and assumptions included in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects, and estimates of industry growth for the fiscal quarter ending December 30, 2016 and the fiscal year ending June 30, 2017 and beyond. These statements identify prospective information and may include words such as expects, intends, plans, anticipates, believes, estimates, predicts, projects and similar expressions. These forward-looking statements are based on information available to the Company as of the date of this Quarterly Report on Form 10-Q and are based on management's current views and assumptions. These forward-looking statements are conditioned upon and also involve a number of known and unknown risks, uncertainties and other factors that could cause actual results, performance or events to differ materially from those anticipated by these forward-looking statements. Such risks, uncertainties and other factors may be beyond our control and may pose a risk to our operating and financial condition. Such risks and uncertainties include, but are not limited to: uncertainty in global economic conditions, the impact of the variable demand and adverse pricing environment for disk drives, particularly in view of current business and economic conditions; our ability to successfully qualify, manufacture and sell our disk drive products in increasing volumes on a cost-effective basis and with acceptable quality, particularly the new disk drive products with lower cost structures; the impact of competitive product announcements; our ability to achieve projected cost savings in connection with restructuring plans; possible excess industry supply with respect to particular disk drive products; disruptions to our supply chain or production capabilities; unexpected advances in competing technologies; the development and introduction of products based on new technologies and expansion into new data storage markets; our ability to comply with certain covenants in our credit facilities with respect to financial ratios and financial condition tests; currency fluctuations that may impact the Company's margins and international sales; cyber-attacks or other data breaches that disrupt its operations or results in the dissemination of proprietary or confidential information; and fluctuations in interest rates. We also encourage you to read our Annual Report on Form 10-K for the fiscal year ended July 1, 2016, which contains information concerning risks, uncertainties and other factors that could cause results to differ materially from those projected in the forward-looking statements herein. These forward-looking statements 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.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) is provided in addition to the accompanying condensed consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. Our MD&A is organized as follows:

*Our Company.* Overview of our business.

*Overview of the September 2016 quarter.* Highlights of events in the September 2016 quarter that impacted our financial position.

*Results of Operations.* An analysis of our financial results comparing the September 2016 quarter to the June 2016 quarter and the September 2015 quarter.

*Liquidity and Capital Resources.* An analysis of changes in our balance sheets and cash flows, and discussion of our financial condition including the credit quality of our investment portfolio and potential sources of liquidity.

*Critical Accounting Policies.* Accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results.

## **Our Company**

We are a leading provider of electronic data storage technology and solutions. Our principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. In addition to HDDs, we produce a broad range of electronic data storage products including solid state hybrid drives ( SSHD ) and solid state drives ( SSD ) in our Enterprise market portfolio. Our storage technology portfolio also includes storage subsystems, and high performance computing ( HPC ) solutions.

Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives continue to be the primary medium of mass data storage due to their performance attributes, high quality and cost effectiveness. Complementing existing data center storage architecture, solid-state storage devices use integrated circuit assemblies as memory to store data, and most SSDs use NAND-based flash memory. In addition to HDDs and SSDs, SSHDs combine the features of SSDs

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and HDDs in the same unit, containing a large hard disk drive and an SSD cache to improve performance of frequently accessed data.

Our products are designed for mission critical and nearline applications in enterprise servers and storage systems; client compute applications, where our products are designed primarily for desktop and mobile computing; and client non-compute applications, where our products are designed for a wide variety of end user devices such as portable external storage systems, personal data backup systems, surveillance systems, digital video recorders ( DVRs ) and gaming consoles.

Our Cloud Systems and Solutions build on the Seagate legacy to extend innovation from the device into the information infrastructure, onsite and in the cloud. Our portfolio includes HPC storage solutions, modular original equipment manufacturers ( OEM ) storage systems and scale-out storage systems.

