

Seagate Technology plc  
Form 10-Q  
May 02, 2013  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

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

**For the quarterly period ended March 29, 2013**

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

**For the transition period from:                      to**

**Commission File Number 001-31560**

**SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY**

(Exact name of registrant as specified in its charter)

**Ireland**

**98-0648577**

Edgar Filing: Seagate Technology plc - Form 10-Q

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification Number)

**38/39 Fitzwilliam Square**

**Dublin 2, Ireland**

(Address of principal executive offices)

**Telephone: (353) (1) 234-3136**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer: x

Accelerated filer: o

Non-accelerated filer: o

Smaller reporting company: o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of April 26, 2013, 358,552,370 shares of the registrant's ordinary shares, par value \$0.00001 per share, were issued and outstanding.

Table of Contents

INDEX

SEAGATE TECHNOLOGY PLC

	PAGE NO.
<b><u>PART I</u></b>	
<b><u>FINANCIAL INFORMATION</u></b>	
<u>Item 1.</u>	
<u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets – March 29, 2013 and June 29, 2012 (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations – Three and Nine Months ended March 29, 2013 and March 30, 2012 (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income – Three and Nine Months ended March 29, 2013 and March 30, 2012 (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows – Nine Months ended March 29, 2013 and March 30, 2012 (Unaudited)</u>	6
<u>Condensed Consolidated Statement of Shareholders’ Equity – Nine Months ended March 29, 2013 (Unaudited)</u>	7
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	8
<u>Item 2.</u>	
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	29
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	35
<u>Item 4.</u>	
<u>Controls and Procedures</u>	37
<b><u>PART II</u></b>	
<b><u>OTHER INFORMATION</u></b>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	38
<u>Item 1A.</u>	
<u>Risk Factors</u>	38
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities</u>	38
<u>Item 4.</u>	
<u>Mine Safety Disclosures</u>	38
<u>Item 5.</u>	
<u>Other Information</u>	39
<u>Item 6.</u>	
<u>Exhibits</u>	39
<u>SIGNATURES</u>	40



Table of Contents**PART I****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SEAGATE TECHNOLOGY PLC****CONDENSED CONSOLIDATED BALANCE SHEETS****(In millions)****(Unaudited)**

	<b>March 29, 2013</b>	<b>June 29, 2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,433	\$ 1,707
Short-term investments	476	411
Restricted cash and investments	101	93
Accounts receivable, net	1,562	2,319
Inventories	833	909
Deferred income taxes	111	104
Other current assets	471	767
Total current assets	4,987	6,310
Property, equipment and leasehold improvements, net	2,256	2,284
Goodwill	476	463
Other intangible assets, net	442	506
Deferred income taxes	413	396
Other assets, net	169	147
Total Assets	\$ 8,743	\$ 10,106
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,698	\$ 2,286
Accrued employee compensation	264	344
Accrued warranty	184	235
Accrued expenses	451	531
Current portion of long-term debt	4	
Total current liabilities	2,601	3,396
Long-term accrued warranty	138	128
Long-term accrued income taxes	87	84
Other non-current liabilities	131	138
Long-term debt, less current portion	2,474	2,863
Total Liabilities	5,431	6,609
Commitments and contingencies (See Notes 11 and 13)		
Equity:		
Seagate Technology plc Shareholders' Equity:		
Ordinary shares and additional paid-in capital	5,239	4,950
Accumulated other comprehensive income (loss)	7	(9)

Edgar Filing: Seagate Technology plc - Form 10-Q

Accumulated deficit	(1,947)	(1,444)
Total Seagate Technology plc Shareholders' Equity	3,299	3,497
Noncontrolling interest	13	
Total Equity	3,312	3,497
Total Liabilities and Equity	\$ 8,743	\$ 10,106

The information as of June 29, 2012 was derived from the Company's audited Consolidated Balance Sheet as of June 29, 2012.

*See Notes to Condensed Consolidated Financial Statements.*

Table of Contents

## SEAGATE TECHNOLOGY PLC

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
Revenue	\$ 3,526	\$ 4,450	\$ 10,927	\$ 10,457
Cost of revenue	2,578	2,809	7,926	7,257
Product development	294	270	839	737
Marketing and administrative	168	142	457	388
Amortization of intangibles	20	18	59	20
Restructuring and other, net	1	1	2	4
Total operating expenses	3,061	3,240	9,283	8,406
Income from operations	465	1,210	1,644	2,051
Interest income	2	2	6	5
Interest expense	(53)	(59)	(163)	(185)
Other, net	16	6	41	(2)
Other expense, net	(35)	(51)	(116)	(182)
Income before income taxes	430	1,159	1,528	1,869
Provision for income taxes	14	13	38	20
Net income	416	1,146	1,490	1,849
Less: Net income attributable to noncontrolling interest				
Net income attributable to Seagate Technology plc	\$ 416	\$ 1,146	\$ 1,490	\$ 1,849
Net income per share attributable to Seagate Technology plc ordinary shareholders:				
Basic	\$ 1.16	\$ 2.57	\$ 3.98	\$ 4.29
Diluted	1.13	2.48	3.86	4.16
Number of shares used in per share calculations:				
Basic	358	446	374	431
Diluted	369	463	386	445
Cash dividends declared per Seagate Technology plc ordinary share	\$	\$ 0.25	\$ 1.02	\$ 0.61

*See Notes to Condensed Consolidated Financial Statements.*

Table of Contents

## SEAGATE TECHNOLOGY PLC

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
Net Income	\$ 416	\$ 1,146	\$ 1,490	\$ 1,849
Other comprehensive income (loss), net of tax:				
Cash flow hedges				
Change in unrealized gain (loss) on cash flow hedges		4		(7)
Less: reclassification for amounts included in net income				4
Net change		4		(3)
Marketable securities				
Change in unrealized gain (loss) on marketable securities	11	2	34	1
Less: reclassification for amounts included in net income	(19)		(18)	
Net change	(8)	2	16	1
Post-retirement plans				
Change in unrealized loss on post-retirement plans				(1)
Less: reclassification for amounts included in net income				
Net change				(1)
Foreign currency translation adjustments	(3)			
Total other comprehensive income (loss), net of tax	(11)	6	16	(3)
Comprehensive income	405	1,152	1,506	1,846
Less: Comprehensive income attributable to noncontrolling interest			1	
Comprehensive income attributable to Seagate Technology plc	\$ 405	\$ 1,152	\$ 1,505	\$ 1,846

*See Notes to Condensed Consolidated Financial Statements.*



Table of Contents

## SEAGATE TECHNOLOGY PLC

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	For the Nine Months Ended	
	March 29, 2013	March 30, 2012
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 1,490	\$ 1,849
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	651	597
Share-based compensation	56	38
Deferred income taxes	(14)	(5)
Gain on sale of investments	(51)	(12)
Gain on sale of property and equipment	(34)	(18)
Loss on redemption and repurchase of debt	31	17
Other non-cash operating activities, net	1	7
Changes in operating assets and liabilities:		
Accounts receivable, net	769	(983)
Inventories	123	167
Accounts payable	(462)	191
Accrued employee compensation	(85)	63
Accrued expenses, income taxes and warranty	(124)	(28)
Other assets and liabilities	308	(66)
Net cash provided by operating activities	2,659	1,817
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, equipment and leasehold improvements	(658)	(497)
Proceeds from the sale of property and equipment	29	11
Purchases of short-term investments	(227)	(382)
Sales of short-term investments	201	330
Maturities of short-term investments	26	118
Cash used in acquisition of LaCie S.A., net of cash acquired	(36)	
Cash used in acquisition of Samsung HDD assets and liabilities		(561)
Other investing activities, net	(16)	16
Net cash used in investing activities	(681)	(965)
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term debt and capital lease obligations	(421)	(670)
Repurchases of ordinary shares	(1,612)	(1,172)
Dividends to shareholders	(381)	(266)
Proceeds from issuance of ordinary shares under employee stock plans	233	214
Escrow deposit for acquisition of noncontrolling shares of LaCie S.A.	(72)	
Other financing activities, net		3
Net cash used in financing activities	(2,253)	(1,891)
Effect of foreign currency exchange rate changes on cash and cash equivalents	1	
Decrease in cash and cash equivalents	(274)	(1,039)
Cash and cash equivalents at the beginning of the period	1,707	2,677
Cash and cash equivalents at the end of the period	\$ 1,433	\$ 1,638

Edgar Filing: Seagate Technology plc - Form 10-Q

*See Notes to Condensed Consolidated Financial Statements.*

Table of Contents

**SEAGATE TECHNOLOGY PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY**

**For the Nine Months Ended March 29, 2013**

(In millions)

(Unaudited)

	Seagate Technology plc Ordinary Shareholders							
	Total Equity	Number of Ordinary Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total	Noncontrolling Interest
Balance at June 29, 2012	\$ 3,497	396	\$	\$ 4,950	\$ (9)	\$ (1,444)	\$ 3,497	\$
Net income	1,490					1,490	1,490	
Other comprehensive income	16				15		15	1
Issuance of ordinary shares under employee stock plans	233	15		233			233	
Repurchases of ordinary shares	(1,612)	(53)				(1,612)	(1,612)	
Dividends to shareholders	(381)					(381)	(381)	
Share-based compensation	56			56			56	
Acquisition of majority shares of LaCie S.A.	72							72
Purchase of additional subsidiary shares from noncontrolling interest	(59)				1		1	(60)
Balance at March 29, 2013	\$ 3,312	358	\$	\$ 5,239	\$ 7	\$ (1,947)	\$ 3,299	\$ 13

*See Notes to Condensed Consolidated Financial Statements.*

Table of Contents

**1. Basis of Presentation and Summary of Significant Accounting Policies**

*Organization*

The Company is a leading provider of data storage products. Its principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives are used as the primary medium for storing electronic data.

The Company produces a broad range of electronic data storage products addressing enterprise applications, where its products are designed for enterprise servers, mainframes and workstations; client compute applications, where its products are designed for desktop and notebook computers; and client non-compute applications, where its products are designed for a wide variety of end user devices such as digital video recorders (DVRs), gaming consoles, personal data backup systems, portable external storage systems and digital media systems. The Company sells its products primarily to major original equipment manufacturers (OEMs), distributors and retailers. In addition to manufacturing and selling disk drives, the Company provides storage services for small- to medium-sized businesses, including online backup, data protection and recovery solutions.

