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 September 27, 2013

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: to

Commission File Number 001-31560

SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

Ireland	**98-0648577**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

38/39 Fitzwilliam Square

Dublin 2, Ireland

(Address of principal executive offices)

Telephone: (353) (1) 234-3136

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer: x	Accelerated filer: o
Non-accelerated filer: o (Do not check if a smaller reporting company)	Smaller reporting company: o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of October 25, 2013, 326,142,206 shares of the registrant s ordinary shares, par value $0.00001 per share, were issued and outstanding.

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SEAGATE TECHNOLOGY PLC

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	September 27, 2013	June 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,924	$ 1,708
Short-term investments	489	480
Restricted cash and investments	108	101
Accounts receivable, net	1,618	1,670
Inventories	871	854
Deferred income taxes	114	115
Other current assets	501	484
Total current assets	5,625	5,412
Property, equipment and leasehold improvements, net	2,187	2,269
Goodwill	477	476
Other intangible assets, net	369	405
Deferred income taxes	457	456
Other assets, net	230	225
Total Assets	$ 9,345	$ 9,243
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,683	$ 1,690
Accrued employee compensation	220	335
Accrued warranty	171	176
Accrued expenses	439	407
Current portion of long-term debt	1	3
Total current liabilities	2,514	2,611
Long-term accrued warranty	147	144
Long-term accrued income taxes	93	87
Other non-current liabilities	130	121
Long-term debt, less current portion	2,772	2,774
Total Liabilities	5,656	5,737
Commitments and contingencies (See Notes 11 and 13)		
Equity:		
Seagate Technology plc Shareholders Equity:		
Ordinary shares and additional paid-in capital	5,352	5,286
Accumulated other comprehensive loss	(6)	(13)
Accumulated deficit	(1,668)	(1,778)
Total Seagate Technology plc Shareholders Equity	3,678	3,495
Noncontrolling interest	11	11

Total Equity		3,689		3,506
Total Liabilities and Equity	$	9,345	$	9,243

The information as of June 28, 2013 was derived from the Company s audited Consolidated Balance Sheet as of June 28, 2013.

See Notes to Condensed Consolidated Financial Statements.

SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	For the Three Months Ended			
		September 27, 2013		September 28, 2012
Revenue	$	3,489	$	3,732
Cost of revenue		2,514		2,671
Product development		294		268
Marketing and administrative		181		150
Amortization of intangibles		20		19
Restructuring and other, net		2		
Total operating expenses		3,011		3,108
Income from operations		478		624
Interest income		5		2
Interest expense		(44)		(55)
Other, net		1		29
Other expense, net		(38)		(24)
Income before income taxes		440		600
Provision for income taxes		13		18
Net income		427		582
Less: Net income attributable to noncontrolling interest				
Net income attributable to Seagate Technology plc	$	427	$	582
Net income per share attributable to Seagate Technology plc ordinary shareholders:				
Basic	$	1.20	$	1.48
Diluted		1.16		1.42
Number of shares used in per share calculations:				
Basic		357		394
Diluted		368		409
Cash dividends declared per Seagate Technology plc ordinary share	$	0.38	$	0.32

See Notes to Condensed Consolidated Financial Statements.

SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	For the Three Months Ended September 27, 2013		For the Three Months Ended September 28, 2012	
Net Income	$	427	$	582
Other comprehensive income, net of tax:				
Cash flow hedges				
Change in unrealized gain on cash flow hedges		1		
Less: reclassification for amounts included in net income				
Net change		1		
Marketable securities				
Change in unrealized gain on marketable securities		1		27
Less: reclassification for amounts included in net income				(1)
Net change		1		26
Post-retirement plans				
Change in unrealized loss on post-retirement plans				
Less: reclassification for amounts included in net income				
Net change				
Foreign currency translation adjustments		5		1
Total other comprehensive income, net of tax		7		27
Comprehensive income		434		609
Less: Comprehensive income attributable to noncontrolling interest				1
Comprehensive income attributable to Seagate Technology plc	$	434	$	608

See Notes to Condensed Consolidated Financial Statements.

SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	For the Three Months Ended September 27, 2013	For the Three Months Ended September 28, 2012
OPERATING ACTIVITIES		
Net income	$ 427	$ 582
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	228	212
Share-based compensation	27	17
Deferred income taxes	(1)	(5)
Gain on sale of investments		(33)
Gain on sale of property and equipment	(2)	(6)
Other non-cash operating activities, net	4	
Changes in operating assets and liabilities:		
Accounts receivable, net	49	648
Inventories	(17)	110
Accounts payable	47	(373)
Accrued employee compensation	(115)	(132)
Accrued expenses, income taxes and warranty	37	(57)
Other assets and liabilities	(2)	169
Net cash provided by operating activities	682	1,132
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(161)	(263)
Proceeds from the sale of property and equipment		4
Proceeds from the sale of strategic investments		41
Purchases of short-term investments	(87)	(74)
Sales of short-term investments	49	64
Maturities of short-term investments	32	5
Cash used in acquisition of LaCie S.A., net of cash acquired		(36)
Change in restricted cash and investments		(6)
Other investing activities, net	(19)	
Net cash used in investing activities	(186)	(265)
FINANCING ACTIVITIES		
Repurchases of ordinary shares	(182)	(639)
Dividends to shareholders	(135)	(127)
Proceeds from issuance of ordinary shares under employee stock plans	39	157
Escrow deposit for acquisition of noncontrolling shares of LaCie S.A.		(72)
Other financing activities, net	(4)	
Net cash used in financing activities	(282)	(681)
Effect of foreign currency exchange rate changes on cash and cash equivalents	2	1
Increase in cash and cash equivalents	216	187
Cash and cash equivalents at the beginning of the period	1,708	1,707
Cash and cash equivalents at the end of the period	$ 1,924	$ 1,894

See Notes to Condensed Consolidated Financial Statements.

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SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

For the Three Months Ended September 27, 2013

(In millions)

(Unaudited)

		Seagate Technology plc Ordinary Shareholders						
	Total Equity	Number of Ordinary Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total	Noncontrolling Interest
Balance at June 28, 2013	$ 3,506	359	$	$ 5,286	$ (13)	$ (1,778)	$ 3,495	$ 11
Net income	427					427	427	
Other comprehensive income	7				6		6	1
Issuance of ordinary shares under employee stock plans	39	4		39			39	
Repurchases of ordinary shares	(182)	(4)				(182)	(182)	
Dividends to shareholders	(135)					(135)	(135)	
Share-based compensation	27			27			27	
Purchase of additional subsidiary shares from noncontrolling interest					1		1	(1)
Balance at September 27, 2013	$ 3,689	359	$	$ 5,352	$ (6)	$ (1,668)	$ 3,678	$ 11

See Notes to Condensed Consolidated Financial Statements.

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization

The Company is a leading provider of data storage products. Its principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives are used as the primary medium for storing electronic data.

The Company produces a broad range of electronic data storage products including HDDs, solid state hybrid drives (SSHD) and solid state drives (SSD), which address enterprise applications, where its products are designed for enterprise servers, mainframes and workstations; client compute applications, where its products are designed primarily for desktop and notebook computers; and client non-compute applications, where its products are designed for a wide variety of end user devices such as digital video recorders (DVRs), personal data backup systems, portable external storage systems and digital media systems. In addition to manufacturing and selling data storage products, The Company provides data storage services for small to medium-sized businesses, including online backup, data protection and recovery solutions.

Basis of Presentation and Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and all its wholly-owned and majority-owned subsidiaries, after elimination of intercompany transactions and balances. The preparation of financial statements in accordance with accounting principles generally accepted in the United States also requires management to make estimates and assumptions that affect the amounts reported in the Company s consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its consolidated financial statements. The consolidated financial statements reflect, in the opinion of management, all material adjustments necessary to present fairly the consolidated financial position, results of operations, comprehensive income, cash flows and shareholders equity for the periods presented. Such adjustments are of a normal and recurring nature. The Company s Consolidated Financial Statements for the fiscal year ended June 28, 2013, are included in its Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission (SEC) on August 7, 2013. The Company believes that the disclosures included in the unaudited Condensed Consolidated Financial Statements, when read in conjunction with its Consolidated Financial Statements as of June 28, 2013, and the notes thereto, are adequate to make the information presented not misleading.

