# 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 April 3, 2015**

**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** |

| (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<br>(Do not check if a smaller reporting company) | Smaller reporting company: o |

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 28, 2015, 317,381,531 of the registrant s ordinary shares, par value $0.00001 per share, were issued and outstanding.

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**SEAGATE TECHNOLOGY PLC**

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**PART I**

**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**SEAGATE TECHNOLOGY PLC**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(In millions)**

**(Unaudited)**

| | | April 3, 2015 | | June 27, 2014 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ | 2,604 | $ | 2,634 |
| Short-term investments | | 6 | | 20 |
| Restricted cash and investments | | 4 | | 4 |
| Accounts receivable, net | | 1,769 | | 1,729 |
| Inventories | | 1,083 | | 985 |
| Deferred income taxes | | 121 | | 126 |
| Other current assets | | 244 | | 279 |
| Total current assets | | 5,831 | | 5,777 |
| Property, equipment and leasehold improvements, net | | 2,182 | | 2,136 |
| Goodwill | | 871 | | 537 |
| Other intangible assets, net | | 410 | | 359 |
| Deferred income taxes | | 499 | | 499 |
| Other assets, net | | 243 | | 184 |
| Total Assets | $ | 10,036 | $ | 9,492 |
| **LIABILITIES AND EQUITY** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ | 1,683 | $ | 1,549 |
| Accrued employee compensation | | 256 | | 296 |
| Accrued warranty | | 147 | | 148 |
| Accrued expenses | | 483 | | 405 |
| Current portion of long-term debt | | 474 | | |
| Total current liabilities | | 3,043 | | 2,398 |
| Long-term accrued warranty | | 126 | | 125 |
| Long-term accrued income taxes | | 34 | | 90 |
| Other non-current liabilities | | 185 | | 127 |
| Long-term debt | | 3,457 | | 3,920 |
| Total Liabilities | | 6,845 | | 6,660 |
| Commitments and contingencies (See Notes 11 and 13) | | | | |
| Equity: | | | | |
| Seagate Technology plc Shareholders Equity: | | | | |
| Ordinary shares and additional paid-in capital | | 5,696 | | 5,511 |
| Accumulated other comprehensive loss | | (33) | | (2) |
| Accumulated deficit | | (2,472) | | (2,677) |
| Total Seagate Technology plc Shareholders Equity | | 3,191 | | 2,832 |
| Noncontrolling interest | | | | |

| | | | | |
|---|---|---|---|---|
| Total Equity | | 3,191 | | 2,832 |
| Total Liabilities and Equity | $ | 10,036 | $ | 9,492 |

The information as of June 27, 2014 was derived from the Company s audited Consolidated Balance Sheet as of June 27, 2014.

*See Notes to Condensed Consolidated Financial Statements.*

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**SEAGATE TECHNOLOGY PLC**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In millions, except per share data)**

**(Unaudited)**

| | For the Three Months Ended April 3, 2015 | For the Three Months Ended March 28, 2014 | For the Nine Months Ended April 3, 2015 | For the Nine Months Ended March 28, 2014 |
|---|---|---|---|---|
| Revenue | $ 3,330 | $ 3,406 | $ 10,811 | $ 10,423 |
| Cost of revenue | 2,375 | 2,447 | 7,778 | 7,502 |
| Product development | 346 | 297 | 1,029 | 903 |
| Marketing and administrative | 219 | 190 | 654 | 561 |
| Amortization of intangibles | 33 | 26 | 95 | 71 |
| Restructuring and other, net | 14 | 2 | 24 | 20 |
| Gain on arbitration award, net | | | (620) | |
| Total operating expenses | 2,987 | 2,962 | 8,960 | 9,057 |
| Income from operations | 343 | 444 | 1,851 | 1,366 |
| Interest income | 1 | 1 | 4 | 7 |
| Interest expense | (48) | (52) | (152) | (145) |
| Other, net | 8 | (3) | 118 | 44 |
| Other income (expense), net | (39) | (54) | (30) | (94) |
| Income before income taxes | 304 | 390 | 1,821 | 1,272 |
| Provision for (benefit from) income taxes | 13 | (5) | 216 | 22 |
| Net income | 291 | 395 | 1,605 | 1,250 |
| Less: Net income attributable to noncontrolling interest | | | | |
| Net income attributable to Seagate Technology plc | $ 291 | $ 395 | $ 1,605 | $ 1,250 |
| Net income per share attributable to Seagate Technology plc ordinary shareholders: | | | | |
| Basic | $ 0.90 | $ 1.21 | $ 4.92 | $ 3.68 |
| Diluted | 0.88 | 1.17 | 4.81 | 3.56 |
| Number of shares used in per share calculations: | | | | |
| Basic | 323 | 327 | 326 | 340 |
| Diluted | 330 | 338 | 334 | 351 |
| Cash dividends declared per Seagate Technology plc ordinary share | $ 0.54 | $ 0.43 | $ 1.51 | $ 1.24 |