*Basis of Presentation and Consolidation*

The unaudited condensed consolidated financial statements include the accounts of the Company and all its wholly-owned and majority-owned subsidiaries, after elimination of intercompany transactions and balances. The preparation of financial statements in accordance with accounting principles generally accepted in the United States also requires management to make estimates and assumptions that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its consolidated financial statements. The consolidated financial statements reflect, in the opinion of management, all material adjustments necessary to present fairly the consolidated financial position, results of operations, comprehensive income, cash flows and shareholders' equity for the periods presented. Such adjustments are of a normal and recurring nature. The Company's Consolidated Financial Statements for the fiscal year ended June 29, 2012, are included in its Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission (SEC) on August 8, 2012. The Company believes that the disclosures included in the unaudited Condensed Consolidated Financial Statements, when read in conjunction with its Consolidated Financial Statements as of June 29, 2012, and the notes thereto, are adequate to make the information presented not misleading.

The results of operations for the three and nine months ended March 29, 2013, are not necessarily indicative of the results of operations to be expected for any subsequent interim period in the Company's fiscal year ending June 28, 2013. The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. The three and nine months ended March 29, 2013 and March 30, 2012 each consisted of 13 weeks and 39 weeks, respectively. Fiscal year 2013 will be comprised of 52 weeks and will end on June 28, 2013.

*Summary of Significant Accounting Policies*

Pursuant to our adoption of Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220)-Presentation of Comprehensive Income* and Accounting Standards Update No. 2011-12, *Comprehensive Income (Topic 220)-Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, we elected to present separate consolidated statements of comprehensive income. Other than the revised indefinite lived intangible asset impairment testing described below, there have been no significant changes in our significant accounting policies. Please refer to Note 1 of Financial Statements and Supplementary Data contained in Part II, Item 8 of the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2012, as filed with the SEC on August 8, 2012 for a discussion of the Company's other significant accounting policies.

*Recently Issued Accounting Pronouncements*

In July 2012, the FASB issued ASU No. 2012-02, *Intangibles - Goodwill and Other (ASC Topic 350) - Testing Indefinite-Lived Intangible Assets for Impairment*. The ASU allows companies the option to perform a qualitative assessment in determining whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The Company has early adopted the ASU in the first quarter of fiscal year 2013. As required by the new ASU, the Company tests indefinite-lived intangible assets for impairment whenever events occur or circumstances change, such as declining financial performance, deterioration in the environment in which the entity operates or deteriorating macroeconomic conditions that have a negative effect on future expected earnings and cash

Table of Contents

flows that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset. The adoption of this new guidance did not have an impact on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (ASC Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The ASU requires an entity to report information, either on the face of the statement where net income is presented or in the notes, about the amounts reclassified out of accumulated other comprehensive income by component and to report significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The ASU is effective for the Company's first quarter of fiscal year 2014. Other than requiring additional disclosures, the adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

## 2. Balance Sheet Information

### *Investments*

The Company's short-term investments are primarily comprised of readily marketable securities with remaining maturities of more than 90 days at the time of purchase. With the exception of securities held for its non-qualified deferred compensation plan, which are classified as trading securities, the Company classifies its investment portfolio as available-for-sale. The Company recognizes its available-for-sale investments at fair value with unrealized gains and losses included in Accumulated other comprehensive income (loss), which is a component of equity. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion are included in Interest income. Realized gains and losses are included in Other, net. The cost of securities sold is based on the specific identification method.

As of March 29, 2013, the Company's Restricted cash and investments consisted of \$79 million in cash equivalents and investments held in trust for payment of its non-qualified deferred compensation plan liabilities and \$22 million in cash and investments held as collateral at banks for various performance obligations. As of June 29, 2012, the Company's Restricted cash and investments consisted of \$73 million in cash equivalents and investments held in trust for payment of its non-qualified deferred compensation plan liabilities and \$20 million in cash and investments held as collateral at banks for various performance obligations.

The following table summarizes, by major type, the fair value and amortized cost of the Company's investments as of March 29, 2013:

(Dollars in millions)	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
Available-for-sale securities:			
Money market funds	\$ 951	\$	\$ 951
Commercial paper	219		219
Corporate bonds	208	2	210
U.S. treasuries and agency bonds	98	1	99
Certificates of deposit	96		96
Auction rate securities	17	(2)	15

Edgar Filing: Seagate Technology plc - Form 10-Q

Equity securities		13		13		26
Other debt securities		109		1		110
		1,711		15		1,726
Trading securities		73		6		79
Total	\$	1,784	\$	21	\$	1,805
Included in Cash and cash equivalents				\$		1,213
Included in Short-term investments						476
Included in Restricted cash and investments						101
Included in Other assets, net						15
Total				\$		1,805

## Edgar Filing: Seagate Technology plc - Form 10-Q

### Table of Contents

The Company's available-for-sale securities include investments in auction rate securities. Beginning in fiscal year 2008, the Company's auction rate securities failed to settle at auction and have continued to fail through March 29, 2013. Since the Company continues to earn interest on its auction rate securities at the maximum contractual rate, there have been no payment defaults with respect to such securities, and they are all collateralized, the Company expects to recover the entire amortized cost basis of these auction rate securities. The Company does not intend to sell these securities and has concluded it is not more likely than not that the Company will be required to sell the securities before the recovery of their amortized cost basis. Given the uncertainty as to when the liquidity issues associated with these securities will improve, these securities are classified within Other assets, net in the Company's Condensed Consolidated Balance Sheets.

As of March 29, 2013, with the exception of the Company's auction rate securities, the Company had no material available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined no available-for-sale securities were other-than-temporarily impaired as of March 29, 2013.

The fair value and amortized cost of the Company's investments classified as available-for-sale at March 29, 2013, by remaining contractual maturity were as follows:

(Dollars in millions)	Amortized Cost	Fair Value
Due in less than 1 year	\$ 1,279	\$ 1,280
Due in 1 to 5 years	402	405
Thereafter	17	15
Total	\$ 1,698	\$ 1,700

Equity securities which do not have a contractual maturity date are not included in the above table.

The following table summarizes, by major type, the fair value and amortized cost of the Company's investments as of June 29, 2012:

(Dollars in millions)	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
<b>Available-for-sale securities:</b>			
Money market funds	\$ 1,158	\$	\$ 1,158
Commercial paper	393		393
Corporate bonds	208	1	209
U.S. treasuries and agency bonds	98	1	99
Certificates of deposit	6		6
Auction rate securities	17	(2)	15
Other debt securities	99	(1)	98
	1,979	(1)	1,978
Trading securities	73		73
Total	\$ 2,052	\$ (1)	\$ 2,051
Included in Cash and cash equivalents			\$ 1,532
Included in Short-term investments			411
Included in Restricted cash and investments			93



## Edgar Filing: Seagate Technology plc - Form 10-Q

Included in Other assets, net		15
Total	\$	2,051

As of June 29, 2012, with the exception of the Company's auction rate securities, the Company had no available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined no available-for-sale securities were other-than-temporarily impaired as of June 29, 2012.

Table of Contents*Strategic Investments*

The Company enters into certain strategic investments for the promotion of business and strategic objectives. Strategic investments are 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 March 29, 2013 and June 29, 2012 totaled \$67 million and \$40 million, respectively.

*Inventories*

(Dollars in millions)	March 29, 2013	June 29, 2012
Raw materials and components	\$ 213	\$ 265
Work-in-process	228	245
Finished goods	392	399
	\$ 833	\$ 909

*Other Current Assets*

(Dollars in millions)	March 29, 2013	June 29, 2012
Vendor non-trade receivables	\$ 293	\$ 601
Other	178	166
	\$ 471	\$ 767

Other current assets include non-trade receivables from certain manufacturing vendors resulting from the sale of components to these vendors who manufacture completed sub-assemblies or finished goods for the Company. The Company does not reflect the sale of these components in revenue and does not recognize any profits on these sales. The costs of the completed sub-assemblies are included in inventory upon purchase from the vendors.

*Property, Equipment and Leasehold Improvements, net*

(Dollars in millions)	March 29, 2013	June 29, 2012
Property, equipment and leasehold improvements	\$ 8,389	\$ 8,020
Accumulated depreciation and amortization	(6,133)	(5,736)
	\$ 2,256	\$ 2,284

**3. Debt**

*Short-Term Borrowings*

On January 18, 2011, the Company and its subsidiary, Seagate HDD Cayman ( the Borrower ), entered into a credit agreement (the Credit Agreement ) which provides for a \$350 million senior secured revolving credit facility (the Revolving Credit Facility ). Seagate Technology plc and certain of its material subsidiaries fully and unconditionally guarantee, on a senior secured basis, the Revolving Credit Facility. The Revolving Credit Facility matures in January 2015, and is available for cash borrowings and for the issuance of letters of credit up to a sub-limit of \$75 million. As of March 29, 2013, no borrowings had been drawn under the Revolving Credit Facility, and \$2 million had been utilized for letters of credit. In connection with the Defeasance (defined below), on March 15, 2013, the Company also exercised its option under the Revolving Credit Facility to release the collateral that was securing the Revolving Credit Facility.

*Long-Term Debt*

*\$430 million Aggregate Principal Amount of 10.00% Senior Secured Second-Priority Notes due May 2014 (the 2014 Notes ).* The interest on the 2014 Notes is payable semi-annually on May 1 and November 1 of each year. The issuer under the 2014 Notes is Seagate Technology International, and the obligations under the 2014 Notes are unconditionally guaranteed by the Company and certain of its significant subsidiaries. In addition, the obligations under the 2014 Notes are secured by a second-priority lien on substantially all of the Company s tangible and intangible assets. The indenture governing the 2014

Table of Contents

Notes contains covenants that limit the Company's ability, and the ability of certain of its subsidiaries, (subject to certain exceptions) to incur additional debt or issue certain preferred shares, create liens, enter into mergers, pay dividends, redeem or repurchase debt or shares, and enter into certain transactions with the Company's shareholders or affiliates.