The results of operations for the three months ended September 27, 2013, are not necessarily indicative of the results of operations to be expected for any subsequent interim period in the Company s fiscal year ending June 27, 2014. 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 months ended September 27, 2013 and September 28, 2012 each consisted of 13 weeks. Fiscal year 2014 will be comprised of 52 weeks and will end on June 27, 2014.

Summary of Significant Accounting Policies

Other than the revised presentation of accumulated other comprehensive income described below, there have been no significant changes in our significant accounting policies. Please refer to Note 1 of Financial Statements and Supplementary Data contained in Part II, Item 8 of the

Company s Annual Report on Form 10-K for the fiscal year ended June 28, 2013, as filed with the SEC on August 7, 2013 for a discussion of the Company s other significant accounting policies.

Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (ASC Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* The ASU requires an entity to report information, either on the face of the statement where net income is presented or in the notes, about the amounts reclassified out of accumulated other comprehensive income by component and to report significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The ASU has been adopted by the Company effective for the first quarter of fiscal year 2014. Other than requiring additional disclosures, the adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

In July, 2013, the FASB issued ASU No. 2013-11, *Income Taxes (ASC Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The amendments in this ASU provide explicit guidance that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, with limited exceptions. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and do not require new recurring disclosures. The adoption of this new guidance will not have a material impact on the Company s consolidated financial statements.

2. **Balance Sheet Information**

Investments

The following table summarizes, by major type, the fair value and amortized cost of the Company s investments as of September 27, 2013:

(Dollars in millions)	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
Available-for-sale securities:			
Money market funds	$ 709	$	$ 709
Commercial paper	908		908
Corporate bonds	214		214
U.S. treasuries and agency bonds	84		84
Certificates of deposit	156		156
Auction rate securities	17	(2)	15
Equity securities	3		3
Other debt securities	121		121
	2,212	(2)	2,210
Trading securities	80	7	87
Total	$ 2,292	$ 5	$ 2,297
Included in Cash and cash equivalents			$ 1,685
Included in Short-term investments			489
Included in Restricted cash and investments			108
Included in Other assets, net			15
Total			$ 2,297

The Company s available-for-sale securities include investments in auction rate securities. Beginning in fiscal year 2008, the Company s auction rate securities failed to settle at auction and have continued to fail through September 27, 2013. Since the Company continues to earn interest on its auction rate securities at the maximum contractual rate, there have been no payment defaults with respect to such securities, and they are all collateralized, the Company expects to recover the entire amortized cost basis of these auction rate securities. The Company does not intend to sell these securities and has concluded it is not more likely than not that the Company will be required to sell the securities before the recovery of their amortized cost basis. As such, the Company believes the impairments totaling $2 million are not other-than-temporary and therefore have been recorded in Accumulated other comprehensive loss. Given the uncertainty as to when the liquidity issues associated with these securities will improve, these securities are classified within Other assets, net in the Company s Condensed Consolidated Balance Sheets.

As of September 27, 2013, the Company s Restricted cash and investments consisted of $87 million in cash equivalents and investments held in trust for payment of its non-qualified deferred compensation plan liabilities and $21 million in cash and investments held as collateral at banks for various performance obligations. As of June 28, 2013, the Company s Restricted cash and investments consisted of $79 million in cash equivalents and investments held in trust for payment of its non-qualified deferred compensation plan liabilities and $22 million in cash and investments held as collateral at banks for various performance obligations.

As of September 27, 2013, with the exception of the Company s auction rate securities, the Company had no material available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined no available-for-sale securities were other-than-temporarily impaired as of September 27, 2013.