**Overview of the September 2016 Quarter**

During the September 2016 quarter, we shipped 39 million drive units totaling 67 exabytes of storage capacity, generating revenue of approximately \$2.8 billion and gross margin of 29%. Our operating cash flow was \$592 million. We paid \$101 million for repurchases of ordinary shares.

**Results of Operations**

We list in the tables below summarized information from our Condensed Consolidated Statements of Operations by dollars and as a percentage of revenue:

(Dollars in millions)	For the Three Months Ended		
	September 30, 2016	July 1, 2016	October 2, 2015
Revenue	\$ 2,797	\$ 2,654	\$ 2,925
Cost of revenue	1,996	1,992	2,236
Gross margin	801	662	689
Product development	315	307	328
Marketing and administrative	155	143	182
Amortization of intangibles	28	29	34
Restructuring and other, net	82	80	59
Income from operations	221	103	86
Other expense (income), net	(48)	(49)	(55)
Income before income taxes	173	54	31
Provision for (benefit from) income taxes	6	(16)	(3)
Net income	\$ 167	\$ 70	\$ 34

	<b>For the Three Months Ended</b>		
	<b>September 30, 2016</b>	<b>July 1, 2016</b>	<b>October 2, 2015</b>
Revenue	100%	100%	100%
Cost of revenue	71	75	76
Gross margin	29	25	24
Product development	11	12	11
Marketing and administrative	6	5	7
Amortization of intangibles	1	1	1
Restructuring and other, net	3	3	2
Income from operations	8	4	3
Other (expense) income, net	(2)	(2)	(2)
Income before income taxes	6	2	1
Provision for (benefit from) income taxes		(1)	
Net income	6%	3%	1%

**Table of Contents***Revenue*

The following table summarizes information regarding average drive selling prices ( ASPs ), drive volume unit shipments, exabytes shipped, and revenues by channel and geography:

(In millions, except percentages, exabytes and ASPs)	For the Three Months Ended		
	September 30, 2016	July 1, 2016	October 2, 2015
Unit Shipments (1):			
Enterprise	9	9	8
Client Compute	16	16	24
Client Non-Compute	14	12	15
<b>Total Units Shipped</b>	<b>39</b>	<b>37</b>	<b>47</b>
ASPs (per unit)	\$ 67	\$ 67	\$ 58
Exabytes Shipped	67	62	56
Revenues by Channel (%)			
OEMs	71%	71%	70%
Distributors	17%	16%	18%
Retailers	12%	13%	12%
Revenues by Geography (%)			
Americas	34%	33%	28%
EMEA	15%	16%	17%
Asia Pacific	51%	51%	55%

(1) For the periods presented, gaming units in Client Compute have been reclassified to Client Non-Compute to better align with current market trends.

Revenue in the September 2016 quarter increased by \$143 million from the June 2016 quarter as a result of favorable product mix and an increase in unit shipments driven primarily by better demand for the Company's high capacity enterprise HDD product portfolio. Compared to the September 2015 quarter, revenue decreased by \$128 million as a result of a decrease in unit shipments and price erosion, partially offset by improved product mix.

We maintain various sales programs such as channel rebates and price masking. Price masking rebates are primarily a function of OEM enterprise revenue and contributed to a higher proportion of the sales programs as a percentage of revenue in the September 2016 quarter. Sales programs were at the low range of its historical range at 10%, 11% and 13% of gross drive revenue for the September 2016 quarter, June 2016 quarter and September 2015 quarter, respectively. Adjustments to revenues due to under or over accruals for sales programs related to revenues reported in prior quarterly periods were less than 1.0% of quarterly gross revenue in the September 2016 quarter.

*Cost of Revenue and Gross Margin*

(Dollars in millions)

For the Three Months Ended

	<b>September 30, 2016</b>	<b>July 1, 2016</b>	<b>October 2, 2015</b>
Cost of revenue	\$ 1,996	\$ 1,992	\$ 2,236
Gross margin	801	662	689
Gross margin percentage	29%	25%	24%

Gross margin as a percentage of revenue for the September 2016 quarter increased by approximately 400 basis points compared to the June 2016 quarter driven by favorable product mix and improved utilization of factories resulting from cost savings due to our ongoing workforce reductions and manufacturing consolidation activities.