On March 15, 2013, the Company gave notice that it elected to redeem all of the remaining outstanding 2014 Notes on May 1, 2013. Also on March 15, 2013, the Company irrevocably deposited with the Trustee of the 2014 Notes cash equal to the principal amount of the outstanding notes, a redemption premium, plus accrued and unpaid interest through May 1, 2013, for a total of \$351 million, which released the Company from its obligations under the 2014 Notes and extinguished the associated liability (the "Defeasance"). As a result of the redemption and Defeasance, the Company recorded a loss on the 2014 Notes of \$22 million during the three and nine months ended March 29, 2013, which is included in Other, net in the Company's Condensed Consolidated Statements of Operations.

*\$600 million Aggregate Principal Amount of 6.8% Senior Notes due October 2016 (the "2016 Notes").* The interest on the 2016 Notes is payable semi-annually on April 1 and October 1 of each year. The issuer under the 2016 Notes is Seagate Technology HDD Cayman, and the obligations under the 2016 Notes are unconditionally guaranteed by certain of the Company's significant subsidiaries.

*\$750 million Aggregate Principal Amount of 7.75% Senior Notes due December 2018 (the "2018 Notes").* The interest on the 2018 Notes is payable semi-annually on June 15 and December 15 of each year. The issuer under the 2018 Notes is Seagate Technology HDD Cayman and the obligations under the 2018 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by certain of the Company's significant subsidiaries. During the first nine months of fiscal year 2013, the Company repurchased \$78 million aggregate principal amount of its 2018 Notes for cash at a premium to their principal amount, plus accrued and unpaid interest. The Company recorded a loss on the repurchase of approximately \$3 million and \$9 million for the three and nine months ended March 29, 2013, respectively, which is included in Other, net in the Company's Condensed Consolidated Statements of Operations.

*\$600 million Aggregate Principal Amount of 6.875% Senior Notes due May 2020 (the "2020 Notes").* The interest on the 2020 Notes is payable semi-annually on May 1 and November 1 of each year. The issuer under the 2020 Notes is Seagate Technology HDD Cayman, and the obligations under the 2020 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

*\$600 million Aggregate Principal Amount of 7.00% Senior Notes due November 2021 (the "2021 Notes").* The interest on the 2021 Notes is payable semi-annually on January 1 and July 1 of each year. The issuer under the 2021 Notes is Seagate Technology HDD Cayman and the obligations under the 2021 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by certain of the Company's significant subsidiaries.

*Other* As part of our acquisition of LaCie S.A. during the nine months ended March 29, 2013, long-term debt of \$6 million was acquired, of which \$4 million is classified as current.

At March 29, 2013, future principal payments on long-term debt were as follows (in millions):

## Edgar Filing: Seagate Technology plc - Form 10-Q

Fiscal Year		
Remainder of 2013	\$	1
2014		3
2015		2
2016		
2017		600
Thereafter		1,872
	\$	2,478

#### 4. Income Taxes

The Company recorded an income tax provision of \$14 million and \$38 million for the three and nine months ended March 29, 2013, respectively. The income tax provision recorded for the three months ended March 29, 2013 included approximately \$4 million of discrete charges primarily related to an increase in income tax reserves recorded for non-U.S. income tax positions taken in prior fiscal years. The income tax provision recorded for the nine months ended March 29, 2013 included approximately \$5 million of net discrete charges primarily associated with the reversal of prior period tax benefits and

Table of Contents

income tax reserves for non-U.S. income tax positions taken in prior fiscal years offset by the release of tax reserves associated with the expiration of certain statutes of limitation.

The Company's income tax provision recorded for the three and nine months ended March 29, 2013 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 U.S. deferred tax assets.

The American Taxpayer Relief Act of 2012 (ATRA 2012) was enacted on January 2, 2013. ATRA 2012 retroactively reinstated and extended the federal Research and Development Tax Credit (R&D Credit) from January 1, 2012 to December 31, 2013 as well as bonus depreciation on qualified property. The extension of the R&D Credit and bonus depreciation has no immediate impact on the Company's income tax provision due to existing valuation allowances on its U.S. deferred tax assets. None of the other ATRA 2012 changes are expected to have a material impact on the Company's income tax provision.

During the nine months ended March 29, 2013, the Company's unrecognized tax benefits excluding interest and penalties increased by \$22 million to \$157 million. The unrecognized tax benefits that, if recognized, would impact the effective tax rate were \$157 million at March 29, 2013, subject to certain future valuation allowance reversals. During the 12 months beginning March 30, 2013, the Company expects to reduce its unrecognized tax benefits by approximately \$4 million primarily as a result of the expiration of certain statutes of limitation.

The Company recorded an income tax provision of \$13 million and \$20 million for the three and nine months ended March 30, 2012, respectively. The income tax provision recorded for the nine months ended March 30, 2012 included approximately \$10 million of discrete tax benefits from the reversal of a portion of the U.S. valuation allowance recorded in prior periods and the release of income tax reserves associated with the expiration of certain statutes of limitation.

The Company's income tax provision recorded for the three and nine months ended March 30, 2012 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, (ii) a decrease in valuation allowance for certain U.S. deferred tax assets, and (iii) the release of tax reserves associated with the expiration of certain statutes of limitation.

**5. Acquisitions**

***LaCie S.A.***

On August 3, 2012 the Company acquired 23,382,904 (or approximately 64.5%) of the outstanding shares of LaCie S.A. (LaCie) for a price of \$4.05 per share with a price supplement of \$0.12 per share, which would have been payable if the Company had successfully acquired at least 95% of the outstanding shares of LaCie within 6 months of the acquisition. Of the amount paid at the acquisition date, \$9 million is treated as

## Edgar Filing: Seagate Technology plc - Form 10-Q

compensation cost to one of the selling shareholders, who is now an employee of the Company, to be recognized over a period of 36 months from the acquisition date, and may be refunded to the Company if the selling shareholder is no longer employed at the end of that period. The transaction and related agreements are expected to accelerate the Company's growth strategy in the expanding consumer storage market, particularly in Europe, Japan and in premium distribution channels.

The acquisition-date fair value of the consideration transferred for the business combination totaled \$111 million, including cash paid of \$107 million, and contingent consideration of \$4 million.

## Edgar Filing: Seagate Technology plc - Form 10-Q

### Table of Contents

The following table summarizes the estimated fair values of the assets acquired, liabilities assumed, and noncontrolling interest at the acquisition date (in millions):

Cash and cash equivalents	\$	71
Accounts receivable		29
Marketable securities		27
Inventories		46
Other current and non-current assets		19
Property, plant and equipment		12
Intangible assets		45
Goodwill		13
Total assets		262
Accounts payable and accrued expenses		(73)
Current and non-current portion of long-term debt		(6)
Total liabilities		(79)
Noncontrolling interest		(72)
Total	\$	111

The following table shows the fair value of the separately identifiable intangible assets at the time of acquisition and the period over which each intangible asset will be amortized:

(Dollars in millions)	Fair Value	Weighted-Average Amortization Period
Customer relationships	\$ 31	5.0 years
Existing technology	1	5.0 years
Trade name	13	5.0 years
Total acquired identifiable intangible assets	\$ 45	

Since acquisition date, the Company recorded adjustments to the fair value of certain assets acquired and liabilities assumed with LaCie S.A. that resulted in a net increase of \$1 million to Goodwill, and a corresponding decrease in Intangible assets.

The goodwill recognized is attributable primarily to the benefits the Company expects to derive from LaCie's brand recognition and the acquired workforce, and is not deductible for income tax purposes. The acquisition date fair value of the noncontrolling interest is based on the market price of their publicly traded shares as of the first trading date subsequent to the acquisition, as the shares did not trade on the acquisition date.

The amounts assigned to assets acquired and liabilities assumed in the acquisition are preliminary and subject to revision as more detailed analyses are completed and additional information about fair value of assets and liabilities becomes available, including information relating to our valuation of identified intangible assets.



## Edgar Filing: Seagate Technology plc - Form 10-Q

The Company incurred \$1 million of expenses related to the acquisition of LaCie during the nine months ended March 29, 2013, which are included within Marketing and administrative expense on the Condensed Consolidated Statement of Operations. Additionally, the 0.12 supplement was not paid as only 94% of the LaCie business was acquired within six months of the acquisition date, resulting in a reversal of the contingent consideration liability which was recorded as a reduction of Marketing and administrative expenses of \$4 million.

The amounts of revenue and earnings of LaCie included in the Company's Condensed Consolidated Statement of Operations from the acquisition date are not significant.

The Company deposited \$72 million into an escrow account with the intention of acquiring the remaining publicly held shares of LaCie through public and private transactions. As of March 29, 2013, a total of \$60 million of the Company's deposit had been used to acquire an additional 29% of the outstanding shares, resulting in an ending ownership interest of approximately 94%.

Table of Contents***Samsung Hard Disk Drive ( HDD ) Operations***

On December 19, 2011, the Company completed the acquisition of Samsung Electronics Co., Ltd.'s ( Samsung ) hard disk drive ( HDD ) business pursuant to an Asset Purchase Agreement ( APA ) by which the Company acquired certain assets and liabilities of Samsung relating to the research and development, manufacture and sale of hard-disk drives. The transaction and related agreements are expected to improve the Company's position as a supplier of 2.5-inch products; position the Company to better address rapidly evolving opportunities in markets including, but not limited to, mobile computing, cloud computing and solid state storage; expand the Company's customer access in China and Southeast Asia; and accelerate time to market for new products.

The acquisition-date fair value of the consideration transferred totaled \$1,140 million, which consisted of \$571 million of cash, \$10 million of which was paid as a deposit upon signing the APA in the fourth quarter of fiscal year 2011, and 45.2 million ordinary shares with a fair value of \$569 million. The fair value of the ordinary shares issued was determined based on the closing market price of the Company's ordinary shares on the acquisition date, less a 16.5% discount for lack of marketability as the shares issued are subject to a restriction that limits their trade or transfer for approximately a one year period.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date (in millions):

Inventories	\$	141
Equipment		76
Intangible assets		580
Other assets		28
Total identifiable assets acquired		825
Warranty liability		(72)
Other liabilities		(45)
Total liabilities assumed		(117)
Net identifiable assets acquired		708
Goodwill		432
Net assets acquired	\$	1,140

The following table shows the fair value of the separately identifiable intangible assets at the time of acquisition and the period over which each intangible asset will be amortized:

(Dollars in millions)	Fair Value	Weighted-Average Amortization Period
Existing technology	\$ 137	2.0 years
Customer relationships	399	5.8 years
Total amortizable intangible assets acquired	536	4.8 years
In-process research and development	44	
Total acquired identifiable intangible assets	\$ 580	

## Edgar Filing: Seagate Technology plc - Form 10-Q

Since acquisition date, the Company recorded adjustments to the fair value of certain assets acquired and liabilities assumed with the Samsung HDD business that resulted in a net decrease of \$5 million to Goodwill. These adjustments included a \$7 million increase in Other assets for spare parts and a \$3 million increase to Equipment, offset by a \$3 million increase in Warranty liability and a \$2 million increase in Other liabilities related to certain assumed vendor obligations.

