

Seagate Technology  
Form 10-Q  
May 05, 2010  
[Table of Contents](#)

## UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

## FORM 10-Q

**x**      **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended April 2, 2010**

**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

(Exact name of registrant as specified in its charter)

**Cayman Islands**  
(State or other jurisdiction of  
incorporation or organization)

**98-0355609**  
(I.R.S. Employer  
Identification Number)

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**P.O. Box 309, Uglund House**

**Grand Cayman KY1-1104, Cayman Islands**

(Address of Principal Executive Offices)

**Telephone: (345) 949-8066**

(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 o 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 definitions of large accelerated filer, and accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: x

Accelerated filer: o

Non-accelerated filer: o

Smaller reporting company: o

(Do not check if a smaller reporting company)

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 29, 2010, 487,436,503 shares of the registrant's common shares, par value \$0.00001 per share, were issued and outstanding.

Table of Contents

INDEX

SEAGATE TECHNOLOGY

	PAGE NO.
<b><u>PART I</u></b>	
<b><u>FINANCIAL INFORMATION</u></b>	
<u>Item 1.</u>	
<u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets — April 2, 2010 (Unaudited) and July 3, 2009</u>	3
<u>Condensed Consolidated Statements of Operations — Three and Nine Months ended April 2, 2010 and April 3, 2009 (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Cash Flows — Nine Months ended April 2, 2010 and April 3, 2009 (Unaudited)</u>	5
<u>Condensed Consolidated Statement of Shareholders' Equity — Nine Months ended April 2, 2010 (Unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	7
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	52
<u>Item 4.</u>	
<u>Controls and Procedures</u>	53
<b><u>PART II</u></b>	
<b><u>OTHER INFORMATION</u></b>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	54
<u>Item 1A.</u>	
<u>Risk Factors</u>	54
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	55
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities</u>	55
<u>Item 4.</u>	
<u>Submission of Matters to a Vote of Securityholders</u>	55
<u>Item 5.</u>	
<u>Other Information</u>	55
<u>Item 6.</u>	
<u>Exhibits</u>	56
<u>SIGNATURES</u>	66

Table of Contents**PART I****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SEAGATE TECHNOLOGY****CONDENSED CONSOLIDATED BALANCE SHEETS****(In millions)****(Unaudited)**

	<b>April 2, 2010</b>	<b>July 3, 2009 (a)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,062	\$ 1,427
Short-term investments	214	114
Restricted cash and investments	103	508
Accounts receivable, net	1,451	1,033
Inventories	685	587
Deferred income taxes	81	97
Other current assets	560	528
Total current assets	5,156	4,294
Property, equipment and leasehold improvements, net	2,054	2,229
Deferred income taxes	384	372
Other assets, net	153	192
Total Assets	\$ 7,747	\$ 7,087
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$ —	\$ 350
Accounts payable	1,895	1,573
Accrued employee compensation	214	144
Accrued warranty	193	213
Accrued expenses	445	483
Accrued income taxes	12	10
Current portion of long-term debt	377	421
Total current liabilities	3,136	3,194
Long-term accrued warranty	201	224
Long-term accrued income taxes	60	69
Other non-current liabilities	95	120
Long-term debt, less current portion	1,598	1,926
Total Liabilities	5,090	5,533

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Commitments and contingencies (See Notes 10 and 12)

Shareholders' equity:

Common shares and additional paid-in capital	3,827	3,708
Accumulated other comprehensive income (loss)	(1)	(6)
Retained earnings (accumulated deficit)	(1,169)	(2,148)
Total Shareholders' Equity	2,657	1,554
Total Liabilities and Shareholders' Equity	\$ 7,747	\$ 7,087

(a) The information in this column was derived from the Company's audited Consolidated Balance Sheet as of July 3, 2009, as adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.

*See Notes to Condensed Consolidated Financial Statements.*

Table of Contents

**SEAGATE TECHNOLOGY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data)

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	April 2, 2010	April 3, 2009(a)	April 2, 2010	April 3, 2009(a)
Revenue	\$ 3,049	\$ 2,150	\$ 8,738	\$ 7,452
Cost of revenue	2,148	1,997	6,261	6,457
Product development	224	243	658	738
Marketing and administrative	105	134	323	424
Amortization of intangibles	8	13	23	41
Restructuring and other, net	4	25	50	126
Impairment of goodwill and long-lived assets	—	—	64	2,320
Total operating expenses	2,489	2,412	7,379	10,106
Income (loss) from operations	560	(262)	1,359	(2,654)
Interest income	2	3	4	15
Interest expense	(41)	(37)	(127)	(102)
Other, net	1	5	(7)	(17)
Other income (expense), net	(38)	(29)	(130)	(104)
Income (loss) before income taxes	522	(291)	1,229	(2,758)
Provision for (benefit from) income taxes	4	(16)	(1)	284
Net income (loss)	\$ 518	\$ (275)	\$ 1,230	\$ (3,042)
Net income (loss) per share:				
Basic	\$ 1.05	\$ (0.56)	\$ 2.48	\$ (6.25)
Diluted	1.00	(0.56)	2.38	(6.25)
Number of shares used in per share calculations:				
Basic	493	489	495	487
Diluted	520	489	519	487
Dividends declared per share	\$ —	\$ 0.03	\$ —	\$ 0.27

(a) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.

*See Notes to Condensed Consolidated Financial Statements.*



Table of Contents

## SEAGATE TECHNOLOGY

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	For the Nine Months Ended	
	April 2, 2010	April 3, 2009(a)
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 1,230	\$ (3,042)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	584	707
Stock-based compensation	38	70
Impairment of goodwill and long-lived assets	64	2,320
Deferred income taxes	10	295
Other non-cash operating activities, net	22	(1)
Changes in operating assets and liabilities:		
Accounts receivable	(418)	534
Inventories	(98)	368
Accounts payable	242	(263)
Accrued employee compensation	70	(323)
Accrued expenses and warranty	(124)	(150)
Other assets and liabilities	(12)	116
Net cash provided by (used in) operating activities	1,608	631
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, equipment and leasehold improvements	(372)	(553)
Purchases of short-term investments	(278)	(124)
Maturities and sales of short-term investments	176	146
Decrease in restricted cash and investments	26	
Proceeds from sale of investment in equity securities		11
Other investing activities, net	1	8
Net cash provided by (used in) investing activities	(447)	(512)
<b>FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	15	350
Repayment of short-term borrowings	(365)	
Repayment of long-term debt	(385)	(20)
Decrease in restricted cash and investments	379	
Proceeds from exercise of employee stock options and employee stock purchase plan	81	45
Repurchases of common shares	(251)	
Dividends to shareholders		(132)
Net cash provided by (used in) financing activities	(526)	243
Increase (decrease) in cash and cash equivalents	635	362
Cash and cash equivalents at the beginning of the period	1,427	990
Cash and cash equivalents at the end of the period	\$ 2,062	\$ 1,352
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 114	\$ 108



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Cash paid for income taxes, net of refunds

7

9

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(a) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.

*See Notes to Condensed Consolidated Financial Statements.*

Table of Contents

**SEAGATE TECHNOLOGY**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY**

**For the Nine Months Ended April 2, 2010**

(In millions)

(Unaudited)

	Number of Common Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
Balance at July 3, 2009 (a)	493	\$	\$ 3,708	\$ (6)	\$ (2,148)	\$ 1,554
Comprehensive income, net of tax:						
Change in unrealized gain (loss) on cash flow hedges, net				5		5
Net income					1,230	1,230
Comprehensive income						1,235
Issuance of common shares related to employee stock options and employee stock purchase plan	9		81			81
Repurchases of common shares	(13)				(251)	(251)
Stock-based compensation			38			38
Balance at April 2, 2010	489	\$	\$ 3,827	\$ (1)	\$ (1,169)	\$ 2,657

(a) The information in this row was derived from the Company's audited Consolidated Statement of Shareholders' Equity as of July 3, 2009, as adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.

*See Notes to Condensed Consolidated Financial Statements.*

Table of Contents

**SEAGATE TECHNOLOGY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Summary of Significant Accounting Policies**

*Basis of Presentation and Consolidation*

The Condensed Consolidated Financial Statements include the accounts of Seagate Technology ( Seagate or the Company ) and all its wholly-owned subsidiaries, after elimination of intercompany transactions and balances. The Condensed Consolidated Financial Statements have been prepared by the Company and have not been audited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted pursuant to such rules and regulations. The Condensed Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary to summarize fairly the consolidated financial position, results of operations, 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 July 3, 2009 are included in its Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission (SEC) on August 19, 2009. 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 July 3, 2009 and the notes thereto, are adequate to make the information presented not misleading.

The results of operations for the three and nine months ended April 2, 2010, are not necessarily indicative of the results of operations to be expected for any subsequent interim period in the Company's fiscal year ending July 2, 2010.

The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. The three and nine months ended April 2, 2010 consisted of 13 weeks and 39 weeks, respectively. The three and nine months ended April 3, 2009 consisted of 13 weeks and 40 weeks, respectively. Fiscal year 2010 will be comprised of 52 weeks and will end on July 2, 2010.

*Critical Accounting Policies and Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the Company's Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ materially from those estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its Condensed Consolidated Financial Statements. The SEC has defined the most critical accounting policies as the ones that are most important to the portrayal of the Company's financial condition and results of operations, and require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are highly uncertain at the time of estimation. Based on this definition, the Company's most critical policies include: establishment of sales program accruals, establishment of warranty accruals, valuation of deferred tax assets as well as

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the valuation of intangibles and goodwill. The Company also has other key accounting policies and accounting estimates relating to uncollectible customer accounts, valuation of inventory, and valuation of share-based payments. The Company believes that these other accounting policies and accounting estimates either do not generally require it to make estimates and judgments that are as difficult or as subjective, or it is less likely that they would have a material impact on the Company's reported results of operations for a given period.

Since the Company's fiscal year ended July 3, 2009, there have been no significant changes in the Company's critical accounting policies and estimates. 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 July 3, 2009, as filed with the SEC on August 19, 2009, for a discussion of the Company's critical accounting policies and estimates.

### *Change in Method of Accounting for Convertible Debt Instruments*

On July 4, 2009, the Company implemented changes to the accounting for its convertible debt instruments on a retrospective basis. See Note 4 for further details.

Table of Contents

SEAGATE TECHNOLOGY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**1. Summary of Significant Accounting Policies (continued)**

*Recently Issued Accounting Pronouncements*

In October 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-14, *Software (Accounting Standards Codification (ASC) Topic 985) - Certain Revenue Arrangements That Include Software Elements*, a consensus of the FASB Emerging Issues Task Force. This guidance modifies the scope of ASC subtopic 965-605, *Software-Revenue Recognition* to exclude from its requirements (a) non-software components of tangible products and (b) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product's essential functionality. This update requires expanded qualitative and quantitative disclosures and is effective for the Company's first quarter of fiscal year 2011. However, early adoption is allowed. The Company is currently evaluating the impact of adopting this update on its consolidated results of operations and financial position.

In October 2009, the FASB issued ASU No. 2009-13, *Revenue Recognition (ASC Topic 605) - Multiple-Deliverable Revenue Arrangements*, a consensus of the FASB Emerging Issues Task Force. This guidance modifies the fair value requirements of ASC subtopic 605-25, *Revenue Recognition-Multiple Element Arrangements* by allowing the use of the best estimate of selling price in addition to vendor-specific objective evidence (VSOE) and verifiable objective evidence (VOE) (now referred to as TPE standing for third-party evidence) for determining the selling price of a deliverable. A vendor is now required to use its best estimate of the selling price when VSOE or TPE of the selling price cannot be determined. In addition, the residual method of allocating arrangement consideration is no longer permitted. This update requires expanded qualitative and quantitative disclosures and is effective for the Company's first quarter of fiscal year 2011. However, early adoption is allowed. The Company is currently evaluating the impact of adopting this update on its consolidated results of operations and financial position.

In August 2009, FASB issued ASU No. 2009-05, *Fair Value Measurements and Disclosures (ASC Topic 820) - Measuring Liabilities at Fair Value*. This update requires clarification for circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: 1) a valuation technique that uses either the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities or similar liabilities when traded as an asset; or 2) another valuation technique that is consistent with the principles in ASC Topic 820 such as the income and market approach to valuation. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This update further clarifies that if the fair value of a liability is determined by reference to a quoted price in an active market for an identical liability, that price would be considered a Level 1 measurement in the fair value hierarchy. Similarly, if the identical liability has a quoted price when traded as an asset in an active market, it is also a Level 1 fair value measurement if no adjustments to the quoted price of the asset are required. This update was effective for the Company's second quarter of fiscal year 2010. The adoption of ASU No. 2009-05 did not have a material impact on the Company's consolidated results of operations and financial position.

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In January 2010, FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (ASC Topic 820) - Improving Disclosures About Fair Value Measurements*. The ASU requires new disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosures and clarifications of existing disclosures are effective for the Company's third quarter of fiscal year 2010, except for the disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements, which are effective for the Company's first quarter of fiscal year 2012. Other than requiring additional disclosures, the adoption of this new guidance will not have a material impact on the Company's consolidated results of operations and financial position.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**2. Balance Sheet Information***Investments*

The Company has classified its entire investment portfolio as available-for-sale. Available-for-sale securities are classified as cash equivalents or short-term investments and are stated at fair value with unrealized gains and losses included in Accumulated other comprehensive income (loss), which is a component of shareholders' equity. Realized gains and losses are included in other income (expense). The cost of securities sold is based on the specific identification method.

The following is a summary of the fair value of available-for-sale securities at April 2, 2010:

(Dollars in millions)	Amortized Cost	Unrealized Gain/ (Loss)	Fair Value
Money market funds	\$ 756	\$	\$ 756
Commercial paper	1,087		1,087
U.S. treasuries and agency bonds	140	1	141
Corporate bonds	78		78
International treasuries	10		10
Certificates of deposit	25		25
Auction rate securities	20	(2)	18
Municipal bonds	4		4
Total	\$ 2,120	\$ (1)	\$ 2,119
Included in cash and cash equivalents			\$ 1,887
Included in short term investments			214
Included in other assets, net			18
Total			\$ 2,119

As of April 2, 2010, with the exception of the Company's auction rate securities, the Company had no marketable securities that had been in a continuous unrealized loss position for a period greater than 12 months and determined no marketable securities were other-than-temporarily impaired (see Note 7).

The fair value of the Company's investment in debt securities at April 2, 2010, by remaining contractual maturity, was as follows:

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(Dollars in millions)	Amortized Cost	Unrealized Gain/ (Loss)	Fair Value
Due in less than 1 year	\$ 2,035	\$	\$ 2,035
Due in 1 to 3 years	65	1	66
Thereafter	20	(2)	18
Total	\$ 2,120	\$ (1)	\$ 2,119

The following is a summary of the fair value of available-for-sale securities at July 3, 2009:

(Dollars in millions)	Amortized Cost	Unrealized Gain/ (Loss)	Fair Value
Money market funds	\$ 914	\$	\$ 914
Commercial paper	348		348
U.S. treasuries and agency bonds	52	1	53
Certificates of deposit	50		50
Auction rate securities	21	(3)	18
Corporate bonds	16		16
Municipal bonds	14		14
Total	\$ 1,415	\$ (2)	\$ 1,413
Included in cash and cash equivalents			\$ 1,281
Included in short term investments			114
Included in other assets, net			18
Total			\$ 1,413



Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**2. Balance Sheet Information (continued)**

The fair value of the Company's investment in debt securities at July 3, 2009, by remaining contractual maturity, was as follows:

(Dollars in millions)	Amortized Cost	Unrealized Gain/ (Loss)	Fair Value
Due in less than 1 year	\$ 1,364	\$	1,364
Due in 1 to 3 years	30	1	31
Thereafter	21	(3)	18
Total	\$ 1,415	\$ (2)	1,413

As of July 3, 2009, with the exception of the Company's auction rate securities, the Company had no marketable securities that had been in a continuous unrealized loss position for a period greater than 12 months and determined no marketable securities were other-than-temporarily impaired (see Note 7).

*Restricted Cash and Investments*

As of April 2, 2010, the Company's restricted cash and investments of \$103 million consisted of \$74 million cash held in trust for payment of its deferred compensation plan liabilities and \$29 million in cash collateral held at banks for various performance obligations. As of July 3, 2009, the Company's restricted cash and investments of \$508 million consisted primarily of \$380 million of proceeds from the issuance of the Company's 10% Senior Secured Second-Priority Notes due May 2014 held in escrow for repayment or repurchase of debt, \$85 million of cash held in trust for payment of its deferred compensation plan liabilities, and \$43 million in cash collateral held at banks for various performance obligations.