The fair value and amortized cost of the Company s investments classified as available-for-sale at September 27, 2013, by remaining contractual maturity were as follows:

(Dollars in millions)	Amortized Cost	Fair Value
Due in less than 1 year	$ 1,790	$ 1,790
Due in 1 to 5 years	402	402
Thereafter	17	15
Total	$ 2,209	$ 2,207

Equity securities which do not have a contractual maturity date are not included in the above table.

The following table summarizes, by major type, the fair value and amortized cost of the Company s investments as of June 28, 2013:

(Dollars in millions)	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
Available-for-sale securities:			
Money market funds	$ 804	$	$ 804
Commercial paper	655		655
Corporate bonds	211		211
U.S. treasuries and agency bonds	96		96
Certificates of deposit	154		154
Auction rate securities	17	(2)	15
Equity Securities	4		4
Other debt securities	107	(1)	106
	2,048	(3)	2,045
Trading securities	74	5	79
Total	$ 2,122	$ 2	$ 2,124
Included in Cash and cash equivalents			$ 1,528
Included in Short-term investments			480
Included in Restricted cash and investments			101
Included in Other assets, net			15
Total			$ 2,124

As of June 28, 2013, with the exception of the Company s auction rate securities, the Company had no material available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined no available-for-sale securities were other-than-temporarily impaired as of June 28, 2013.

Strategic Investments

The Company enters into certain strategic investments for the promotion of business and strategic objectives. Strategic investments in equity securities where the Company does not have the ability to exercise significant influence over the investees, included in Other assets, net in the Condensed Consolidated Balance Sheets, are recorded at cost and are periodically analyzed to determine whether or not there are indicators of impairment. The carrying value of the Company s strategic investments at September 27, 2013 and June 28, 2013 totaled $77 million and $66 million, respectively, and consisted primarily of privately held equity securities without a readily determinable fair value.

Inventories

(Dollars in millions)	September 27, 2013	June 28, 2013
Raw materials and components	$ 212	$ 213
Work-in-process	226	231
Finished goods	433	410
	$ 871	$ 854

Other Current Assets

(Dollars in millions)	September 27, 2013	June 28, 2013
Vendor non-trade receivables	$ 319	$ 329
Other	182	155
	$ 501	$ 484

Other current assets include non-trade receivables from certain manufacturing vendors resulting from the sale of components to these vendors who manufacture completed sub-assemblies or finished goods for the Company. The Company does not reflect the sale of these components in revenue and does not recognize any profits on these sales. The costs of the completed sub-assemblies are included in inventory upon purchase from the vendors.

Property, Equipment and Leasehold Improvements, net

(Dollars in millions)	September 27, 2013	June 28, 2013
Property, equipment and leasehold improvements	$ 8,624	$ 8,544
Accumulated depreciation and amortization	(6,437)	(6,275)
	$ 2,187	$ 2,269

Accumulated Other Comprehensive Income (AOCI)

The components of AOCI, net of tax, were as follows:

(Dollars in millions)	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Marketable Securities(a)	Unrealized gains (losses) on post-retirements	Foreign currency translation adjustments	Total
Balance as of June 28, 2013	$	$ (3)	$ (10)	$	$ (13)
Other comprehensive income before reclassifications	1	1		5	7

Amounts reclassified from AOCI					
Other comprehensive income	1	1		5	7
Balance as of September 27, 2013	$ 1	$ (2)	$ (10)	$ 5	$ (6)
Balance as of June 29, 2012	$	$ (1)	$ (8)	$	$ (9)
Other comprehensive income before reclassifications		27		1	28
Amounts reclassified from AOCI		(1)			(1)
Other comprehensive income		26		1	27
Balance as of September 28, 2012	$	$ 25	$ (8)	$ 1	$ 18

(a) The cost of a security sold or the amount reclassified out of AOCI into earnings was determined using from specific identification.

