

# Supplemental Financial Information

FISCAL Q1 2018



# Safe Harbor Statement

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about the Company's plans, strategies and prospects, estimates of industry growth, market demand, and dividend issuance plans for the fiscal quarter ending December 29, 2017 and beyond. These statements identify prospective information and may include words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "should," "may," "will," or the negative of these words, variations of these words and comparable terminology. These forward-looking statements are based on information available to the Company as of the date of this report and are based on management's current views and assumptions. These forward-looking statements are conditioned upon and also involve a number of known and unknown risks, uncertainties, and other factors that could cause actual results, performance or events to differ materially from those anticipated by these forward-looking statements. Such risks, uncertainties, and other factors may be beyond the Company's control and may pose a risk to the Company's operating and financial condition. Such risks and uncertainties include, but are not limited to: items that may be identified during its financial statement closing process that cause adjustments to the estimates included in this report; the uncertainty in global economic conditions; the impact of the variable demand and adverse pricing environment for disk drives; the Company's ability to successfully qualify, manufacture and sell its disk drive products in increasing volumes on a cost-effective basis and with acceptable quality; the impact of competitive product announcements; the Company's ability to achieve projected cost savings in connection with its restructuring plans; possible excess industry supply with respect to particular disk drive products; disruptions to its supply chain or production capabilities; unexpected advances in competing technologies or changes in market trends; the development and introduction of products based on new technologies and expansion into new data storage markets; the Company's ability to comply with certain covenants in its credit facilities with respect to financial ratios and financial condition tests; currency fluctuations that may impact the Company's margins and international sales; cyber-attacks or other data breaches that disrupt the Company's operations or result in the dissemination of proprietary or confidential information and cause reputational harm; and fluctuations in interest rates. Information concerning risks, uncertainties and other factors that could cause results to differ materially from the expectations described in this press release is contained in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on August 4, 2017, the "Risk Factors" section of which is incorporated into this press release by reference, and other documents filed with or furnished to the Securities and Exchange Commission. These forward-looking statements should not be relied upon as representing the Company's views as of any subsequent date and the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.



## Use of Non-GAAP Financial Information

To supplement the condensed consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), the Company provides non-GAAP measures of adjusted revenue, net income, diluted earnings per share, earnings per share, gross margin, gross margin as a percentage of revenue, operating expenses, free cash flow, EBITDA and Credit Agreement defined EBITDA which are adjusted from results based on GAAP to exclude certain expenses, gains and losses. These non-GAAP financial measures are provided to enhance the user's overall understanding of the Company's current financial performance and our prospects for the future. Specifically, the Company believes non-GAAP results provide useful information to both management and investors as these non-GAAP results exclude certain expenses, gains and losses that we believe are not indicative of our core operating results and because it is similar to the approach used in connection with the financial models and estimates published by financial analysts who follow the Company. Free cash flow does not reflect all of the Company's expenses and non-cash items and does not reflect the Company's uses of cash in financing and investment activities.

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



## Q1 FY2018 Financial Highlights

|                           |                                |                                 |                         |
|---------------------------|--------------------------------|---------------------------------|-------------------------|
| Revenue                   | Gross Margin                   | Diluted EPS                     | HDD Capacity Shipped    |
| \$2.6 <sub>B</sub>        | GAAP<br>28.0%                  | GAAP<br>\$0.62                  | 70.3 <sub>EB</sub>      |
| \$237 <sub>M</sub>        | NON-GAAP <sup>1</sup><br>29.0% | NON-GAAP <sup>1</sup><br>\$0.96 | 1.9 <sub>TB</sub>       |
| Cash Flow from Operations | Gross Margin                   | Diluted EPS                     | Avg. Capacity per Drive |