Compared to the September 2015 quarter, gross margin in the September 2016 quarter increased by approximately 500 basis points, as a result of favorable product mix and improved utilization of factories resulting from cost savings due to our ongoing workforce reductions and manufacturing consolidation activities, partially offset by price erosion.

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In the September 2016 quarter, total warranty cost was in the historical range of 1% to 5% of revenue and included an unfavorable change in estimates of prior warranty accruals of less than 0.5% of revenue. Warranty cost related to new unit shipments was 1.1% of revenue for each of the September 2016, June 2016 and September 2015 quarters, respectively.

*Operating Expenses*

(Dollars in millions)	For the Three Months Ended		
	September 30, 2016	July 1, 2016	October 2, 2015
Product development	\$ 315	\$ 307	\$ 328
Marketing and administrative	155	143	182
Amortization of intangibles	28	29	34
Restructuring and other, net	82	80	59
<b>Operating expenses</b>	<b>\$ 580</b>	<b>\$ 559</b>	<b>\$ 603</b>

*Product development expense.* Product development expense for the September 2016 quarter increased by \$8 million from the June 2016 quarter due to a \$19 million increase in variable compensation and share-based compensation driven by better financial performance, partially offset by a \$7 million decrease in salaries as a result of the restructuring of our workforce in the June 2016 and September 2016 quarters, and increased operational efficiencies in our business. Compared to the September 2015 quarter, product development expense decreased by \$13 million due to a \$24 million decrease in salaries and other employee benefits as a result of our ongoing restructuring actions to reduce our global workforce. The decrease was partially offset by a \$22 million increase in variable compensation in the September 2016 quarter with the remainder of the decrease due to increased operational efficiencies in our business.

*Marketing and administrative expense.* Marketing and administrative expense for the September 2016 quarter increased by \$12 million from the June 2016 quarter mainly due to a \$17 million increase in variable compensation and share-based compensation driven by better financial performance, partially offset by a \$10 million decrease in salaries and other employee benefits as a result of the restructuring of our workforce in the June 2016 and September 2016 quarters. Compared to the September 2015 quarter, marketing and administrative expense decreased by \$27 million due to a \$25 million decrease in salaries and other employee benefits as a result of our ongoing restructuring actions to reduce global workforce, a \$6 million reduction in advertising and marketing expenses in the September 2016 quarter. The decrease was partially offset by a \$13 million increase in variable compensation and share-based compensation driven by better financial performance in the September 2016 quarter, with the remainder of the decrease due to increased operational efficiencies in our business.

*Amortization of intangibles.* Amortization of intangibles for the September 2016 quarter remained flat from June 2016 quarter. Compared to the September 2015 quarter, amortization of intangibles decreased by \$6 million, due to certain intangible assets reaching the end of their useful life, partially offset by the intangibles acquired in the acquisition of Dot Hill during the quarter ended January 1, 2016.

*Restructuring and other, net.* Restructuring and other, net for the September 2016, June 2016 and September 2015 quarters was comprised primarily of restructuring charges to reduce our global workforce by approximately 6,500, 1,600 and 1,000 employees in each of those quarters, respectively, as we continue to consolidate our global footprint



across Asia, EMEA and the Americas. See Part I, Item 1. Financial Statements-Note 7. Restructuring and Exit Costs for more details.