The \$432 million of goodwill recognized is attributable primarily to the benefits the Company expects to derive from enhanced scale and efficiency to better serve its markets and expanded customer presence in China and Southeast Asia. Except for approximately \$4 million of goodwill relating to assembled workforce in Korea, none of the goodwill is expected to be deductible for income tax purposes.

## Edgar Filing: Seagate Technology plc - Form 10-Q

### Table of Contents

The unaudited pro forma financial results presented below for the three and nine months ended March 30, 2012, include the effects of pro forma adjustments as if the acquisition date occurred as of the beginning of the prior fiscal year on July 2, 2011. The pro forma results combine the historical results of the Company for the three and nine months ended March 30, 2012 and the historical results of the acquired assets and liabilities of Samsung's HDD business, and include the effects of certain fair value adjustments and the elimination of certain activities excluded from the transaction. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the earliest period presented, nor is it intended to be a projection of future results.

(Dollars in millions)	For the Three Months Ended March 30, 2012		For the Nine Months Ended March 30, 2012	
Revenue	\$	4,450	\$	11,631
Net income		1,146		1,748

The pro forma results for the three and nine months ended March 30, 2012, include adjustments of \$0 million and \$65 million, respectively, to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied on July 2, 2011.

### 6. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the nine months ended March 29, 2013, are as follows:

(Dollars in millions)	
Balance as of June 29, 2012	\$ 463
Goodwill acquired	13
Balance as of March 29, 2013	\$ 476

The carrying value of other intangible assets subject to amortization as of March 29, 2013, 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	\$ 138	\$ (88)	\$ 50	0.8 years
Customer relationships	431	(95)	336	4.5 years
Trade name	14	(2)	12	4.3 years
Total amortizable other intangible assets	\$ 583	\$ (185)	\$ 398	4.0 years

The carrying value of other intangible assets subject to amortization as of June 29, 2012 is set forth in the following table:

(Dollars in millions)

Edgar Filing: Seagate Technology plc - Form 10-Q

	Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	Weighted Average Remaining Useful Life
Existing technology	\$ 137	\$	(37)	\$	100	1.5 years
Customer relationships	399		(37)		362	5.2 years
Total amortizable other intangible assets	\$ 536	\$	(74)	\$	462	4.4 years

The carrying value of the Company's non-amortized In-process research and development was \$44 million as of March 29, 2013 and June 29, 2012.

Table of Contents

For the three and nine months ended March 29, 2013, amortization expense of other intangible assets was \$37 million and \$110 million, respectively. For the three and nine months ended March 30, 2012, amortization expense of other intangible assets was \$35 million and \$40 million, respectively. As of March 29, 2013, expected amortization expense for other intangible assets for each of the next five years and thereafter is as follows:

<b>(Dollars in millions)</b>	
Remainder of 2013	\$ 37
2014	112
2015	80
2016	73
2017	68
Thereafter	28
	\$ 398

## 7. 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 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 values of the effective portions of designated cash flow hedges are recorded in Accumulated other comprehensive income 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 amount of net unrealized gains (losses) on cash flow hedges was not material as of March 29, 2013 and June 29, 2012.

The Company redesignates 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 loss 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 material net gains or losses related to the loss of hedge designation on discontinued cash flow hedges during the three and nine months ended March 29, 2013 and March 30, 2012. As of March 29, 2013, the Company's existing foreign currency forward exchange contracts mature within 12 months. The deferred amount currently recorded in Accumulated other comprehensive income and 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 March 29, 2013 and June 29, 2012:

<b>(Dollars in millions)</b>	<b>As of March 29, 2013</b>	
	<b>Contracts Designated as Hedges</b>	<b>Contracts Not Designated as Hedges</b>
Thai baht	\$	\$ 122
Singapore dollars	34	18

Edgar Filing: Seagate Technology plc - Form 10-Q

Chinese renminbi		21		
	\$	55	\$	140

(Dollars in millions)	As of June 29, 2012			
		Contracts Designated as Hedges		Contracts Not Designated as Hedges
Thai baht	\$		\$	252
Singapore dollars		50		21
Chinese renminbi		27		
Czech koruna				7
	\$	77	\$	280

Table of Contents

The following table shows the Company's derivative instruments measured at fair value as reflected in the Condensed Consolidated Balance Sheet as of March 29, 2013:

**Fair Values of Derivative Instruments as of March 29, 2013**

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

The following table shows the Company's derivative instruments measured at fair value as reflected in the Condensed Consolidated Balance Sheet as of June 29, 2012:

**Fair Values of Derivative Instruments as of June 29, 2012**

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

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 and nine months ended March 29, 2013:

(Dollars in millions)

Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income Amount Excluded from on Derivative	Amount of Gain or (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) (a)
--	--	--	--	--



Edgar Filing: Seagate Technology plc - Form 10-Q

Derivatives Designated as Cash Flow Hedges	For The Three Months	For The Nine Months	Accumulated OCI into income (Effective Portion)	For The Three Months	For The Nine Months	(Ineffective Portion and Amount Excluded from Effectiveness Testing)	For The Three Months	For The Nine Months
Foreign currency forward exchange contracts	\$	\$	Cost of revenue	\$	\$	Cost of revenue	\$	\$

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	For The Three Months	Amount of Gain or (Loss) Recognized in Income on Derivative	For The Nine Months
Foreign currency forward exchange contracts	Other, net	\$	5	\$ 10

(a) The amount of gain or (loss) recognized in income represents \$0 related to the ineffective portion of the hedging relationship and \$0 related to the amount excluded from the assessment of hedge effectiveness for the three and nine months ended March 29, 2013.

Table of Contents

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 and nine months ended March 30, 2012:

(Dollars in millions)

	Amount of Gain or (Loss) Recognized in OCI on Derivative (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)		Location of Gain or (Loss) Recognized in Income on Derivative (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)	
	For The Three Months	For The Nine Months		For The Three Months	For The Nine Months		For The Three Months	For The Nine Months
<b>Derivatives Designated as Cash Flow Hedges</b>								
Foreign currency forward exchange contracts	\$ 4	\$ (7)	Cost of revenue	\$	\$ (4)	Cost of revenue	\$ 1	\$

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		For The Three Months	For The Nine Months
Foreign currency forward exchange contracts	Other, net	\$ 3	\$ (1)

(a) The amount of gain or (loss) recognized in income represents \$0 related to the ineffective portion of the hedging relationship and \$0 related to the amount excluded from the assessment of hedge effectiveness for the three and nine months ended March 30, 2012, respectively.

**8. 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*

## Edgar Filing: Seagate Technology plc - Form 10-Q

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;

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.

Table of Contents*Items Measured at Fair Value on a Recurring Basis*

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis, excluding accrued interest components, as of March 29, 2013:

(Dollars in millions)	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
<b>Assets:</b>				
Money market funds	\$ 934	\$	\$	\$ 934
Equity securities	26			26
Corporate bonds		210		210
Other debt securities		110		110
U.S. treasuries and agency bonds		99		99
Certificates of deposit		91		91
Commercial paper		219		219
Total cash equivalents and short-term investments	960	729		1,689
<b>Restricted cash and investments:</b>				
Mutual Funds	74			74
Other debt securities	22	5		27
Auction rate securities			15	15
Derivative assets		3		3
<b>Total assets</b>	<b>\$ 1,056</b>	<b>\$ 737</b>	<b>\$ 15</b>	<b>\$ 1,808</b>
<b>Liabilities:</b>				
Derivative liabilities	\$	\$	\$	\$
<b>Total liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

(Dollars in millions)	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
<b>Assets:</b>				
Cash and cash equivalents	\$ 934	\$ 279	\$	\$ 1,213
Short-term investments	26	450		476
Restricted cash and investments	96	5		101
Other current assets		3		3
Other assets, net			15	15
<b>Total assets</b>	<b>\$ 1,056</b>	<b>\$ 737</b>	<b>\$ 15</b>	<b>\$ 1,808</b>
<b>Liabilities:</b>				
Accrued expenses	\$	\$	\$	\$
<b>Total liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>



Edgar Filing: Seagate Technology plc - Form 10-Q

Table of Contents

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis, excluding accrued interest components, as of June 29, 2012:

(Dollars in millions)	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
<b>Assets:</b>				
Money market funds	\$ 1,140	\$	\$	\$ 1,140
Commercial paper		393		393
Corporate bonds		209		209
U.S. treasuries and agency bonds		99		99
Certificates of deposit		4		4
Other debt securities		99		99
Total cash equivalents and short-term investments	1,140	804		1,944
<b>Restricted cash and investments:</b>				
Mutual Funds	66			66
Other debt securities	25	2		27
Auction rate securities			15	15
Derivative assets		2		2
Total assets	\$ 1,231	\$ 808	\$ 15	\$ 2,054
<b>Liabilities:</b>				
Derivative liabilities	\$	\$ (2)	\$	\$ (2)
Total liabilities	\$	\$ (2)	\$	\$ (2)

(Dollars in millions)	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,140	\$ 393	\$	\$ 1,533
Short-term investments		411		411
Restricted cash and investments	91	2		93
Other current assets		2		2
Other assets, net			15	15
Total assets	\$ 1,231	\$ 808	\$ 15	\$ 2,054
<b>Liabilities:</b>				
Accrued expenses	\$	\$ (2)	\$	\$ (2)
Total liabilities	\$	\$ (2)	\$	\$ (2)

Level 1 assets consist of securities for which quoted prices are available in an active market.