*See Notes to Condensed Consolidated Financial Statements.*

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**SEAGATE TECHNOLOGY PLC**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(In millions)**

**(Unaudited)**

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | April 3, 2015 | March 28, 2014 | April 3, 2015 | March 28, 2014 |
| Net income | $ 291 | $ 395 | $ 1,605 | $ 1,250 |
| Other comprehensive income (loss), net of tax: | | | | |
| Cash flow hedges | | | | |
| Change in net unrealized gain (loss) on cash flow hedges | (3) | 1 | (12) | |
| Less: reclassification for amounts included in net income | 7 | | 9 | |
| Net change | 4 | 1 | (3) | |
| Marketable securities | | | | |
| Change in net unrealized gain (loss) on marketable securities | | | | 1 |
| Less: reclassification for amounts included in net income | | | | |
| Net change | | | | 1 |
| Post-retirement plans | | | | |
| Change in unrealized gain (loss) on post-retirement plans | | | | 1 |
| Less: reclassification for amounts included in net income | | | | |
| Net change | | | | 1 |
| Foreign currency translation adjustments | (12) | 4 | (28) | 9 |
| Total other comprehensive income (loss), net of tax | (8) | 5 | (31) | 11 |
| Comprehensive income | 283 | 400 | 1,574 | 1,261 |
| Less: Comprehensive income attributable to noncontrolling interest | | | | |
| Comprehensive income attributable to Seagate Technology plc | $ 283 | $ 400 | $ 1,574 | $ 1,261 |

*See Notes to Condensed Consolidated Financial Statements.*

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**SEAGATE TECHNOLOGY PLC**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In millions)**

**(Unaudited)**

| | For the Nine Months Ended | |
|---|---|---|
| | **April 3, 2015** | **March 28, 2014** |
| **OPERATING ACTIVITIES** | | |
| Net income | $ 1,605 | $ 1,250 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 629 | 668 |
| Share-based compensation | 106 | 87 |
| Deferred income taxes | (3) | (17) |
| (Gain) loss on sale of property and equipment | 1 | (6) |
| Gain on sale of investments | | (32) |
| Loss on redemption and repurchase of debt | 52 | 7 |
| Other non-cash operating activities, net | (9) | 16 |
| Changes in operating assets and liabilities: | | |
| Restricted cash and investments | | 104 |
| Accounts receivable, net | (36) | 32 |
| Inventories | (61) | 8 |
| Accounts payable | 149 | (274) |
| Accrued employee compensation | (40) | (123) |
| Accrued expenses, income taxes and warranty | (9) | 16 |
| Vendor non-trade receivables | 30 | 204 |
| Other assets and liabilities | 5 | 41 |
| Net cash provided by operating activities | 2,419 | 1,981 |
| **INVESTING ACTIVITIES** | | |
| Acquisition of property, equipment and leasehold improvements | (546) | (428) |
| Proceeds from the sale of strategic investments | | 72 |
| Purchases of short-term investments | (5) | (87) |
| Sales of short-term investments | 4 | 463 |
| Maturities of short-term investments | 19 | 61 |
| Cash used in acquisition of business | (450) | |
| Other investing activities, net | (90) | (29) |
| Net cash (used in) provided by investing activities | (1,068) | 52 |
| **FINANCING ACTIVITIES** | | |
| Redemption and repurchase of debt | (536) | (64) |
| Net proceeds from issuance of long-term debt | 498 | 791 |
| Repurchases of ordinary shares | (907) | (1,886) |
| Dividends to shareholders | (493) | (417) |
| Proceeds from issuance of ordinary shares under employee stock plans | 91 | 98 |
| Other financing activities, net | (12) | (5) |
| Net cash used in financing activities | (1,359) | (1,483) |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | (22) | 1 |
| Increase (decrease) in cash and cash equivalents | (30) | 551 |
| Cash and cash equivalents at the beginning of the period | 2,634 | 1,708 |
| Cash and cash equivalents at the end of the period | $ 2,604 | $ 2,259 |

*See Notes to Condensed Consolidated Financial Statements.*

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**SEAGATE TECHNOLOGY PLC**

**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY**

**For the Nine Months Ended April 3, 2015**

**(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 Loss | Accumulated Deficit | Total | Noncontrolling Interest |
| Balance at June 27, 2014 | $ 2,832 | 327 | $ | $ 5,511 | $ (2) | $ (2,677) | $ 2,832 | $ |
| Net income | 1,605 | | | | | 1,605 | 1,605 | |
| Other comprehensive income (loss) | (31) | | | | (31) | | (31) | |
| Issuance of ordinary shares under employee stock plans | 91 | 6 | | 91 | | | 91 | |
| Repurchases of ordinary shares | (907) | (15) | | | | (907) | (907) | |
| Dividends to shareholders | (493) | | | | | (493) | (493) | |
| Share-based compensation | 106 | | | 106 | | | 106 | |
| Other | (12) | | | (12) | | | (12) | |
| Balance at April 3, 2015 | $ 3,191 | 318 | $ | $ 5,696 | $ (33) | $ (2,472) | $ 3,191 | $ |

*See Notes to Condensed Consolidated Financial Statements.*

**SEAGATE TECHNOLOGY PLC**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

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

*Organization*

The Company is a leading provider of electronic data storage solutions. 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. In addition to HDDs, we produce a broad range of electronic data storage products including solid state hybrid drives ( SSHD ) and solid state drives ( SSD ).

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

The Company continues to make strategic investments in order to expand its storage solutions, enter new market adjacencies, and expand its technical expertise. As a result of recent acquisitions, the Company s product and solution portfolio for the enterprise data storage industry includes storage enclosures, integrated application platforms and high performance computing ( HPC ) data storage solutions. The Company s storage subsystems supports a range of high-speed interconnect technologies to meet demanding cost and performance specifications. The Company s modular subsystem architecture allows it to support many segments within the networked storage market by enabling different specifications of storage subsystem designs to be created from a standard set of interlocking technology modules.

In addition to manufacturing and selling data storage products, the Company provides data 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 U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Company s condensed 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 condensed consolidated financial statements. The condensed consolidated financial statements reflect, in the opinion of management, all material adjustments necessary to present fairly the condensed 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 27, 2014, are included in its Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission ( SEC ) on August 7, 2014. 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 27, 2014, and the notes thereto, are adequate to make the information presented not misleading.

The results of operations for the three and nine months ended April 3, 2015, are not necessarily indicative of the results of operations to be expected for any subsequent interim period in the Company s fiscal year ending July 3, 2015. 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 April 3, 2015 consisted of 13 weeks and 40 weeks, respectively. The three and nine months ended March 28, 2014 consisted of 13 weeks and 39 weeks, respectively. Fiscal year 2015 will be comprised of 53 weeks and will end on July 3, 2015. The fiscal quarters ended April 3, 2015, January 2, 2015, and March 28, 2014, are also referred to herein as the March 2015 quarter , the December 2014 quarter , and the March 2014 quarter , respectively.