1. See 'Reconciliation Tables' section for GAAP reconciliation.



# Quarterly Financial Trends

|   | Q1'16  | Q2'16  | Q3'16    | Q4'16  | Q1'17  | Q2'17  | Q3'17  | Q4'17  | Q1'18  |
|---|--------|--------|----------|--------|--------|--------|--------|--------|--------|
| <b>GAAP Results</b>                       |        |        |          |        |        |        |        |        |        |
| Revenue (\$M)                             | 2,925  | 2,986  | 2,595    | 2,654  | 2,797  | 2,894  | 2,674  | 2,406  | 2,632  |
| Gross Margin %                            | 23.6%  | 24.8%  | 20.2%    | 24.9%  | 28.6%  | 30.8%  | 30.5%  | 27.7%  | 28.0%  |
| Operating Expenses (\$M)                  | 603    | 512    | 497      | 559    | 580    | 521    | 550    | 470    | 481    |
| Net Income (loss) (\$M)                   | 34     | 165    | (21)     | 70     | 167    | 297    | 194    | 114    | 181    |
| Diluted EPS (LPS)                         | \$0.11 | \$0.55 | (\$0.07) | \$0.23 | \$0.55 | \$1.00 | \$0.65 | \$0.38 | \$0.62 |
| <b>Non-GAAP Results<sup>1</sup></b>       |        |        |          |        |        |        |        |        |        |
| Revenue (\$M)                             | 2,927  | 2,985  | 2,591    | 2,653  | 2,797  | 2,893  | 2,675  | 2,406  | 2,632  |
| Gross Margin %                            | 24.2%  | 25.6%  | 22.7%    | 25.8%  | 29.5%  | 31.8%  | 31.4%  | 28.9%  | 29.0%  |
| Operating Expenses (\$M)                  | 501    | 453    | 439      | 443    | 472    | 458    | 443    | 422    | 408    |
| Net Income (\$M)                          | 165    | 246    | 66       | 207    | 299    | 412    | 329    | 192    | 279    |
| Diluted EPS <sup>2</sup>                  | \$0.54 | \$0.82 | \$0.22   | \$0.69 | \$0.99 | \$1.38 | \$1.10 | \$0.65 | \$0.96 |
| End of Qtr Actual Share Count (M)         | 299    | 296    | 298      | 299    | 299    | 295    | 297    | 292    | 289    |
| Diluted Shares O/S for EPS (M)            | 308    | 301    | 298      | 300    | 301    | 298    | 300    | 297    | 292    |
| Dividends Per Share Paid                  | \$0.54 | \$0.63 | \$0.63   | \$0.63 | -      | \$0.63 | \$0.63 | \$0.63 | \$0.63 |
| Shares Repurchased (M)                    | 20.0   | 2.9    | -        | -      | 3.0    | 4.1    | -      | 5.0    | 5.0    |
| Fiscal YTD Shares Repurchased (M)         | 20.0   | 23.0   | 23.0     | 23.0   | 3.0    | 7.1    | 7.1    | 12.1   | 5.0    |
| <b>Revenue by Product Line (\$M)</b>      |        |        |          |        |        |        |        |        |        |
| HDD                                       | 2,722  | 2,727  | 2,371    | 2,455  | 2,589  | 2,652  | 2,424  | 2,220  | 2,390  |
| Enterprise Systems, Flash, and Other      | 203    | 259    | 224      | 199    | 208    | 242    | 250    | 186    | 242    |
| <b>HDD Revenue by Channel<sup>3</sup></b> |        |        |          |        |        |        |        |        |        |
| OEM                                       | 69%    | 68%    | 69%      | 71%    | 70%    | 66%    | 66%    | 67%    | 67%    |
| Distributors                              | 18%    | 16%    | 16%      | 16%    | 18%    | 18%    | 19%    | 18%    | 17%    |
| Retail                                    | 13%    | 16%    | 15%      | 13%    | 12%    | 16%    | 15%    | 15%    | 16%    |

1. See 'Reconciliation Tables' section for GAAP reconciliation.

2. The number of shares used in the Non-GAAP diluted net income per share computation for Q3'16 is 299 million as it includes dilutive shares related to employee equity award plans. Such shares were excluded from the computation of GAAP diluted net income per share as to do so would be anti-dilutive.

