

**SEAGATE TECHNOLOGY PLC**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions)

(Unaudited)

	December 28, 2018	June 29, 2018 <sup>(a)</sup>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,357	\$ 1,853
Accounts receivable, net	1,058	1,184
Inventories	1,097	1,053
Other current assets	164	220
<b>Total current assets</b>	<b>3,676</b>	<b>4,310</b>
Property, equipment and leasehold improvements, net	1,823	1,792
Investment in debt security	1,300	1,275
Goodwill	1,237	1,237
Other intangible assets, net	149	188
Deferred income taxes	416	417
Other assets, net	188	191
<b>Total Assets</b>	<b>\$ 8,789</b>	<b>\$ 9,410</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,442	\$ 1,728
Accrued employee compensation	164	253
Accrued warranty	105	112
Current portion of long-term debt	—	499
Accrued expenses	589	598
<b>Total current liabilities</b>	<b>2,300</b>	<b>3,190</b>
Long-term accrued warranty	117	125
Long-term accrued income taxes	6	10
Other non-current liabilities	108	100
Long-term debt, less current portion	4,324	4,320
<b>Total Liabilities</b>	<b>6,855</b>	<b>7,745</b>
<b>Total Equity</b>	<b>1,934</b>	<b>1,665</b>
<b>Total Liabilities and Equity</b>	<b>\$ 8,789</b>	<b>\$ 9,410</b>

(a) The information in this column was derived from the Company's audited Consolidated Balance Sheet as of June 29, 2018.

**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 28, 2018	December 29, 2017	December 28, 2018	December 29, 2017
Revenue	\$ 2,715	\$ 2,914	\$ 5,706	\$ 5,546
Cost of revenue	1,921	2,037	3,999	3,933
Product development	246	250	512	513
Marketing and administrative	120	142	235	287
Amortization of intangibles	5	19	11	41
Restructuring and other, net	7	33	30	84
Total operating expenses	2,299	2,481	4,787	4,858
Income from operations	416	433	919	688
Interest income	22	6	46	13
Interest expense	(56)	(61)	(114)	(122)
Other, net	16	(7)	15	(20)
Other expense, net	(18)	(62)	(53)	(129)
Income before income taxes	398	371	866	559
Provision for income taxes	14	212	32	219
Net income	\$ 384	\$ 159	\$ 834	\$ 340
Net income per share:				
Basic	\$ 1.35	\$ 0.55	\$ 2.92	\$ 1.18
Diluted	1.34	0.55	2.88	1.17
Number of shares used in per share calculations:				
Basic	285	288	286	289
Diluted	287	291	290	291
Cash dividends declared per ordinary share	\$ 0.63	\$ 0.63	\$ 1.26	\$ 1.26

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

	For the Six Months Ended	
	December 28, 2018	December 29, 2017
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 834	\$ 340
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	272	318
Share-based compensation	45	59
Deferred income taxes	1	204
Other non-cash operating activities, net	(44)	3
Changes in operating assets and liabilities:		
Accounts receivable, net	135	145
Inventories	(47)	(32)
Accounts payable	(240)	59
Accrued employee compensation	(89)	(54)
Accrued expenses, income taxes and warranty	(16)	3
Other assets and liabilities	24	42
Net cash provided by operating activities	<u>875</u>	<u>1,087</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, equipment and leasehold improvements	(304)	(201)
Proceeds from settlement of foreign currency forward exchange contracts	66	—
Proceeds from sale of strategic investments	10	—
Proceeds from sale of properties previously classified as held for sale	6	—
Proceeds from sale of property and equipment	—	2
Purchases of strategic investments	(8)	—
Other investing activities, net	—	(11)
Net cash used in investing activities	<u>(230)</u>	<u>(210)</u>
<b>FINANCING ACTIVITIES</b>		
Redemption and repurchase of debt	(499)	(152)
Dividends to shareholders	(361)	(366)
Repurchases of ordinary shares	(286)	(361)
Taxes paid related to net share settlement of equity awards	(30)	(21)
Proceeds from issuance of ordinary shares under employee stock plans	35	35
Net cash used in financing activities	<u>(1,141)</u>	<u>(865)</u>
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	(1)	5
(Decrease) increase in cash, cash equivalents and restricted cash	(497)	17
Cash, cash equivalents and restricted cash at the beginning of the period	1,857	2,543
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 1,360</u>	<u>\$ 2,560</u>