3. Debt

Short-Term Borrowings

On January 18, 2011, the Company and its subsidiary, Seagate HDD Cayman (the Borrower), entered into a Credit Agreement which provided a $350 million senior secured revolving credit facility (the Revolving Credit Facility). On April 30, 2013, the Company and Seagate HDD Cayman entered into the Second Amendment to the Credit Agreement which increased the commitments available under the Revolving Credit Facility from $350 million to $500 million. The Company and certain of its material subsidiaries fully and unconditionally guarantee the Revolving Credit Facility. The Revolving Credit Facility matures in April 2018, and is available for cash borrowings and for the issuance of letters of credit up to a sub-limit of $75 million. As of September 27, 2013, no borrowings had been drawn under the Revolving Credit Facility, and $2 million had been utilized for letters of credit.

Long-Term Debt

$600 million Aggregate Principal Amount of 6.8% Senior Notes due October 2016 (the 2016 Notes). The interest on the 2016 Notes is payable semi-annually on April 1 and October 1 of each year. The issuer under the 2016 Notes is Seagate HDD Cayman, and the obligations under the 2016 Notes are unconditionally guaranteed by certain of the Company s significant subsidiaries.

$750 million Aggregate Principal Amount of 7.75% Senior Notes due December 2018 (the 2018 Notes). The interest on the 2018 Notes is payable semi-annually on June 15 and December 15 of each year. The issuer under the 2018 Notes is Seagate HDD Cayman and the obligations under the 2018 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

$600 million Aggregate Principal Amount of 6.875% Senior Notes due May 2020 (the 2020 Notes). The interest on the 2020 Notes is payable semi-annually on May 1 and November 1 of each year. The issuer under the 2020 Notes is Seagate HDD Cayman, and the obligations under the 2020 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

$600 million Aggregate Principal Amount of 7.00% Senior Notes due November 2021 (the 2021 Notes). The interest on the 2021 Notes is payable semi-annually on January 1 and July 1 of each year. The issuer under the 2021 Notes is Seagate HDD Cayman and the obligations under the 2021 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by certain of the Company s significant subsidiaries.

$1 billion Aggregate Principal Amount of 4.75% Senior Notes due June 1, 2023 (the 2023 Notes). The interest on the 2023 Notes is payable semi-annually on June 1 and December 1 of each year. The issuer under the 2023 Notes is Seagate HDD Cayman and the obligations under the 2023 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

Other As part of our acquisition of LaCie S.A. $6 million of long-term debt was assumed, of which $1 million is classified as current for the three months ended September 27, 2013.

At September 27, 2013, future principal payments on long-term debt were as follows (in millions):

Fiscal Year		
Remainder of 2014	$	1
2015		
2016		
2017		334
2018		
Thereafter		2438
	$	2,773

4. Income Taxes

The Company recorded an income tax provision of $13 million in the three months ended September 27, 2013 included approximately $3 million of net discrete tax expense primarily associated with recently enacted tax legislation.

The Company s income tax provision recorded for the three months ended September 27, 2013 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax holidays or tax incentive programs and are considered indefinitely reinvested outside of Ireland and (ii) a decrease in valuation allowance for certain U.S. deferred tax assets.

The IRS and Treasury Department on September 13, 2013, released final regulations under Sections 162(a) and 263(a) on the deduction and capitalization of expenditures related to tangible personal property (the final repair regulations). The entirety of the final repair regulations apply to the Company s first quarter of fiscal year 2015. Application of these regulations is not expected to have a material impact on the Company s consolidated financial statements.

During the three months ended September 27, 2013, the Company s unrecognized tax benefits excluding interest and penalties increased by $6 million to $163 million. The unrecognized tax benefits that, if recognized, would impact the effective tax rate was $163 million at September 27, 2013, subject to certain future valuation allowance reversals. During the 12 months beginning September 28, 2013, the Company expects to reduce its unrecognized tax benefits by approximately $6 million primarily as a result of the expiration of certain statutes of limitation.

The income tax provision of $18 million recorded in the three months ended September 28, 2012 included approximately $7 million of net discrete tax expense primarily associated with the reversal of prior period tax benefits.