3. HDD Revenue by Channel reflects channel distribution of HDD revenue only.



# HDD Product Mix Trends

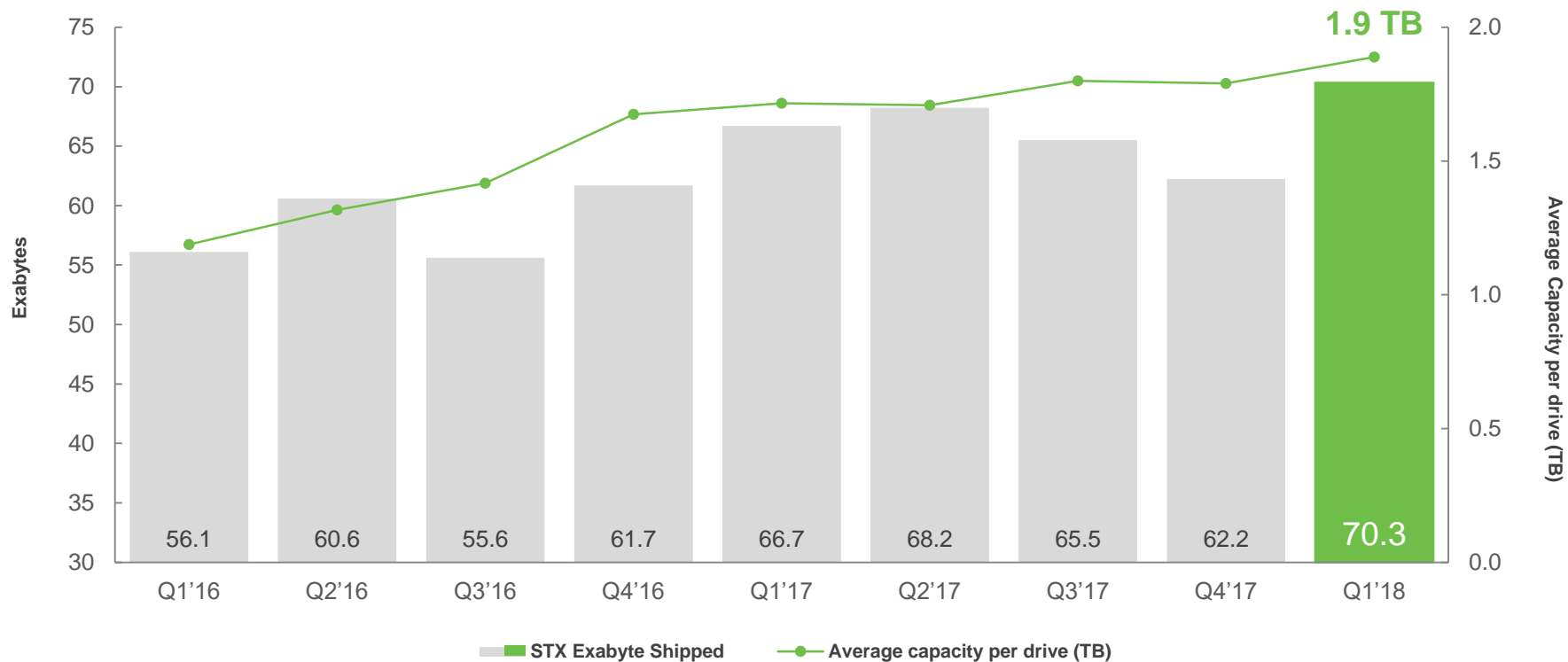
|   |                                   | Q1'16 | Q2'16 | Q3'16 | Q4'16 | Q1'17 | Q2'17 | Q3'17 | Q4'17 | Q1'18 |
|---|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Enterprise</b>                                 |                                   |       |       |       |       |       |       |       |       |       |
| Capacity (EB)                                     | Mission Critical                  | 2.4   | 2.5   | 2.2   | 2.2   | 2.4   | 2.6   | 2.3   | 2.2   | 2.1   |
|   | Nearline                          | 12.2  | 15.1  | 17.7  | 24.7  | 25.7  | 21.6  | 21.4  | 21.2  | 25.1  |
| Average Capacity per Drive (TB)                   |                                   | 1.9   | 2.2   | 2.6   | 3.2   | 3.2   | 3.0   | 3.2   | 3.4   | 3.9   |
| <b>Edge non-Compute / Client non-Compute</b>      |                                   |       |       |       |       |       |       |       |       |       |
| Capacity (EB)                                     | Consumer Electronics <sup>1</sup> | 11.6  | 10.5  | 8.4   | 11.3  | 13.7  | 14.8  | 13.6  | 12.4  | 13.5  |
|   | Consumer                          | 9.2   | 11.0  | 9.3   | 8.6   | 8.9   | 12.1  | 10.8  | 9.5   | 11.1  |
| Average Capacity per Drive (TB)                   |                                   | 1.3   | 1.5   | 1.6   | 1.6   | 1.6   | 1.9   | 2.0   | 1.9   | 1.9   |
| <b>Edge Compute / Client Compute</b>              |                                   |       |       |       |       |       |       |       |       |       |
| Capacity (EB)                                     | Desktop + Notebook                | 20.7  | 21.4  | 18.0  | 14.7  | 16.0  | 17.1  | 17.3  | 16.8  | 18.6  |
| Average Capacity per Drive (TB)                   |                                   | 0.9   | 0.9   | 0.9   | 0.9   | 1.0   | 1.0   | 1.1   | 1.0   | 1.1   |
| <b>Total HDD Capacity (EB)</b>                    |                                   | 56.1  | 60.6  | 55.6  | 61.7  | 66.7  | 68.2  | 65.5  | 62.2  | 70.3  |
| <b>Average Capacity per Drive (TB)</b>            |                                   | 1.2   | 1.3   | 1.4   | 1.7   | 1.7   | 1.7   | 1.8   | 1.8   | 1.9   |
| <b>Enterprise as a % of Total Revenue</b>         |                                   | 33%   | 34%   | 37%   | 41%   | 41%   | 37%   | 36%   | 37%   | 36%   |
| <b>Client non-Compute as a % of Total Revenue</b> |                                   | 28%   | 27%   | 24%   | 27%   | 28%   | 31%   | 29%   | 29%   | 29%   |
| <b>Client Compute as a % of Total Revenue</b>     |                                   | 33%   | 31%   | 30%   | 24%   | 24%   | 24%   | 25%   | 26%   | 26%   |