*Accounts Receivable, net*

(Dollars in millions)	April 2, 2010	July 3, 2009
Accounts receivable	\$ 1,461	\$ 1,043
Allowance for doubtful accounts	(10)	(10)
	\$ 1,451	\$ 1,033

*Inventories*

<b>(Dollars in millions)</b>	<b>April 2, 2010</b>	<b>July 3, 2009</b>
Raw materials and components	\$ 241	\$ 201
Work-in-process	159	120
Finished goods	285	266
	\$ 685	\$ 587

*Other Current Assets*

<b>(Dollars in millions)</b>	<b>April 2, 2010</b>	<b>July 3, 2009</b>
Vendor non-trade receivables	\$ 367	\$ 326
Other	193	202
	\$ 560	\$ 528

Other current assets include vendor non-trade receivables from certain manufacturing vendors resulting from the sale of components to these vendors who manufacture and sell completed sub-assemblies back to the Company. The Company does not reflect the sale of these components as 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.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**2. Balance Sheet Information (continued)***Property, Equipment and Leasehold Improvements, net*

(Dollars in millions)	April 2, 2010	July 3, 2009
Property, equipment and leasehold improvements	\$ 6,516	\$ 6,267
Accumulated depreciation and amortization	(4,462)	(4,038)
	\$ 2,054	\$ 2,229

**3. Restructuring and Exit Costs**

The following table summarizes the Company's restructuring activities for the nine months ended April 2, 2010:

(Dollars in millions)	Employee Benefits	Operating Leases	Other Exit Costs	Total
<b>All Restructuring Activities</b>				
Accrual balances at July 3, 2009	\$ 61	\$ 40	\$ —	\$ 101
Restructuring charges	37	6	3	46
Cash payments	(52)	(4)	(2)	(58)
Accrual balances at October 2, 2009	46	42	1	89
Restructuring charges	1	1	1	3
Cash payments	(2)	(4)	(1)	(7)
Adjustments	(3)	—	—	(3)
Accrual balances at January 1, 2010	42	39	1	82
Restructuring charges	3	—	1	4
Cash payments	(3)	(4)	(2)	(9)
Accrual balances at April 2, 2010	\$ 42	\$ 35	\$ —	\$ 77

Of the \$77 million accrued restructuring balance at April 2, 2010, \$55 million is included in Accrued expenses and \$22 million is included in Other non-current liabilities on the accompanying Condensed Consolidated Balance Sheet. All restructuring charges are reported in Restructuring and other, net on the Condensed Consolidated Statements of Operations. The Company's significant restructuring plans are described below.

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*2010 Plan.* During the three months ended April 2, 2010, the Company recorded \$3 million related to employee termination costs for a new plan as a result of the Company's ongoing focus on cost efficiencies in all areas of its business.

*AMK Plan.* In August 2009, the Company announced that it will close its AMK facility in Singapore by the end of calendar year 2010. The hard drive manufacturing operations will be relocated to other existing Seagate facilities and the Company's Asia International Headquarters (IHQ) will remain in Singapore. This closure and relocation is part of the Company's ongoing focus on cost efficiencies in all areas of its business and is intended to facilitate leveraging manufacturing investments across fewer sites. The Company does not expect the closure to meaningfully change production capacity. The Company currently estimates total restructuring charges of approximately \$80 million, all in cash, including approximately \$60 million for severance, approximately \$10 million for the relocation of manufacturing equipment, and approximately \$10 million for other plant closure and relocation costs. During the nine months ended April 2, 2010, the Company accrued total restructuring charges of \$38 million related to estimated post-employment benefits for the AMK Plan. No cash payments were made relating to this plan during the nine months ended April 2, 2010.

*January and May 2009 Plans.* From inception of the Company's restructuring plans announced in January and May of 2009 through April 2, 2010, the Company has recorded restructuring charges of approximately \$167 million primarily related to post employment benefits. These plans are expected to result in total restructuring charges of approximately \$170 million. The Company made cash payments of \$4 million and \$59 million relating to these plans during the three and nine months ended April 2, 2010, respectively. The January and May 2009 Plans were substantially complete by April 2, 2010.

Table of Contents

**SEAGATE TECHNOLOGY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**3. Restructuring and Exit Costs (continued)**

*Pittsburgh and Milpitas Closures.* The Company announced the closure of its research facility in Pittsburgh, Pennsylvania and its media manufacturing facility in Milpitas, California in September 2008 and July 2008, respectively. Operations at these facilities ceased during fiscal year 2009. From the inception of these plans through April 2, 2010, the Company has recorded restructuring related charges of approximately \$108 million, including \$1 million and \$9 million of restructuring costs recorded in the three and nine months ended April 2, 2010, respectively. These closures are expected to result in total charges of approximately \$110 million. The Company made cash payments of \$2 million and \$7 million relating to these plans during the three and nine months ended April 2, 2010, respectively. The remaining balance of \$11 million as of April 2, 2010 is associated with facility lease obligations. Payment of these exit costs are expected to continue through the end of fiscal year 2017.

*Maxtor and Other.* The Company recorded certain exit costs aggregating \$265 million through April 2, 2010 related to its acquisition of Maxtor Corporation ( Maxtor ). During the three and nine months ended April 2, 2010, the Company made cash payments on these restructuring plans of \$3 million and \$8 million, respectively. The remaining balance of \$23 million, as of April 2, 2010, is primarily associated with the exit of certain facilities. Payment of these exit costs are expected to continue through the end of fiscal year 2016.

**4. Debt and Convertible Notes**

*Short-term Borrowings*

During the nine months ended April 2, 2010, the Company entered into \$15 million of short-term borrowings, which were repaid in the three months ended April 2, 2010.

*Convertible Notes*

On July 4, 2009, the Company implemented a change in accounting in accordance with ASC 470-20, *Debt with Conversion and Other Options* (formerly FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*), for its convertible debt instruments on a retrospective basis to separately account for its convertible debt in two parts, (i) a debt component which was recorded upon acquisition at the estimated fair value of a similar debt instrument without the debt-for-equity conversion feature; and (ii) an equity component that was included in paid-in capital and represents the estimated fair value of the conversion feature at

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issuance. The bifurcation of the debt and equity components resulted in a discounted carrying value of the debt component compared to the principal amount. The discount is accreted to the carrying value of the debt component through interest expense over the expected life of the debt using the effective interest method.

The 6.8% Convertible Senior Notes due April 2010 (the 6.8% Notes ) require semi-annual interest payments payable on April 30 and October 30. The 6.8% Notes were originally assumed in the business combination with Maxtor on May 19, 2006 and were recorded as long-term debt at par value of \$136 million and a substantial premium of \$17 million, which was recorded to Additional paid-in capital. The debt component of the 6.8% Notes at acquisition was determined to be \$136 million, based on the contractual cash flows discounted at 6.8%, which was the estimated rate of a comparable non-convertible debt instrument as of May 19, 2006. As a result, implementation of the new requirements had no effect on the accounting for the 6.8% Notes. On April 30, 2010, the Company repaid the remaining balance of \$77 million in cash for its 6.8% Notes upon maturity.

The 2.375% Convertible Senior Notes due August 2012 (the 2.375% Notes ) require semi-annual interest payments payable on February 15 and August 15. The 2.375% Notes were originally assumed in the business combination with Maxtor on May 19, 2006 and were recorded as Current portion of long-term debt at par value of \$326 million and a substantial premium of \$157 million, which was recorded to Additional paid-in capital. The debt component of the 2.375% Notes at acquisition was determined to be \$252 million, based on the contractual cash flows discounted at 6.9%, which was the estimated rate of a comparable non-convertible debt instrument as of May 19, 2006. As a result of implementing the new standard, \$74 million was recorded as an increase to Additional paid-in capital and a corresponding debt discount as of the date of acquisition.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 4. Debt and Convertible Notes (continued)

The following illustrates the retrospective impact of implementing the provisions of the change in accounting for convertible debt on the previously stated Condensed Consolidated Statement of Operations for the three and nine months ended April 3, 2009:

## Retrospective Impact on the Condensed Consolidated Statement of Operations

(Dollars in millions)	Three Months Ended April 3, 2009			Nine Months Ended April 3, 2009		
	As Originally Stated	Effect of Change in Accounting	Restated	As Originally Stated	Effect of Change in Accounting	Restated
Impairment of goodwill and long-lived assets	\$ —	\$ —	\$ —	\$ 2,290	\$ 30	\$ 2,320
Interest expense	(35)	(2)	(37)	(95)	(7)	(102)
Net income (loss)	(273)	(2)	(275)	(3,005)	(37)	(3,042)
Net income (loss) per share:						
Basic	\$ (0.56)	\$ —	\$ (0.56)	\$ (6.17)	\$ (0.08)	\$ (6.25)
Diluted	(0.56)	—	(0.56)	(6.17)	(0.08)	(6.25)

There was no net impact resulting from this accounting change on the Company's cash flows from operating activities, investing activities or financing activities as reflected in the Condensed Consolidated Statements of Cash Flows.

The following table presents information regarding the equity and liability components of the 2.375% and 6.8% Notes as of April 2, 2010 and July 3, 2009:

(Dollars in millions)	As of April 2, 2010	As of July 3, 2009 Restated
<b>2.375% Notes</b>		
Principal amount	\$ 326	\$ 326
Unamortized discount	(32)	(40)
Liability component	\$ 294	\$ 286

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Equity component	\$	231	\$	231
<b>6.8% Notes</b>				
Principal amount and liability component	\$	77	\$	116
Equity component	\$	17	\$	17

The remaining discount on the 2.375% Notes will continue to be amortized until maturity of the 2.375% Notes in August 2012. The effective interest rate, contractual interest expense and amortization of debt discount for the 2.375% Notes for the three and nine months ended April 2, 2010 and April 3, 2009 were as follows:

(Dollars in millions, except for percentages)	The Three Months Ended		The Nine Months Ended	
	April 2, 2010	April 3, 2009 Restated	April 2, 2010	April 3, 2009 Restated
Effective interest rate	6.9%	6.9%	6.9%	6.9%
Interest expense contractual	\$ 2	\$ 2	\$ 6	\$ 6
Interest expense amortization of debt discount due to change in accounting	\$ 3	\$ 3	\$ 9	\$ 9



Table of Contents

**SEAGATE TECHNOLOGY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**4. Debt and Convertible Notes (continued)**

The 2.375% and 6.8% Notes may, subject to certain conditions, be converted into the Company's common shares based on a conversion rate of 60.2074 and 30.1733 shares, respectively, per \$1,000 principal amount of notes, which represents a conversion price of approximately \$16.61 and \$33.14 per share, respectively. As of April 2, 2010, the conversion value exceeded the principal value on the 2.375% Notes by approximately \$47 million. The 2.375% Notes are convertible as of April 3, 2010, as the Company's shares traded above 110% of the conversion price for at least 20 consecutive trading days of the last 30 trading days of the third quarter of fiscal year 2010. As a result, the 2.375% Notes have been reclassified as Current portion of long-term debt on the Company's Condensed Consolidated Balance Sheet at April 2, 2010. As of April 2, 2010, the principal value exceeded the conversion value on the 6.8% Notes.

**5. Income Taxes**

The income tax provision for the three months ended April 2, 2010 included approximately \$11 million of discrete tax benefits primarily for reversal of valuation allowance previously recorded for certain non-U.S. deferred tax assets and release of tax reserves as a result of the U.S. 9th Circuit Court of Appeals' affirmation of the Tax Court decision in *Xilinx v Commissioner*. The income tax benefit recognized for the nine months ended April 2, 2010 included approximately \$39 million of discrete tax benefits primarily for the release of tax reserves associated with settlements, expiration of certain statutes of limitations, and the U.S. 9th Circuit Court decision, as described above, the reversal of valuation allowance previously recorded for certain non-U.S. deferred tax assets, and U.S. federal income tax legislative changes.

The Company's income tax provision and benefit recorded for the three and nine months ended April 2, 2010 differed from the provision for income taxes that would be derived by applying a notional U.S. 35% rate to income before income taxes primarily due to the net effect of (i) tax benefits related to tax holiday and tax incentive programs, (ii) a decrease in valuation allowance for certain non-U.S. deferred tax assets, (iii) tax expense related to intercompany transactions, and (iv) release of certain tax reserves as described above.

During the three months ended April 2, 2010, the Company's unrecognized tax benefits excluding interest and penalties decreased by \$2 million to \$114 million. The unrecognized tax benefits that, if recognized, would impact the effective tax rate was \$114 million as of April 2, 2010, subject to certain future valuation allowance reversals. During the 12 months beginning April 3, 2010, the Company expects to reduce its unrecognized tax benefits by approximately \$5 million primarily as a result of the expiration of certain statutes of limitations.

The income tax benefit recognized for the comparative three months ended April 3, 2009 resulted primarily from the reversal of a portion of the income tax expense the Company previously recorded in the six months ended January 2, 2009 as a result of reductions in forecasted income from operations conducted in certain jurisdictions. The income tax provision for the comparative nine months ended April 3, 2009 included a deferred tax charge of \$271 million associated with increased valuation allowance recorded for U.S. federal and state deferred tax assets

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associated with reductions in the Company's forecasted U.S. taxable income. The goodwill impairment charges recorded in the comparative nine months ended April 3, 2009 resulted in no tax benefits. As of the close of the period ended April 3, 2009, the Company was forecasting losses in certain jurisdictions, including the U.S., for which tax benefits for the losses could not be recognized. Pursuant to the accounting guidance provided in ASC 740-270-30-36a, *Income Taxes, Interim Reporting* (formerly FASB Interpretation No. 18, *Accounting for Income Taxes in Interim Periods*), the Company was required to exclude these loss jurisdictions from its overall estimated annual effective rate calculation and determine a separately computed effective tax rate for each loss jurisdiction.

The income tax benefit recognized for the comparative three months ended April 3, 2009 differed from the provision for income taxes that would be derived by applying a notional U.S. 35% rate to losses before income taxes primarily due to the net effect of (i) applying the provisions of ASC 740-270-30-36a as described above, (ii) the tax benefit related to tax holiday and tax incentive programs, (iii) tax expense related to intercompany transactions, and (iv) an increase in the Company's valuation allowance for certain deferred tax assets. The income tax provision recorded for the comparative nine months ended April 3, 2009 differed from the provision for income taxes that would be derived by applying a notional U.S. 35% rate to income before income taxes primarily due to the net effect of (i) goodwill impairment charges with no associated tax benefit, (ii) an increase in the Company's valuation allowance for certain deferred tax assets, (iii) the tax benefit related to the tax holidays and tax incentive programs, and (iv) tax expense related to intercompany transactions.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**6. 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 in order 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 unrealized net losses on cash flow hedges included in Other comprehensive income (loss) (OCI) as of April 2, 2010 and July 3, 2009, respectively, were not material.

The Company redesignates its cash flow hedges when the forecasted hedged transactions are realized or it is probable the forecasted hedged transaction will not occur in the initially identified time period. At such time, the associated gains and losses deferred in OCI are reclassified into earnings in the same period that the underlying hedged transaction is included in earnings. Any subsequent changes in the fair value of such derivative instruments are immediately reflected in earnings. As of April 2, 2010, the Company's existing foreign currency forward exchange contracts are expected to mature within 12 months. The deferred amount currently recorded in OCI and expected to be recognized into earnings is not material.

As of April 2, 2010, the total notional value of the Company's outstanding foreign currency forward exchange contracts was:

(Dollars in millions)	Contracts Qualifying as Hedges Under ASC 815		Contracts Not Qualifying as Hedges Under ASC 815	
Thai baht	\$	260	\$	193
Singapore dollars		65		12
Euro		10		
Yen		6		
Czech koruna				11
British pounds		1		
	\$	342	\$	216

The Company is subject to equity market risks due to changes in the fair value of the notional investments selected by its employees as part of its non-qualified deferred compensation (NQDC) plan. In the quarter ended July 3, 2009, the Company entered into a Total Return Swap (TRS) in order to manage the equity market risks associated with the NQDC plan liabilities. The Company pays a floating rate, based on LIBOR plus an interest rate spread, on the notional amount of the TRS. The TRS is designed to substantially offset changes in the NQDC plan liability due to changes in the value of the investment options made by employees. As of April 2, 2010, the notional investments underlying the TRS amounted to \$80 million. The contract term of the TRS is one year and is settled on a monthly basis therefore limiting counterparty performance risk. The terms of the TRS required the Company to pledge initial collateral of \$18 million to the counterparty for the term of the contract. During the quarter ended April 2, 2010, the amount required to be pledged on an ongoing basis was decreased to \$9 million. Additional collateral may be posted contingent on the counterparty's exposure to the market value of the TRS. The cash pledged is recorded as restricted cash. The Company did not designate the TRS as a hedge in accordance with ASC 815, *Derivatives and Hedging* (previously SFAS 161, *Disclosures About*

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*Derivative Instruments and Hedging Activities*). Rather, the Company records all changes in the fair value of the TRS to earnings to offset the market value changes of the NQDC plan liabilities.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 6. Derivative Financial Instruments (continued)

The following table shows the Company's derivative instruments measured at gross fair value as reflected in the Condensed Consolidated Balance Sheet as of April 2, 2010:

## Fair Values of Derivative Instruments

(Dollars in millions)	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<b>Derivatives designated as hedging instruments under ASC 815:</b>				
Foreign currency forward exchange contracts	Other current assets	\$ 5	Accrued expenses	\$ (1)
<b>Derivatives not designated as hedging instruments under ASC 815:</b>				
Foreign currency forward exchange contracts	Other current assets	\$ 6	Accrued expenses	\$
Total return swap	Other current liabilities	1	Accrued expenses	
<b>Total derivatives</b>		<b>\$ 12</b>		<b>\$ (1)</b>

The following tables show the effect of the Company's derivative instruments on OCI and the Condensed Consolidated Statement of Operations for the three and nine months ended April 2, 2010:

## The Effect of Derivative Instruments on the Statement of Operations

for the Three and Nine Months Ended April 2, 2010

Location of  
Gain or (Loss)

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	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		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	For the Nine Months		For the Three Months	For the Nine Months		For the Three Months	For the Nine Months
<b>Derivatives Designated as Cash Flow Hedges under ASC 815</b>								
Foreign exchange forward contracts	\$ 6	\$ 11	Cost of revenue	\$ 2	\$ 6	Cost of revenue	\$	\$ 1

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 6. Derivative Financial Instruments (continued)

Derivatives Not Designated as Hedging Instruments under ASC 815 (Dollars in millions)	Location of Gain or (Loss)		Amount of Gain or (Loss) Recognized in Income on Derivatives	
	Recognized in Income on Derivatives		For the Three Months	For the Nine Months
Foreign exchange forward contracts	Other, net	\$	8	\$ 12
Total return swap	Operating expenses		4	17
		\$	12	\$ 29

(a) The amount of gain or (loss) recognized in income represents \$0 million related to the ineffective portion of the hedging relationships and \$1 million related to the amount excluded from the assessment of hedge effectiveness, for the three and nine months ended April 2, 2010, respectively.