The Company s income tax provision recorded for the three months ended September 28, 2012 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax holidays or tax incentive programs and are considered indefinitely reinvested outside of Ireland and (ii) a decrease in valuation allowance for certain U.S. deferred tax assets.

5. Acquisitions

LaCie S.A.

On August 3, 2012 the Company acquired 23,382,904 (or approximately 64.5%) of the outstanding shares of LaCie S.A. (LaCie) for a price of 4.05 per share with a price supplement of 0.12 per share, which would have been payable if the Company had successfully acquired at least 95% of the outstanding shares of LaCie within 6 months of the acquisition. Of the amount paid at the acquisition date, 9 million is treated as compensation cost to one of the selling shareholders, who is now an employee of the Company, to be recognized over a period of 36 months from the acquisition date, and may be refunded to the Company if the selling shareholder is no longer employed at the end of that period. The transaction and related agreements are expected to accelerate the Company s growth strategy in the expanding consumer storage market, particularly in Europe, Japan and in premium distribution channels.

The acquisition-date fair value of the consideration transferred for the business combination totaled $111 million, including cash paid of $107 million, and contingent consideration of $4 million.

The following table summarizes the estimated fair values of the assets acquired, liabilities assumed, and noncontrolling interest at the acquisition date (in millions):

Cash and cash equivalents	$	71
Accounts receivable		29
Marketable securities		27
Inventories		46
Other current and non-current assets		19
Property, plant and equipment		12
Intangible assets		45
Goodwill		13
Total assets		262
Accounts payable and accrued expenses		(73)
Current and non-current portion of long-term debt		(6)
Total liabilities		(79)
Noncontrolling interest		(72)
Total	$	111

The following table shows the fair value of the separately identifiable intangible assets at the time of acquisition and the period over which each intangible asset will be amortized:

(Dollars in millions)		**Fair Value**	**Weighted-Average Amortization Period**
Customer relationships	$	31	5.0 years
Existing technology		1	5.0 years
Trade name		13	5.0 years
Total acquired identifiable intangible assets	$	45	

Since the acquisition date, the Company recorded adjustments to the fair value of certain assets acquired and liabilities assumed with LaCie S.A. that resulted in a net increase of $1 million to Goodwill, and a corresponding decrease in Intangible assets.

The goodwill recognized is attributable primarily to the benefits the Company expects to derive from LaCie s brand recognition and the acquired workforce, and is not deductible for income tax purposes. The acquisition date fair value of the noncontrolling interest is based on the market price of their publicly traded shares as of the first trading date subsequent to the acquisition, as the shares did not trade on the acquisition date.

The 0.12 supplement was not paid as 95% of the LaCie business was not acquired within six months of the acquisition date, resulting in a reversal of the contingent consideration liability which was recorded as a reduction of Marketing and administrative expenses of $4 million.

The amounts of revenue and earnings of LaCie included in the Company s Condensed Consolidated Statement of Operations from the acquisition date are not significant.

The Company deposited $72 million into an escrow account with the intention of acquiring the remaining publicly held shares of LaCie through public and private transactions. As of September 27, 2013, a total of $61 million of the Company s deposit had been used to acquire an additional 30% of the outstanding shares, resulting in an ending ownership interest of approximately 94.8%. The use of this deposit is treated as a non-cash financing activity and excluded from the Statement of Cash Flows.

6. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the three months ended September 27, 2013, are as follows:

(Dollars in millions)		
Balance as of June 28, 2013	$	476
Foreign currency translation effect		1
Balance as of September 27, 2013	$	477

The carrying value of other intangible assets subject to amortization as of September 27, 2013, is set forth in the following table:

(Dollars in millions)		**Gross Carrying Amount**		**Accumulated Amortization**		**Net Carrying Amount**	**Weighted Average Remaining Useful Life**
Existing technology	$	138	$	(122)	$	16	0.4 years
Customer relationships		431		(133)		298	4.0 years
Trade name		14		(3)		11	3.8 years
Total amortizable other intangible assets	$	583	$	(258)	$	325	3.8 years