NOTE: Minor calculation variances are due to rounding.

1. Consumer Electronics includes exabytes from surveillance, DVR, NAS, and gaming.



# HDD Exabytes Shipped and Average Capacity per Drive



# Cash, Cash Flow, and Operational Trends

|  | Q1'16  | Q2'16  | Q3'16  | Q4'16  | Q1'17  | Q2'17  | Q3'17  | Q4'17  | Q1'18  |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cash (\$M)   | 1,921  | 1,264  | 1,199  | 1,131  | 1,494  | 1,716  | 3,026  | 2,539  | 2,285  |
| Debt (\$M)   | 4,096  | 4,098  | 4,089  | 4,091  | 4,092  | 4,093  | 5,231  | 5,021  | 5,002  |
| Cash Flow From Operations <sup>5</sup> (\$M)       | 824    | 382    | 205    | 269    | 591    | 656    | 426    | 243    | 237    |
| Capital Expenditures <sup>1</sup> (\$M)            | 209    | 137    | 95     | 146    | 140    | 95     | 95     | 104    | 124    |
| Free Cash Flow <sup>2</sup> (\$M)                  | 615    | 245    | 110    | 123    | 451    | 561    | 331    | 139    | 113    |
| YTD Cash Flow From Operations <sup>3,5</sup> (\$M) | 824    | 1,206  | 1,411  | 1,680  | 591    | 1,247  | 1,673  | 1,916  | 237    |
| YTD Shares Repurchased <sup>4</sup> (\$M)          | 983    | 1,090  | 1,090  | 1,090  | 101    | 248    | 248    | 460    | 166    |
| YTD Dividend Paid <sup>3</sup> (\$M)               | 163    | 351    | 539    | 727    | -      | 188    | 374    | 561    | 184    |
| YTD Percent Return of OCF <sup>3</sup>             | 139%   | 119%   | 115%   | 108%   | 17%    | 35%    | 37%    | 53%    | 148%   |
| Days Sales Outstanding                             | 47     | 43     | 44     | 45     | 43     | 38     | 39     | 45     | 42     |
| Days Inventory Outstanding                         | 45     | 43     | 41     | 40     | 42     | 46     | 51     | 51     | 49     |
| Days Payables Outstanding                          | 77     | 71     | 66     | 69     | 71     | 74     | 78     | 85     | 74     |
| Cash Conversion Cycle                              | 15     | 14     | 19     | 16     | 13     | 10     | 12     | 12     | 17     |
| Worldwide Headcount                                | 51,079 | 50,048 | 46,673 | 45,487 | 44,455 | 44,882 | 43,214 | 41,221 | 40,496 |