Net foreign currency losses included in the determination of consolidated net income (loss) were approximately \$2 million for the three months ended April 2, 2010. Net foreign currency gains included in the determination of consolidated net income (loss) were approximately \$4 million for the nine months ended April 2, 2010.

The following tables show the effect of the Company's derivative instruments on OCI and the Condensed Consolidated Statement of Operations for the three and nine months ended April 3, 2009:

## The Effect of Derivative Instruments on the Statement of Operations

for the Three and Nine Months Ended April 3, 2009

Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from	Amount of Gain or (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) (a)
For the	For the	OCI into Income	For the	Amount Excluded from	For the
			For the		For the

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Derivatives Designated as  
Cash  
Flow Hedges under ASC  
815  
(formerly FAS 133)  
(Dollars in millions)

	Three Months	Nine Months	(Effective Portion)	Three Months	Nine Months	Effectiveness Testing)	Three Months	Nine Months
Foreign exchange forward contracts	\$ (4)	\$ (27)	Cost of revenue	\$ (11)	\$ (32)	Cost of revenue	\$	\$ (1)



Table of Contents

SEAGATE TECHNOLOGY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

6. Derivative Financial Instruments (continued)

Derivatives Not Designated as Hedging Instruments under ASC 815 (formerly FAS 133) (Dollars in millions)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives	
		For the Three Months	For the Nine Months
Foreign exchange forward contracts	Other, net	\$	\$ (25)

(a) The amount of gain or (loss) recognized in income represents \$0 million related to the ineffective portion of the hedging relationships and \$0 million and \$1 million related to the amount excluded from the assessment of hedge effectiveness, for the three and nine months ended April 3, 2009, respectively.

Net foreign currency losses included in the determination of consolidated net income (loss) were approximately \$1 million and \$8 million for the three and nine months ended April 3, 2009, respectively.

As of July 3, 2009, the total notional value of the Company's outstanding foreign currency forward exchange contracts was:

(Dollars in millions)	Contracts Qualifying as Hedges Under ASC 815	Contracts Not Qualifying as Hedges Under ASC 815
Thai baht	\$ 104	\$ 64
Singapore dollars	24	3
Czech koruna	8	8
	\$ 128	\$ 75

The following table shows the Company's derivative instruments measured at gross fair value as reflected in the Condensed Consolidated Balance Sheet as of July 3, 2009:

Fair Values of Derivative Instruments

(Dollars in millions)	Asset Derivatives	Liability Derivatives
-----------------------	-------------------	-----------------------

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	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<b>Derivatives designated as hedging instruments under ASC 815:</b>				
Foreign currency forward exchange contracts	Other current assets	\$ 1	Accrued expenses	\$ —
<b>Derivatives not designated as hedging instruments under ASC 815:</b>				
Foreign currency forward exchange contracts	Other current assets	\$ —	Accrued expenses	\$ —
Total return swap	Other current liabilities	—	Accrued expenses	(1)
<b>Total derivatives</b>		<b>\$ 1</b>		<b>\$ (1)</b>

Table of Contents

**SEAGATE TECHNOLOGY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**7. Fair Value**

For assets and liabilities recorded at fair value, the Company bases the determination of fair value upon exit price, representing the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. 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.

As of July 4, 2009, the Company adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (previously SFAS 157, *Fair Value*) that apply to non-financial assets and liabilities measured at fair value on a non-recurring basis, thereby applying the fair value disclosure requirements to both the financial and non-financial assets and liabilities of the Company. The adoption of these provisions did not have a material impact on the Company's consolidated results of operations and financial condition.

ASC 820 establishes a consistent framework for measuring fair value whereby inputs used in valuation techniques are assigned a hierarchical level. The assignment to a level is based on whether the market participant assumptions used in determining fair value are obtained from independent sources (observable inputs) or reflect the Company's own assumptions of market participant valuation (unobservable inputs). Categorization within the fair value hierarchy is determined by the lowest level of input that is significant to the fair value measurement. The following are the hierarchical levels of inputs 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 significant inputs that 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.

Table of Contents

SEAGATE TECHNOLOGY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

7. Fair Value (continued)

*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 April 2, 2010:

(Dollars in millions)	Fair Value Measurements at Reporting Date Using			Total Balance
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Money market funds	\$ 756	\$	\$	\$ 756
Commercial paper		1,087		1,087
U.S. treasuries and agency bonds		141		141
Corporate bonds		78		78
International treasuries		10		10
Municipal bonds		4		4
Total Cash Equivalents and Marketable Securities	756	1,320		2,076
<b>Restricted Cash and Investments:</b>				
Money market funds	83			83
Certificates of deposit		6		6
Auction rate securities			18	18
Derivative assets		12		12
Total Assets	\$ 839	\$ 1,338	\$ 18	\$ 2,195
<b>Liabilities:</b>				
Derivative liabilities	\$	\$ (1)	\$	\$ (1)
Total Liabilities	\$	\$ (1)	\$	\$ (1)

(Dollars in millions)	Fair Value Measurements at Reporting Date Using			Total Balance
	Quoted Prices in Active	Significant Other Observable	Significant Unobservable Inputs	

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	Markets for Identical Instruments (Level 1)	Inputs (Level 2)	(Level 3)
<b>Assets:</b>			
Cash and cash equivalents	\$ 756	\$ 1,106	\$ 1,862
Short-term investments		214	214
Restricted cash and investments	83	6	89
Other current assets		12	12
Other assets, net			18
<b>Total Assets</b>	<b>\$ 839</b>	<b>\$ 1,338</b>	<b>\$ 2,195</b>
<b>Liabilities:</b>			
Accrued expenses	\$	\$ (1)	\$ (1)
<b>Total Liabilities</b>	<b>\$</b>	<b>\$ (1)</b>	<b>\$ (1)</b>

Table of Contents

**SEAGATE TECHNOLOGY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**7. Fair Value (continued)**

Level 1 assets consist of money market funds 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, 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 marketable securities. For the cash equivalents and marketable securities in the Company's 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 April 2, 2010, 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 and a total return swap. The Company recognizes derivative financial instruments in its consolidated financial statements at fair value in accordance with ASC 815. 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 \$20 million, all of which are collateralized by student loans guaranteed by the Federal Family Education Loan Program. Beginning in the fiscal quarter ended March 28, 2008, these securities failed to settle at auction and have continued to fail through April 2, 2010. Since there is no active market for these securities, the Company valued them using a pricing model provided by a third party valuation firm. The valuation model is based on the income approach and reflects both observable and significant unobservable inputs. 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. As such, the Company believes the impairments totaling \$2 million are not other-than-temporary and therefore have been recorded in Accumulated other comprehensive income (loss). Given the uncertainty as to when the liquidity issues associated with these securities will improve, these securities were classified as long-term investments in the Company's Condensed Consolidated Balance Sheets.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 7. Fair Value (continued)

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the nine months ended April 2, 2010:

(Dollars in millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Auction Rate Securities	
Balance at July 3, 2009	\$	18
Total net gains (losses) (realized and unrealized):		
Realized gains (losses)(1)		
Unrealized gains (losses) (2)		
Balance at April 2, 2010	\$	18

(1) Realized gains (losses) on auction rate securities are recorded in Other, net on the Condensed Consolidated Statements of Operations.

(2) Unrealized gains (losses) on auction rate securities are recorded as a separate component of Other comprehensive income (loss) in Accumulated other comprehensive income (loss), which is a component of Shareholders' Equity.

*Items Measured at Fair Value on a Non-Recurring Basis*

The following table presents the Company's assets and liabilities that are measured at fair value on a non-recurring basis as of April 2, 2010.

(Dollars in millions)	Fair Value Measurements at Reporting Date Using				Total Balance
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets:					
Assets held for sale	\$	\$	\$ 11	\$	11
Equity investment	\$	\$	\$ 4	\$	4

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On September 29, 2009, the Company committed to a plan to sell certain equipment related to certain research activities that have ceased. The Company expects the sale of these assets to be completed no later than the end of its first quarter of fiscal year 2011. The Company recognized a charge of \$64 million in Impairment of long-lived assets in its Condensed Consolidated Statement of Operations for the nine months ended April 2, 2010 in order to write down the carrying amount of these assets to estimated fair value less costs to sell. The Company used a combination of the market and cost approaches in order to determine the fair value of assets held for sale. The methodology employed involved applying market derived factors, which represented the discount that a market participant would expect to pay for a used asset based on estimated replacement cost. The discounts applied to replacement costs, which consider all forms of physical, functional and economic obsolescence, were obtained from discussions with brokers and other market participants. As the valuation of the Company's assets held for sale contain unobservable inputs, they have been classified as Level 3. These Assets held for sale are included in Other current assets on the Condensed Consolidated Balance Sheet as of April 2, 2010.

As of January 1, 2010, the Company determined that one of its equity investments accounted for under the cost method was other-than-temporarily impaired. As such, the Company recognized a charge of \$13 million in Other, net in its Condensed Consolidated Statements of Operations for the nine months ended April 2, 2010 in order to write down the carrying amount of the investment to estimated fair value. Since there is no active market for the equity securities of the investee, the Company estimated fair value of the investee by using the market approach to estimate the fair value of its underlying intellectual property assets.



Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**7. Fair Value (continued)***Other Fair Value Disclosures*

The Company's debt is carried at cost. The following table represents the fair value of the Company's debt:

(Dollars in millions)	April 2, 2010		July 3, 2009(a)	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
LIBOR Based Credit Facility	\$	\$	\$ 350	\$ 350
Capital Leases	2	2		
10.0% Senior Secured Second-Priority Notes due May 2014	413	489	410	445
Floating Rate Senior Notes due October 2009			300	299
6.8% Convertible Senior Notes due April 2010	77	77	116	116
6.375% Senior Notes due October 2011	559	580	599	581
5.75% Subordinated Debentures due March 2012	31	32	37	35
2.375% Convertible Senior Notes due August 2012	294	376	286	283
6.8% Senior Notes due October 2016	599	606	599	550
	1,975	2,162	2,697	2,659
Less short-term borrowings and current portion of long-term debt	(377)	(458)	(771)	(769)
Long-term debt, less current portion	\$ 1,598	\$ 1,704	\$ 1,926	\$ 1,890

(a) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.

**8. Shareholders' Equity***Issuance of Common Shares*

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During the nine months ended April 2, 2010, the Company issued approximately 5 million of its common shares from the exercise of stock options and approximately 4 million of its common shares related to the Company's Employee Stock Purchase Plan ( ESPP ).

*Seagate Technology 2001 Share Option Plan* As of April 2, 2010, there were approximately 3 million common shares available for issuance under the Seagate Technology 2001 Share Option Plan.

*Seagate Technology 2004 Stock Compensation Plan* As of April 2, 2010, there were approximately 17 million common shares available for issuance under the Seagate Technology 2004 Stock Compensation Plan.

*Stock Purchase Plan* As of April 2, 2010, there were approximately 10 million common shares available for issuance under the ESPP.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**8. Shareholders' Equity (continued)***Repurchases of Equity Securities*

The Company's February 2008 stock repurchase plan expired on January 31, 2010.

On January 27, 2010, the Company's Board of Directors authorized an Anti-Dilution Share Repurchase Program, which was publicly announced on February 1, 2010. The repurchase program authorizes the Company to repurchase its common shares to offset increases in diluted shares, such as those caused by employee stock plans and convertible debt, used in the determination of diluted net income per share. The timing and number of shares to be repurchased by the Company will be dependent on general business and market conditions, cash flows generated by future operations, the price of its common shares, cash requirements for other investing and financing activities, and maintaining compliance with its debt covenants. Repurchases may be made through open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means, such as by way of an accelerated share repurchase program, through block trades or through the purchase of call options or the sale of put options. Additionally, there is no minimum or maximum number of shares to be repurchased under the program and the authority for the Anti-Dilution Share Repurchase Program will continue until terminated by the Company's Board of Directors.

Share repurchases during the three months ended April 2, 2010, were as follows:

**January 2010 Anti-Dilution Share Repurchase Program**

(In millions, except average price paid per share)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased Under Publicly Announced Plans or Programs	Approximate Dollar Value of Shares Purchased Under the Plans or Programs
January 2, 2010 through January 29, 2010		\$		\$
January 30, 2010 through February 26, 2010	13.5	18.53	13.5	251
February 27, 2010 through April 2, 2010				
Total Through 3rd Quarter of Fiscal Year 2010	13.5	\$ 18.53	13.5	\$ 251

**9. Compensation**

The Company recorded approximately \$13 million and \$38 million of stock-based compensation during the three and nine months ended April 2, 2010, respectively. The Company recorded approximately \$17 million and \$70 million of stock-based compensation during the three and nine months ended April 3, 2009, respectively.

Table of Contents

**SEAGATE TECHNOLOGY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**10. Guarantees**

*Indemnifications of Officers and Directors*

The Company has entered into indemnification agreements with the members of its board of directors to indemnify them to the extent permitted by law against any and all liabilities, costs, expenses, amounts paid in settlement and damages incurred by any director as a result of any lawsuit or any judicial, administrative or investigative proceeding brought against such director as a result of their service as a member of the Company's board of directors.

*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 Condensed Consolidated Financial Statements with respect to these indemnification obligations.

*Product Warranty*

The Company estimates and accrues product warranty costs at the time revenue is recognized. The Company generally warrants its products for periods from 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 obligations. In addition, estimated settlements for customer compensatory claims relating to product quality issues, if any, are accrued as warranty expense. Changes in the Company's product warranty liability during the three and nine months ended April 2, 2010 and April 3, 2009 were as follows:

(Dollars in millions)	For the Three Months Ended		For the Nine Months Ended	
	April 2, 2010	April 3, 2009	April 2, 2010	April 3, 2009
Balance, beginning of period	\$ 401	\$ 441	\$ 437	\$ 445

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Warranties issued	56	58	167	208
Repairs and replacements	(53)	(60)	(167)	(185)
Changes in liability for pre-existing warranties, including expirations	(10)	7	(43)	(22)
Balance, end of period	\$ 394	\$ 446	\$ 394	\$ 446

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**11. Earnings Per Share**

In accordance with ASC 260, *Earnings per Share* (previously SFAS 128, *Earnings per Share*), the following table sets forth the computation of basic and diluted net income (loss) per share:

(Dollars in millions, except per share data)	For the Three Months Ended		For the Nine Months Ended	
	April 2, 2010	April 3, 2009(1)	April 2, 2010	April 3, 2009(1)
<b>Numerator:</b>				
Net income (loss)	\$ 518	\$ (275)	\$ 1,230	\$ (3,042)
Adjustment for interest expense on 6.8% Convertible Senior Notes due April 2010	2		4	
Net income (loss), adjusted	\$ 520	\$ (275)	\$ 1,234	\$ (3,042)
<b>Denominator:</b>				
Weighted-average common shares outstanding	493	491	496	489
Weighted-average nonvested shares		(2)	(1)	(2)
Total shares for purpose of calculating basic net income (loss) per share	493	489	495	487
Weighted-average effect of dilutive securities:				
Nonvested shares	1			
Dilution from employee stock options	22		20	
2.375% Convertible Senior Notes due August 2012	2		1	
6.8% Convertible Senior Notes due April 2010	2		3	
Dilutive potential common shares:	27		24	
Total shares for purpose of calculating diluted net income (loss) per share	520	489	519	487
<b>Net Income (loss) per share:</b>				
Basic net income (loss) per share	\$ 1.05	\$ (0.56)	\$ 2.48	\$ (6.25)
Diluted net income (loss) per share	\$ 1.00	\$ (0.56)	\$ 2.38	\$ (6.25)

(1) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of 2010, applied on a retrospective basis.

The following potential common shares were excluded from the computation of diluted net income (loss) per share, as their effect would have been anti-dilutive:

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(In millions)	For the Three Months Ended		For the Nine Months Ended	
	April 2, 2010	April 3, 2009	April 2, 2010	April 3, 2009
Stock options	10	59	23	54
Nonvested shares		2		2
6.8% Convertible Senior Notes due April 2010		4		4



Table of Contents

**SEAGATE TECHNOLOGY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**12. Legal, Environmental and Other Contingencies**

In accordance with ASC 450, *Contingencies* (previously SFAS No. 5, *Accounting for Contingencies*), the Company assesses the probability of an unfavorable outcome of all its material litigation, claims, or assessments to determine whether a liability had been incurred and whether it is probable that one or more future events will occur confirming the fact of the loss. In the event that an unfavorable outcome is determined to be probable and the amount of the loss can be reasonably estimated, the Company establishes an accrual for the litigation, claim or assessment. Litigation is inherently uncertain and may result in adverse rulings or decisions. Additionally, the Company may enter into settlements or be subject to judgments that may, individually or in the aggregate, have a material adverse effect on its results of operations. Accordingly, actual results could differ materially.