The carrying value of other intangible assets subject to amortization as of June 28, 2013 is set forth in the following table:

(Dollars in millions)		**Gross Carrying Amount**		**Accumulated Amortization**		**Net Carrying Amount**	**Weighted Average Remaining Useful Life**
Existing technology	$	138	$	(105)	$	33	0.5 years
Customer relationships		431		(114)		317	4.3 years
Trade Name		14		(3)		11	4.1 years
Total amortizable other intangible assets	$	583	$	(222)	$	361	3.9 years

The carrying value of the Company s non-amortized In-process research and development was $44 million as of September 27, 2013 and June 28, 2013.

For the three months ended September 27, 2013, amortization expense of other intangible assets was $37 million. For the three months ended September 28, 2012, amortization expense of other intangible assets was $36 million. As of September 27, 2013, expected amortization expense for other intangible assets for each of the next five years and thereafter is as follows:

(Dollars in millions)		
Remainder of 2014	$	92
2015		102
2016		79
2017		68
2018		28
Thereafter		

$	369

7. Derivative Financial Instruments

The Company is exposed to foreign currency exchange rate, interest rate, and to a lesser extent, equity price risks relating to its ongoing business operations. The Company enters into foreign currency forward exchange contracts to manage the foreign currency exchange rate risk on forecasted expenses denominated in foreign currencies and to mitigate the remeasurement risk of certain foreign currency denominated liabilities. The Company s accounting policies for these instruments are based on whether the instruments are classified as designated or non-designated hedging instruments. The Company records all derivatives in the Condensed Consolidated Balance Sheets at fair value. The changes in the fair values of the effective portions of designated cash flow hedges are recorded in Accumulated other comprehensive loss until the hedged item is recognized in earnings. Derivatives that are not designated as hedging instruments and the ineffective portions of cash flow hedges are adjusted to fair value through earnings. The amount of net unrealized gains (losses) on cash flow hedges was not material as of September 27, 2013 and June 28, 2013.

The Company dedesignates its cash flow hedges when the forecasted hedged transactions are realized or it is probable the forecasted hedged transactions will not occur in the initially identified time period. At such time, the associated gains and losses deferred in Accumulated other comprehensive loss are reclassified immediately into earnings and any subsequent changes in the fair value of such derivative instruments are immediately reflected in earnings. The Company did not recognize any material net gains or losses related to the loss of hedge designation on discontinued cash flow hedges during the three months ended September 27, 2013. As of September 27, 2013, the Company s existing foreign currency forward exchange contracts mature within 12 months. The deferred amount currently recorded in Accumulated other comprehensive loss expected to be recognized into earnings over the next 12 months is immaterial.

The following tables show the total notional value of the Company s outstanding foreign currency forward exchange contracts as of September 27, 2013 and June 28, 2013:

	As of September 27, 2013	
(Dollars in millions)	**Contracts Designated as Hedges**	**Contracts Not Designated as Hedges**
Thai baht	$	$ 223
Singapore dollars	95	15
Chinese renminbi		
	$ 95	$ 238

	As of June 28, 2013	
(Dollars in millions)	**Contracts Designated as Hedges**	**Contracts Not Designated as Hedges**
Thai baht	$	$ 20
Singapore dollars		
Chinese renminbi		
Czech koruna		
	$	$ 20

The following table shows the Company s derivative instruments measured at fair value as reflected in the Condensed Consolidated Balance Sheet as of September 27, 2013 and June 28, 2013:

	As of September 27, 2013			
	Asset Derivatives		Liability Derivatives	
(Dollars in millions)	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivatives designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	$ 1	Accrued expenses	$
Derivatives not designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	3	Accrued expenses	
Total derivatives		$ 4		$

	As of June 28, 2013			
	Asset Derivatives		Liability Derivatives	
(Dollars in millions)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	$	Accrued expenses	$
Derivatives not designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets		Accrued expenses	(1)
Total derivatives		$		$ (1)