## Edgar Filing: Seagate Technology plc - Form 10-Q

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, certificates of deposit, international government securities, asset backed securities, mortgage backed securities and U.S. Treasuries. 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

Table of Contents

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 March 29, 2013, 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 instruments consist of foreign currency forward exchange contracts. The Company recognizes derivative financial instruments in its condensed 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.

The Company's Level 3 assets consist of auction rate securities with a par value of approximately \$17 million, all of which are collateralized by student loans guaranteed by the Federal Family Education Loan Program. Beginning in fiscal year 2008, these securities failed to settle at auction and have continued to fail through March 29, 2013. Since there is no active market for these securities, the Company valued them using a discounted cash flow model. The valuation model is based on the income approach and reflects both observable and significant unobservable inputs.

The table below presents a reconciliation of assets measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the nine months ended March 29, 2013:

(Dollars in millions)	Auction Rate Securities	
Balance at June 29, 2012	\$	15
Total net gains (losses) (realized and unrealized):		
Realized gains (losses)(1)		
Unrealized gains (losses)(2)		
Sales and Settlements		
Balance at March 29, 2013	\$	15

(1) Realized gains (losses) on auction rate securities are recorded in Other, net in the Condensed Consolidated Statements of Operations.

(2) Unrealized gains (losses) on auction rate securities are recorded as a component of Other comprehensive income (loss) in Accumulated other comprehensive income (loss), which is a component of Shareholders' equity.

*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)	March 29, 2013		June 29, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value



Edgar Filing: Seagate Technology plc - Form 10-Q

10.0% Senior Secured Second-Priority Notes due May 2014	\$		\$		\$	314	\$	359
6.8% Senior Notes due October 2016		600		678		599		662
7.75% Senior Notes due December 2018		672		736		750		836
6.875% Senior Notes due May 2020		600		649		600		639
7.00% Senior Notes due November 2021		600		652		600		650
Other		6		6				
		2,478		2,721		2,863		3,146
Less short-term borrowings and current portion of long-term debt		(4)		(4)				
Long-term debt, less current portion	\$	2,474	\$	2,717	\$	2,863	\$	3,146

Table of Contents

**9. 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 358,283,992 shares were outstanding as of March 29, 2013, and 100,000,000 preferred shares, par value \$0.00001, of which none were issued or outstanding as of March 29, 2013.

*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, 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.

*Dividends*

During the nine months ended March 29, 2013, the Company declared and paid cash dividends of \$1.02 per share of its ordinary shares, aggregating \$381 million. Dividends paid during the nine months ended March 29, 2013 included a one-time acceleration of dividend payments of \$136 million which were paid on December 28, 2012, rather than during the three months ended March 29, 2013.

*Repurchases of Equity Securities*

On January 25, 2012, the Board of Directors authorized the Company to repurchase an additional \$1 billion of its outstanding ordinary shares (the January 2012 Share Repurchase Program).

## Edgar Filing: Seagate Technology plc - Form 10-Q

On April 26, 2012, the Board of Directors authorized the Company to repurchase \$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 March 29, 2013, \$0.9 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 nine months ended March 29, 2013:

<b>(In millions)</b>	<b>Number of Shares Repurchased</b>	<b>Dollar Value of Shares Repurchased</b>
Repurchased during the six months ended December 28, 2012	50	\$ 1,510
Repurchased during the three months ended March 29, 2013	3	102
Repurchased during the nine months ended March 29, 2013	53	\$ 1,612

Table of Contents

**10. Compensation**

The Company recorded approximately \$20 million and \$56 million of stock-based compensation during the three and nine months ended March 29, 2013, respectively. The Company recorded approximately \$12 million and \$38 million of stock-based compensation during the three and nine months ended March 30, 2012, respectively.

On August 1, 2012, the Company granted performance-based options and restricted share units to its CEO. The performance-based options cliff vest after three years and are contingent upon continued service and the attainment of a minimum 40% total shareholder return (TSR), inclusive of dividends and share price appreciation, over a three-year performance period, which TSR must be sustained for a minimum of 30 consecutive trading days. The performance-based restricted share units cliff vest after three years and are contingent upon continued service and the attainment of a minimum 40% TSR over a three-year performance period, which TSR must be sustained for a minimum of 30 consecutive trading days. Compensation expense related to these restricted units for the three and nine months ended March 29, 2013 was not material.

**11. 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 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 consolidated financial statements with respect to these indemnification obligations.

Table of Contents*Product Warranty*

The Company estimates probable product warranty costs at the time revenue is recognized. The Company generally warrants its products for a period of one to five years. The Company uses estimated repair or replacement costs and uses statistical modeling to estimate product return rates in order to determine its warranty obligation. Changes in the Company's product warranty liability during the three and nine months ended March 29, 2013 and March 30, 2012, were as follows:

(Dollars in millions)	For the Three Months Ended		For the Nine Months Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
Balance, beginning of period	\$ 330	\$ 401	\$ 363	\$ 348
Warranties issued	47	41	144	126
Repairs and replacements	(59)	(87)	(210)	(212)
Changes in liability for pre-existing warranties, including expirations	4	17	22	41
Warranty liability assumed from business acquisitions		3	3	72
Balance, end of period	\$ 322	\$ 375	\$ 322	\$ 375

**12. 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:

(In millions, except per share data)	For the Three Months Ended		For the Nine Months Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
<b>Numerator:</b>				
Net income attributable to Seagate Technology plc	\$ 416	\$ 1,146	\$ 1,490	\$ 1,849
<b>Number of shares used in per share calculations:</b>				
Total shares for purposes of calculating basic net income per share attributable to Seagate Technology plc	358	446	374	431
<b>Weighted-average effect of dilutive securities:</b>				
Employee equity award plans	11	17	12	14
Total shares for purpose of calculating diluted net income per share attributable to Seagate Technology plc	369	463	386	445
<b>Net income per share attributable to Seagate Technology plc shareholders:</b>				
Basic	\$ 1.16	\$ 2.57	\$ 3.98	\$ 4.29
Diluted	\$ 1.13	\$ 2.48	\$ 3.86	\$ 4.16

## Edgar Filing: Seagate Technology plc - Form 10-Q

The following potential shares were excluded from the computation of diluted net income per share attributable to Seagate Technology plc, as their effect would have been anti-dilutive:

(In millions)	For the Three Months Ended		For the Nine Months Ended		
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012	
Employee equity award plans					9

Table of Contents**13. 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 Nos. 4,916,635, *Shaping Command Inputs to Minimize Unwanted Dynamics* (the 635 patent) and U.S. Patent No. 5,638,267, *Method and Apparatus for Minimizing Unwanted Dynamics in a Physical System* (the 267 patent), misappropriation of trade secrets, breach of contract, tortious interference with contract and fraud relating to Convolve and MIT's *Input Shaping®* and Convolve's *Quick and Quiet* technology. The plaintiffs claimed their technology is incorporated in the Company's sound barrier technology, which was publicly announced on June 6, 2000. The complaint seeks injunctive relief, \$800 million in compensatory damages and unspecified punitive damages, including for willful infringement and willful and malicious misappropriation. If willful infringement is found by the jury, the court may assess, in addition to compensatory damages for the infringement, punitive damages in an amount up to three times the amount of such compensatory damages. If willful and malicious misappropriation is found by the jury, the court may assess, in addition to compensatory damages for the misappropriation, punitive damages in an amount up to two times the amount of such compensatory damages. On November 6, 2001, the U.S. Patent and Trademark Office ( USPTO ) issued to Convolve US Patent No. 6,314,473, *System for Removing Selected Unwanted Frequencies in Accordance with Altered Settings in a User Interface of a Data Storage Device*, (the 473 patent ). Convolve filed an amended complaint on January 16, 2002, alleging defendants infringe this patent. The 635 patent expired on September 12, 2008. The court ruled in 2010 that the 267 patent was out of the case.

On August 16, 2011, the court granted in part and denied in part the Company's motion for summary judgment. The court granted summary judgment in favor of the Company on all patent infringement claims and on 11 of the 15 remaining alleged trade secrets at issue. The court also denied Convolve's request for enhanced damages as moot and dismissed Convolve's request for injunctive relief. Following this ruling, the parties entered into a stipulation to conditionally dismiss without prejudice the remaining claims in order to facilitate an appeal of the August 16, 2011 order by Convolve to the U.S. Court of Appeals for the Federal Circuit. Pursuant to this stipulation, the court entered a final judgment on October 4, 2011. Convolve filed its notice of appeal to the U.S. Court of Appeals for the Federal Circuit on November 3, 2011. A hearing before the Court of Appeals was held on January 7, 2013; we await the court's decision. In view of the court's August 16, 2011 ruling 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, former Seagate engineer Alexander Shukh filed a complaint and an amended complaint against the Company in Minnesota federal court, 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. The Company believes the claims are without merit and intends to vigorously defend this case. Trial is scheduled to begin July 1, 2013. In view of the uncertainty



## Edgar Filing: Seagate Technology plc - Form 10-Q

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.

*Rembrandt Data Storage, LP v. Seagate Technology LLC* On November 10, 2010, Rembrandt Data Storage, LP filed suit against Seagate Technology LLC in the U.S. District Court for the Western District of Wisconsin alleging infringement of U.S. Patent No. 5,995,342 C1, Thin Film Heads Having Solenoid Coils, and U.S. Patent No. 6,195,232, Low-Noise Toroidal Thin Film Head With Solenoidal Coil. The complaint seeks unspecified compensatory damages, enhanced damages, injunctive relief, and attorneys' fees and costs. On March 2, 2012, the district court granted Seagate's motion for summary judgment of non-infringement and entered judgment in favor of Seagate. On March 7, 2012, Rembrandt appealed to the U.S. Court of Appeals for the Federal Circuit. On December 10, 2012, the Court of Appeals affirmed the district court's judgment in favor of Seagate. In view of the Court of Appeals' December 10, 2012 ruling, the Company does not expect this matter will result in a loss.