*Other (Expense) Income, Net*

<b>(Dollars in millions)</b>	<b>For the Three Months Ended</b>		
	<b>September 30, 2016</b>	<b>July 1, 2016</b>	<b>October 2, 2015</b>
Other (expense) income, net	\$ (48)	\$ (49)	\$ (55)

Other (expense) income, net remained flat from the June 2016 quarter. Compared to the September 2015 quarter, other (expense) income, net decreased by \$7 million due to a \$10 million loss related to the impairment of a strategic investment in the September 2015 quarter, partially offset by a higher interest expense capitalization in the September 2015 quarter.

**Table of Contents***Income Taxes*

(Dollars in millions)	For the Three Months Ended		
	September 30, 2016	July 1, 2016	October 2, 2015
Provision for (benefit from) income taxes	\$ 6	\$ (16)	\$ (3)

Our income tax provision of \$6 million for the September 2016 quarter included approximately \$5 million of net discrete tax benefits, primarily associated with the release of tax reserves due to the expiration of certain statutes of limitation and prior year tax adjustments.

Our income tax provision recorded for the September 2016 quarter differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax holidays or tax incentive programs and are considered indefinitely reinvested outside of Ireland and (ii) a decrease in valuation allowance for certain deferred tax assets.

During the three months ended September 30, 2016, our unrecognized tax benefits excluding interest and penalties decreased by approximately \$2 million to \$68 million. The unrecognized tax benefits that, if recognized, would impact the effective tax rate were \$68 million at September 30, 2016, subject to certain future valuation allowance reversals. During the 12 months beginning October 1, 2016, we expect that our unrecognized tax benefits could be reduced by approximately \$11 million, primarily as a result of the expiration of certain statutes of limitation.

Our income tax benefit recorded for the September 2015 quarter included approximately \$4 million of net discrete tax benefits, primarily associated with the release of tax reserves associated with the expiration of certain statutes of limitation.

Our income tax benefit recorded for the September 2015 quarter differed from the benefit from income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax holidays or tax incentive programs and are considered indefinitely reinvested outside of Ireland and (ii) a decrease in valuation allowance for certain U.S. deferred tax assets.

**Liquidity and Capital Resources**

The following sections discuss our principal liquidity requirements, as well as our sources and uses of cash and our liquidity and capital resources. Our cash and cash equivalents are maintained in investments with remaining maturities of 90 days or less at the time of purchase. Our short-term investments consist primarily of money market funds, and certificates of deposits. The principal objectives of our investment policy are the preservation of principal and maintenance of liquidity. We believe our cash equivalents and short-term investments are liquid and accessible. We operate in some countries that have restrictive regulations over the movement of cash and/or foreign exchange across their borders. However, we believe our sources of cash have been and will continue to be sufficient to meet our cash needs for the next 12 months unimpeded by any restrictive regulations. We are not aware of any downgrades, losses or other significant deterioration in the fair value of our cash equivalents or short-term investments and we do not believe the fair value of our short-term investments has significantly changed from the values reported as of September 30, 2016.

*Cash and Cash Equivalents and Short-term Investments*

<b>(Dollars in millions)</b>	<b>September 30, 2016</b>	<b>July 1, 2016</b>	<b>Change</b>
Cash and cash equivalents	\$ 1,489	\$ 1,125	\$ 364
Short-term investments	5	6	(1)
<b>Total</b>	<b>\$ 1,494</b>	<b>\$ 1,131</b>	<b>\$ 363</b>

Our cash and cash equivalents and short-term investments increased from July 1, 2016 as a result of an increase in net cash provided by operating activities, partially offset by net cash outflows for repurchase of our ordinary shares.