*Intellectual Property Litigation*

*Convolve, Inc. and Massachusetts Institute of Technology ( MIT ) v. Seagate Technology LLC, et al.* On July 13, 2000, Convolve and MIT filed suit against Compaq Computer Corporation and the Company in the U.S. District Court for the Southern District of New York, alleging infringement of U.S. Patent Nos. 4,916,635, *Shaping Command Inputs to Minimize Unwanted Dynamics* (the 635 patent) and U.S. Patent No. 5,638,267, *Method and Apparatus for Minimizing Unwanted Dynamics in a Physical System* (the 267 patent), misappropriation of trade secrets, breach of contract, tortious interference with contract and fraud relating to Convolve and MIT's *Input Shaping®* and Convolve's *Quick and Quiet* technology. The plaintiffs claimed their technology is incorporated in Seagate's sound barrier technology, which was publicly announced on June 6, 2000. The complaint seeks injunctive relief, \$800 million in compensatory damages and unspecified punitive damages, including willful infringement.

On November 6, 2001, the U.S. Patent and Trademark Office (USPTO) issued US Patent No. 6,314,473, *System for Removing Selected Unwanted Frequencies in Accordance with Altered Settings in a User Interface of a Data Storage Device*. (the 473 patent) to Convolve. Convolve filed an amended complaint on January 16, 2002, alleging defendants' infringement of this patent.

Plaintiffs eventually indicated they would not prosecute the 267 patent in this case. On March 29, 2006, the court granted summary judgment for Seagate that Convolve's fraud, tortious interference with contract, unfair competition and breach of confidence claims are preempted by the California Uniform Trade Secrets Act (CUTSA). The court also held that while Convolve's claim for breach of the covenant of good faith and fair dealing is not preempted by the CUTSA, no tort damages are available. The court entered an order on July 14, 2006, that Convolve has no evidence to prove its claims regarding 10 alleged trade secrets, precluding Convolve from proceeding at trial on those claims, and precluding Convolve from alleging violations of the 10 alleged trade secrets by either defendant prior to December 7, 2005.

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At Seagate's request, the USPTO determined that both patents in suit had substantial new issues of patentability and ordered reexamination of the patents. The court denied the Company's motion to stay the federal case pending patent reexamination. On December 2, 2008, the USPTO issued a reexamination certificate for the 473 patent in which nine of the claims asserted in this litigation were determined to be patentable as amended and three asserted claims were confirmed. On January 4, 2010, the USPTO issued a final office action in a second reexamination proceeding on the 473 patent, finally rejecting two claims and confirming 10 claims that are asserted in the litigation. A final office action issued in the 635 reexamination in which five asserted claims were confirmed as patentable and three asserted claims were finally rejected. On September 21, 2009, the USPTO ordered another reexamination of the asserted claims of the 635 patent on grounds that there are substantial new questions of patentability. The 635 patent expired on September 12, 2008. No trial date has been set in the litigation. The Company believes the claims are without merit, and intends to defend against them vigorously.

Table of Contents

SEAGATE TECHNOLOGY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**12. Legal, Environmental and Other Contingencies (Continued)**

*Siemens, AG v. Seagate Technology* On August 23, 2006, Siemens, AG, a German corporation, filed a complaint against Seagate Technology in the U.S. District Court for the Central District of California alleging infringement of U.S. Patent No. 5,686,838 (the '838 patent) entitled

Magneto-resistive Sensor Having at Least a Layer System and a Plurality of Measuring Contacts Disposed Thereon, and a Method of Producing the Sensor. The suit alleged that Seagate drives incorporating Giant Magnetic Resistive (GMR) sensors infringe the '838 patent. The complaint sought damages in an unstated amount, an accounting, preliminary and permanent injunctions, prejudgment interest, enhanced damages for alleged willful infringement and attorney fees and costs. Siemens amended its complaint to add Tunnel Magnetic Resistive (TMR) sensors to the case. On May 9, 2008, the court entered summary judgment that TMR sensors are not covered by the '838 patent, thus eliminating TMR products from the case. On September 23, 2008, the court entered summary judgment that Seagate drives incorporating GMR sensors are covered by the

'838 patent. Trial began on November 12, 2008, and a jury returned a verdict in favor of Seagate on December 23, 2008, finding the '838 patent invalid on grounds of both anticipation and obviousness. Judgment was entered by the court in Seagate's favor on January 30, 2009, and Siemens post-trial motions were all denied. Siemens appealed to the Federal Circuit Court of Appeals, which entered an order on March 9, 2010, affirming the jury's verdict invalidating the Siemens patent and denying Siemens any relief.

*Siemens, AG v. Seagate Technology (Ireland)* On December 2, 2008, Siemens served Seagate Technology (Ireland), an indirect wholly-owned subsidiary of Seagate Technology, with a writ of summons alleging infringement of European Patent (UK) No. 0 674 769 (the EU '769 patent), which is the European counterpart to US Patent No. 5,686,838 upon which Siemens had sued Seagate Technology in the United States. The suit was filed in the High Court of Justice in Northern Ireland, Chancery Division. Siemens alleges that giant magneto-resistive (GMR), tunnel magneto-resistive (TMR), and tunnel giant magneto-resistive (TGMR) products designed and manufactured by Seagate Technology (Ireland) infringe the EU '769 patent. Trial is set for May 2010. The Company believes the claims are without merit and intends to defend against them vigorously.

*Qimonda AG v. LSI Corporation, et al.* On December 19, 2008, the US International Trade Commission (ITC) instituted an investigation under section 337 of the Tariff Act of 1930, as amended, at the request of complainant Qimonda AG, naming LSI Corporation and six Seagate Technology entities as respondents. The complaint alleges that LSI and Seagate import products into the US that infringe seven Qimonda patents relating to the design and manufacture of semiconductor integrated chips. The ITC trial was held in June 2009. On October 14, 2009, the Administrative Law Judge issued an Initial Determination finding the Qimonda patents either invalid, not infringed, or both. Qimonda appealed to the ITC Commission, who ruled on January 29, 2010, that the patents were either invalid, not infringed, or both. On March 31, 2010, Qimonda noticed an appeal of the Commission's ruling to the Court of Appeals for the Federal Circuit. The Company intends to vigorously oppose the appeal.

*Collins, et al. v. Seagate technology, et al.* On July 15, 2009, Carl Collins and Farzin Davanloo filed a complaint against Seagate Technology, Seagate Technology LLC and 19 other hard drive, computer, and retail companies. The complaint alleges that unspecified hard disk drives and components thereof infringe US patent Nos. 5,411,797 (the '797 patent) and 5,478,650 (the '650 patent), both entitled Nanophase Diamond Films. The case is pending in the US District Court for the Eastern District of Texas, Marshall Division. The complaint seeks unspecified damages and an injunction. The Company filed an answer to the complaint on September 8, 2009, denying all material allegations and asserting affirmative defenses.

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*Alexander Shukh v. Seagate Technology* Former Seagate engineer Alexander Shukh filed a complaint and an amended complaint against Seagate in Minnesota federal court, alleging, among other things, employment discrimination based on his Belarusian national origin and wrongful failure to name him as an inventor on several patents and patent applications. Mr. Shukh's employment was terminated as part of a company-wide reduction in force in 2009. He seeks damages in excess of \$75 million. The Company believes the claims are without merit and intends to vigorously defend this case.

*Siemens GmbH v. Seagate Technology (Germany)* On March 26, 2010, Siemens commenced proceedings against Seagate Technology GmbH, the Netherlands branch office of Seagate Technology International, and Seagate Technology LLC in the Dusseldorf District Court in Germany. The complaint alleges infringement of European Patent Number 0 674 769 (the EU 769 Patent), which corresponds to the patent in suit in the U.S. and Northern Ireland litigations. Siemens seeks a declaration that the EU 769 Patent is infringed by GMR and TMR products, removal of all infringing inventory, damages in an unstated amount, and costs. The Company intends to vigorously oppose this action.

Table of Contents

SEAGATE TECHNOLOGY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**12. Legal, Environmental and Other Contingencies (Continued)**

*Other Matters*

The Company is involved in a number of other judicial and administrative proceedings incidental to its business, and the Company may be involved in various legal proceedings arising in the normal course of its business in the future. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on its financial position or results of operations.

**13. Condensed Consolidating Financial Information**

On June 1, 2009, Maxtor, an indirect wholly-owned subsidiary of the Company incorporated in Delaware, merged with Seagate Technology U.S. Holdings, Inc. ( STUS ) (the Merger ), also an indirect wholly-owned subsidiary of the Company incorporated in Delaware. On June 1, 2009, in connection with the consummation of the Merger, the Company entered into second supplemental indentures (collectively, the Supplemental Indentures ) with Maxtor, STUS and U.S. Bank National Association, as trustee, amending and supplementing the indentures (collectively, the Indentures ) governing: (i) the 2.375% Notes; (ii) the 6.8% Notes; and (iii) the 5.75% Debentures (together with the 2.375% Notes and the 6.8% Notes, the Notes ). Pursuant to the Supplemental Indentures, STUS succeeded to, and assumed all of the obligations of, Maxtor under the Indentures and the Notes. As a result, Maxtor was discharged and released from all of its obligations under the Indentures and the Notes and the Company agreed to fully and unconditionally guarantee all of the obligations of STUS under the Indentures and the Notes, including the due and punctual payment of principal and interest.

The following tables present parent guarantor, subsidiary issuer and combined non-guarantors Condensed Consolidating Balance Sheets of the Company and its subsidiaries at April 2, 2010 and July 3, 2009, the Condensed Consolidating Statements of Operations for the three and nine months ended April 2, 2010 and April 3, 2009 and the Condensed Consolidating Statements of Cash Flows for the nine months ended April 2, 2010 and April 3, 2009. The information classifies the Company's subsidiaries into Seagate Technology-parent company guarantor, STUS-sub subsidiary issuer (or in the case of the three and nine months ended April 3, 2009, Maxtor-sub subsidiary issuer) and the Combined Non-Guarantors based on the classification of those subsidiaries under the terms of the Notes.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 13. Condensed Consolidating Financial Information (continued)

## Consolidating Balance Sheet

April 2, 2010

(In millions)

	Seagate Technology Parent Company Guarantor	STUS Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Cash and cash equivalents	\$ 16	\$ 112	\$ 1,934	\$	\$ 2,062
Short-term investments			214		214
Restricted cash and investments			103		103
Accounts receivable, net			1,451		1,451
Intercompany receivable		5	15	(20)	
Inventories			685		685
Other current assets		97	544		641
Total Current Assets	16	214	4,946	(20)	5,156
Property, equipment and leasehold improvements, net			2,054		2,054
Equity investments in Non-Guarantors	2,812			(2,812)	
Intercompany note receivable			167	(167)	
Other assets, net		366	171		537
Total Assets	\$ 2,828	\$ 580	\$ 7,338	\$ (2,999)	\$ 7,747
Accounts payable	\$	\$	\$ 1,895	\$	\$ 1,895
Intercompany payable	2	13	5	(20)	
Accrued employee compensation		2	212		214
Accrued expenses	2	29	607		638
Accrued income taxes		8	4		12
Current portion of long-term debt		376	1		377
Total Current Liabilities	4	428	2,724	(20)	3,136
Other non-current liabilities		35	261		296
Long-term accrued income taxes		25	35		60
Intercompany note payable	167			(167)	
Long-term debt, less current portion		26	1,572		1,598
Liability for deficit of STUS			18	(18)	
Liability for deficit of Non-Guarantor		84		(84)	

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Total Liabilities	171	598	4,610	(289)	5,090
Shareholders' Equity (Deficit)	2,657	(18)	2,728	(2,710)	2,657
Total Liabilities and Shareholders' Equity (Deficit)	\$ 2,828	\$ 580	\$ 7,338	\$ (2,999)	\$ 7,747

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 13. Condensed Consolidating Financial Information (continued)

## Consolidating Balance Sheet

July 3, 2009(a)

(In millions)

	Seagate Technology Parent Company Guarantor		STUS Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated				
Cash and cash equivalents	\$	18	\$	180	\$	1,229	\$	1,427		
Short-term investments						114		114		
Restricted cash and investments						508		508		
Accounts receivable, net						1,033		1,033		
Intercompany receivable				1		2	(3)			
Inventories						587		587		
Other current assets				117		508		625		
Total Current Assets		18		298		3,981	(3)	4,294		
Property, equipment and leasehold improvements, net				1		2,228		2,229		
Equity investments in Non-Guarantors		4,814					(4,814)			
Intercompany note receivable						3,277	(3,277)			
Other assets, net				363		201		564		
Total Assets	\$	4,832	\$	662	\$	9,687	\$	(8,094)	\$	7,087
Short-term borrowings	\$		\$		\$	350	\$		\$	350
Accounts payable						1,573		1,573		
Intercompany payable				2		1	(3)			
Accrued employee compensation				3		141		144		
Accrued expenses		1		30		665		696		
Accrued income taxes				10				10		
Current portion of long-term debt				121		300		421		
Total Current Liabilities		1		166		3,030	(3)	3,194		
Other liabilities				56		288		344		
Intercompany note payable		3,277					(3,277)			
Long-term accrued income taxes				31		38		69		
Long-term debt, less current portion				318		1,608		1,926		
Liability for deficit of STUS						27	(27)			
Liability for deficit of Non-Guarantors				118			(118)			



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Total Liabilities	3,278	689	4,991	(3,425)	5,533
Shareholders' Equity (Deficit)	1,554	(27)	4,696	(4,669)	1,554
Total Liabilities and Shareholders' Equity (Deficit)	\$ 4,832	\$ 662	\$ 9,687	\$ (8,094)	\$ 7,087

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(a) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 13. Condensed Consolidating Financial Information (continued)

## Consolidating Statement of Operations

Three Months Ended April 2, 2010

(In millions)

	Seagate Technology Parent Company Guarantor	STUS Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Revenue	\$	\$	\$ 3,049	\$	\$ 3,049
Cost of revenue		(5)	2,153		2,148
Product development			224		224
Marketing and administrative	3	3	99		105
Amortization of intangibles			8		8
Restructuring			4		4
Total operating expenses	3	(2)	2,488		2,489
Income (loss) from operations	(3)	2	561		560
Interest income			2		2
Interest expense		(8)	(33)		(41)
Equity in loss of STUS			(1)	1	
Equity in income of Non-Guarantors	521	6		(527)	
Other, net			1		1
Other income (expense), net	521	(2)	(31)	(526)	(38)
Income (loss) before income taxes	518		530	(526)	522
Provision for (benefit from) income taxes		1	3		4
Net income (loss)	\$ 518	\$ (1)	\$ 527	\$ (526)	\$ 518

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 13. Condensed Consolidating Financial Information (continued)

## Consolidating Statement of Operations

Nine Months Ended April 2, 2010

(In millions)

	Seagate Technology Parent Company Guarantor	STUS Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Revenue	\$	\$	\$ 8,738	\$	\$ 8,738
Cost of revenue		(9)	6,270		6,261
Product development			658		658
Marketing and administrative	3	6	314		323
Amortization of intangibles			23		23
Restructuring			50		50
Impairment of long-lived assets			64		64
Total operating expenses	3	(3)	7,379		7,379
Income (loss) from operations	(3)	3	1,359		1,359
Interest income			4		4
Interest expense		(24)	(103)		(127)
Equity in loss of STUS			(21)	21	
Equity in income of Non-Guarantors	1,233	5		(1,238)	
Other, net		(1)	(6)		(7)
Other income (expense), net	1,233	(20)	(126)	(1,217)	(130)
Income (loss) before income taxes	1,230	(17)	1,233	(1,217)	1,229
Provision for (benefit from) income taxes		4	(5)		(1)
Net income (loss)	\$ 1,230	\$ (21)	\$ 1,238	\$ (1,217)	\$ 1,230

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 13. Condensed Consolidating Financial Information (continued)

## Consolidating Statement of Cash Flows

Nine Months Ended April 2, 2010

(In millions)

	Seagate Technology Parent Company Guarantor	STUS Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
<b>OPERATING ACTIVITIES</b>					
Net income	\$ 1,230	\$ (21)	\$ 1,238	\$ (1,217)	\$ 1,230
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation and amortization		1	583		584
Stock-based compensation		1	37		38
Impairment of long-lived assets			64		64
Equity in (income) of STUS			21	(21)	
Equity in (income) loss of Non-Guarantors	(1,233)	(5)		1,238	
Other non-cash operating activities, net	1	26	5		32
Changes in operating assets and liabilities, net	3	(25)	(318)		(340)
Net cash (used in) provided by operating activities	1	(23)	1,630		1,608
<b>INVESTING ACTIVITIES</b>					
Acquisition of property, equipment and leasehold improvements			(372)		(372)
Purchase of short-term investments			(278)		(278)
Maturities and sales of short-term investments			176		176
Decrease in restricted cash and investments			26		26
Other investing activities, net			1		1
Net cash provided by (used in) investing activities			(447)		(447)
<b>FINANCING ACTIVITIES</b>					
Proceeds from short-term borrowings			15		15
Repayment of short-term borrowings			(365)		(365)
Retirements and maturities of long-term debt		(45)	(340)		(385)
Decrease in restricted cash and investments			379		379
Loan from HDD to Parent	167		(167)		
Repurchase of common shares	(251)				(251)

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Proceeds from exercise of employee stock options and employee stock purchase plan	81				81
Net cash provided by (used in) financing activities	(3)	(45)	(478)		(526)
Increase in (decrease) cash and cash equivalents	(2)	(68)	705		635
Cash and cash equivalents at the beginning of the period	18	180	1,229		1,427
Cash and cash equivalents at the end of the period	\$ 16	\$ 112	\$ 1,934	\$	\$ 2,062

### *Supplemental noncash financing activities*

During the nine months ended April 2, 2010, the \$3,277 million inter-company note that was payable by Seagate Technology Parent Company Guarantor to a Non-Guarantor subsidiary was distributed to Seagate Technology Parent Company Guarantor and subsequently cancelled.

Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 13. Condensed Consolidating Financial Information (continued)

## Consolidating Statement of Operations

Three Months Ended April 3, 2009(a)

(In millions)

	Seagate Technology Parent Company Guarantor	Maxtor Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Revenue	\$	\$	\$ 2,150	\$	\$ 2,150
Cost of revenue		1	1,996		1,997
Product development			243		243
Marketing and administrative			134		134
Amortization of intangibles			13		13
Restructuring			25		25
Total operating expenses		1	2,411		2,412
Income (loss) from operations		(1)	(261)		(262)
Interest income			9	(6)	3
Interest expense		(14)	(29)	6	(37)
Equity in loss of Maxtor			(28)	28	
Equity in income (loss) of Non-Guarantors	(275)	2	(235)	508	
Other, net			5		5
Other income (expense), net	(275)	(12)	(278)	536	(29)
Income (loss) before income taxes	(275)	(13)	(539)	536	(291)
Provision for (benefit from) income taxes			(16)		(16)
Net income (loss)	\$ (275)	\$ (13)	\$ (523)	\$ 536	\$ (275)

(a) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.



Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 13. Condensed Consolidating Financial Information (continued)

## Consolidating Statement of Operations

Nine Months Ended April 3, 2009(a)

(In millions)

	Seagate Technology Parent Company Guarantor	Maxtor Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
Revenue	\$	\$	\$ 7,452	\$	\$ 7,452
Cost of revenue		2	6,455		6,457
Product development		2	736		738
Marketing and administrative		(5)	429		424
Amortization of intangibles			41		41
Restructuring		10	116		126
Impairment of goodwill and long-lived assets			2,320		2,320
Total operating expenses		9	10,097		10,106
Income (loss) from operations		(9)	(2,645)		(2,654)
Interest income			38	(23)	15
Interest expense		(49)	(76)	23	(102)
Equity in loss of Maxtor			(88)	88	
Equity in loss of Non-Guarantors	(3,042)	(16)	(2,957)	6,015	
Other, net			(17)		(17)
Other income (expense), net	(3,042)	(65)	(3,100)	6,103	(104)
Income (loss) before income taxes	(3,042)	(74)	(5,745)	6,103	(2,758)
Provision for (benefit from) income taxes		(1)	285		284
Net income (loss)	\$ (3,042)	\$ (73)	\$ (6,030)	\$ 6,103	\$ (3,042)

(a) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.





Table of Contents

## SEAGATE TECHNOLOGY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 13. Condensed Consolidating Financial Information (continued)

## Consolidating Statement of Cash Flows

Nine Months Ended April 3, 2009(a)

(In millions)

	Seagate Technology Parent Company Guarantor	Maxtor Subsidiary Issuer	Combined Non- Guarantors	Eliminations	Seagate Technology Consolidated
<b>OPERATING ACTIVITIES</b>					
Net income (loss)	\$ (3,042)	\$ (73)	\$ (6,030)	\$ 6,103	\$ (3,042)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization		2	705		707
Stock-based compensation		3	67		70
Impairment of goodwill and long-lived assets			2,320		2,320
Deferred income taxes			295		295
Equity in (income) loss of Maxtor			73	(73)	
Equity in (income) loss of Non-Guarantors	3,042	16	2,972	(6,030)	
Other non-cash operating activities, net		8	(9)		(1)
Changes in operating assets and liabilities, net	(2)	(6)	290		282
Net cash provided by (used in) operating activities	(2)	(50)	683		631
<b>INVESTING ACTIVITIES</b>					
Acquisition of property, equipment and leasehold improvements			(553)		(553)
Purchase of short-term investments			(124)		(124)
Maturities and sales of short-term investments			146		146
Other investing activities, net			19		19
Net cash provided by (used in) investing activities			(512)		(512)
<b>FINANCING ACTIVITIES</b>					
Proceeds from short-term borrowings			350		350
Repayment of long-term debt		(5)	(15)		(20)

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Loan from Non-Guarantor to Parent	94		(94)	
Loan from Non-Guarantor to Maxtor		48	(48)	
Distribution from Non-Guarantor to Maxtor		7	(7)	
Proceeds from exercise of employee stock options and employee stock purchase plan	45			45
Dividends to shareholders	(132)			(132)
Net cash provided by (used in) financing activities	7	50	186	243
Increase (decrease) in cash and cash equivalents	5		357	362
Cash and cash equivalents at the beginning of the period	3	1	986	990
Cash and cash equivalents at the end of the period	\$ 8	\$ 1	\$ 1,343	\$ 1,352

(a) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.

Table of Contents

**SEAGATE TECHNOLOGY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**14. Subsequent Events**

On April 29, 2010, the Company terminated its \$350 million senior credit facility.

On April 29, 2010, the Company announced the offering of \$600 million aggregate principal amount of 6.875% Senior Notes due 2020 (the 6.875% Notes ). The 6.875% Notes were offered in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended. The 6.875% Notes were issued by Seagate HDD Cayman, an indirect wholly-owned subsidiary of Seagate Technology, and guaranteed by Seagate Technology on a full and unconditional basis. The sale of the 6.875% Notes is expected to close on May 13, 2010, subject to customary closing conditions.

On April 30, 2010, the Company repaid the remaining balance of \$77 million in cash for its 6.8% Convertible Senior Notes due April 2010.

Table of Contents

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following is a discussion of the financial condition and results of operations for our fiscal quarter ended April 2, 2010, herein referred to as the March 2010 quarter. Unless the context indicates otherwise, as used herein, the terms we, us, Seagate, the Company and our refer to Seagate Technology, an exempted company incorporated with limited liability under the laws of the Cayman Islands, and its subsidiaries. References to \$ are to United States dollars.*

*You should read this discussion in conjunction with financial information and related notes included elsewhere in this report. We operate and report financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. The quarters ended April 2, 2010, January 1, 2010, and April 3, 2009 were all 13 weeks. The nine months ended April 2, 2010 was 39 weeks as compared to the nine months ended April 3, 2009, which was 40 weeks. Except as noted, references to any fiscal year mean the twelve-month period ending on the Friday closest to June 30 of that year.*

*Some of the statements and assumptions included in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects and estimates of industry growth for the fiscal quarter ending July 2, 2010 and beyond. These statements identify prospective information and include words such as expects, plans, anticipates, believes, estimates, predicts, projects and similar expressions. These forward-looking statements are based on information available to us as of the date of this report. Current expectations, forecasts and assumptions involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks, uncertainties and other factors may be beyond our control. In particular, the decline in global economic conditions pose a risk to our operating and financial performance as consumers and businesses have, and may continue to, defer purchases in response to tighter credit and negative financial conditions. Such risks and uncertainties also include the impact of the variable demand, particularly in view of current business and economic conditions; dependence on our ability to successfully qualify, manufacture and sell our disk drive products in increasing volumes on a cost-effective basis and with acceptable quality, particularly our new disk drive products with lower cost structures; the impact of competitive product announcements; our ability to achieve projected cost savings; and our ability to rapidly increase our manufacturing capacity in pace with our competitors if demand for disk drives increases. We also encourage you to read our Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission (SEC) on August 19, 2009, as it contains information concerning risk, uncertainties and other factors that could cause results to differ materially from those projected in the forward-looking statements. These forward-looking statements should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.*

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided in addition to the accompanying condensed consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition and cash flows. Our MD&A is organized as follows:

- *Our Company.* Overview of our business.
- *Overview of the March 2010 quarter.* The March 2010 quarter summary and trends.
- *Results of Operations.* Analysis of our financial results comparing the March 2010 quarter to the December 2009 quarter and the March 2009 quarter. Also comparing the first nine months of fiscal year 2010 to the corresponding period in the prior year.

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- *Liquidity and Capital Resources.* An analysis of changes in our balance sheets and cash flows, and discussion of our financial condition including the credit quality of our investment portfolio and potential sources of liquidity.
- *Contractual Obligations and Off-Balance-Sheet Arrangements.* Overview of contractual obligations and contingent liabilities and commitments outstanding as of April 2, 2010 and an explanation of off-balance-sheet arrangements.
- *Critical Accounting Policies.* Accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results.

Table of Contents

**Our Company**

We are the world's leading provider of hard disk drives based on revenue. We design, manufacture, market and sell hard disk drives. We produce a broad range of disk drive products addressing enterprise applications, where our products are used in enterprise servers, mainframes and workstations; desktop applications, where our products are used in desktop computers; mobile compute applications, where our products are used in notebook computers; and consumer electronics applications, where our products are used in a wide variety of devices such as digital video recorders (DVRs) and other consumer electronic devices that require storage. We also sell our branded storage solutions under both the Seagate and Maxtor brands. In addition to manufacturing and selling disk drives, we provide data storage services for small- to medium-sized businesses, including online backup, data protection and recovery solutions.

**Overview of the March 2010 Quarter**

Revenue in the March 2010 quarter reached \$3.05 billion, a 42% increase from the same period in fiscal year 2009, which reflected the hard disk drive (HDD) industry's continued recovery from the global economic downturn and a muted seasonal pattern. Net income was \$518 million, resulting in \$1.00 of diluted earnings per share. We continued to strengthen our balance sheet in the March 2010 quarter. We generated operating cash flow of \$577 million in the quarter and used approximately \$251 million to repurchase 13.5 million of our common shares and \$180 million for capital expenditures.

The following table sets forth revenue, gross margin, income (loss) from operations, net income (loss) and net income (loss) per share for the periods indicated:

(Dollars in millions, except per share data)	For the Three Months Ended		
	April 2, 2010	January 1, 2010	April 3, 2009(1)
Revenue	\$ 3,049	\$ 3,027	\$ 2,150
Gross margin	901	923	153
Income (loss) from operations	560	578	(262)
Net income (loss)	518	533	(275)
Net income (loss) per share:			
Basic	\$ 1.05	\$ 1.07	\$ (0.56)
Diluted	1.00	1.03	(0.56)

(1) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of 2010, applied on a retrospective basis.

*Revenue and Gross Margin*

Revenue for the March 2010 quarter of \$3.05 billion was flat compared to the immediately preceding quarter and increased approximately 42% compared to the same period in fiscal year 2009. We shipped 50.3 million units during the quarter, an increase of 1% and 31% when compared

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to the immediately preceding quarter and the same period in fiscal year 2009, respectively. We believe the overall industry shipped approximately 163 million units in the March 2010 quarter, compared to 160 million units and 113 million units in the immediately preceding quarter and the same period in fiscal year 2009, respectively. In the March 2010 quarter, we experienced price erosion that was more favorable than the historical norms for a March quarter.

Gross margin, as a percentage of revenue, was approximately 29.6% in the March 2010 quarter, representing a decrease of approximately 90 basis points as compared to the immediately preceding quarter. Early in the quarter we experienced internal supply constraints that impacted our ability to deliver higher margin desktop market products, the effects of which were offset by strong demand for our enterprise class products.

Gross margin, as a percentage of revenue, increased to 29.6% in the March 2010 quarter from 7.1% in the same period in fiscal year 2009 as a result of a 31% increase in drive shipments, a substantial improvement in manufacturing capacity utilization combined with a stable pricing environment and a more cost-effective product mix.



Table of Contents

*Demand Trends for Disk Drives*

*Desktop.* We shipped 24.6 million units, down approximately 2% from the immediately preceding quarter and up approximately 11% from the same period in fiscal year 2009. We believe the total available market (TAM) in the desktop market increased approximately 4% and 24% compared to the immediately preceding quarter and the same period in fiscal year 2009, respectively. We experienced continued strength in demand for our 500GB per disk desktop products. Demand for 3.5-inch disk drives outpaced 2.5-inch disk drives in the March 2010 quarter, which represents a deviation from the recent trend of demand shifting from desktop to mobile products. We believe this deviation reflects early signs of a commercial refresh cycle. If this deviation does reflect the beginning of a commercial refresh cycle, we believe that the long-term shift in demand from desktop to mobile products could be muted in the near future. We exited the March 2010 quarter with close to three weeks of distribution channel inventory, which is at the low end of historical levels.

*Mobile.* During the March 2010 quarter, we shipped a total of 13.7 million units in the mobile compute market, representing a decrease of approximately 7% from the immediately preceding quarter and an increase of approximately 54% from the same period in fiscal year 2009. We believe the overall mobile compute market was essentially flat compared to the immediately preceding quarter and grew 65% compared to same period in fiscal year 2009.

*Enterprise.* During the March 2010 quarter, we extended our market leadership position in the enterprise market, shipping 5.1 million units, representing an increase of approximately 11% and 50% from the immediately preceding quarter and the same period in fiscal year 2009, respectively. We believe our ability to maintain a flexible supply chain allowed us to meet incremental demand for our products created by competitor execution issues. We believe the enterprise market was relatively flat as compared to the immediately preceding quarter and grew approximately 34% compared to the same period in fiscal year 2009.

*Consumer Electronics.* During the March 2010 quarter, we shipped a total of 6.9 million units in the consumer electronics market, an increase of 28% and 77% compared to the immediately preceding quarter and the same period in fiscal year 2009, respectively. The increase in shipments from the immediately preceding quarter was largely a result of increased shipments into the gaming market.

*Industry Constraints.* Similar to the previous quarter, the supply chain was generally tight for Seagate and the industry during the March 2010 quarter. We expect our supply chain to continue to be tight through the June 2010 quarter and for the remainder of the calendar year. Critical components for which supply is tight continue to be glass substrates, finished media and heads. Despite having this pressure in the supply chain, we believe we have access to adequate supply to support the anticipated demand through the end of the calendar year.

*Other Significant Events*

*Change of Incorporation.* On January 27, 2010, our Board of Directors approved a proposed transaction that will change the jurisdiction of incorporation of the parent company of Seagate from the Cayman Islands to Ireland. At a special court-ordered meeting of shareholders on April 14, 2010, Seagate Technology shareholders voted in favor of a reorganization proposal pursuant to which all Seagate Technology common shares would be cancelled and all holders of such shares would receive ordinary shares of Seagate Technology plc, a newly formed Irish public limited company, on a one-to-one basis. We expect that the change of incorporation will take effect in early fiscal year 2011, subject to approval at a Cayman Court hearing on May 14, 2010. We will remain subject to SEC reporting requirements, the mandates of the Sarbanes-Oxley Act of

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2002 and the corporate governance rules of NASDAQ. We do not expect the change in incorporation to have a material impact on our results of operations or financial condition and we will continue to report our consolidated financial results in U.S. dollars and under U.S. GAAP.

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### Table of Contents

### Results of Operations

We list in the tables below the historical Condensed Consolidated Statements of Operations in dollars and as a percentage of revenue for the periods indicated.

(Dollars in millions)	For the Three Months Ended		For the Nine Months Ended	
	April 2, 2010	April 3, 2009(1)	April 2, 2010	April 3, 2009(1)
Revenue	\$ 3,049	\$ 2,150	\$ 8,738	\$ 7,452
Cost of revenue	2,148	1,997	6,261	6,457
Gross margin	901	153	2,477	995
Product development	224	243	658	738
Marketing and administrative	105	134	323	424
Amortization of intangibles	8	13	23	41
Restructuring and other, net	4	25	50	126
Impairment of goodwill and long-lived assets			64	2,320
Income (loss) from operations	560	(262)	1,359	(2,654)
Other income (expense), net	(38)	(29)	(130)	(104)
Income (loss) before income taxes	522	(291)	1,229	(2,758)
Provision for (benefit from) income taxes	4	(16)	(1)	284
Net income (loss)	\$ 518	\$ (275)	\$ 1,230	\$ (3,042)

(1) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of 2010, applied on a retrospective basis.

(as a percentage of revenue)	For the Three Months Ended		For the Nine Months Ended	
	April 2, 2010	April 3, 2009(1)	April 2, 2010	April 3, 2009(1)
Revenue	100%	100%	100%	100%
Cost of revenue	70	93	72	87
Gross margin	30	7	28	13
Product development	7	11	8	10
Marketing and administrative	4	6	4	6
Amortization of intangibles	1	1		
Restructuring and other, net		1		2
Impairment of goodwill and long-lived assets			1	31
Income (loss) from operations	18	(12)	15	(36)
Other income (expense), net	(1)	(2)	(1)	(1)
Income (loss) before income taxes	17	(14)	14	(37)
Provision for (benefit from) income taxes		(1)		4
Net income (loss)	17%	(13)%	14%	(41)%

(1) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of 2010, applied on a retrospective basis.



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### Table of Contents

The following table summarizes information regarding volume shipments, average selling prices (ASPs) and revenues by channel and geography:

(In millions, except percentages and ASPs)	For the Three Months Ended			For the Nine Months Ended	
	April 2, 2010	January 1, 2010	April 3, 2009	April 2, 2010	April 3, 2009
<i>Net Revenue</i>	\$ 3,049	\$ 3,027	\$ 2,150	\$ 8,738	\$ 7,452
<i>Unit Shipments:</i>					
<i>Desktop</i>	24.6	25.1	22.2	73.0	71.4
<i>Mobile</i>	13.7	14.8	8.9	42.4	26.3
<i>Enterprise</i>	5.1	4.6	3.4	13.7	12.9
<i>Consumer Electronics</i>	6.9	5.4	3.9	17.4	12.6
<i>Total Units Shipped</i>	50.3	49.9	38.4	146.5	123.2
<i>ASPs (per unit)</i>	\$ 60	\$ 60	\$ 55	\$ 59	\$ 59
<i>Revenues by Channel (%)</i>					
OEM	72%	69%	61%	70%	65%
Distributors	21%	22%	29%	22%	27%
Retailers	7%	9%	10%	8%	8%
<i>Revenues by Geography (%)</i>					
North America	26%	26%	27%	26%	27%
Europe	23%	24%	28%	23%	28%
Far East	51%	50%	45%	51%	45%

### *Revenue*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 2, 2010	January 1, 2010	April 3, 2009	April 2, 2010	April 3, 2009
Revenue	\$ 3,049	\$ 3,027	\$ 2,150	\$ 8,738	\$ 7,452

Revenue for the March 2010 quarter was flat compared to the immediately preceding quarter. In addition, we shipped a record 50.3 million units in the March 2010 quarter. Continued growth in demand for disk drives muted the effects of historical seasonal patterns, which have typically resulted in a sequential decline in revenue in the March quarter.