## **Use of non-GAAP financial information**

The Company uses non-GAAP measures of adjusted revenue, gross margin, operating expenses, net income, diluted earnings per share and free cash flow which are adjusted from results based on GAAP to exclude certain gains, losses and expenditures. 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 gains, losses and expenditures 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 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**  
**RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES**  
(In millions, except per share amounts and gross margin)  
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2018	December 29, 2017	December 28, 2018	December 29, 2017
<b>GAAP Revenue</b>	\$ 2,715	\$ 2,914	\$ 5,706	\$ 5,546
Adjustment to discontinued products	—	(6)	1	(6)
<b>Non-GAAP Revenue</b>	<u>\$ 2,715</u>	<u>\$ 2,908</u>	<u>\$ 5,707</u>	<u>\$ 5,540</u>
<b>GAAP Gross Margin</b>	\$ 794	\$ 877	\$ 1,707	\$ 1,613
Adjustment to discontinued products	—	(6)	1	(6)
Accelerated depreciation, impairment and other charges related to cost saving efforts	—	—	—	1
Amortization of acquired intangible assets	13	14	26	28
Other charges	(1)	—	(1)	11
<b>Non-GAAP Gross Margin</b>	<u>\$ 806</u>	<u>\$ 885</u>	<u>\$ 1,733</u>	<u>\$ 1,647</u>
<b>GAAP Gross Margin</b>	29.2%	30.1%	29.9%	29.1%
<b>Non-GAAP Gross Margin</b>	29.7%	30.4%	30.4%	29.7%
<b>GAAP Operating Expenses</b>	\$ 378	\$ 444	\$ 788	\$ 925
Accelerated depreciation, impairment and other charges related to cost saving efforts	(1)	(2)	(2)	(2)
Amortization of acquired intangible assets	(5)	(18)	(9)	(39)
Restructuring and other, net	(7)	(33)	(30)	(84)
Other charges	—	(1)	—	(2)
<b>Non-GAAP Operating Expenses</b>	<u>\$ 365</u>	<u>\$ 390</u>	<u>\$ 747</u>	<u>\$ 798</u>
<b>GAAP Net Income</b>	\$ 384	\$ 159	\$ 834	\$ 340
Adjustment to discontinued products	—	(6)	1	(6)
Accelerated depreciation, impairment and other charges related to cost saving efforts	1	2	2	3
Amortization of acquired intangible assets	18	32	35	67
Restructuring and other, net	7	33	30	84
Losses recognized on the early redemption and repurchase of debt	—	3	—	3
Strategic investment (gains) losses or impairment recognized	(2)	—	2	—
Other charges	(1)	1	(1)	12
Income tax adjustments	(2)	207	(2)	207
<b>Non-GAAP Net Income</b>	<u>\$ 405</u>	<u>\$ 431</u>	<u>\$ 901</u>	<u>\$ 710</u>
Shares used in diluted net income per share calculation	287	291	290	291
<b>GAAP Diluted Net Income Per Share</b>	\$ 1.34	\$ 0.55	\$ 2.88	\$ 1.17
<b>Non-GAAP Diluted Net Income Per Share</b>	\$ 1.41	\$ 1.48	\$ 3.11	\$ 2.44
<b>GAAP Net Cash Provided by Operating Activities</b>	\$ 288	\$ 850	\$ 875	\$ 1,087
Acquisition of property, equipment and leasehold improvements	127	77	304	201
<b>Free Cash Flow</b>	<u>\$ 161</u>	<u>\$ 773</u>	<u>\$ 571</u>	<u>\$ 886</u>

**The Company's Non-GAAP measures are adjusted for the following items:**

**Adjustment to discontinued products**

These adjustments relate to sales of certain discontinued products or changes in sales provision for discontinued products. These adjustments are inconsistent in amount and frequency and are excluded in the non-GAAP measures as these adjustments are not indicative of the underlying ongoing operating performance.

**Accelerated depreciation, impairment and other charges related to cost saving efforts**

These expenses are excluded in the non-GAAP measure due to its inconsistency in amount and frequency and are excluded to facilitate a more meaningful evaluation of the Company's current operating performance and comparison to its past periods operating performance.

**Amortization of acquired intangible assets**

The Company records expense from amortization of intangible assets that were acquired in connection with its business combinations over their estimated useful lives. Such charges are inconsistent in size and are significantly impacted by the timing and magnitude of the Company's acquisitions. Consequently, these expenses are excluded in the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods operating performance.

**Other charges**

The other charges primarily include write-off of certain discontinued inventory and expense related to disposed business. These charges are inconsistent in amount and frequency and are excluded in the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods operating performance.

**Restructuring and other, net**

Restructuring charges and other, net are costs associated with restructuring plans that are primarily related to costs associated with reduction in the Company's workforce, exiting certain facilities and other related costs. These also exclude charges or gains from sale of properties classified as held-for-sale. These costs or benefits do not reflect the Company's ongoing operating performance and consequently are excluded from the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods operating performance.

**Strategic investment (gains) losses or impairment recognized**

From time to time, the Company incurs losses or gains from strategic investment accounted under equity method of accounting or records impairments charges which are not considered as part of its ongoing operating performance. The resulting expense or gain is inconsistent in amount and frequency and consequently are excluded from the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods operating performance.

**Income tax adjustments**

Provision for income taxes represents the tax effects of non-GAAP adjustments determined using a hybrid with and without method and effective tax rate for the applicable adjustment and jurisdiction. It also includes a provisional tax benefit for the re-measurement of the Company's U.S. deferred tax assets at the lower 21% tax rate resulting from the U.S. Tax Cuts and Jobs Act enacted on December 22, 2017.

**Free cash flow**

Free cash flow is a non-GAAP measure defined as net cash provided by operating activities less acquisition of property, equipment and leasehold improvements. This non-GAAP financial measure is used by management to assess the Company's sources of liquidity, capital structure and operating performance.