

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	March 29, 2019	June 29, 2018 ^(a)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,388	\$ 1,853
Accounts receivable, net	897	1,184
Inventories	1,001	1,053
Other current assets	201	220
Total current assets	3,487	4,310
Property, equipment and leasehold improvements, net	1,822	1,792
Investment in debt security	1,318	1,275
Goodwill	1,237	1,237
Other intangible assets, net	129	188
Deferred income taxes	416	417
Other assets, net	187	191
Total Assets	\$ 8,596	\$ 9,410
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,310	\$ 1,728
Accrued employee compensation	145	253
Accrued warranty	100	112
Current portion of long-term debt	—	499
Accrued expenses	591	598
Total current liabilities	2,146	3,190
Long-term accrued warranty	112	125
Long-term accrued income taxes	5	10
Other non-current liabilities	122	100
Long-term debt, less current portion	4,522	4,320
Total Liabilities	6,907	7,745
Total Equity	1,689	1,665
Total Liabilities and Equity	\$ 8,596	\$ 9,410

(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 Nine Months Ended	
	March 29, 2019	March 30, 2018	March 29, 2019	March 30, 2018
Revenue	\$ 2,313	\$ 2,803	\$ 8,019	\$ 8,349
Cost of revenue	1,712	1,956	5,711	5,889
Product development	238	254	750	767
Marketing and administrative	110	135	345	422
Amortization of intangibles	6	6	17	47
Restructuring and other, net	11	11	41	95
Total operating expenses	2,077	2,362	6,864	7,220
Income from operations	236	441	1,155	1,129
Interest income	21	10	67	23
Interest expense	(55)	(60)	(169)	(182)
Other, net	13	2	28	(18)
Other expense, net	(21)	(48)	(74)	(177)
Income before income taxes	215	393	1,081	952
Provision for income taxes	20	12	52	231
Net income	\$ 195	\$ 381	\$ 1,029	\$ 721
Net income per share:				
Basic	\$ 0.69	\$ 1.33	\$ 3.62	\$ 2.50
Diluted	0.69	1.31	3.57	2.48
Number of shares used in per share calculations:				
Basic	281	286	284	288
Diluted	284	291	288	291
Cash dividends declared per ordinary share	\$ 0.63	\$ 0.63	\$ 1.89	\$ 1.89

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

	For the Nine Months Ended	
	March 29, 2019	March 30, 2018
OPERATING ACTIVITIES		
Net income	\$ 1,029	\$ 721
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	407	461
Share-based compensation	73	85
Deferred income taxes	15	209
Gain on sale of property and equipment	(1)	—
Other non-cash operating activities, net	(68)	9
Changes in operating assets and liabilities:		
Accounts receivable, net	296	124
Inventories	49	(20)
Accounts payable	(366)	74
Accrued employee compensation	(108)	(49)
Accrued expenses, income taxes and warranty	(32)	(24)
Other assets and liabilities	19	55
Net cash provided by operating activities	<u>1,313</u>	<u>1,645</u>
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(451)	(270)
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	27	43
Proceeds from sale of property and equipment	3	2
Purchases of strategic investments	(14)	(8)
Other investing activities, net	—	(6)
Net cash used in investing activities	<u>(359)</u>	<u>(239)</u>
FINANCING ACTIVITIES		
Redemption and repurchase of debt	(499)	(209)
Dividends to shareholders	(539)	(545)
Repurchases of ordinary shares	(613)	(361)
Taxes paid related to net share settlement of equity awards	(30)	(22)
Net proceeds from issuance of long-term debt	196	—
Proceeds from issuance of ordinary shares under employee stock plans	68	110
Net cash used in financing activities	<u>(1,417)</u>	<u>(1,027)</u>
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	(3)	8
(Decrease) increase in cash, cash equivalents and restricted cash	(466)	387
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>\$ 1,391</u>	<u>\$ 2,930</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 Nine Months Ended	
	March 29, 2019	March 30, 2018	March 29, 2019	March 30, 2018
GAAP Revenue	\$ 2,313	\$ 2,803	\$ 8,019	\$ 8,349
Adjustment to discontinued products	—	—	1	(6)
Non-GAAP Revenue	<u>\$ 2,313</u>	<u>\$ 2,803</u>	<u>\$ 8,020</u>	<u>\$ 8,343</u>
GAAP Gross Margin	\$ 601	\$ 847	\$ 2,308	\$ 2,460
Adjustment to discontinued products	—	—	1	(6)
Accelerated depreciation, impairment and other charges related to cost saving efforts	—	1	—	2
Amortization of acquired intangible assets	14	15	40	43
Other charges	—	—	(1)	11
Non-GAAP Gross Margin	<u>\$ 615</u>	<u>\$ 863</u>	<u>\$ 2,348</u>	<u>\$ 2,510</u>
GAAP Gross Margin	26.0%	30.2%	28.8%	29.5%
Non-GAAP Gross Margin	26.6%	30.8%	29.3%	30.1%
GAAP Operating Expenses	\$ 365	\$ 406	\$ 1,153	\$ 1,331
Accelerated depreciation, impairment and other charges related to cost saving efforts	—	(4)	(2)	(6)
Amortization of acquired intangible assets	(5)	(4)	(14)	(43)
Restructuring and other, net	(11)	(11)	(41)	(95)
Other charges	—	(2)	—	(4)
Non-GAAP Operating Expenses	<u>\$ 349</u>	<u>\$ 385</u>	<u>\$ 1,096</u>	<u>\$ 1,183</u>
GAAP Net Income	\$ 195	\$ 381	\$ 1,029	\$ 721
Adjustment to discontinued products	—	—	1	(6)
Accelerated depreciation, impairment and other charges related to cost saving efforts	—	5	2	8
Amortization of acquired intangible assets	19	19	54	86
Restructuring and other, net	11	11	41	95
Losses recognized on the early redemption and repurchase of debt	—	1	—	4
Strategic investment losses or impairment recognized	—	3	2	3
Other charges	—	3	(1)	15
Income tax adjustments	10	1	8	208
Non-GAAP Net Income	<u>\$ 235</u>	<u>\$ 424</u>	<u>\$ 1,136</u>	<u>\$ 1,134</u>
Shares used in diluted net income per share calculation	284	291	288	291
GAAP Diluted Net Income Per Share	\$ 0.69	\$ 1.31	\$ 3.57	\$ 2.48
Non-GAAP Diluted Net Income Per Share	\$ 0.83	\$ 1.46	\$ 3.94	\$ 3.90
GAAP Net Cash Provided by Operating Activities	\$ 438	\$ 558	\$ 1,313	\$ 1,645
Acquisition of property, equipment and leasehold improvements	147	69	451	270
Free Cash Flow	<u>\$ 291</u>	<u>\$ 489</u>	<u>\$ 862</u>	<u>\$ 1,375</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.

Losses Recognized on the early redemption and repurchase of debt

From time to time, the Company incurs losses from the early redemption and repurchase of certain long-term debt instruments. These losses represent the difference between the reacquisition costs and the par value of the debt extinguished and include the write off of any related unamortized debt issuance costs. The amount of these charges may be inconsistent in size and varies depending on the timing of the repurchase of debt.

Strategic investment losses, (gains) 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.