

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	December 30, 2016	July 1, 2016 (a)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,716	\$ 1,125
Short-term investments	—	6
Accounts receivable, net	1,211	1,318
Inventories	1,008	868
Other current assets	205	216
	4,140	3,533
Property, equipment and leasehold improvements, net	2,012	2,160
Goodwill	1,237	1,237
Other intangible assets, net	364	448
Deferred income taxes	614	616
Other assets, net	194	219
	\$ 8,561	\$ 8,213
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,631	\$ 1,517
Accrued employee compensation	254	184
Accrued warranty	114	104
Accrued expenses	682	444
	2,681	2,249
Long-term accrued warranty	108	102
Long-term accrued income taxes	13	14
Other non-current liabilities	143	164
Long-term debt	4,093	4,091
	7,038	6,620
Equity:		
Total Equity	1,523	1,593
Total Liabilities and Equity	\$ 8,561	\$ 8,213

(a) The information in this column was derived from the Company's audited Consolidated Balance Sheet as of July 1, 2016.

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	December 30, 2016	January 1, 2016	December 30, 2016	January 1, 2016
Revenue	\$ 2,894	\$ 2,986	\$ 5,691	\$ 5,911
Cost of revenue	2,003	2,245	3,999	4,482
Product development	305	304	620	632
Marketing and administrative	155	160	308	341
Amortization of intangibles	28	31	57	65
Restructuring and other, net	33	17	115	76
Total operating expenses	<u>2,524</u>	<u>2,757</u>	<u>5,099</u>	<u>5,596</u>
Income from operations	370	229	592	315
Interest income	1	1	2	2
Interest expense	(50)	(48)	(100)	(95)
Other, net	(11)	(2)	(11)	(11)
Other expense, net	<u>(60)</u>	<u>(49)</u>	<u>(109)</u>	<u>(104)</u>
Income before income taxes	310	180	483	211
Provision for income taxes	13	15	19	13
Net income	<u>\$ 297</u>	<u>\$ 165</u>	<u>\$ 464</u>	<u>\$ 198</u>
Net income per share:				
Basic	\$ 1.00	\$ 0.55	\$ 1.56	\$ 0.66
Diluted	1.00	0.55	1.55	0.65
Number of shares used in per share calculations:				
Basic	296	299	297	301
Diluted	298	301	299	304
Cash dividends declared per ordinary share	\$ 0.63	\$ 0.63	\$ 1.26	\$ 1.17

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	For the Six Months Ended	
	December 30, 2016	January 1, 2016
OPERATING ACTIVITIES		
Net income	\$ 464	\$ 198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	391	417
Share-based compensation	73	65
Impairment of long-lived assets	9	—
Deferred income taxes	3	—
Other non-cash operating activities, net	18	11
Changes in operating assets and liabilities:		
Accounts receivable, net	110	384
Inventories	(140)	(32)
Accounts payable	170	257
Accrued employee compensation	70	(87)
Accrued expenses, income taxes and warranty	69	(5)
Other assets and liabilities	10	(2)
Net cash provided by operating activities	<u>1,247</u>	<u>1,206</u>
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(235)	(346)
Proceeds from the sale of property and equipment	(1)	—
Maturities of short-term investments	6	—
Cash used in acquisition of business, net of cash acquired	—	(634)
Other investing activities, net	(4)	—
Net cash used in investing activities	<u>(234)</u>	<u>(980)</u>
FINANCING ACTIVITIES		
Redemption and repurchase of debt	—	(15)
Taxes paid related to net share settlement of equity awards	(24)	(54)
Repurchases of ordinary shares	(248)	(1,061)
Dividends to shareholders	(188)	(351)
Proceeds from issuance of ordinary shares under employee stock plans	47	41
Other financing activities, net	—	(4)
Net cash used in financing activities	<u>(413)</u>	<u>(1,444)</u>
Effect of foreign currency exchange rate changes on cash, cash equivalents, and restricted cash	<u>(12)</u>	<u>(3)</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	588	(1,221)
Cash, cash equivalents, and restricted cash at the beginning of the period	1,132	2,486
Cash, cash equivalents, and restricted cash at the end of the period	<u>\$ 1,720</u>	<u>\$ 1,265</u>

Use of non-GAAP financial information

The Company uses non-GAAP measures of gross margin, net income and diluted earnings per share, which are adjusted from results based on GAAP to exclude certain expenses, gains and losses. These non-GAAP financial measures may be provided to enhance the user's overall understanding of the Company's current financial performance and its prospects for the future. Specifically, the Company believes non-GAAP results provide useful information to both management and investors as these non-GAAP results exclude certain expenses, gains and losses that it believes are not indicative of its core operating results and because it is similar to the approach used in connection with the financial models and estimates published by financial analysts who follow the Company.

These non-GAAP results are some of the primary measurements management uses to assess the Company's performance, allocate resources and plan for future periods. Reported non-GAAP results should only be considered as supplemental to results prepared in accordance with GAAP, and not considered as a substitute for, or superior to, GAAP results. These non-GAAP measures may differ from the non-GAAP measures reported by other companies in its industry.

SEAGATE TECHNOLOGY PLC
ADJUSTMENTS TO GAAP NET INCOME AND DILUTED NET INCOME PER SHARE
(In millions, except per share amounts)
(Unaudited)

	<u>For the Three Months Ended December 30, 2016</u>	<u>For the Six Months Ended December 30, 2016</u>
Reconciliation of GAAP Net Income:		
GAAP Net Income	\$ 297	\$ 464
Non-GAAP adjustments:		
Revenue	A (1)	(1)
Cost of revenue	B 29	54
Product development	C 2	2
Marketing and administrative	D 1	—
Amortization of intangibles	E 27	54
Restructuring and other, net	F 33	115
Other expense, net	G 24	23
Non-GAAP net income	<u>\$ 412</u>	<u>\$ 711</u>
Reconciliation of GAAP Diluted Net Income Per Share:		
GAAP	\$ 1.00	\$ 1.55
Non-GAAP	\$ 1.38	\$ 2.38
Shares used in diluted net income per share calculation	298	299

A For the three and six months ended December 30, 2016, Revenue has been adjusted on a non-GAAP basis to exclude revenue on certain discontinued products that had previously recognized a sales return provision.

B For the three and six months ended December 30, 2016, Cost of revenue has been adjusted on a non-GAAP basis to exclude amortization of intangibles associated with acquisitions and accelerated depreciation and write off of certain fixed assets related to restructuring.

C For the three and six months ended December 30, 2016, Product development expenses have been adjusted on a non-GAAP basis to exclude accelerated depreciation and write off of certain fixed assets related to restructuring and other charges.

D For the three months ended December 30, 2016, Marketing and administrative expenses have been adjusted on a non-GAAP basis primarily to reflect the impact of certain strategic development costs.

E For the three and six months ended December 30, 2016, Amortization of intangibles primarily related to our acquisitions has been excluded on a non-GAAP basis.

F For the three and six months ended December 30, 2016, Restructuring and other net, has been adjusted on a non-GAAP basis primarily related to reductions in our workforce as a result of our ongoing focus on cost efficiencies in all areas of our business.

G For the three and six months ended December 30, 2016, Other expense, net has been adjusted on a non-GAAP basis to exclude the impairment of a certain strategic investment.