Table of Contents

*Rambus, Inc. ITC Investigation re Certain Semiconductor Chips and Products Containing the Same* On December 1, 2010, Rambus, Inc. filed a complaint with the International Trade Commission seeking an investigation pursuant to Section 337 of the Tariff Act of 1930, as amended. The complaint names Seagate Technology LLC and numerous other respondents, including LSI, Inc. and ST Microelectronics, Inc., alleging that Seagate products incorporate semiconductor products made by LSI and STMicroelectronics that infringe various patents owned by Rambus. The ITC initiated an investigation on December 29, 2010. Rambus seeks an order to exclude entry of infringing products into the U.S. and a cease and desist order. On July 25, 2012, the ITC gave notice that it had determined to terminate the investigation with a finding of no violation of Section 337 by Seagate and the other respondents. On September 21, 2012, Rambus filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit. A hearing before the Court of Appeals has not yet been scheduled. In light of the July 25, 2012 notice and the nature of the relief sought, the Company does not believe that it is currently possible to determine a reasonable estimate of the possible loss or range of loss, or other possible adverse result, if any, that may be incurred with respect to this matter.

*LEAP Co., Ltd. v. Seagate Singapore International Headquarters Pte. Ltd. and Nippon Seagate Inc.* On July 4, 2012, LEAP Co., Ltd. filed a lawsuit in the Tokyo District Court of Japan against Seagate Singapore International Headquarters Pte. Ltd., Nippon Seagate Inc. and Buffalo Inc. alleging wrongful termination of purchase agreements and other claims, and seeking approximately \$38 million in damages. The Company believes the claims 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.

*Realtek Semiconductor Corporation ITC Investigation re Certain Integrated Circuit Chips and Products Containing the Same* On September 19, 2012, Realtek Semiconductor Corporation filed a complaint with the International Trade Commission seeking an investigation pursuant to Section 337 of the Tariff Act of 1930, as amended. The complaint names LSI Corporation and Seagate Technology as respondents and alleges infringement of U.S. patents relating to integrated circuit chips that include bond pad structures. Realtek seeks an order to exclude entry of infringing integrated circuit chips and products containing the infringing integrated circuit chips into the U.S. and a cease and desist order. The ITC initiated an investigation on October 18, 2012. The target date for completion of the investigation is February 24, 2014. In view of the uncertainty regarding the possible outcome of this case and the nature of the relief sought, the Company does not believe that it is currently possible to determine a reasonable estimate of the possible loss or range of loss, or other possible adverse result, if any, that may be incurred with respect 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.

## Edgar Filing: Seagate Technology plc - Form 10-Q

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

Table of Contents

use of certain substances, including lead, in certain products, including disk drives, 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.

**14. Subsequent Events**

On April 30, 2013, the Company and its subsidiary Seagate HDD Cayman ( the Borrower ) entered into the Second Amendment to the Credit Agreement which increases the commitments available under the Revolving Credit Facility from \$350 million to \$500 million. As of May 1, 2013, there are no borrowings against the Revolving Credit Facility.

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 and results of operations for our fiscal quarters ended March 29, 2013, December 28, 2012 and March 30, 2012, referred to herein as the March 2013 quarter, the December 2012 quarter and the March 2012 quarter, respectively. Unless the context indicates otherwise, as used herein, the terms we, us, Seagate, the Company and our refer to Seagate Technology plc, an Irish public limited company, and its subsidiaries. References to \$ are to United States dollars.*

*You should read this discussion in conjunction with financial information and related notes included elsewhere in this report. We operate and report financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. The March 2013, December 2012, and March 2012 quarters were all 13 weeks. Except as noted, references to any fiscal year mean the twelve-month period ending on the Friday closest to June 30 of that year.*

*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 year ending June 28, 2013 and beyond. These statements identify prospective information and include words such as expects, plans, anticipates, believes, estimates, predicts, projects, and similar expressions. These forward-looking statements are based on information available to us 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, as consumers and businesses may defer purchases in response to tighter credit and financial news; the impact of variable demand and the adverse pricing environment for disk drives, particularly in view of current business and economic conditions; dependence on 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 and possible excess industry supply with respect to particular disk drive products. We also encourage you to read our Annual Report on Form 10-K for the year ended June 29, 2012, which contains information concerning risk, uncertainties and other factors that could cause results to differ materially from those projected in the forward-looking statements and this Form 10-Q. 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 March 2013 quarter.* The March 2013 quarter summary.
- *Results of Operations.* An analysis of our financial results comparing the March 2013 quarter to the December 2012 quarter and the March 2012 quarter and the nine-month period ended March 29, 2013 to the nine-month period ended March 30, 2012.

## Edgar Filing: Seagate Technology plc - Form 10-Q

- *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 products. Our principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. 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, cost effectiveness and energy efficiencies.

We produce a broad range of electronic data storage products addressing enterprise applications, where our products are designed for enterprise servers, mainframes and workstations; client compute applications, where our products are designed for desktop and notebook computers; and client non-compute applications, where our products are designed for a wide variety of end user devices such as digital video recorders (DVRs), gaming consoles, personal data backup systems, portable external

Table of Contents

storage systems and digital media systems. In addition to manufacturing and selling disk drives, we provide data storage services for small- to medium-sized businesses, including online backup, data protection and recovery solutions.

**Overview of the March 2013 Quarter**

In the March 2013 quarter we shipped 56 million units, generating \$3,526 million in revenue and \$678 million in operating cash flow. We repurchased 3 million of our ordinary shares during the quarter for approximately \$102 million and paid \$379 million for the early redemption and repurchase of debt.

**Results of Operations**

We list in the table below summarized information from our Condensed Consolidated Statements of Operations by dollars and as a percentage of revenue for the periods indicated.

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2013	December 28, 2012	March 30, 2012	March 29, 2013	March 30, 2012
Revenue	\$ 3,526	\$ 3,668	\$ 4,450	\$ 10,927	\$ 10,457
Cost of revenue	2,578	2,676	2,809	7,926	7,257
Gross margin	948	992	1,641	3,001	3,200
Product development	294	277	270	839	737
Marketing and administrative	168	139	142	457	388
Amortization of intangibles	20	20	18	59	20
Restructuring and other, net	1	1	1	2	4
Income from operations	465	555	1,210	1,644	2,051
Other expense, net	(35)	(56)	(51)	(116)	(182)
Income before income taxes	430	499	1,159	1,528	1,869
Provision for income taxes	14	7	13	38	20
Net income	416	492	1,146	1,490	1,849
Less: Net income attributable to noncontrolling interest					
Net income attributable to Seagate Technology plc	\$ 416	\$ 492	\$ 1,146	\$ 1,490	\$ 1,849

	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2013	December 28, 2012	March 30, 2012	March 29, 2013	March 30, 2012
Revenue	100%	100%	100%	100%	100%
Cost of revenue	73	73	63	73	69
Gross margin	27	27	37	27	31
Product development	8	8	6	8	7
Marketing and administrative	5	4	3	4	4
Amortization of intangibles	1	1		1	

Edgar Filing: Seagate Technology plc - Form 10-Q

Restructuring and other, net					
Income from operations	13	14	27	14	20
Other expense, net		(1)	(1)	(1)	(2)
Income before income taxes	13	13	26	13	18
Provision for income taxes					
Net income	13	13	26	13	18
Less: Net income attributable to noncontrolling interest					
Net income attributable to Seagate Technology plc	13%	13%	26%	13%	18%



Table of Contents*Revenue*

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

(In millions, except percentages and ASPs)	For the Three Months Ended			For the Nine Months Ended		
	March 29, 2013	December 28, 2012	March 30, 2012	March 29, 2013	March 30, 2012	
Net Revenue	\$ 3,526	\$ 3,668	\$ 4,450	\$ 10,927	\$ 10,457	
Unit Shipments:						
Enterprise	7	7	7	20	20	
Client Compute	37	39	44	117	110	
Client Non-Compute	12	12	10	35	28	
Total Units Shipped	56	58	61	172	158	
Industry Units Shipped	136	136	147	411	443	
ASPs (per unit)	\$ 63	\$ 62	\$ 73	\$ 63	\$ 65	
Revenues by Channel						
OEMs	67%	67%	73%	66%	71%	
Distributors	20%	21%	21%	22%	22%	
Retailers	13%	12%	6%	12%	7%	
Revenues by Geography						
Americas	28%	26%	26%	26%	26%	
EMEA	20%	21%	19%	20%	20%	
Asia Pacific	52%	53%	55%	54%	54%	

We generated revenue of \$3,526 million in the March 2013 quarter, shipping 56 million units with ASPs of \$63 per unit. Revenue decreased compared to the December 2012 quarter due to a decrease in units shipped.

Revenue decreased compared to the March 2012 quarter as ASPs in the March 2012 quarter were significantly higher due to the limited industry supply of hard drives resulting from the severe flooding in Thailand in October 2011. Additionally, units shipped decreased in the March 2013 quarter compared to the March 2012 quarter.

Revenue for the nine months ended March 29, 2013 increased as compared to the nine months ended March 30, 2012, primarily due to higher volumes, which included a full period of Samsung labeled HDD products, partially offset by higher ASPs during the nine months ended March 30, 2012 associated with supply constraints beginning in the December 2011 quarter as a result of the severe flooding in Thailand.

We maintain various sales programs such as point-of-sale rebates, sales price adjustments and price protection, aimed at increasing customer demand. During the March 2013 quarter, sales programs were approximately 8.3% of gross revenue, which is within our historical range of 6%-12%. Adjustments to revenues due to under or over accruals for sales programs related to revenues reported in prior quarterly periods have averaged 0.5% of quarterly gross revenue for fiscal years 2011 and 2012, and was 0.7% in the March 2013 quarter.

Edgar Filing: Seagate Technology plc - Form 10-Q

*Cost of Revenue and Gross Margin*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2013	December 28, 2012	March 30, 2012	March 29, 2013	March 30, 2012
Cost of revenue	\$ 2,578	\$ 2,676	\$ 2,809	\$ 7,926	\$ 7,257
Gross margin	948	992	1,641	3,001	3,200
Gross margin percentage	27%	27%	37%	27%	31%

Table of Contents

Gross margins as a percentage of revenue remained flat when compared to the December 2012 quarter at 27%. Compared to the March 2012 quarter and the nine months ended March 30, 2012, gross margins as a percentage of revenue decreased as a result of higher ASPs during the year-ago period. Our ASPs during the year ago period were increased due to the limited industry supply of hard drives resulting from the severe flooding in Thailand.