*Summary of Significant Accounting Policies*

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 27, 2014, as filed with the SEC on August 7, 2014 for a discussion of the Company s other significant accounting policies.

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*Recently Issued Accounting Pronouncements*

In May 2014, the FASB issued ASU 2014-09 (ASC Topic 606), *Revenue from Contracts with Customers.* The ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU, as currently proposed, will be effective for the Company s first quarter of fiscal year 2019. The Company is in the process of assessing the impact, if any, of ASU 2014-09 on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 (ASC Subtopic 835-30), *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.* The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The adoption of this new guidance will not have a material impact on the Company s consolidated financial statements and disclosures.

**2. Balance Sheet Information**

*Investments*

The following table summarizes, by major type, the fair value and amortized cost of the Company s investments as of April 3, 2015:

| (Dollars in millions) | Amortized Cost | Unrealized Gain/(Loss) | Fair Value |
|---|---|---|---|
| Available-for-sale securities: | | | |
| Money market funds | $ 705 | $ | $ 705 |
| Corporate bonds | 6 | | 6 |
| Certificates of deposit | 1,485 | | 1,485 |
| | $ 2,196 | $ | $ 2,196 |
| | | | |
| Included in Cash and cash equivalents | | | $ 2,186 |
| Included in Short-term investments | | | 6 |
| Included in Restricted cash and investments | | | 4 |
| Total | | | $ 2,196 |

As of April 3, 2015, the Company s Restricted cash and investments consisted of $4 million in cash and investments held as collateral at banks for various performance obligations.

As of April 3, 2015, 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 that no available-for-sale securities were other-than-temporarily impaired as of April 3, 2015.

The fair value and amortized cost of the Company s investments classified as available-for-sale at April 3, 2015, by remaining contractual maturity were as follows:

| **(Dollars in millions)** | **Amortized Cost** | **Fair Value** |
|---|---|---|
| Due in less than 1 year | $ 2,190 | $ 2,190 |
| Due in 1 to 5 years | 6 | 6 |
| Thereafter | | |
| Total | $ 2,196 | $ 2,196 |

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The following table summarizes, by major type, the fair value and amortized cost of the Company s investments as of June 27, 2014:

| (Dollars in millions) | Amortized Cost | Unrealized Gain/(Loss) | Fair Value |
|---|---|---|---|
| Available-for-sale securities: | | | |
| Money market funds | $ 793 | $ | $ 793 |
| Commercial paper | 1,261 | | 1,261 |
| Corporate bonds | 6 | | 6 |
| Certificates of deposit | 273 | | 273 |
| Total | $ 2,333 | $ | $ 2,333 |
| | | | |
| Included in Cash and cash equivalents | | | $ 2,309 |
| Included in Short-term investments | | | 20 |
| Included in Restricted cash and investments | | | 4 |
| Total | | | $ 2,333 |

As of June 27, 2014, 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 27, 2014.

*Inventories*

The following table provides details of the inventory balance sheet item:

| (Dollars in millions) | April 3, 2015 | June 27, 2014 |
|---|---|---|
| Raw materials and components | $ 366 | $ 324 |
| Work-in-process | 288 | 267 |
| Finished goods | 429 | 394 |
| | $ 1,083 | $ 985 |

*Property, Equipment and Leasehold Improvements, net*

The components of property, equipment and leasehold improvements, net, were as follows:

| (Dollars in millions) | April 3, 2015 | June 27, 2014 |
|---|---|---|
| Property, equipment and leasehold improvements | $ 9,403 | $ 8,979 |
| Accumulated depreciation and amortization | (7,221) | (6,843) |
| | $ 2,182 | $ 2,136 |

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*Accumulated Other Comprehensive Income (Loss) ( AOCI )*

The components of AOCI, net of tax, were as follows:

| (Dollars in millions) | Unrealized Gains (Losses) on Cash Flow Hedges | Unrealized Gains (Losses) on Marketable Securities (a) | Unrealized Gains (Losses) on post-retirements | Foreign currency translation adjustments | Total |
|---|---|---|---|---|---|
| **Balance at June 27, 2014** | $ (1) | $ | $ (10) | $ 9 | $ (2) |
| Other comprehensive income (loss) before reclassifications | (12) | | | (28) | (40) |
| Amounts reclassified from AOCI | 9 | | | | 9 |
| Other comprehensive income (loss) | (3) | | | (28) | (31) |
| **Balance at April 3, 2015** | $ (4) | $ | $ (10) | $ (19) | $ (33) |
| | | | | | |
| **Balance at June 28, 2013** | $ | $ (3) | $ (10) | $ | $ (13) |
| Other comprehensive income (loss) before reclassifications | | 1 | 1 | 9 | 11 |
| Amounts reclassified from AOCI | | | | | |
| Other comprehensive income (loss) | | 1 | 1 | 9 | 11 |
| **Balance at March 28, 2014** | $ | $ (2) | $ (9) | $ 9 | $ (2) |

(a) The cost of a security sold or the amount reclassified out of AOCI into earnings was determined using specific identification.

## 3. Debt

*Short-Term Borrowings*

On January 15, 2015, the Company and its subsidiary, Seagate HDD Cayman, entered into the Third Amendment to the 2011 Credit Agreement which increased the commitments available under the senior secured revolving credit facility (the Revolving Credit Facility ) from $500 million to $700 million and also extended the maturity date on the Credit Agreement until January 15, 2020, provided that if the Company does not have Investment Grade Ratings (as defined in the Credit Agreement) on August 15, 2018, then the maturity date will be August 16, 2018 unless certain extension conditions have been satisfied. The loans made under the Credit Agreement will bear interest at a rate of LIBOR plus a variable margin that will be determined based on the corporate credit rating of the Company. The Company and certain of its material subsidiaries fully and unconditionally guarantee the Revolving Credit Facility. The Revolving Credit Facility is available for cash borrowings and for the issuance of letters of credit up to a sub-limit of $75 million. As of April 3, 2015, no borrowings had been drawn or letters of credit utilized under the Revolving Credit Facility.

*Long-Term Debt*

*$600 million Aggregate Principal Amount of 6.8% Senior Notes due October 2016 (the 2016 Notes ).* The interest on the 2016 Notes was payable semi-annually on April 1 and October 1 of each year. The issuer under the 2016 Notes was Seagate HDD Cayman, and the obligations under the 2016 Notes were unconditionally guaranteed by certain of the Company s significant subsidiaries. During the December 2014 quarter, the 2016 Notes were fully extinguished through repurchase and redemption for cash at a premium to their principal amount, plus accrued and unpaid interest.

*$800 million Aggregate Principal Amount of 3.75% Senior Notes due November 2018 (the 2018 Notes ).* The interest on the 2018 Notes is payable semi-annually on May 15 and November 15 of each year. The issuer under the 2018 Notes is Seagate HDD Cayman, and the obligations under the 2018 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

*$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 HDD Cayman, and the obligations under the 2020 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company. During the March 2015 quarter, the Company repurchased $1 million aggregate principal amount of its 2020 Notes for cash at a premium to their principal amount, plus accrued and unpaid interest. On April 7, 2015, Seagate HDD Cayman announced that it will redeem all of its remaining outstanding 2020 Notes. The Notes will be redeemed on May 7, 2015 (the Redemption Date ) at a redemption price equal to $1,034.38 per $1,000 principal amount of the 2020 Notes redeemed plus accrued and unpaid interest from the interest payment date of May 1, 2015 to the Redemption Date. As a result, the 2020 Notes are classified as Current portion of long-term debt on the Company s Condensed Consolidated Balance Sheet at April 3, 2015.