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*Cash Provided by Operating Activities*

Cash provided by operating activities for the three months ended September 30, 2016 of \$592 million includes the effects of net income adjusted for non-cash items including depreciation, amortization, share-based compensation, and:

an increase of \$101 million in accounts payable, primarily due to the timing of payments on material purchases and an increase in units built

*Cash Used in Investing Activities*

Cash used for investing activities for the three months ended September 30, 2016 was \$139 million and primarily attributable to the following activities:

\$140 million used to acquire property, equipment and leasehold improvements

*Cash Used in Financing Activities*

Cash used in financing activities of \$89 million for the three months ended September 30, 2016 was primarily attributable to the following activities:

\$101 million paid to repurchase ordinary shares; and

\$23 million paid for taxes related to net share settlement of equity awards; offset by

\$35 million in proceeds from issuance of ordinary shares under employee stock plans

***Liquidity Sources, Cash Requirements and Commitments***

Our primary sources of liquidity as of September 30, 2016 consisted of: (1) approximately \$1.5 billion in cash, cash equivalents, and short-term investments, (2) cash we expect to generate from operations and (3) a \$700 million senior revolving credit facility.

As of September 30, 2016, no borrowings had been drawn under the revolving credit facility or had been utilized for letters of credit issued under this credit facility. The line of credit is available for borrowings, subject to compliance with financial covenants and other customary conditions to borrowing.

The credit agreement that governs our revolving credit facility, as amended, includes three financial covenants: (1) minimum cash, cash equivalents and marketable securities; (2) a fixed charge coverage ratio; and (3) a net leverage ratio. On April 28, 2016, the Revolving Credit Agreement was amended in order to increase the allowable net leverage ratio to adjust for our current financial liquidity position. We were in compliance with the modified covenants as of September 30, 2016 and expect to be in compliance for the next 12 months.

Our liquidity requirements are primarily to meet our working capital, product development and capital expenditure needs, to fund scheduled payments of principal and interest on our indebtedness, and to fund our quarterly dividend. Our ability to fund these requirements will depend on our future cash flows, which are determined by future operating performance, and therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control.

For fiscal year 2017, we expect capital expenditures to be less than 5% of revenue.

From time to time we may repurchase any of our outstanding notes in open market or privately negotiated purchases or otherwise, or may repurchase outstanding notes pursuant to the terms of the applicable indenture.

Dividends declared in the September 2016 quarter of \$188 million were subsequently paid on October 5, 2016. The Company's Board of Directors declared a quarterly cash dividend of \$0.63 per share on October 19, 2016, which is payable on January 4, 2017 to shareholders of record at the close of business on December 21, 2016.

From time to time we may repurchase any of our outstanding ordinary shares through private, open market, or broker assisted purchases. As of September 30, 2016, \$1.6 billion remained available for repurchase under our existing repurchase authorization limit. All repurchases are effected as redemptions in accordance with the Company's Articles of Association.

### **Critical Accounting Policies**

Our discussion and analysis of financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of such statements requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. Our estimates are

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based on historical experience and other assumptions that we consider to be appropriate in the circumstances. However, actual future results may vary from our estimates.

Since our fiscal year ended July 1, 2016, there have been no material changes in our critical accounting policies and estimates. Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended July 1, 2016, as filed with the SEC on August 5, 2016, for a discussion of our critical accounting policies and estimates.

**Recent Accounting Pronouncements**

See Part I, Item 1. Financial Statements Note 1. Basis of Presentation and Summary of Significant Accounting Policies for information regarding the effect of new accounting pronouncements on our financial statements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We have exposure to market risks due to the volatility of interest rates, foreign currency exchange rates, equity, and bond markets. A portion of these risks are hedged, but fluctuations could impact our results of operations, financial position and cash flows. Additionally, we have exposure to downgrades in the credit ratings of our counterparties as well as exposure related to our credit rating changes.

*Interest Rate Risk.* Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. As of September 30, 2016, we had no material available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. We determined no available-for-sale securities were other-than-temporarily impaired as of September 30, 2016. We currently do not use derivative financial instruments in our investment portfolio.

We have fixed rate debt obligations. We enter into debt obligations to support general corporate purposes including capital expenditures and working capital needs.

The table below presents principal amounts and related weighted-average interest rates by year of maturity for our investment portfolio and debt obligations as of September 30, 2016.