In the March 2013 quarter, total warranty cost was 1.5% of revenue and net unfavorable changes in estimates of prior warranty accruals as a percentage of revenue approximated 0.1% of revenue. Warranty cost related to new shipments was 1.4% of revenue compared to 1.3% in the December 2012 quarter, and 0.9% in the March 2012 quarter.

*Operating Expenses*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2013	December 28, 2012	March 30, 2012	March 29, 2013	March 30, 2012
Product development	\$ 294	\$ 277	\$ 270	\$ 839	\$ 737
Marketing and administrative	168	139	142	457	388
Amortization of intangibles	20	20	18	59	20
Restructuring and other, net	1	1	1	2	4
Operating expenses	\$ 483	\$ 437	\$ 431	\$ 1,357	\$ 1,149

*Product development expense.* Product development expense for the March 2013 quarter increased 6% compared to the December 2012 quarter due to increased investments in storage technologies and the accrual of the March 2013 Voluntary Early Retirement Program ( 2013 VERP ) that was offered to certain employees in the March 2013 quarter. Product development expense increased 9% for the March 2013 quarter compared to the March 2012 quarter due to increased investments in storage technologies and headcount related expenses.

Product development expense for the nine months ended March 29, 2013 increased 14% as compared to the nine months ended March 30, 2012 due to increased investments in storage technologies, headcount related expenses and a full period of expenses for the acquired Samsung HDD business.

*Marketing and administrative expense.* Marketing and administrative expense for the March 2013 quarter increased by approximately 21% compared to the December 2012 quarter due to a non-recurring legal cost reimbursement we received in the December 2012 quarter and the accrual of the 2013 VERP and other headcount related expenses in the March 2013 quarter. Marketing and administrative expense for the March 2013 quarter increased 18% compared to the March 2012 quarter due to the integration of the Samsung HDD business and LaCie which have also increased headcount related expenses.

Marketing and administrative expense for the nine months ended March 29, 2013 increased by 18% as compared to the same period in the prior year due to the integration of the Samsung HDD business and LaCie which increased headcount related expenses.

## Edgar Filing: Seagate Technology plc - Form 10-Q

*Amortization of intangibles.* Amortization of intangibles for the March 2013 quarter remained consistent with the December 2012 quarter and the March 2012 quarter. Amortization of intangibles for the nine months ended March 29, 2013 increased over the nine month period ended March 30, 2012 as a result of the acquisition of Samsung's HDD business in December of 2011, and LaCie in August of 2012.

### *Other expense, net*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2013	December 28, 2012	March 30, 2012	March 29, 2013	March 30, 2012
Other expense, net	\$ (35)	\$ (56)	\$ (51)	\$ (116)	\$ (182)

Other expense, net decreased during the March 2013 quarter as compared to the December 2012 quarter and the March 2012 quarter due to realized gains from the sale of equity investments totaling \$18 million in the March 2013 quarter and the receipt of insurance proceeds of \$20 million in the March 2013 quarter for equipment damaged during the severe flooding in

Table of Contents

Thailand. These gains were partially offset by a loss of \$25 million on the early redemption and repurchase of our 10% and 7.75% notes during the March 2013 quarter.

Other expense, net for the nine months ended March 29, 2013 decreased as compared to the corresponding period in the prior year, due to the gain on the sale of equity investments recorded during the current year of \$51 million, insurance proceeds of \$20 million for equipment damaged during the severe flooding in Thailand and a decrease in interest expense due to a reduction in our total debt levels. These gains were partially offset by a loss of \$31 million on the early redemption and repurchase of our 10% and 7.75% notes during the nine months ended March 29, 2013.

*Income taxes*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2013	December 28, 2012	March 30, 2012	March 29, 2013	March 30, 2012
Provision for income taxes	\$ 14	\$ 7	\$ 13	\$ 38	\$ 20

Our income tax provision recorded for the March 2013 quarter included approximately \$4 million of discrete charges primarily related to an increase in income tax reserves recorded for non-U.S. income tax positions taken in prior fiscal years. Our income tax provision recorded for the first nine months ended March 29, 2013 included approximately \$5 million of net discrete charges primarily associated with the reversal of prior period tax benefits and income tax reserves for non-U.S. income tax positions taken in prior fiscal years offset by the release of tax reserves associated with the expiration of certain statutes of limitation.

Our income tax provision for the three and nine months ended March 29, 2013 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 U.S. deferred tax assets. The acquisition of a majority interest in the outstanding shares of LaCie is not expected to have a material impact on our effective tax rate in fiscal year 2013.

The American Taxpayer Relief Act of 2012 (ATRA 2012) was enacted on January 2, 2013. ATRA 2012 retroactively reinstated and extended the federal Research and Development Tax Credit (R&D Credit) from January 1, 2012 to December 31, 2013 as well as bonus depreciation on qualified property. The extension of the R&D Credit and bonus depreciation have no immediate impact on our income tax provision due to existing valuation allowances on our U.S. deferred tax assets. None of the other ATRA 2012 changes are expected to have a material impact on our income tax provision.

During the nine months ended March 29, 2013, our unrecognized tax benefits excluding interest and penalties increased by \$22 million to \$157 million. Our unrecognized tax benefits that, if recognized, would impact the effective tax rate were \$157 million at March 29, 2013, subject to certain future valuation allowance reversals. During the 12 months beginning March 30, 2013, we expect to reduce our unrecognized tax benefits by approximately \$4 million primarily as a result of the expiration of certain statutes of limitation.

## Edgar Filing: Seagate Technology plc - Form 10-Q

Our income tax provision recorded for the first nine months ended March 30, 2012 included approximately \$10 million of discrete tax benefits from the reversal of a portion of the U.S. valuation allowance recorded in prior periods and the release of income tax reserves associated with the expiration of certain statutes of limitation.

Our income tax provision for the three and nine months ended March 30, 2012 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, (ii) a decrease in valuation allowance for certain U.S. deferred tax assets, and (iii) the release of tax reserves associated with the expiration of certain statutes of limitation. The acquisition of Samsung's HDD business did not have a significant impact on our effective tax rate in fiscal year 2012.

### **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 of readily marketable securities with remaining maturities of more than 90 days at the time of purchase. The principal objectives of our investment policy are the preservation of principal and maintenance of liquidity. We intend to maintain a highly liquid portfolio by investing only in those marketable

Table of Contents

securities that we believe have active secondary or resale markets. 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, these restrictions have not impeded our ability to conduct our business, nor do we expect them to in the next 12 months. 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 accordingly, we do not believe the fair value of our short-term investments has significantly changed from the values reported as of March 29, 2013.

*Cash and Cash Equivalents, Short-term Investments, and Restricted Cash and Investments*

(Dollars in millions)	March 29, 2013	June 29, 2012	Change
Cash and cash equivalents	\$ 1,433	\$ 1,707	\$ (274)
Short-term investments	476	411	65
Restricted cash and investments	101	93	8
Total	\$ 2,010	\$ 2,211	\$ (201)

Our cash and cash equivalents, short-term investments and restricted cash and investments decreased from June 29, 2012 as a result of repurchases of our ordinary shares, capital expenditures, redemption and repurchase of certain of our long-term debt, and dividends paid to our shareholders. These cash outflows were partially offset by our net cash provided by operating activities.

*Cash Provided by Operating Activities*

Cash provided by operating activities for the nine months ended March 29, 2013 of \$2.7 billion includes the effects of net income adjusted for non-cash items including depreciation, amortization, and share-based compensation, and:

- a decrease of \$769 million in accounts receivable, net, primarily due to a decrease in revenue;
- a decrease of \$462 million in accounts payable due to an overall decrease in volumes and a reduction in payment terms with our contract manufacturers;
- a decrease of \$308 million in vendor non-trade receivables due to a decrease in volumes and reduced payment terms.

*Cash Used in Investing Activities*

During the nine months ended March 29, 2013, we used \$681 million of cash in investing activities, which was primarily attributable to payments for property, equipment and leasehold improvements of \$658 million, and \$36 million in cash paid to acquire a controlling interest in LaCie, net of cash received.

*Cash Used in Financing Activities*

Net cash used in financing activities of \$2,253 million for the nine months ended March 29, 2013 was primarily attributable to approximately \$1,612 million paid to repurchase 53 million of our ordinary shares, \$421 million for the redemption and repurchase of long term debt and \$72 million paid to an escrow account in order to acquire the remaining shares of LaCie. Additionally, we paid dividends of \$381 million which included a one-time acceleration of dividend payments of \$136 million that were paid on December 28, 2012 rather than during the three months ended March 29, 2013.

*Liquidity Sources, Cash Requirements and Commitments*

Our primary sources of liquidity as of March 29, 2013, consisted of: (1) approximately \$1.9 billion in cash, cash equivalents, and short-term investments, (2) cash we expect to generate from operations and (3) a \$350 million senior revolving credit facility (the Revolving Credit Facility). We also had \$101 million in restricted cash and investments, of which \$79 million was related to our employee deferred compensation liabilities under our non-qualified deferred compensation plan.

On March 15, 2013, the Company irrevocably deposited with the Trustee of our 10% senior secured second-priority notes due May 2014 (the 2014 Notes) cash equal to the principal amount of the outstanding notes, a redemption premium, plus accrued and unpaid interest through May 1, 2013, for a total of \$351 million, which released the Company from its obligations under the 2014 Notes and extinguished the associated liability (the Defeasance). In connection with this Defeasance, on March 15, 2013, the Company also exercised its option under the Revolving Credit Facility to release the collateral underlying the Revolving Credit Facility.



Table of Contents

On April 30, 2013, the Company and its subsidiary Seagate HDD Cayman entered into an amendment to the credit agreement that governs our Revolving Credit Facility, which increased the commitments available under the Revolving Credit Facility from \$350 million to \$500 million. As of May 1, 2013, there are no borrowings under the Revolving Credit Facility.

The credit agreement that governs our Revolving Credit Facility, as amended, contains certain covenants that we must satisfy in order to remain in compliance with the credit agreement, as amended. The agreement also includes three financial covenants: (1) minimum cash, cash equivalents and marketable securities; (2) a fixed charge coverage ratio; and (3) a net leverage ratio. As of March 29, 2013, we were in compliance with all of the covenants under our Revolving Credit Facility and debt agreements. Based on our current outlook, we expect to be in compliance with the covenants of our debt agreements over the next 12 months.