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*$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 HDD Cayman, and the obligations under the 2021 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

*$1 billion Aggregate Principal Amount of 4.75% Senior Notes due June 2023 (the 2023 Notes ).* The interest on the 2023 Notes is payable semi-annually on June 1 and December 1 of each year. The issuer under the 2023 Notes is Seagate HDD Cayman, and the obligations under the 2023 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

*$1 billion Aggregate Principal Amount of 4.75% Senior Notes due January 2025 (the 2025 Notes ).* The interest on the 2025 Notes is payable semi-annually on January 1 and July 1 of each year, which commenced on January 1, 2015. The issuer under the 2025 Notes is Seagate HDD Cayman, and the obligations under the 2025 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

*$500 million Aggregate Principal Amount of 5.75% Senior Notes due December 1, 2034 (the 2034 Notes ).* On December 2, 2014, Seagate HDD Cayman issued, in a private placement, $500 million in aggregate principal amount of 5.75% Senior Notes due 2034 which mature on December 1, 2034. The interest on the Notes is payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2015. At any time before June 1, 2034, Seagate HDD Cayman may redeem some or all of the Notes at a make-whole redemption price. The make-whole redemption price will be equal to (1) 100% of the principal amount of the Notes redeemed, plus (2) the excess, if any of (x) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed, discounted to the redemption date on a semi-annual basis at a rate equal to the sum of the Treasury Rate plus 50 basis points, minus accrued and unpaid interest, if any, on the Notes being redeemed to, but excluding, the redemption date over (y) the principal amount of the Notes being redeemed, plus (3) accrued and unpaid interest, if any, on the Notes being redeemed to, but excluding, the redemption date. At any time on or after June 1, 2034, the Company may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The issuer under the 2034 Notes is Seagate HDD Cayman, and the obligations under the 2034 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

At April 3, 2015, future principal payments on long-term debt were as follows (in millions):

| **Fiscal Year** | | **Amount** |
|---|---|---|
| Remainder of 2015 | $ | 474 |
| 2016 | | |
| 2017 | | |
| 2018 | | |
| 2019 | | 800 |
| Thereafter | | 2,659 |
| | $ | 3,933 |

**4. Income Taxes**

The Company recorded an income tax provision of $13 million and $216 million in the three and nine months ended April 3, 2015, respectively. The income tax provision for the nine months ended April 3, 2015, included approximately $181 million of net tax expense due to the final audit assessment received from the Jiangsu Province State Tax Bureau of the People s Republic of China (China assessment) for calendar years 2007 through 2013.

The Company s income tax provision recorded for the three and nine months ended April 3, 2015 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) tax expense associated with the China assessment recorded in the three months ended January 2, 2015, and (iii) a decrease in valuation allowance for certain U.S. deferred tax assets.

During the nine months ended April 3, 2015, the Company s unrecognized tax benefits excluding interest and penalties decreased by $39 million primarily due to (i) reductions associated with audit settlements of $45 million, (ii) increases in current year unrecognized tax benefits of $8 million, (iii) reductions associated with the expiration of certain statutes of limitations of $4 million, and (iv) net increases associated with changes in prior years positions of $2 million.

The unrecognized tax benefits that, if recognized, would impact the effective tax rate were $76 million at April 3, 2015, subject to certain future valuation allowance reversals. During the 12 months beginning April 4, 2015, the Company expects that its unrecognized tax benefits could be reduced by approximately $3 million as a result of the expiration of certain statutes of limitation.

The Company is subject to taxation in many jurisdictions globally and is required to file U.S. federal, U.S. state and non-U.S. income tax returns. In June 2014, the Company received the Revenue Agent s Report and Notices of Proposed Adjustments for its U.S. federal income tax returns for fiscal years 2008, 2009 and 2010. The Company is currently contesting certain of these proposed adjustments through the IRS Appeals Office. The Company believes that the resolution of these disputed issues will not have a material impact on its financial statements. As discussed above, on December 31, 2014, the Company received the final audit assessment from the Jiangsu Province State Tax Bureau of the People s Republic of China. The assessment was related to tax and interest associated with changes to the Company s tax filings for calendar years 2007 through 2013.