Revenue for the March 2010 quarter increased approximately 42% compared to the same period in fiscal year 2009 primarily due to a 31% increase in the total number of disk drives shipped, which reflected the HDD industry's continued recovery from the global economic downturn.

Revenue for the first nine months of fiscal year 2010 increased approximately 17% compared to the same period in fiscal year 2009, primarily due to a 19% increase in the total number of disk drives shipped. In contrast to the year-ago period, which was significantly affected by the global economic downturn, demand remained strong throughout the first nine months of fiscal year 2010.

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We maintain various sales programs such as point-of-sale rebates, sales price adjustments and price protection, aimed at increasing customer demand. We exercise judgment in formulating the underlying estimates related to distributor and retail inventory levels, sales program participation and customer claims submittals in determining the provision for such programs. Due to the continuing strength in demand and the constrained supply for disk drives, sales programs recorded as contra revenue were approximately 6% and 5% of our gross revenue for the March 2010 and December 2009 quarters, respectively, compared to 14% for the March 2009 quarter.

### *Cost of Revenue and Gross Margin*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 2, 2010	January 1, 2010	April 3, 2009	April 2, 2010	April 3, 2009
Cost of revenue	\$ 2,148	\$ 2,104	\$ 1,997	\$ 6,261	\$ 6,457
Gross margin	901	923	153	2,477	995
Gross margin percentage	29.6%	30.5%	7.1%	28.3%	13.4%

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### Table of Contents

Gross margin, as a percentage of revenue, was approximately 29.6% in the March 2010 quarter, representing a decrease of approximately 90 basis points as compared to the immediately preceding quarter. Early in the quarter we experienced internal supply constraints that impacted our ability to deliver higher margin desktop market products, the effects of which were offset by strong demand for our enterprise class products.

Gross margin, as a percentage of revenue, increased to 29.6% in the March 2010 quarter from 7.1% in the same period in fiscal year 2009 as a result of a 31% increase in drive shipments, a substantial improvement in manufacturing capacity utilization combined with a stable pricing environment and a more cost-effective product mix.

### *Operating Expenses*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 2, 2010	January 1, 2010	April 3, 2009	April 2, 2010	April 3, 2009(1)
Product development	\$ 224	\$ 227	\$ 243	\$ 658	\$ 738
Marketing and administrative	105	110	134	323	424
Amortization of intangibles	8	8	13	23	41
Restructuring and other, net	4		25	50	126
Impairment of goodwill and long-lived assets				64	2,320
Operating expenses	\$ 341	\$ 345	\$ 415	\$ 1,118	\$ 3,649

(1) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of 2010, applied on a retrospective basis.

*Product Development Expense.* Product development expense did not materially change from the immediately preceding quarter.

Product development expense for the March 2010 quarter decreased approximately 8% from the same period in fiscal year 2009, primarily due to restructuring and other cost reduction efforts, which resulted in decreases of \$12 million in headcount related expenses. In addition, the March 2009 quarter included the non-recurrence of accelerated depreciation expense of \$12 million related to the closure of our Pittsburgh facility as well as an \$11 million decrease due to the cessation of certain product development activities. Partially offsetting these cost reductions were \$13 million for variable performance-based compensation expense recorded in the March 2010 quarter compared to none in the same period in fiscal year 2009.

Product development expense for the first nine months of fiscal year 2010 decreased approximately 11% from the same period in fiscal year 2009 primarily due to restructuring and other cost reduction efforts, and the effect of an additional week of compensation expenses in the same period in fiscal year 2009, which included a 14-week September 2008 quarter. These cost reduction efforts resulted in an \$88 million decrease in headcount related expenses in the first nine months of fiscal year 2010. Additionally, product development expenses decreased by \$26 million due to the non-recurrence of accelerated depreciation expense related to the closure of our Pittsburgh facility as well as a \$29 million decrease due to the cessation of certain product development activities. These decreases were partially offset by increases of \$36 million for variable performance-based compensation expense recorded in the first nine months of fiscal year 2010 compared to none in the same period in fiscal year 2009 and \$20 million of expenses related to deferred compensation liabilities recorded in the first nine months of fiscal year 2009.

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compared to none in the first nine months of fiscal year 2010.

*Marketing and Administrative Expenses.* Marketing and administrative expenses for the March 2010 quarter decreased approximately 5% from the immediately preceding quarter primarily due to a \$5 million reduction in legal expenses.

Marketing and administrative expenses for the March 2010 quarter decreased approximately 22% from the same period in fiscal year 2009 primarily due to restructuring and other cost reduction efforts, which resulted in decreases of approximately \$15 million in headcount related expenses, \$15 million in legal expenses and \$3 million in advertising costs. These decreases were partially offset by an increase of \$8 million for variable performance-based compensation expense recorded in the March 2010 quarter compared to none in the same period in fiscal year 2009.

Marketing and administrative expenses for the first nine months of fiscal year 2010 decreased approximately



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### Table of Contents

24% from the same period in fiscal year 2009 primarily due to restructuring and other cost reduction efforts, and the effect of an additional week of compensation expenses in the same period in fiscal year 2009, which included a 14-week September quarter. These cost reduction efforts resulted in decreases of \$76 million in headcount related expenses and \$24 million in advertising costs in the first nine months of fiscal year 2010 compared to the same period in fiscal year 2009. Additionally, legal expenses decreased by \$29 million. These decreases were partially offset by increases of \$21 million for variable performance-based compensation expense recorded in the first nine months of fiscal year 2010 compared to none in the same period in fiscal year 2009 and \$12 million of expenses related to deferred compensation liabilities recorded in the first nine months of fiscal year 2009 compared to none in the first nine months of fiscal year 2010.

*Amortization of Intangibles.* Amortization of intangibles for the March 2010 quarter was unchanged from the immediately preceding quarter and decreased approximately 38% when compared to the same period in fiscal year 2009 as certain customer relationship intangibles were fully amortized by the end of the prior fiscal year.

Amortization of intangibles for the first nine months of fiscal year 2010 decreased approximately 44% from the same period in fiscal year 2009 as certain customer relationship intangibles were fully amortized by the end of the prior fiscal year.

*Restructuring and Other, Net.* During the March 2010 quarter, we recorded restructuring and other charges of \$4 million mainly comprised of employee terminations as a result of our ongoing focus on cost efficiencies in all areas of our business. During the first nine months of fiscal year 2010, we recorded restructuring and other charges of \$50 million mainly comprised of charges related to the AMK restructuring plan announced in August 2009. We estimate total restructuring charges for the AMK restructuring plan to be approximately \$80 million, all in cash, including approximately \$60 million for severance, approximately \$10 million for the relocation of manufacturing equipment, and approximately \$10 million for other plant closure and relocation costs. This closure and relocation, which is expected to be complete by the end of calendar year 2010, is part of our ongoing focus on cost efficiencies in all areas of our business and is intended to facilitate leveraging manufacturing investments across fewer sites.

During the March 2009 quarter we recorded \$25 million of restructuring charges primarily related to the workforce reductions associated with our January 2009 Plan, as part of our overall efforts to realign our cost structure with the current macroeconomic business environment. The remaining \$101 million recorded during the nine months ended April 3, 2009 was primarily due to \$79 million related to the January 2009 plan accrued in the December 2008 quarter, a \$10 million adjustment related to revised sub-lease expectations for our Maxtor facilities closures, and an additional \$12 million related to other on-going restructuring activities.

*Impairment of Goodwill and Long-lived Assets.* During the September 2009 quarter, we committed to a plan to sell certain equipment related to certain research activities that had ceased. In connection with this plan, we reclassified these assets as held for sale and recorded an impairment charge of approximately \$64 million to adjust the carrying value of these assets to the estimated fair value, less cost to sell.

During the December 2008 quarter, we reduced our near-term and long-term financial projections as a result of a substantial deterioration in the general business environment. Accordingly, we performed an analysis of the carrying value of our goodwill and long-lived assets, principally intangible assets and property, equipment and leasehold improvements, for impairment. Consequently, we recorded impairment charges of \$2.3 billion for goodwill and \$3 million for long-lived assets.

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*Other expense, net*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 2, 2010	January 1, 2010	April 3, 2009(1)	April 2, 2010	April 3, 2009(1)
Other expense, net	\$ (38)	\$ (51)	\$ (29)	\$ (130)	\$ (104)

(1) As adjusted due to a required change in the accounting for convertible debt instruments implemented in the first quarter of 2010, applied on a retrospective basis.

The change in Net other expense for the March 2010 quarter from the immediately preceding quarter was primarily due to the non-recurrence of a \$13 million write-down of an equity investment recorded in the December 2009 quarter.

The change in Net other expense for the March 2010 quarter compared to the same period in fiscal year 2009 was primarily due to a \$12 million decrease in gains from foreign currency remeasurements and a \$4 million increase in interest expense resulting from higher average borrowing costs. These changes were partially offset by the non-recurrence of a \$2 million loss on sale of available for sale securities recorded in the March 2009 quarter.

Table of Contents

The change in Net other expense for the first nine months of fiscal year 2010 compared to the same period in fiscal year 2009 was primarily due to a \$25 million increase in interest expense resulting from higher average borrowing costs, a \$13 million write-down of an equity investment, an \$11 million decrease in interest income as a result of lower yields on cash, cash equivalents and short-term investments and an \$8 million non-recurring gain recognized on the sale of an equity investment in the first half of fiscal year 2009. Additionally, Net other expense included a decrease in gains from foreign currency remeasurements of \$22 million. These increases were partially offset by a \$47 million loss related to our deferred compensation plan assets recorded in the same period in fiscal year 2009 and the non-recurrence of a \$2 million loss on sale of available for sale securities recorded in the March 2009 quarter.

*Income Taxes*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 2, 2010	January 1, 2010	April 3, 2009	April 2, 2010	April 3, 2009
Provision for (benefit from) income taxes	\$ 4	\$ (6)	\$ (16)	\$ (1)	\$ 284

Our income tax provision for the March 2010 quarter included approximately \$11 million of discrete tax benefits primarily for reversal of valuation allowance previously recorded for certain non-U.S. deferred tax assets and release of tax reserves as a result of the U.S. 9th Circuit Court of Appeals' affirmation of the Tax Court decision in *Xilinx v Commissioner*. Our income tax benefit recognized for the first nine months of fiscal year 2010 included approximately \$39 million of discrete tax benefits primarily for release of tax reserves associated with settlements, expiration of certain statutes of limitations, and the U.S. 9th Circuit Court decision, as mentioned above, for reversal of valuation allowance previously recorded for certain non-U.S. deferred tax assets, and U.S. federal income tax legislative changes. Our income tax benefit recognized for the December 2009 quarter included approximately \$16 million of discrete tax benefits primarily for U.S. federal income tax legislative changes and release of tax reserves for settlements and expiration of certain statutes of limitations.

Our income tax provision and benefit recorded for the March 2010 quarter and for the nine months ended April 2, 2010, respectively, differed from the provision (benefit) for income taxes that would be derived by applying a notional U.S. 35% rate to income before income taxes primarily due to the net effect of (i) tax benefits related to tax holiday and tax incentive programs, (ii) decrease in valuation allowance for certain non-U.S. deferred tax assets, (iii) tax expense related to intercompany transactions, and (iv) release of certain tax reserves as described above.

During the March 2010 quarter, our unrecognized tax benefits excluding interest and penalties decreased by \$2 million to \$114 million. The unrecognized tax benefits that, if recognized, would impact the effective tax rate was \$114 million as of the March 2010 quarter, subject to certain future valuation allowance reversals. During the 12 months beginning April 3, 2010, we expect to reduce our unrecognized tax benefits by approximately \$5 million primarily as a result of the expiration of certain statutes of limitations.

Our income tax benefit recognized for the comparative March 2009 quarter resulted primarily from the reversal of a portion of our income tax expense we previously recorded in the first half of fiscal year 2009 as a result of reductions in forecasted income from operations conducted in certain jurisdictions. Our income tax provision for the first nine months of fiscal year 2009 included a deferred tax charge of \$271 million associated with increased valuation allowance recorded for U.S. federal and state deferred tax assets associated with reductions in our forecasted U.S. taxable income. The goodwill impairment charges recorded in the first nine months of fiscal year 2009 resulted in no tax benefits. As of the close of March 2009 quarter, we were forecasting losses in certain jurisdictions, including the U.S., for which tax benefits for the losses could not be recognized. Pursuant to the accounting guidance provided in ASC 740-270-30-36a, *Income Taxes, Interim Reporting* (formerly FASB Interpretation No. 18, *Accounting for Income Taxes in Interim Periods*), we were required to exclude these loss jurisdictions from our overall estimated annual effective rate calculation and determine a separately computed effective tax rate for each loss jurisdiction.

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Our income tax benefit recorded for the comparative March 2009 quarter differed from the provision for income taxes that would be derived by applying a notional U.S. 35% rate to losses before income taxes primarily due to the net effect of (i) applying the provisions of ASC 740-270-30-36a, as described above, (ii) the tax benefit related to tax holiday and tax incentive programs, (iii) tax expense related to intercompany transactions, and (iv) an increase in our valuation allowance for certain deferred tax assets. Our income tax provision recorded for the first nine months of fiscal year 2009 differed from the provision for income taxes that would be derived by applying a

Table of Contents

notional U.S. 35% rate to income before income taxes primarily due to the net effect of (i) goodwill impairment charges with no associated tax benefit, (ii) an increase in our valuation allowance for certain deferred tax assets, (iii) the tax benefit related to tax holidays and tax incentive programs, and (iv) tax expense related to intercompany transactions.

**Liquidity and Capital Resources**

The following sections discuss the effects of changes in our balance sheet and cash flows, contractual obligations, and other commitments on our liquidity and capital resources.

*Cash and Cash Equivalents, Short-term Investments, and Restricted Cash and Investments*

(Dollars in millions)	April 2, 2010	July 3, 2009	Change
Cash and cash equivalents	\$ 2,062	\$ 1,427	\$ 635
Short-term investments	214	114	100
Restricted cash and investments	103	508	(405)
<b>Total</b>	<b>\$ 2,379</b>	<b>\$ 2,049</b>	<b>\$ 330</b>

The increase in cash and cash equivalents was primarily a result of cash provided by operating activities of \$1,608 million and \$81 million in proceeds from employee stock option exercises and employee stock purchases, partially offset by the repayment of \$350 million of our amended credit facility, \$372 million in capital expenditures, \$100 million net increase in short-term investments and approximately \$251 million to repurchase 13.5 million of our common shares.

The change in restricted cash and investments from the fiscal year ended July 3, 2009, was primarily due to the repayment of our \$300 million floating rate senior notes at maturity and approximately \$80 million of open market purchases of our 6.8% Convertible Senior Notes due April 2010 (the 6.8% Notes ) and 6.375% Senior Notes due October 2011 (the 6.375% Notes ).

We are not aware of any downgrades, losses or other significant deterioration in the fair value of our cash equivalents or short-term investments and, accordingly, we do not believe the fair value of our short-term investments has significantly changed from the values reported as of April 2, 2010.

The following table summarizes our statement of cash flows for the periods indicated:

(Dollars in millions)	For the Nine Months Ended	
	April 2, 2010	April 3, 2009

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Net cash provided by (used in):			
Operating activities	\$	1,608	\$ 631
Investing activities	\$	(447)	\$ (512)
Financing activities	\$	(526)	\$ 243
Net increase in cash and cash equivalents	\$	635	\$ 362

### *Cash Provided by Operating Activities*

Cash provided by operating activities for the nine months ended April 2, 2010 was \$1,608 million and includes the effects of net income adjusted for non-cash items including depreciation, amortization, stock-based compensation, impairment of long-lived assets, and:

- an increase of \$418 million in accounts receivable due to an increase in revenue;
- an increase of \$242 million in accounts payable mainly due to increased vendor purchases related to increased production; and
- an increase of \$98 million in inventories due to an increase in production requirements.

### *Cash Used in Investing Activities*

During the nine months ended April 2, 2010, we used \$447 million for net cash investing activities, which was primarily attributable to payments for property, equipment and leasehold improvements of approximately \$372 million and a net increase in short-term investments of \$100 million, partially offset by a decrease in restricted cash of \$26 million.

Table of Contents

*Cash Used in Financing Activities*

Net cash used in financing activities of \$526 million for the nine months ended April 2, 2010 was primarily attributable to the repayment of \$350 million of our amended credit facility, and approximately \$251 million in repurchases of our common shares, offset by approximately \$81 million in cash received from employee stock option exercises and employee stock purchases.