NOTE: Minor calculation variances are due to rounding.

1. Capital Expenditures is cash paid for the acquisition of property, equipment, and leasehold improvements.

2. Free cash flow is a non-GAAP measure defined as cash flow from operations less capital expenditures.

3. Based on Fiscal Year.

4. Based on Fiscal Year. For YTD Shares Repurchased through Fiscal Q2'16, \$1,061 million was paid in cash and \$29 million was accrued for as of January 1, 2016.

5. Cash Flow from Operations has been retrospectively adjusted from Q1'16 for the impact of the adoption of ASU 2016-18, Statement of Cash Flows: Restricted Cash, which requires amount generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the total beginning and ending balances for the periods presented on the Statement of Cash Flows.





# Product and Technology Development Highlights

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## Seagate and Tencent

Seagate Technology and Tencent Technology signed a Strategic Partnership Memorandum of Understanding (MOU) for cooperation in the field of information technology.

Tencent will regard Seagate as a key supplier of storage solutions, and Seagate will treat Tencent as a Strategic Partner and set up a special service team for Tencent. Also, both companies will carry out an all-round and in-depth cooperation covering products and technology, and will work together to drive market development activities.

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## 12TB drives for NAS and Desktop Computing

Announced its IronWolf™, IronWolf™ Pro and BarraCuda® Pro hard drives are now available at capacities up to 12TB.

Seagate's 12TB IronWolf and BarraCuda Pro drives further extend the capabilities of the leading Seagate Guardian Series to meet the growing data needs of large enterprise business, small and medium-sized businesses (SMBs), and creative professionals.

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## Seagate and Baidu

Announced the signing of a strategic cooperation agreement with Baidu covering the fields of information technology, big data analysis and advanced storage system development and implementation.

The pact renews an existing agreement between the two firms signed in September 2014, under which both parties would regard each other as their preferred strategic partner, investing their respective superior resources, carrying out experiments in products, solutions and services, and jointly getting involved in diverse technological innovation research.

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## Seagate revs up Nytro Flash Storage Portfolio

Announced at the 2017 Flash Memory Summit enhanced versions of two flash technologies to boost performance and capacity for mixed data center workloads. The updated solid-state drives — including the Nytro® 5000 M.2 non-volatile memory express (NVMe) SSD and the Nytro 3000 Serial Attached SCSI (SAS) SSD — address different segments of the cloud and data center markets and help organizations maximize the value of their data.



# RECONCILIATION TABLES

# GAAP to Non-GAAP Reconciliations

| (\$ Millions)   | Q1'16        | Q2'16        | Q3'16       | Q4'16        | Q1'17        | Q2'17        | Q3'17        | Q4'17        | Q1'18         |
|---|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <b>GAAP net income (loss)</b>   | \$34         | \$165        | (\$21)      | \$70         | \$167        | \$297        | \$194        | \$114        | <b>\$181</b>  |
| <b>Non-GAAP adjustments</b>   |              |              |             |              |              |              |              |              |               |
| A. Revenue  | 2            | (1)          | (4)         | (1)          | -            | (1)          | 1            | -            | -             |
| B. Cost of revenue  | 17           | 23           | 67          | 23           | 25           | 29           | 24           | 30           | 26            |
| C. Product development  | 6            | 3            | 2           | 5            | -            | 2            | 30           | 13           | 1             |
| D. Marketing and administrative   | 4            | 10           | 9           | 3            | (1)          | 1            | 2            | 3            | -             |
| E. Amortization of intangibles  | 33           | 29           | 27          | 28           | 27           | 27           | 27           | 18           | 21            |
| F. Restructuring and other, net   | 59           | 17           | 20          | 80           | 82           | 33           | 48           | 14           | 51            |
| G. Other income (expense), net  | 10           | -            | (34)        | (1)          | (1)          | 24           | -            | 6            | (1)           |
| H. Provision for income taxes   | -            | -            | -           | -            | -            | -            | 3            | (6)          | -             |
| <b>Non-GAAP net income</b>  | <b>\$165</b> | <b>\$246</b> | <b>\$66</b> | <b>\$207</b> | <b>\$299</b> | <b>\$412</b> | <b>\$329</b> | <b>\$192</b> | <b>\$279</b>  |
| <b>Diluted net income (loss) per share:</b>                                 |              |              |             |              |              |              |              |              |               |
| GAAP  | \$0.11       | \$0.55       | (\$0.07)    | \$0.23       | \$0.55       | \$1.00       | \$0.65       | \$0.38       | <b>\$0.62</b> |
| Non-GAAP  | \$0.54       | \$0.82       | \$0.22      | \$0.69       | \$0.99       | \$1.38       | \$1.10       | \$0.65       | <b>\$0.96</b> |
| Shares used in diluted net income (loss) share calculation <sup>1</sup> (M) | 308          | 301          | 298         | 300          | 301          | 298          | 300          | 297          | <b>292</b>    |

- A. Revenue adjustments were not significant.  
 B. Cost of revenue has been adjusted on a non-GAAP basis to exclude amortization of intangibles associated with acquisitions and write off of certain inventory and other charges related to restructuring.  
 C. Product development expenses have been adjusted on a non-GAAP basis to exclude other charges related to restructuring.  
 D. Marketing administrative expenses adjustments were not significant.  
 E. Amortization of intangibles primarily related to our acquisitions has been excluded on a non-GAAP basis.  
 F. Restructuring and other, net, has been adjusted on a non-GAAP basis primarily related to reductions in our workforce as a result of our ongoing focus on cost efficiencies in all areas of our business.  
 G. Other income (expense), net, has been adjusted on a non-GAAP basis primarily to exclude the impact of our disposed data service business.  
 H. Provision for income taxes represents the tax effects of non-GAAP adjustments determined using a hybrid with and without method and effective tax rate for the applicable adjustment and jurisdiction.

Non-GAAP gross margin and Non-GAAP gross margin %: Non-GAAP gross margin is defined as Revenue less Cost of revenue less Non-GAAP adjustments to Revenue and Cost of revenue. Non-GAAP gross margin % is defined as Non-GAAP gross margin divided by Non-GAAP Revenue.

Non-GAAP operating expenses, Non-GAAP operating income and Non-GAAP operating margin: Non-GAAP operating expenses is defined as Product development, Marketing and administrative, Amortization of intangibles, and Restructuring and other, net, adjusted for non-GAAP items C through F noted in the table above. Non-GAAP operating income is defined as Income from operations adjusted for non-GAAP items A through F noted in the table above. Non-GAAP operating margin is non-GAAP operating income divided by Non-GAAP Revenue.

1. The number of shares used in the Non-GAAP diluted net income per share computation for Q3'16 is 299 million as it includes dilutive shares related to employee equity award plans. Such shares were excluded from the computation of GAAP diluted net income per share as to do so would be anti-dilutive.



# GAAP to Adjusted EBITDA Reconciliations

| (\$ Millions)                                      | Q1'16        | Q2'16        | Q3'16        | Q4'16        | Q1'17        | Q2'17        | Q3'17        | Q4'17        | Q1'18        |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Income Before Income Taxes</b>                  | \$31         | \$180        | \$9          | \$54         | \$173        | \$310        | \$212        | \$120        | <b>\$188</b> |
| <b>EBITDA adjustments</b>                          |              |              |              |              |              |              |              |              |              |
| Depreciation                                       | 167          | 163          | 155          | 156          | 158          | 149          | 140          | 134          | <b>125</b>   |
| Amortization                                       | 41           | 46           | 43           | 44           | 42           | 42           | 42           | 42           | <b>36</b>    |
| Interest Income                                    | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (5)          | (5)          | <b>(7)</b>   |
| Interest Expense                                   | 47           | 48           | 47           | 51           | 50           | 50           | 60           | 62           | <b>61</b>    |
| <b>EBITDA</b>                                      | <b>\$285</b> | <b>\$436</b> | <b>\$253</b> | <b>\$304</b> | <b>\$422</b> | <b>\$550</b> | <b>\$449</b> | <b>\$353</b> | <b>\$403</b> |
| <b>Non-GAAP adjustments</b>                        |              |              |              |              |              |              |              |              |              |
| A. Revenue   | 2            | (1)          | (4)          | (1)          | -            | (1)          | 1            | -            | <b>-</b>     |
| B. Cost of Revenue                                 | 10           | 8            | 52           | 3            | (1)          | 10           | 7            | 3            | <b>12</b>    |
| C. Product Development                             | 6            | 3            | 2            | 2            | -            | 1            | 27           | 13           | <b>1</b>     |
| D. Marketing and administrative                    | 4            | 10           | 9            | 1            | (1)          | 1            | 2            | 3            | <b>-</b>     |
| E. Restructuring and other, net                    | 59           | 17           | 20           | 80           | 82           | 33           | 48           | 14           | <b>51</b>    |
| F. Other income (expense), net                     | 10           | -            | (34)         | (1)          | (1)          | 24           | -            | 6            | <b>(1)</b>   |
| <b>Adjusted EBITDA</b>                             | <b>\$376</b> | <b>\$473</b> | <b>\$298</b> | <b>\$388</b> | <b>\$501</b> | <b>\$618</b> | <b>\$534</b> | <b>\$392</b> | <b>\$466</b> |
| Share-based Compensation                           | \$33         | \$32         | \$30         | \$25         | \$40         | \$33         | \$37         | \$27         | <b>\$32</b>  |
| <b>Credit Agreement Defined EBITDA<sup>1</sup></b> | <b>\$409</b> | <b>\$505</b> | <b>\$328</b> | <b>\$413</b> | <b>\$541</b> | <b>\$651</b> | <b>\$571</b> | <b>\$419</b> | <b>\$498</b> |

A. Revenue adjustments were not significant.

B. Cost of revenue has been adjusted on a non-GAAP to exclude the write off of certain inventory and other charges related to restructuring.

C. Product development expenses have been adjusted on a non-GAAP basis to exclude other charges related to restructuring.

D. Marketing and administrative expenses adjustments were not significant.

E. Restructuring and other, net, has been adjusted on a non-GAAP basis primarily related to reductions in our workforce as a result of our ongoing focus on cost efficiencies in all areas of our business.

F. Other income (expense), net, has been adjusted on a non-GAAP basis primarily to exclude the impact of our disposed data service business.

1. Credit Agreement Defined EBITDA includes the adjustment for expense related to share-based compensation.



**Reconciliation of Gross Margin to Non-GAAP Gross Margin & Gross Profit to Non-GAAP Gross Profit**

|   | (\$M) | Q1'16 | Q2'16 | Q3'16 | Q4'16 | Q1'17 | Q2'17 | Q3'17 | Q4'17 | Q1'18 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Gross profit  |       | 689   | 741   | 524   | 662   | 801   | 891   | 816   | 666   | 736   |
| Accelerated depreciation, impairment and other charges related to cost saving efforts |       | 4     | 4     | 52    | 6     | 16    | 16    | 7     | 5     | 1     |
| Amortization of acquired intangible assets  |       | 6     | 15    | 15    | 15    | 13    | 13    | 13    | 24    | 14    |
| Other charges   |       | 9     | 3     | (4)   | 1     | (4)   | (1)   | 5     | 1     | 11    |
| Non-GAAP gross profit   |       | 708   | 763   | 587   | 684   | 826   | 919   | 841   | 696   | 762   |
| Gross margin  |       | 23.6% | 24.8% | 20.2% | 24.9% | 28.6% | 30.8% | 30.5% | 27.7% | 28.0% |
| Non-GAAP gross margin   |       | 24.2% | 25.6% | 22.7% | 25.8% | 29.5% | 31.8% | 31.4% | 28.9% | 29.0% |

**Reconciliation of Operating Expenses to Non-GAAP Operating Expenses**

|   | (\$M) | Q1'16 | Q2'16 | Q3'16 | Q4'16 | Q1'17 | Q2'17 | Q3'17 | Q4'17 | Q1'18 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total operating expenses  |       | 603   | 512   | 497   | 559   | 580   | 521   | 550   | 470   | 481   |
| Accelerated depreciation, impairment and other charges related to cost saving efforts |       | -     | (5)   | -     | (5)   | (1)   | (1)   | (30)  | (7)   | -     |
| Amortization of acquired intangible assets  |       | (33)  | (29)  | (27)  | (28)  | (27)  | (27)  | (27)  | (17)  | (21)  |
| Restructuring and other, net  |       | (59)  | (17)  | (20)  | (80)  | (82)  | (33)  | (48)  | (14)  | (51)  |
| Other charges   |       | (10)  | (8)   | (11)  | (3)   | 2     | (2)   | (2)   | (10)  | (1)   |
| Total non-GAAP operating expenses   |       | 501   | 453   | 439   | 443   | 472   | 458   | 443   | 422   | 408   |

**Reconciliation of Net Income to EBITDA**

|                               | (\$M) | Q1'16 | Q2'16 | Q3'16 | Q4'16 | Q1'17 | Q2'17 | Q3'17 | Q4'17 | Q1'18 |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net income (loss)             |       | 34    | 165   | (21)  | 70    | 167   | 297   | 194   | 114   | 181   |
| Interest income               |       | (1)   | (1)   | (1)   | (1)   | (1)   | (1)   | (5)   | (5)   | (7)   |
| Interest expense              |       | 47    | 48    | 47    | 51    | 50    | 50    | 60    | 62    | 61    |
| Income tax expense (benefit)  |       | (3)   | 15    | 30    | (16)  | 6     | 13    | 18    | 6     | 7     |
| Depreciation and amortization |       | 208   | 209   | 198   | 200   | 200   | 191   | 182   | 176   | 161   |
| EBITDA                        |       | 285   | 436   | 253   | 304   | 422   | 550   | 449   | 353   | 403   |

**Reconciliation of Net Income (Loss) to Non-GAAP Net Income**

|   | (\$M) | Q1'16 | Q2'16 | Q3'16 | Q4'16 | Q1'17 | Q2'17 | Q3'17 | Q4'17 | Q1'18 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net income (loss)   |       | 34    | 165   | (21)  | 70    | 167   | 297   | 194   | 114   | 181   |
| Accelerated depreciation, impairment and other charges related to cost saving efforts         |       | 4     | 9     | 52    | 11    | 17    | 17    | 37    | 12    | 1     |
| Amortization of acquired intangible assets  |       | 39    | 44    | 42    | 43    | 40    | 40    | 40    | 41    | 35    |
| Restructuring and other, net  |       | 59    | 17    | 20    | 80    | 82    | 33    | 48    | 14    | 51    |
| Interest income on the final arbitration award settlement in the case against Western Digital |       | -     | -     | (33)  | -     | -     | -     | -     | -     | -     |
| Losses (gain) recognized on the early redemption and repurchase of debt                       |       | -     | -     | (2)   | -     | -     | -     | -     | 7     | -     |
| Other charges   |       | 29    | 11    | 8     | 3     | (7)   | 25    | 7     | 10    | 11    |
| Income tax adjustments  |       | -     | -     | -     | -     | -     | -     | 3     | (6)   | -     |
| Non-GAAP net income   |       | 165   | 246   | 66    | 207   | 299   | 412   | 329   | 192   | 279   |



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