	<b>Fiscal Years Ended</b>							<b>Fair Value at September 30, 2016</b>
<b>(Dollars in millions, except percentages)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Thereafter</b>	<b>Total</b>	
<b>Assets</b>								
<b>Cash equivalents:</b>								
Fixed rate	\$ 1,084	\$	\$	\$	\$	\$	\$ 1,084	\$ 1,084
Average interest rate	0.48%						0.48%	
<b>Short-term investments:</b>								
Fixed rate	\$ 5	\$	\$	\$	\$	\$	\$ 5	\$ 5

Average interest rate	12.28%					12.28%		
Total fixed income	\$ 1,089	\$	\$	\$	\$	\$ 1,089	\$ 1,089	
Average interest rate	0.54%					0.54%		
<b>Debt</b>								
Fixed rate	\$	\$	\$ 800	\$	\$	\$ 3,333	\$ 4,133	\$ 3,948
Average interest rate	3.75%			5.03%		4.78%		

*Foreign Currency Exchange Risk.* We may enter into foreign currency forward exchange contracts to manage exposure related to certain foreign currency commitments and anticipated foreign currency denominated expenditures. Our policy prohibits us from entering into derivative financial instruments for speculative or trading purposes. As this time, we have not identified any material exposure associated with the changes as a result of the British vote to exit the European Union.

We also hedge a portion of our foreign currency denominated balance sheet positions with foreign currency forward exchange contracts to reduce the risk that our earnings will be adversely affected by changes in currency exchange rates. The changes in fair value of these hedges are recognized in earnings in the same period as the gains and losses from the remeasurement of the assets and liabilities. These foreign currency forward exchange contracts are not designated as hedging instruments under ASC 815, *Derivatives and Hedging*. All these foreign currency forward contracts mature within 12 months.

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We evaluate hedging effectiveness prospectively and retrospectively and record any ineffective portion of the hedging instruments in Cost of revenue on the Condensed Consolidated Statements of Operations. We did not have any material net gains (losses) recognized in Cost of revenue for cash flow hedges due to hedge ineffectiveness or discontinued cash flow hedges during the three months ended September 30, 2016.

The table below provides information as of September 30, 2016 about our foreign currency forward exchange contracts. The table is provided in U.S. dollar equivalent amounts and presents the notional amounts (at the contract exchange rates) and the weighted-average contractual foreign currency exchange rates.

<b>(Dollars in millions, except average contract rate)</b>	<b>Notional Amount</b>	<b>Average Contract Exchange Rate</b>	<b>Estimated Fair Value (1)</b>
<b>Foreign currency forward exchange contracts:</b>			
British Pound Sterling	\$ 56	\$ 1.38	\$ (3)
<b>Total</b>	<b>\$ 56</b>		<b>\$ (3)</b>

(1) Equivalent to the unrealized net (loss) gain on existing contracts.

*Other Market Risks.* We have exposure to counterparty credit downgrades in the form of credit risk related to our foreign currency forward exchange contracts and our fixed income portfolio. We monitor and limit our credit exposure for our foreign currency forward exchange contracts by performing ongoing credit evaluations. We also manage the notional amount of contracts entered into with any one counterparty, and we maintain limits on maximum tenor of contracts based on the credit rating of the financial institution. Additionally, the investment portfolio is diversified and structured to minimize credit risk. As of September 30, 2016, we had no material credit exposure related to our foreign currency forward exchange contracts. Changes in our corporate issuer credit ratings have minimal impact on our financial results, but downgrades may negatively impact our future transaction costs and our ability to execute transactions with various counterparties.

We are subject to equity market risks due to changes in the fair value of the notional investments selected by our employees as part of our Seagate Deferred Compensation Plan (the "SDCP"). In fiscal year 2014, we entered into a Total Return Swap ("TRS") in order to manage the equity market risks associated with the SDCP liabilities. We pay a floating rate, based on LIBOR plus an interest rate spread, on the notional amount of the TRS. The TRS is designed to substantially offset changes in the SDCP liability due to changes in the value of the investment options made by employees. See Part I, Item 1. Financial Statements Note 8. Derivative Financial Instruments of this Report on Form 10-Q.

**ITEM 4. CONTROLS AND PROCEDURES**

An evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on the evaluation, our management, including our chief executive officer and chief financial officer, concluded that our disclosure controls and procedures



were effective as of September 30, 2016. During the quarter ended September 30, 2016, there were no changes in our internal control over financial reporting that materially affected, or were reasonably likely to materially affect our internal control over financial reporting.

**Table of Contents****PART II****OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

For a discussion of legal proceedings, see Part I, Item 1. Financial Statements Note 14. Legal, Environmental and Other Contingencies of this Report on Form 10-Q.

**ITEM 1A. RISK FACTORS**

There have been no material changes to the description of the risk factors associated with our business previously disclosed in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended July 1, 2016. In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K as they could materially affect our business, financial condition and future results.

The Risk Factors are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Repurchase of Equity Securities**

All repurchases are effected as redemptions in accordance with the Company's Articles of Association.

On April 22, 2015, the Board of Directors authorized the Company to repurchase an additional \$2.5 billion of its outstanding ordinary shares.

As of September 30, 2016, \$1.6 billion remained available for repurchase under the existing repurchase authorization limit. There is no expiration date on this authorization.

The following table sets forth information with respect to all repurchases of our shares made during fiscal quarter ended September 30, 2016:

(In millions, except average price paid per share)

Total Number of Shares Repurchased (a)	Average Price Paid per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the
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			<b>or Programs</b>	<b>Plans or Programs (a)</b>
July 2, 2016 through July 29, 2016		\$ 27.35		\$ 1,757
July 30, 2016 through September 2, 2016		33.32		1,756
September 3, 2016 through September 30, 2016	4(a)	34.12	4	1,634
Total	4	\$ 34.11	4	\$ 1,634

(a) Includes 1 million shares of statutory tax withholdings related to vesting of equity awards in the fiscal quarter ended September 30, 2016.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

Not applicable.

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**ITEM 6. EXHIBITS**

See Exhibit Index on the page immediately following the signature page to this Report for a list of exhibits to this Report, which Exhibit Index is incorporated herein by reference.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SEAGATE TECHNOLOGY PUBLIC LIMITED  
COMPANY**

DATE: October 28, 2016

BY: /s/ STEPHEN J. LUCZO  
Stephen J. Luczo  
Chief Executive Officer, Director and Chairman of  
the Board of Directors

(Principal Executive Officer)

DATE: October 28, 2016

BY: /s/ DAVID H. MORTON, JR.  
David H. Morton, Jr.  
Executive Vice President, Finance and Chief  
Financial Officer

(Principal Financial and Accounting Officer)

**Table of Contents****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1	Constitution of Seagate Technology Public Limited Company, as amended and restated by Special Resolution dated October 19, 2016, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed on October 24, 2016 and incorporated herein by reference.
3.2	Certificate of Incorporation of the Company, filed as Exhibit 3.2 to the Company's annual report on Form 10-K filed on August 20, 2010 and incorporated herein by reference.
31.1+	Certification of Stephen J. Luczo, Chief Executive Officer, Director and Chairman of the Board of Directors of the Company, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of David H. Morton, Jr., Executive Vice President, Finance and Chief Financial Officer of the Company, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Stephen J. Luczo, Chief Executive Officer, Director and Chairman of the Board of Directors of the Company and David H. Morton, Jr., Executive Vice President, Finance and Chief Financial Officer of the Company, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS+	XBRL Instance Document.
101.SCH+	XBRL Taxonomy Extension Schema Document.
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document.

+ Filed herewith.

The certifications attached as Exhibit 32.1 that accompany this Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Seagate Technology plc under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.