*Liquidity Sources, Cash Requirements and Commitments*

Our primary sources of liquidity as of April 2, 2010, consisted of: (1) approximately \$2.3 billion in cash, cash equivalents and short-term investments, (2) cash we expect to generate from operations and (3) a \$350 million credit facility, which, at the time, was fully available for borrowing. We also had \$103 million in restricted cash and investments of which \$74 million was related to our employee deferred compensation liabilities under our non-qualified deferred compensation plan.

Our liquidity requirements are primarily to meet our working capital, research and development and capital expenditure needs, and to fund scheduled payments of principal and interest on our indebtedness. Our ability to fund these requirements will depend on our future cash flows, which are determined by future operating performance and therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control.

Included in the current portion of long-term debt on our Condensed Consolidated Balance Sheet as of April 2, 2010 were \$77 million of our 6.8% Convertible Senior Notes, which have since been repaid, and \$294 million (\$326 million principal balance) of our 2.375% Notes, but which are convertible and could be exchanged for our common shares as of April 3, 2010. On April 29, 2010, we terminated our \$350 million senior credit facility.

In the nine months ended April 2, 2010, we repaid the \$350 million previously drawn on our credit facility. In addition, our \$300 million floating rate senior notes were due and paid on October 1, 2009. We also repurchased approximately \$80 million of various debt issuances on the open market to reduce our outstanding debt obligations.

On April 29, 2010, the Company announced the offering of \$600 million aggregate principal amount of 6.875% Senior Notes due 2020 (the 6.875% Notes ). The 6.875% Notes were offered in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended. The 6.875% Notes were issued by Seagate HDD Cayman, an indirect wholly-owned subsidiary of Seagate Technology, and guaranteed by Seagate Technology on a full and unconditional basis. The sale of the 6.875% Notes is expected to close on May 13, 2010, subject to customary closing conditions. We intend to use the proceeds from the debt issuance to redeem, repay or repurchase existing debt and for general corporate purposes.

We will continue to evaluate and manage the retirement and replacement of existing debt and associated obligations, including the issuance of new debt securities, exchanging existing debt securities for other debt securities and retiring debt pursuant to privately negotiated transactions, open market purchases or otherwise. In addition, we may selectively pursue strategic alliances, acquisitions and investments, which may require

additional capital.

On January 27, 2010, our Board of Directors authorized an Anti-Dilution Share Repurchase Program, which was publicly announced on February 1, 2010. The repurchase program authorizes us to repurchase our common shares to offset increases in diluted shares, such as those caused by employee stock plans and convertible debt, used in the determination of diluted net income per share. The timing and number of shares to be repurchased by us will be dependent on general business and market conditions, cash flows generated by future operations, the price of our common shares, cash requirements for other investing and financing activities, and maintaining compliance with our debt covenants. Repurchases may be made through open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means, such as by way of an accelerated share repurchase program, through block trades or through the purchase of call options or the sale of put options. Additionally, there is no minimum or maximum number of shares to be repurchased under the program and the authority for the Anti-Dilution Share Repurchase Program will continue until terminated by our Board of Directors.



Table of Contents

As of April 2, 2010, we were in compliance with all of the covenants under our credit facility and debt agreements. Based on our current outlook, we expect to be in compliance with the covenants of our remaining debt agreements over the next 12 months. In addition, we believe that our sources of cash will be sufficient to fund our operations and meet our cash requirements for at least the next 12 months.

**Contractual Obligations and Commitments**

Our contractual cash obligations and commitments as of April 2, 2010 have been summarized in the table below:

(Dollars in millions)	Total	2010	Fiscal Year(s)		Thereafter
			2011-2012	2013-2014	
<b>Contractual Cash Obligations:</b>					
Long term debt(1)	\$ 2,026	\$ 403	\$ 593	\$ 430	\$ 600
Interest payments on long-term debt	539	26	239	172	102
Capital expenditures	397	256	141		
Operating leases(2)	237	11	88	45	93
Purchase obligations(3)	657	144	513		
Subtotal	3,856	840	1,574	647	795
<b>Commitments:</b>					
Letters of credit or bank guarantees	28	12	16		
Total	\$ 3,884	\$ 852	\$ 1,590	\$ 647	\$ 795

- 
- (1) Included in debt for fiscal year 2010 is the principal amount of \$326 million related to our 2.375% Notes due August 2012 which is payable upon the conversion of the 2.375% Notes. The 2.375% Notes are convertible effective April 3, 2010 and have been reclassified as Current portion of long-term debt on our Condensed Consolidated Balance Sheet at April 2, 2010.
- (2) Includes total future minimum rent expense under non-cancelable leases for both occupied and abandoned facilities (rent expense is shown net of sublease income).
- (3) Purchase obligations are defined as contractual obligations for purchase of goods or services, which are enforceable and legally binding on us, and that specify all significant terms.

As of April 2, 2010, we had a liability for unrecognized tax benefits and an accrual for the payment of related interest totaling \$60 million, none of which is expected to be paid within twelve months. We are unable to make a reasonably reliable estimate of when cash settlement with a taxing authority will occur.

**Off-Balance Sheet Arrangements**

As of April 2, 2010, we did not have any material off-balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S-K).



Table of Contents

**Critical Accounting Policies**

Our discussion and analysis of financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of such statements requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. Our estimates are based on historical experience and other assumptions that we consider to be appropriate in the circumstances. However, actual future results may vary from our estimates.

Since our fiscal year ended July 3, 2009, there have been no significant changes in our critical accounting policies and estimates. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended July 3, 2009, as filed with the SEC on August 19, 2009, for a discussion of our critical accounting policies and estimates.

We have updated the following critical accounting policies to describe current activity.

*Establishment of Sales Program Accruals.* We establish certain distributor and OEM sales programs aimed at increasing customer demand. For the distribution channel, these programs typically involve rebates related to a distributor's level of sales, order size, advertising or point of sale activity and price protection adjustments. For OEM sales, rebates are typically based on an OEM customer's volume of purchases from Seagate or other agreed upon rebate programs. We provide for these obligations at the time that revenue is recorded based on estimated requirements. We estimate these contra-revenue rebates and adjustments based on various factors, including price reductions during the period reported, estimated future price erosion, customer orders, distributor sell-through and inventory levels, program participation, customer claim submittals and sales returns. Our estimates reflect contractual arrangements but also our judgment relating to variables such as customer claim rates and attainment of program goals, and inventory and sell-through levels reported by our distribution customers.

While we believe we have sufficient experience and knowledge of the market and customer buying patterns to reasonably estimate such rebates and adjustments, actual market conditions or customer behavior could differ from our expectations. As a result, actual payments under these programs, which may spread over several months after the related sale, may vary from the amount accrued. Accordingly, revenues and margins in the period in which the adjustment occurs may be affected. For example, if the pricing environment is more competitive than we anticipated, accruals for forward price protection rebates may be inadequate. In periods when pricing is less competitive, accruals for forward price protection rebates may exceed actual payments. In addition, during periods in which our distributors' inventories of our products are at higher than historical levels, our contra-revenue estimates are subject to a greater degree of subjectivity and the potential for actual results to vary is accordingly higher. Currently, our distributors' inventories are at the low end of the historical range.

Significant actual variations in any of the factors upon which we base our contra-revenue estimates could have a material effect on our operating results. For fiscal years 2007 through 2009, total sales programs have ranged from 9% to 12% of gross revenues. In the first nine months of fiscal year 2010, sales programs dropped to approximately 6% of gross revenue, reflecting a more stable pricing environment resulting primarily from constrained industry supply. This better than anticipated pricing environment resulted in a 0.7% favorable adjustment to revenue as estimated contra-revenue rebates (such as forward price protection) accrued in prior periods for the sell through of channel inventory were higher than actual payments. Adjustments to revenues due to under or over accruals for sales programs related to revenues reported in prior quarterly periods have averaged 0.5% of quarterly gross revenue for fiscal years 2007 through 2009. Any future shifts in the industry supply-demand balance as well as other factors may result in a return to a more competitive pricing environment and may cause sales programs as a percentage of gross revenue to increase from the current or historical levels. If such rebates and incentives trend upwards, revenues and

margins will be reduced.

*Establishment of Warranty Accruals.* We estimate probable product warranty costs at the time revenue is recognized. We generally warrant our products for a period of one to five years. Our warranty provision considers estimated product failure rates and trends (including the timing of product returns during the warranty periods), estimated repair or replacement costs and estimated costs for customer compensatory claims related to product quality issues, if any. We use a statistical model to help with our estimates and we exercise considerable judgment in determining the underlying estimates. Should actual experience in any future period differ significantly from our estimates, or should the rate of future product technological advancements fail to keep pace with the past, our future results of operations could be materially affected. Our judgment is subject to a greater degree of subjectivity with

Table of Contents

respect to newly introduced products and legacy Maxtor designed products because of limited experience with those products upon which to base our warranty estimates.

The actual results with regard to warranty expenditures could have a material effect on our results of operations if the actual rate of unit failure, the cost to repair a unit, or the actual cost required to satisfy customer compensatory claims are greater or less than that which we have used in estimating the warranty accrual. Since we typically outsource our warranty repairs, our repair cost is subject to periodic negotiations with vendors and may vary from our estimates. We also exercise judgment in estimating our ability to sell certain repaired disk drives. To the extent such sales fall below or exceed our forecast, warranty cost will respectively, be adversely or favorably impacted.

Our warranty cost has ranged from approximately 2% to 2.5% of revenue during fiscal years 2007 through 2009. We review our warranty accrual quarterly for products shipped in prior periods and which are still under warranty. Any changes in the estimates underlying the accrual may result in adjustments that impact the current period gross margins and income. Since fiscal year 2007, changes in estimates of prior warranty accruals have approximated 0.5% or less of revenue. Changes in anticipated failure rates of specific products and significant changes in repair or replacement costs have historically been the major reasons for significant changes in prior estimates. In the first nine months of fiscal year 2010, the cost of new warranties issued (exclusive of the impact of re-estimates of prior warranty liabilities) was close to the historical range and amounted to approximately 1.9% of revenue. In the first nine months of fiscal year 2010, total warranty cost decreased to 1.4% of revenue due to a favorable re-estimate of pre-existing liabilities related to a change to a lower cost repair vendor and other efforts to better leverage our warranty service infrastructure.

**Recent Accounting Pronouncements**

See Note 1 of the Notes to Condensed Consolidated Financial Statements for a description of recent accounting pronouncements, including the respective expected dates of adoption and the expected effects on our results of operations and financial condition.

Table of Contents

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information in this section should be read in connection with the information on financial market risk in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended July 3, 2009.

We have exposure to market risks due to the volatility of interest rates, foreign currency exchange rates and equity and bond markets. A portion of these risks are hedged, but fluctuations could impact our results of operations, financial position and cash flows. Additionally, we have exposure to downgrades in the credit ratings of our counterparties as well as exposure related to our credit rating changes.

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and our credit facility. At April 2, 2010, with the exception of our auction rate securities, we had no marketable securities that had been in a continuous unrealized loss position for a period greater than 12 months and determined that no marketable securities were other-than-temporarily impaired. We currently do not use derivative financial instruments in our investment portfolio.

We have fixed rate debt obligations. We enter into debt obligations to support general corporate purposes including capital expenditures and working capital needs. We currently do not use interest rate derivatives to hedge interest rate exposure on our outstanding debt.

The table below presents principal amounts and related weighted average interest rates by year of maturity for our investment portfolio and debt obligations as of April 2, 2010. All short-term investments mature in three years or less. Included in debt for fiscal year 2010 is the principal amount of \$326 million related to our 2.375% Notes due August 2012 which is payable upon the conversion of the 2.375% Notes. The 2.375% Notes are convertible as of April 3, 2010, as our shares traded above 110% of the conversion price for at least 20 consecutive trading days of the last 30 trading days of the third quarter of fiscal year 2010. As a result, the 2.375% Notes have been reclassified to Current portion of long-term debt on our Condensed Consolidated Balance Sheet at April 2, 2010.

Fiscal Years Ended	2010	2011	2012	2013	2014	Thereafter	Total	Fair Value April 2, 2010
(in millions, except percentages)								
<b>Assets</b>								
Cash equivalents:								
Fixed rate	\$ 1,887	\$	\$	\$	\$	\$	\$ 1,887	\$ 1,887
Average interest rate	0.14%						0.14%	
Short-term investments:								
Fixed rate	\$ 57	\$ 127	\$ 25	\$ 2	\$	\$	\$ 211	\$ 214
Average interest rate	1.62%		2.37%		2.93%		5.25%	
Long-term investments:								
Variable rate	\$	\$	\$	\$	\$	\$ 20	\$ 20	\$ 18
Average interest rate						9.46%		9.46%

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Total investment securities	\$	1,944	\$	127	\$	25	\$	2	\$	20	\$	2,118	\$	2,119
Average interest rate		0.18%		2.37%		2.93%		5.25%		9.46%		0.44%		

**Long-Term Debt**

Fixed rate	\$	403	\$	5	\$	588	\$	430	\$	600	\$	2,026	\$	2,160
Average interest rate		3.22%		5.75%		6.35%		10.00%		6.80%		6.63%		

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### Table of Contents

*Foreign Currency Exchange Risk.* We may enter into foreign currency forward exchange contracts to manage exposure related to certain foreign currency commitments and anticipated foreign currency denominated expenditures. Our policy prohibits us from entering into derivative financial instruments for speculative or trading purposes. During the nine months ended April 2, 2010 and fiscal years 2009 and 2008, we did not enter into any hedges of net investments in foreign operations.

We also hedge a portion of our foreign currency denominated balance sheet positions with foreign currency forward exchange contracts to reduce the risk that our earnings will be adversely affected by changes in currency exchange rates. The changes in fair value of these hedges are recognized in earnings in the same period as the gains and losses from the remeasurement of the assets and liabilities. These foreign currency forward exchange contracts are not designated as hedging instruments under ASC 815, *Derivatives and Hedging* (previously SFAS 161, *Disclosures About Derivative Instruments and Hedging Activities*). All these forward contracts mature within 12 months.

We evaluate hedging effectiveness prospectively and retrospectively and record any ineffective portion of the hedging instruments in Other income (expense) on the Statements of Operations. We did not have any net gains (losses) recognized in Other income (expense) for cash flow hedges due to hedge ineffectiveness during the nine months ended April 2, 2010, nor did we discontinue any material cash flow hedges for a forecasted transaction in the same period.

The table below provides information as of April 2, 2010 about our foreign currency forward exchange contracts. The table is provided in U.S. dollar equivalent amounts and presents the notional amounts (at the contract exchange rates) and the weighted average contractual foreign currency exchange rates.

(Dollars in millions, except average contract rate)	Notional Amount	Average Contract Rate	Estimated Fair Value (1)
Foreign currency forward exchange contracts:			
Thai baht	\$ 453	33.20	\$ 11
Singapore dollar	77	1.40	
Euro dollar	10	1.46	
Czech koruna	11	19.12	
Japanese yen	6	93.34	
British pound	1	1.62	
Total	\$ 558		\$ 11

(1) Equivalent to the unrealized net gain (loss) on existing contracts.

#### ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our chief executive officer and chief financial officer, concluded that, as of April 2, 2010, our disclosure controls and procedures were effective. During the quarter ended April 2, 2010, there were no changes in our internal control over financial reporting that materially affected, or were reasonably likely to materially affect our internal control



over financial reporting.

Table of Contents

**PART II**

**OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

For a discussion of legal proceedings, see Item 1, Note 12, of the Notes to Condensed Consolidated Financial Statements of this Report on Form 10-Q.

**ITEM 1A. RISK FACTORS**

There have been no material changes to the description of the risk factors associated with our business previously disclosed in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended July 3, 2009. In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K as they could materially affect our business, financial condition and future results.

The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Recent Sales of Unregistered Securities**

We did not sell any securities during the three months ended April 2, 2010 that were not registered under the Securities Act of 1933, as amended.

**Repurchases of Equity Securities**

Our February 2008 stock repurchase plan expired on January 31, 2010.

On January 27, 2010, our Board of Directors authorized an Anti-Dilution Share Repurchase Program, which was publicly announced on February 1, 2010. The repurchase program authorizes us to repurchase our common shares to offset increases in diluted shares, such as those caused by employee stock plans and convertible debt, used in the determination of diluted net income per share. The timing and number of shares to be repurchased by us will be dependent on general business and market conditions, cash flows generated by future operations, the price of our common shares, cash requirements for other investing and financing activities, and maintaining compliance with our debt covenants. Repurchases may be made through open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means, such as by way of an accelerated share repurchase program, through block trades or through the purchase of call options or the sale of put options. Additionally, there is no minimum or maximum number of shares to be repurchased under the program and the authority for the Anti-Dilution Share Repurchase Program will continue until terminated by our Board of Directors.

Share repurchases during the three months ended April 2, 2010, were as follows:

**January 2010 Anti-Dilution Share Repurchase Program**

(In millions, except average price paid per share)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased Under Publicly Announced Plans or Programs	Approximate Dollar Value of Shares Purchased Under the Plans or Programs
January 2, 2010 through January 29, 2010		\$		\$
January 30, 2010 through February 26, 2010	13.5	18.53	13.5	251
February 27, 2010 through April 2, 2010				

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Total Through 3rd Quarter of Fiscal Year 2010	13.5	\$	18.53	13.5	\$	251
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**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS**

None.

**ITEM 5. OTHER INFORMATION**

None.