The Company recorded an income tax benefit and an income tax provision of $5 million and $22 million in the three and nine months ended March 28, 2014, respectively. The income tax benefit for the three months ended March 28, 2014 included $14 million of net discrete tax benefits related to releases of tax reserves due to audit settlements. The income tax provision recorded for the nine months ended March 28, 2014 included $7 million of net discrete tax benefits for the reversal of a portion of the U.S. valuation allowance recorded in prior periods and a net decrease in tax reserves related to audit settlements offset by tax reserves on non-U.S. tax positions taken in prior fiscal years.

The Company s income tax provision recorded for the three and nine months ended March 28, 2014 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.

## 5. Acquisitions

***LSI s Flash Business***

On September 2, 2014, the Company completed the acquisition of certain assets and liabilities of LSI Corporation s ( LSI ) Accelerated Solutions Division and Flash Components Division (collectively, the Flash Business ) from Avago Technologies Limited for $450 million in cash. The transaction is expected to strengthen Seagate s strategy to deliver a full suite of storage solutions, providing Seagate with established enterprise PCIe flash and SSD controller capabilities to deliver solutions for the growing flash storage market.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

| **(Dollars in millions)** | **Amount** | |
|---|---|---|
| Inventories | $ | 37 |
| Property, plant and equipment | | 22 |

| | | |
|---|---|---|
| Intangible assets | | 141 |
| Other assets | | 6 |
| Goodwill | | 337 |
| Total assets | | 543 |
| Liabilities | | (93) |
| Total liabilities | | (93) |
| Total | $ | 450 |

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

| **(Dollars in millions)** | | **Fair Value** | **Weighted-Average Amortization Period** |
|---|---|---|---|
| Existing technology | $ | 84 | 3.5 years |
| Customer relationships | | 40 | 3.8 years |
| Trade names | | 17 | 4.5 years |
| Total acquired identifiable intangible assets | $ | 141 | |

The goodwill recognized is primarily attributable to the benefits the Company expects to derive from enhanced market opportunities, and is not deductible for income tax purposes.

The Company incurred approximately $1 million of expenses related to the acquisition of LSI s Flash Business during the nine months ended April 3, 2015, which are included within Marketing and administrative expense on the Consolidated Statement of Operations.

The amounts of revenue and earnings of LSI s Flash Business included in the Company s Consolidated Statement of Operations from the acquisition date are not significant.

***Xyratex Ltd***

On March 31, 2014, the Company acquired all of the outstanding shares of Xyratex Ltd ( Xyratex ), a leading provider of data storage technology. The Company paid $13.25 per share, or approximately $376 million in cash for the acquisition. The acquisition of Xyratex further strengthens the Company s vertically integrated supply and manufacturing chain for disk drives and provides access to important capital requirements, as well as expands the Company s storage solutions portfolio.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

| **(Dollars in millions)** | | **Amount** |
|---|---|---|
| Cash and cash equivalents | $ | 91 |
| Accounts receivable, net | | 67 |
| Inventories | | 111 |
| Other current and non-current assets | | 28 |
| Property, plant and equipment | | 55 |
| Intangible assets | | 80 |
| Goodwill | | 60 |

| | | |
|---|---|---|
| Total assets | | 492 |
| Accounts payable and accrued expenses | | (116) |
| Total liabilities | | (116) |
| Total | $ | 376 |

The accounts receivable of $67 million are net of an immaterial allowance at March 31, 2014.

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

| **(Dollars in millions)** | | **Fair Value** | **Weighted-Average Amortization Period** |
|---|---|---|---|
| Existing technology | $ | 23 | 5.5 years |
| Customer relationships | | 18 | 3.9 years |
| Total amortizable intangible assets acquired | | 41 | 4.8 years |
| In-process research and development | | 39 | |
| Total acquired identifiable intangible assets | $ | 80 | |

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The goodwill recognized is primarily attributable to the synergies expected to arise from the acquisition, and is not deductible for income tax purposes.

The Company incurred a total of $10 million of expenses related to the acquisition of Xyratex in fiscal year 2014, which are included within Marketing and administrative expense on the Consolidated Statement of Operations.