The following tables show the effect of the Company s derivative instruments on the Condensed Consolidated Statement of Comprehensive Income and the Condensed Consolidated Statement of Operations for the three months ended September 27, 2013:

(Dollars in millions)

Derivatives Designated as Hedging Instruments	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) (a)
Foreign currency forward exchange contracts	$ 1	Cost of revenue	$	Cost of revenue	$

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Foreign currency forward exchange contracts	Other, net	$ 1

(a) The amount of gain or (loss) recognized in income represents $0 related to the ineffective portion of the hedging relationship and $0 related to the amount excluded from the assessment of hedge effectiveness for the three months ended September 27, 2013.

The following tables show the effect of the Company s derivative instruments on the Condensed Consolidated Statement of Comprehensive Income and the Condensed Consolidated Statement of Operations for the three months ended September 28, 2012:

(Dollars in millions)

Derivatives Designated as Hedging Instruments	Amount of Gain or (Loss)	Location of Gain or (Loss)	Amount of Gain or (Loss)	Location of Gain or (Loss)	Amount of Gain or (Loss)

	Recognized in OCI on Derivative (Effective Portion)	Reclassified from Accumulated OCI into income (Effective Portion)	Reclassified from Accumulated OCI into Income (Effective Portion)	Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) (a)
Foreign currency forward exchange contracts	**$**	**Cost of revenue**	**$**	**Cost of revenue**	**$**

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Foreign currency forward exchange contracts	Other, net	$ 2

(a) The amount of gain or (loss) recognized in income represents $0 related to the ineffective portion of the hedging relationship and $0 related to the amount excluded from the assessment of hedge effectiveness for the three months ended September 28, 2012, respectively.

8. Fair Value

Measurement of Fair Value

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Fair Value Hierarchy

A fair value hierarchy is based on whether the market participant assumptions used in determining fair value are obtained from independent sources (observable inputs) or reflects the Company s own assumptions of market participant valuation (unobservable inputs). A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are inactive; quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; or

Level 3 Prices or valuations that require inputs that are both unobservable and significant to the fair value measurement.

The Company considers an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and views an inactive market as one in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. Where appropriate the Company s or the counterparty s non-performance risk is considered in determining the fair values of liabilities and assets, respectively.

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 September 27, 2013:

	Fair Value Measurements at Reporting Date Using							
(Dollars in millions)		**Quoted Prices in Active Markets for Identical Instruments (Level 1)**		**Significant Other Observable Inputs (Level 2)**		**Significant Unobservable Inputs (Level 3)**		**Total Balance**
Assets:								
Money market funds	$	692	$		$		$	692
Equity securities		3						3
Corporate bonds				214				214
Other debt securities				121				121
U.S. treasuries and agency bonds				84				84
Certificates of deposit				152				152
Commercial paper				908				908
Total cash equivalents and short-term investments		695		1,479				2,174
Restricted cash and investments:								
Mutual Funds		82						82
Other debt securities		22		4				26
Auction rate securities						15		15
Derivative assets				4				4
Total assets	$	799	$	1,487	$	15	$	2,301
Liabilities:								
Derivative liabilities	$		$		$		$	
Total liabilities	$		$		$		$	

	Fair Value Measurements at Reporting Date Using							
(Dollars in millions)		**Quoted Prices in Active Markets for Identical Instruments (Level 1)**		**Significant Other Observable Inputs (Level 2)**		**Significant Unobservable Inputs (Level 3)**		**Total Balance**
Assets:								
Cash and cash equivalents	$	692	$	993	$		$	1,685
Short-term investments		3		486				489
Restricted cash and investments		104		4				108
Other current assets								
Other assets, net				4		15		19
Total assets	$	799	$	1,487	$	15	$	2,301
Liabilities:								
Accrued expenses	$		$		$		$	
Total liabilities	$		$		$		$	

The following table presents the Company s assets and liabilities that are measured at fair value on a recurring basis, excluding accrued interest components, as of June 28, 2013: