Seagate Technology plc
Form 10-Q
May 02, 2013
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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**

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

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	March 29, 2013	June 29, 2012
ASSETS		
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
LIABILITIES AND EQUITY		
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)

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.

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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.

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SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	For the Three Months Ended March 29, 2013	For the Three Months Ended March 30, 2012	For the Nine Months Ended March 29, 2013	For the Nine Months Ended 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.

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SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	For the Nine Months Ended March 29, 2013	March 30, 2012
OPERATING ACTIVITIES		
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
INVESTING ACTIVITIES		
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)
FINANCING ACTIVITIES		
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

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 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.

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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

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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

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

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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**
Available-for-sale securities:						
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

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.

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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

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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):

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

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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 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.

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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.

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%.

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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	

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.

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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)

	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.

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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:

(Dollars in millions)		
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 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 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:

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

Chinese renminbi		21		
	$	55	$	140

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

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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

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

	Asset Derivatives			Liability Derivatives		
(Dollars in millions)	**Balance Sheet Location**		**Fair Value**	**Balance Sheet Location**		**Fair Value**
Derivatives designated as hedging instruments:						
Foreign currency forward exchange contracts	Other current assets	$		Accrued expenses	$	
Derivatives not designated as hedging instruments:						
Foreign currency forward exchange contracts	Other current assets		1	Accrued expenses		(2)
Total derivatives		$	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 on Derivative	Amount of Gain or (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) (a)

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	Amount 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.

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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)

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) For The Three Months	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) For The Nine Months	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) For The Three Months	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) For The Nine Months	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	Amount of Gain or (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) (a) For The Nine Months
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	Amount of Gain or (Loss) Recognized in Income on Derivative 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

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.

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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:

	Fair Value Measurements at Reporting Date Using			
(Dollars in millions)	**Quoted Prices in Active Markets for Identical Instruments (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Balance**
Assets:				
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
Restricted cash and investments:				
Mutual Funds	74			74
Other debt securities	22	5		27
Auction rate securities			15	15
Derivative assets		3		3
Total assets	$ 1,056	$ 737	$ 15	$ 1,808
Liabilities:				
Derivative liabilities	$	$	$	$
Total liabilities	$	$	$	$

	Fair Value Measurements at Reporting Date Using			
(Dollars in millions)	**Quoted Prices in Active Markets for Identical Instruments (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Balance**
Assets:				
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
Total assets	$ 1,056	$ 737	$ 15	$ 1,808
Liabilities:				
Accrued expenses	$	$	$	$
Total liabilities	$	$	$	$

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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:

	Fair Value Measurements at Reporting Date Using			
(Dollars in millions)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets:				
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
Restricted cash and investments:				
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
Liabilities:				
Derivative liabilities	$	$ (2)	$	$ (2)
Total liabilities	$	$ (2)	$	$ (2)

	Fair Value Measurements at Reporting Date Using			
(Dollars in millions)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets:				
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
Liabilities:				
Accrued expenses	$	$ (2)	$	$ (2)
Total liabilities	$	$ (2)	$	$ (2)

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

The Company classifies items in Level 2 if the financial asset or liability is valued using observable inputs. The Company uses observable inputs including quoted prices in active markets for similar assets or liabilities. Level 2 assets include: agency bonds, corporate bonds, commercial paper, municipal bonds, 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

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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:

	March 29, 2013		**June 29, 2012**	
(Dollars in millions)	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**

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

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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).

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:

(In millions)	**Number of Shares Repurchased**		**Dollar Value of Shares Repurchased**
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

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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.

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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:

	For the Three Months Ended		For the Nine Months Ended	
(Dollars in millions)	**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	$			