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

## 6. Goodwill and Other Intangible Assets

*Goodwill*

The changes in the carrying amount of goodwill for the nine months ended April 3, 2015, are as follows:

| (Dollars in millions) | | Amount |
|---|---|---|
| Balance at June 27, 2014 | $ | 537 |
| Goodwill acquired | | 337 |
| Foreign currency translation effect | | (3) |
| Balance at April 3, 2015 | $ | 871 |

*Other Intangible Assets*

Other intangible assets consist primarily of existing technology, customer relationships, in-process research and development and trade names acquired in business combinations. With the exception of in-process research and development, acquired intangibles are amortized on a straight-line basis over the respective estimated useful lives of the assets. Amortization is charged to Operating expenses in the Condensed Consolidated Statements of Operations. In-process research and development has been determined to have an indefinite useful life and is not amortized, but instead tested for impairment annually or more frequently if events or changes in circumstance indicate that the asset might be impaired. If the carrying amount of in-process research and development exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. There were no impairment charges recognized for in-process research and development. Upon completion of the in-process research and development, the related assets will be accounted for as existing technology and will be amortized over their useful life.

The carrying value of other intangible assets subject to amortization as of April 3, 2015, 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 | $ 173 | $ (55) | $ 118 | 3.6 years |
| Customer relationships | 486 | (259) | 227 | 2.6 years |
| Trade names | 27 | (5) | 22 | 3.4 years |
| Other intangible assets | 28 | (3) | 25 | 4.4 years |
| Total amortizable other intangible assets | $ 714 | $ (322) | $ 392 | 3.1 years |

The carrying value of in-process research and development not subject to amortization was $18 million on April 3, 2015.

The carrying value of other intangible assets subject to amortization as of June 27, 2014 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 | $ 68 | $ (18) | $ 50 | 2.9 years |
| Customer relationships | 450 | (192) | 258 | 3.3 years |
| Trade names | 10 | (1) | 9 | 3.1 years |
| Other intangible assets | 4 | (1) | 3 | 4.4 years |
| Total amortizable other intangible assets | $ 532 | $ (212) | $ 320 | 3.2 years |

The carrying value of in-process research and development not subject to amortization was $39 million on June 27, 2014.

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For the three and nine months ended April 3, 2015, amortization expense of other intangible assets was $40 million and $112 million. For the three and nine months ended March 28, 2014, amortization expense of other intangible assets was $26 million and $103 million. As of April 3, 2015, expected amortization expense for other intangible assets for each of the next five fiscal years and thereafter is as follows:

| (Dollars in millions) | | Amount |
|---|---|---|
| Remainder of 2015 | $ | 40 |
| 2016 | | 139 |
| 2017 | | 120 |
| 2018 | | 60 |
| 2019 | | 22 |
| Thereafter | | 11 |
| | $ | 392 |

**7. Derivative Financial Instruments**

The Company is exposed to market risks due to the volatility of interest rates, foreign currency exchange rates, and bond markets. 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 (loss) until the hedged item is recognized in earnings. Derivatives that are not designated as hedging instruments and the ineffective portions of cash flow hedges are adjusted to fair value through earnings. The amount of net unrealized losses on cash flow hedges was $4 million and $1 million as of April 3, 2015 and June 27, 2014, respectively.

The Company dedesignates its cash flow hedges when the forecasted hedged transactions are realized or it is probable the forecasted hedged transactions will not occur in the initially identified time period. At such time, the associated gains and losses deferred in Accumulated other comprehensive income (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 net gains or losses related to the loss of hedge designation on discontinued cash flow hedges during the three and nine months ended April 3, 2015. As of April 3, 2015, the Company s existing foreign currency forward exchange contracts mature within 12 months. The deferred amount currently recorded in Accumulated other comprehensive income (loss) expected to be recognized into earnings over the next 12 months is $5 million.

The following tables show the total notional value of the Company s outstanding foreign currency forward exchange contracts as of April 3, 2015 and June 27, 2014:

| | As of April 3, 2015 | | |
|---|---|---|---|
| (Dollars in millions) | | Contracts Designated as Hedges | Contracts Not Designated as Hedges |
| Thai Baht | $ | | |