Our liquidity requirements are primarily to meet our working capital, research and 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 2013, we expect capital expenditures to be at or below our historical targeted range of 6% to 8% 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.

From time to time we may repurchase any of our outstanding ordinary shares in the open market or through broker assisted purchases. As of March 29, 2013, \$0.9 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 accounting principles generally accepted in the United States. 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 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 June 29, 2012, there have been no material changes in our critical accounting policies and estimates other than the policy for testing impairment of indefinite-lived intangible assets discussed in Part I, Item 1. Financial Statements Note 1. Basis of Presentation and Summary of Significant Accounting Policies in this Form 10-Q. Please 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 June 29, 2012, as filed with the SEC on August 8, 2012, 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, and 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. At March 29, 2013, with the exception of our auction rate securities, we had no material marketable securities that had been in a continuous unrealized loss position for a period greater than 12 months and determined that no investments were other-than-temporarily impaired.

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

Table of Contents

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 March 29, 2013.

**Fiscal Years Ended**

(Dollars in millions, except percentages)	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value at March 29, 2013
<b>Assets</b>								
Cash equivalents:								
Fixed rate	\$ 1,213	\$	\$	\$	\$	\$	\$ 1,213	\$ 1,213
Average interest rate	0.07%						0.07%	
Short-term investments:								
Fixed rate	\$ 15	\$ 89	\$ 159	\$ 135	\$ 37	\$ 4	\$ 439	\$ 450
Average interest rate	0.17%	0.39%	0.66%	0.80%	1.14%	1.50%	0.68%	
Long-term investments:								
Variable rate	\$	\$	\$	\$	\$	\$ 17	\$ 17	\$ 15
Average interest rate						9.07%	9.07%	
Total fixed income	\$ 1,228	\$ 89	\$ 159	\$ 135	\$ 37	\$ 21	\$ 1,669	\$ 1,678
Average interest rate	0.07%	0.39%	0.66%	0.80%	1.14%	9.07%	0.32%	
<b>Debt</b>								
Fixed rate	\$ 1	\$ 3	\$ 2	\$	\$ 600	\$ 1,872	\$ 2,478	\$ 2,721
Average interest rate	0.89%	0.89%	0.90%		6.80%	7.23%	7.11%	

*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. During the nine months ended March 29, 2013, we did not enter into any hedges of net investments in foreign operations.

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 forward contracts mature within 12 months.

We evaluate hedging effectiveness prospectively and retrospectively and record any changes in the fair value of the ineffective portion of the hedging instruments in Cost of revenue on the 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 nine months ended March 29, 2013 or March 30, 2012, nor did we discontinue any material cash flow hedges for a forecasted transaction in the respective periods.

The table below provides information as of March 29, 2013 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.

Edgar Filing: Seagate Technology plc - Form 10-Q

(Dollars in millions, except average contract rate)	Notional Amount	Average Contract Rate	Estimated Fair Value (1)
Foreign currency forward exchange contracts:			
Thai baht	\$ 122	29.91	\$ 3
Singapore dollar	52	1.23	
Chinese renminbi	21	6.30	
Total	\$ 195		\$ 3

---

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

Table of Contents

*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 institutions.

Additionally, the investment portfolio is diversified and structured to minimize credit risk. As of March 29, 2013, we did not have credit exposure related to our foreign currency forward exchange contracts in a gain position. 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") and on certain strategic investments in equity of publicly traded companies. We currently manage our exposure to equity market risks associated with the SDCP liabilities by investing directly in mutual funds that mirror the employees investment options.

As of March 29, 2013, we continued to hold auction rate securities with a par value of approximately \$17 million, all of which are collateralized by student loans guaranteed by the Federal Family Education Loan Program. Beginning in the March 2008 quarter, these securities have continuously failed to settle at auction. As of March 29, 2013, the estimated fair value of these auction rate securities was \$15 million. We believe that the impairments totaling approximately \$2 million are temporary as we do not intend to sell these securities and have concluded it is not more likely than not that we will be required to sell the securities before the recovery of the amortized cost basis. As such, the impairment was recorded in Other comprehensive income (loss) and these securities were classified as long-term investments.

**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 March 29, 2013. During the quarter ended March 29, 2013, 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 13, 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 June 29, 2012. 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**

On January 25, 2012, our Board of Directors authorized the repurchase of up to an additional \$1 billion of our outstanding ordinary shares.

On April 26, 2012, 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.

## Edgar Filing: Seagate Technology plc - Form 10-Q

The following table sets forth information with respect to all repurchases of our shares made during fiscal quarter ended March 29, 2013:

(In millions, except average price paid per share)	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
December 29, 2012 through January 25, 2013		\$		\$ 1,047
January 26, 2013 through February 22, 2013	3.0	34.09	3.0	945
February 23, 2013 through March 29, 2013				945
Total	3.0	\$ 34.09	3.0	\$ 945

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

**ITEM 5. OTHER INFORMATION**

**Entry Into a Material Definitive Agreement**

**Second Amendment to the Credit Agreement**

As previously disclosed, on January 18, 2011, Seagate Technology plc (the Company) and its subsidiary Seagate HDD Cayman (the Borrower) entered into a Credit Agreement (the Credit Agreement) by and among the Company, the Borrower, the lenders party thereto (the Lenders), The Bank of Nova Scotia, as Administrative Agent (the Administrative Agent), Morgan Stanley Senior Funding, Inc., Merrill Lynch Pierce Fenner and Smith Incorporated and BNP Paribas as syndication agents and Wells Fargo Bank National Association, as documentation agent. On April 30, 2013, the Company entered into the Second Amendment to the Credit Agreement (the Second Amendment to the Credit Agreement), together with the Borrower and the Administrative Agent and the Lenders party thereto to reduce the pricing terms in the Credit Agreement, amongst other things, including in particular, to:

(i) increase the commitments available under the Credit Agreement from \$350 million to \$500 million;

(ii) amend the provision permitting the Borrower to incur unsecured senior or subordinated indebtedness by increasing the maximum other indebtedness permissible (a) during any non-investment grade period from \$100 million to \$300 million and (b) during any investment grade period, from \$250 million to \$450 million;

(iii) decrease the applicable margin for borrowings under the Credit Agreement;

(iv) introduce cross-guarantees by certain guarantors in respect of swap obligations; and

(v) extend the term of the Credit Agreement from January 18, 2015 to April 30, 2018.

**First Amendment to the U.S. Guarantee Agreement**

As previously disclosed on January 18, 2011, in connection with the Credit Agreement, the Borrower, the Company and certain other material subsidiaries of the Company (the Company, the Borrower and such other subsidiaries, collectively, the Initial Loan Guarantors) entered into the U.S. Guarantee Agreement with the Administrative Agent, pursuant to which the obligations of the Loan Parties (as defined in the Credit Agreement) under the Credit Agreement became guaranteed by the Initial Loan Guarantors (U.S. Guarantee Agreement). In connection with the



## Edgar Filing: Seagate Technology plc - Form 10-Q

Second Amendment, the U.S. Guarantee Agreement was also amended on April 30, 2013 to introduce certain cross-guarantees by certain guarantors in respect of swap obligations ( First Amendment to the U.S. Guarantee Agreement ).

### General

The foregoing description of the Second Amendment to the Credit Agreement and the First Amendment to the U.S. Guarantee Agreement is qualified by reference to the Second Amendment to the Credit Agreement and the First Amendment to the U.S. Guarantee Agreement, copies of which are attached as Exhibits 10.1 and 10.2, respectively, to this Quarterly Report on Form 10-Q and incorporated herein by reference. The Second Amendment to the Credit Agreement and the First Amendment to the U.S. Guarantee Agreement are filed as exhibits to this Quarterly Report on Form 10-Q to provide investors with the information regarding their terms. They are not intended to provide any other factual information about the Company or the other parties to the agreements or any of their respective subsidiaries or affiliates.

The Bank of Nova Scotia, Merrill Lynch Pierce Fenner and Smith Incorporated, other lenders under our Credit Agreement, and certain of their affiliates have performed, and may in the future perform, for us and our affiliates, various commercial banking, investment banking, underwriting and other financial advisory services, for which they have received, and will receive, customary fees and expenses.

### 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.

Table of Contents

**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: May 1, 2013

BY: /s/ STEPHEN J. LUCZO  
Stephen J. Luczo  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

DATE: May 1, 2013

BY: /s/ PATRICK J. O MALLEY  
Patrick J. O Malley  
Executive Vice President, Finance and Chief Financial  
Officer  
(Principal Financial Officer)

Table of Contents

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1	Memorandum and Articles of Association of Seagate Technology plc (the Company), as amended and restated by Special Resolution dated July 1, 2010, were filed as Exhibit 3.1 to the Company's current report on Form 8-K12B/A filed on July 9, 2010, and are incorporated herein by reference.
3.2	Certificate of Incorporation of Hephaestus plc effective as of January 22, 2010 and Certificate of Incorporation on change of name of Seagate Technology plc, effective as of February 22, 2010 were filed as Exhibit 3.2 to the Company's annual report on Form 10-K for the fiscal year ended July 2, 2010, and are incorporated herein by reference.
10.1	Second Amendment, dated April 30, 2013, to the Credit Agreement, dated as of January 18, 2011, among Seagate Technology Public Limited Company, Seagate HDD Cayman, as Borrower, the lending institutions thereto, The Bank of Nova Scotia, as Administrative Agent, Morgan Stanley Senior Funding, Inc., Merrill Lynch Pierce Fenner and Smith Incorporated and BNP Paribas as Syndication Agents and Wells Fargo Bank, National Association, as Documentation Agent
10.2	First Amendment, dated April 30, 2013, to the U.S. Guarantee Agreement, dated as of January 18, 2011, among Seagate Technology Public Limited Company, Seagate HDD Cayman, as Borrower, the Guarantor parties thereto and The Bank of Nova Scotia, as Administrative Agent
31.1+	Certification of Stephen J. Luczo, Chairman, President and Chief Executive Officer of the Company, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Patrick J. O'Malley, Executive Vice President 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, Chairman, President and Chief Executive Officer of the Company and Patrick J. O'Malley, Executive Vice President 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.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.