Table of Contents**ITEM 6. EXHIBITS**

Exhibit No.	Exhibit Description	Incorporated by Reference			Filing Date	Filed Herewith
		Form	File No.	Exhibit		
2.1	Stock Purchase Agreement, dated as of March 29, 2000, by and among Suez Acquisition Company (Cayman) Limited, Seagate Technology, Inc. and Seagate Software Holdings, Inc.	S-4	333-88388	2.1	05/16/02	
2.2	Agreement and Plan of Merger and Reorganization, dated as of March 29, 2000, by and among VERITAS Software Corporation, Victory Merger Sub, Inc. and Seagate Technology, Inc.	S-4	333-88388	2.2	05/16/02	
2.3	Indemnification Agreement, dated as of March 29, 2000, by and among VERITAS Software Corporation, Seagate Technology, Inc. and Suez Acquisition Company (Cayman) Limited	S-4	333-88388	2.3	05/16/02	
2.4	Joinder Agreement to the Indemnification Agreement, dated as of November 22, 2000, by and among VERITAS Software Corporation, Seagate Technology, Inc. and the SAC Indemnitors listed therein	S-4	333-88388	2.4	05/16/02	
2.5	Consolidated Amendment to Stock Purchase Agreement, Agreement and Plan of Merger and Reorganization, and Indemnification Agreement, and Consent, dated as of August 29, 2000, by and among Suez Acquisition Company (Cayman) Limited, Seagate Technology, Inc., Seagate Software Holdings, Inc., VERITAS Software Corporation and Victory Merger Sub, Inc.	S-4	333-88388	2.5	05/16/02	
2.6	Consolidated Amendment No. 2 to Stock Purchase Agreement, Agreement and Plan of Merger and Reorganization, and Indemnification Agreement, and Consent, dated as of October 18, 2000, by and among Suez Acquisition Company (Cayman) Limited, Seagate Technology, Inc., Seagate Software Holdings, Inc., VERITAS Software Corporation and	S-4	333-88388	2.6	05/16/02	

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Victory Merger Sub, Inc.

2.7	Agreement and Plan of Merger, dated as of December 20, 2005, by and among Seagate Technology, MD Merger Corporation and Maxtor Corporation	8-K	001-31560	2.1	12/22/05
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### Table of Contents

Exhibit No.	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File No.	Exhibit		
3.1	Third Amended and Restated Memorandum of Association of Seagate Technology (formerly known as Seagate Technology Holdings)	10-Q	001-31560	3.1	10/29/04	
3.2	Third Amended and Restated Articles of Association of Seagate Technology (formerly known as Seagate Technology Holdings)	10-Q	001-31560	3.2	10/29/04	
4.1	Specimen Common Share Certificate	S-1/A	333-100513	4.4	11/08/02	
4.2	Indenture dated September 20, 2006 among Seagate Technology, Seagate Technology HDD Holdings and U.S. Bank National Association	8-K	001-31560	4.1	09/21/06	
4.3	Forms of Global Note for the Floating Rate Senior Notes due 2009, Senior Notes due 2011 and Senior Notes due 2016 of Seagate Technology HDD Holdings issued pursuant to the Indenture	8-K	001-31560	4.1	09/21/06	
4.4	Indenture dated as of May 1, 2009, among Seagate Technology International, as Issuer, Seagate Technology, Seagate Technology HDD Holdings, Maxtor Global Ltd., Seagate Technology (Ireland), Seagate Technology Media (Ireland), Seagate International (Johor) Sdn. Bhd., Penang Seagate Industries (M) Sdn. Bhd., Seagate Singapore International Headquarters Pte. Ltd., Seagate Technology (Thailand) Limited, Seagate Technology (US) Holdings, Inc., Maxtor Corporation, i365 Inc. and Seagate Technology LLC, as Guarantors, and Wells Fargo Bank, National Association, as Trustee	8-K	001-31560	4.1	05/05/09	
4.5	Form of 10.0% Senior Secured Second-Priority Note due 2014	8-K	001-31560	4.1	05/05/09	

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### Table of Contents

Exhibit No.	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File No.	Exhibit		
10.1+	Amended and Restated Seagate Technology Executive Officer Severance and Change in Control Plan	10-Q	001-31560	10.2	02/01/10	
10.2+	Seagate Technology 2001 Share Option Plan	S-8	333-101848	10	12/13/02	
10.3(a)+	Form of Indemnification Agreement between Seagate Technology Holdings and the director or officer named therein	S-4/A	333-88388	10.17	07/05/02	
10.3(b)+	Form of Revised Indemnification Agreement between Seagate Technology and the director or officer named therein	10-Q	001-31560	10.4(b)	05/06/09	
10.4+	Seagate Technology Executive Officer Performance Bonus Plan	10-Q	001-31560	10.6	10/30/08	
10.5+	Amended Seagate Technology 2004 Stock Compensation Plan	10-Q	001-31560	10.6	02/01/10	
10.6+	Seagate Technology 2004 Stock Compensation Plan Form of Option Agreement (For Outside Directors)	10-Q	001-31560	10.7	11/04/09	
10.7+	Seagate Technology 2004 Stock Compensation Plan Form of Option Agreement (For Officers and Non-Officer employees)	S-8	333-128654	99.3	09/28/05	
10.8+	Seagate Technology 2004 Stock Compensation Plan Form of Restricted Stock Bonus Agreement	10-K	001-31560	10.11	08/13/08	
10.9+	Seagate Technology 2004 Stock Compensation Plan Notice of Restricted Stock Bonus Grant (For Outside Directors)	10-Q	001-31560	10.10	11/04/09	
10.10+	Seagate Technology 2004 Stock Compensation Plan Form of Restricted Stock Unit Agreement	10-Q	001-31560	10.11	10/30/08	
10.11	Seagate Technology Employee Stock Purchase Plan (as amended and restated)	10-Q	001-31560	10.12	11/04/09	
10.12+	Summary description of Seagate Technology's Compensation Policy for Non-Management Members of the Board of Directors	10-Q	001-31560	10.13	02/01/10	



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10.13*	Indenture between Maxtor Corporation and U.S. Bank National Association, dated as of August 15, 2005	10-Q	001-16447	4.1	11/04/05
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### Table of Contents

Exhibit No.	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File No.	Exhibit		
10.14	First Supplemental Indenture, dated as of May 19, 2006, among Seagate Technology, Maxtor Corporation and U.S. Bank National Association, amending and supplementing the Indenture dated as of August 15, 2005	8-K	001-31560	10.2	05/25/06	
10.15+	Seagate Technology 2004 Stock Compensation Plan Form of Performance Share Bonus Agreement (includes Compensation Recovery Policy)	10-Q	001-31560	10.17	02/10/09	
10.16+	Form of Separation and Release Agreement by and between David A. Wickersham and Seagate US LLC and Seagate Technology	10-Q	001-31560	10.18	02/10/09	
10.16(a)+	Restricted Covenants Agreement by and between David A. Wickersham and Seagate US LLC and Seagate Technology (contained in Exhibit 10.18 as Exhibit A)	10-Q	001-31560	10.18(a)	02/10/09	
10.17+	Form of Separation and Release Agreement by and between William D. Watkins and Seagate (US) Holdings, Inc. and Seagate Technology	10-Q	001-31560	10.19	02/10/09	
10.17(a)+	Restricted Covenants Agreement by and between William D. Watkins and Seagate (US) Holdings, Inc. and Seagate Technology	10-Q	001-31560	10.19(a)	02/10/09	
10.18+	Offer Letter, dated as of January 29, 2009, by and between Seagate Technology and Stephen J. Luczo	10-Q	001-31560	10.20	02/10/09	
10.19+	Seagate Technology 2004 Stock Compensation Plan Form of Option Agreement (includes Compensation Recovery Policy)	10-Q	001-31560	10.21	02/10/09	

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### Table of Contents

Exhibit No.	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File No.	Exhibit		
10.20+	Seagate Technology 2004 Stock Compensation Plan Form of Restricted Stock Bonus Agreement (includes Compensation Recovery Policy)	10-Q	001-31560	10.22	02/10/09	
10.21+	Seagate Technology 2004 Stock Compensation Plan Form of Restricted Stock Unit Agreement (includes Compensation Recovery Policy)	10-Q	001-31560	10.23	02/10/09	
10.22+	Offer Letter, dated as of November 6, 2008, by and between Seagate Technology and Charles C. Pope	10-Q	001-31560	10.24	02/10/09	
10.23+	Summary of Compensation Arrangements for Patrick J. O Malley	10-Q	001-31560	10.25	02/10/09	
10.24+	Form of Separation and Release Agreement for Brian Dexheimer	10-K	001-31560	10.26	08/19/09	
10.25+	Summary of Compensation Arrangements for Robert Whitmore	10-Q	001-31560	10.27	02/10/09	
10.26+	First Amendment to Seagate Deferred Compensation Plan					X
10.27+	Restated Seagate Deferred Compensation Plan					X
10.28+	Seagate Deferred Compensation Sub-Plan					X

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### Table of Contents

Exhibit No.	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File No.	Exhibit		
10.29	Second Lien U.S. Security Agreement dated as of May 1, 2009, among Seagate Technology International, Seagate Technology, Seagate Technology (US) Holdings, Inc., Maxtor Corporation, i365 Inc., Seagate Technology LLC and Seagate Technology HDD Holdings, as Grantors, and Wells Fargo Bank, National Association, as Collateral Agent for the Secured Parties (as defined therein)	8-K	001-31560	10.7	05/05/09	
10.30	Second Lien U.S. Pledge Agreement dated as of May 1, 2009, among Seagate Technology, Seagate Technology (US) Holdings, Inc., Maxtor Corporation, i365 Inc., Seagate Technology LLC and Seagate Technology HDD Holdings, as Pledgors, and Wells Fargo Bank, National Association, as Collateral Agent for the Secured Parties (as defined therein)	8-K	001-31560	10.8	05/05/09	
10.31	Second Priority Omnibus Debenture dated May 1, 2009, between Seagate Technology, Seagate Technology HDD Holdings, Seagate Technology International, Seagate Technology (Ireland) and Seagate Technology Media (Ireland), as Chargors, and Wells Fargo Bank, National Association, as Collateral Agent or Chargee	8-K	001-31560	10.9	05/05/09	
10.32	Form of Second Priority Equitable Share Mortgage in respect of shares dated May 1, 2009, between [Seagate entity], as Mortgagor, and Wells Fargo Bank, National Association, as Collateral Agent	8-K	001-31560	10.10	05/05/09	
10.33	Intercreditor Agreement dated as of May 1, 2009, among JPMorgan Chase Bank, N.A., as Administrative Agent and First Priority Representative for the First Priority Secured Parties (as defined therein), Wells Fargo Bank, National Association, as Collateral Agent and Second Priority Representative for the Second Priority Secured Parties (as defined therein), Seagate Technology HDD Holdings,	8-K	001-31560	10.11	05/05/09	

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as Borrower, Seagate Technology International, as the Second Lien Issuer, and each of the other Loan Parties (as defined therein) party thereto

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### Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference			Filing Date	Filed Herewith
		Form	File No.	Exhibit		
10.34	Second Supplemental Indenture, dated as of June 1, 2009, among Seagate Technology, Maxtor Corporation, Seagate Technology (US) Holdings, Inc. and U.S. Bank National Association, amending and supplementing the Indenture dated as of August 15, 2005, as amended and supplemented by that First Supplemental Indenture dated as of May 19, 2006	8-K	001-31560	10.1	06/01/09	
10.35	Second Supplemental Indenture, dated as of June 1, 2009, among Seagate Technology, Maxtor Corporation, Seagate Technology (US) Holdings, Inc. and U.S. Bank National Association, amending and supplementing the Indenture dated as of March 1, 1987, as amended and supplemented by that First Supplemental Indenture dated as of January 11, 1996	8-K	001-31560	10.3	06/01/09	
10.36	Indenture between Maxtor Corporation (a Delaware Corporation), Maxtor Corporation (a California Corporation) and Security Pacific National Bank, as Trustee, dated as of March 1, 1987	S-1	033-12123	4.1	02/20/87	
10.37§	First Supplemental Indenture, dated as of January 11, 1996, between Maxtor Corporation and State Street Bank and Trust Company, as successor Trustee, supplementing the Indenture dated as of March 1, 1987	10-Q	033-63295	10.146	02/14/96	
10.38	Second Priority Share Charge, dated September 25, 2009, between Seagate Technology International, as chargor and Wells Fargo Bank, National Association, as collateral agent	8-K	001-31560	10.2	10/01/09	

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### Table of Contents

Exhibit No.	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File No.	Exhibit		
10.39	Second Priority Debenture, dated September 25, 2009, between Seagate Singapore International Headquarters Pte. Ltd., as chargor and Wells Fargo Bank, National Association, as collateral agent	8-K	001-31560	10.4	10/01/09	
10.40	First Supplemental Indenture, dated as of March 1, 2010, among Seagate Technology International, Seagate HDD Cayman and Wells Fargo Bank, National Association, as trustee, amending and supplementing the Indenture, dated as of May 1, 2009, among Seagate Technology International, as issuer, Seagate Technology and the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee	8-K	001-31560	10.2	03/03/10	
10.41	Second Supplemental Indenture, dated as of March 1, 2010, among Seagate Technology International, Seagate Technology plc and Wells Fargo Bank, National Association, as trustee, amending and supplementing the Indenture, dated as of May 1, 2009, among Seagate Technology International, as issuer, Seagate Technology and the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee	8-K	001-31560	10.3	03/03/10	
10.42	Supplement No. 1, dated as of March 1, 2010, to the Second Lien U.S. Security Agreement, dated as of May 1, 2009, among Seagate Technology International, Seagate Technology and the other guarantors from time to time party thereto and Wells Fargo Bank, National Association, as trustee	8-K	001-31560	10.7	03/03/10	
10.43	Supplement No. 1, dated as of March 1, 2010, to the Second Lien U.S. Pledge Agreement, dated as of May 1, 2009, among Seagate Technology and each of the other guarantors from time to time party thereto and Wells Fargo Bank, National Association, as collateral agent	8-K	001-31560	10.11	03/03/10	





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Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference			Filing Date	Filed Herewith
		Form	File No.	Exhibit		
10.44	Supplement No. 1, dated as of March 1, 2010, to the Intercreditor Agreement, dated as of May 1, 2009, among JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, National Association, as Collateral Agent, Seagate Technology HDD Holdings, Seagate Technology International and each of the other loan parties from time to time party thereto	8-K	001-31560	10.12	03/03/10	
10.45	Supplement No. 2, dated as of March 1, 2010, to the Intercreditor Agreement, dated as of May 1, 2009, among JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, National Association, as Collateral Agent, Seagate Technology HDD Holdings, Seagate Technology International and each of the other loan parties from time to time party thereto	8-K	001-31560	10.13	03/03/10	
10.46	Second Priority Mortgage of Shares in Seagate HDD Cayman, dated March 1, 2010, between Seagate Technology HDD Holdings, as mortgagor, and Wells Fargo Bank, National Association, as mortgagee	8-K	001-31560	10.15	03/03/10	
10.47	Second Priority Mortgage of Shares in Seagate Technology International, dated March 1, 2010, between Seagate HDD Cayman, as mortgagor, and Wells Fargo Bank, National Association, as mortgagee	8-K	001-31560	10.17	03/03/10	
10.48	Second Lien Debenture, dated March 1, 2010, between Seagate HDD Cayman, as chargor, and Wells Fargo Bank, National Association, as chargee	8-K	001-31560	10.19	03/03/10	
10.49	Second Priority Debenture, dated March 1, 2010, between Seagate Technology plc, as chargor, and Wells Fargo Bank, National Association, as collateral agent	8-K	001-31560	10.21	03/03/10	

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Table of Contents

Exhibit No.	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File No.	Exhibit		
10.50	Second Priority Mortgage of Shares in Seagate Technology, dated March 1, 2010, between Seagate Technology plc, as mortgagor, and Wells Fargo Bank, National Association, as mortgagee	8-K	001-31560	10.23	03/03/10	
10.51	First Supplemental Indenture, dated as of March 1, 2010, among Seagate Technology HDD Holdings, Seagate HDD Cayman, Seagate Technology and U.S. Bank National Association, as trustee, amending and supplementing the Indenture, dated as of September 20, 2006, among Seagate Technology HDD Holdings, Seagate Technology and U.S. Bank National Association, as trustee	8-K	001-31560	10.24	03/03/10	
10.52	Third Supplemental Indenture, dated as of March 19, 2010, among Seagate Technology International, as issuer, Seagate Technology and the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee, amending and supplementing the Indenture, dated as of May 1, 2009, among Seagate Technology International, as issuer, Seagate Technology and the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee	8-K	001-31560	10.1	3/22/10	
14.1	Code of Business Conduct and Ethics	10-K	001-31560	14.1	08/13/08	
31.1	Certification of the Chief Executive Officer pursuant to rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Chief Financial Officer pursuant to rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the					X

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Sarbanes-Oxley Act of 2002

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- + Management contract or compensatory plan or arrangement
- \* Incorporated by reference to Maxtor Corp s quarterly report on Form 10-Q (001-16447) filed with the SEC on 11/04/2005.  
Incorporated by reference to Maxtor Corp s quarterly report on Form 10-Q (001-16447) filed with the SEC on 05/13/2003.  
Incorporated by reference to Maxtor Corp s registration statement on Form S-1 (033-12123) filed with the SEC on 02/20/1987.
- § Incorporated by reference to Maxtor Corp s quarterly report on Form 10-Q (033-63295) filed with the SEC on 02/14/1996.

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SEAGATE TECHNOLOGY**

DATE: May 5, 2010

BY:

/s/ STEPHEN J. LUCZO  
Stephen J. Luczo  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

DATE: May 5, 2010

BY:

/s/ PATRICK J. O MALLEY  
Patrick J. O Malley  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)