

**NETAPP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions)  
(Unaudited)

	<u>October 26, 2018</u>	<u>April 27, 2018</u>
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and investments	\$ 4,299	\$ 5,391
Accounts receivable	765	1,047
Inventories	86	122
Other current assets	321	392
Total current assets	5,471	6,952
Property and equipment, net	770	756
Goodwill and purchased intangible assets, net	1,811	1,833
Other non-current assets	499	450
Total assets	\$ 8,551	\$ 9,991
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 472	\$ 609
Accrued expenses	652	825
Commercial paper notes	249	385
Current portion of long-term debt	399	—
Short-term deferred revenue and financed unearned services revenue	1,538	1,712
Total current liabilities	3,310	3,531
Long-term debt	1,144	1,541
Other long-term liabilities	899	992
Long-term deferred revenue and financed unearned services revenue	1,668	1,651
Total liabilities	7,021	7,715
Stockholders' equity	1,530	2,276
Total liabilities and stockholders' equity	\$ 8,551	\$ 9,991

**NETAPP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except per share amounts)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 26, 2018	October 27, 2017	October 26, 2018	October 27, 2017
<b>Revenues:</b>				
Product	\$ 913	\$ 819	\$ 1,788	\$ 1,546
Software maintenance	236	224	465	447
Hardware maintenance and other services	368	372	738	743
Net revenues	<u>1,517</u>	<u>1,415</u>	<u>2,991</u>	<u>2,736</u>
<b>Cost of revenues:</b>				
Cost of product	428	397	826	773
Cost of software maintenance	8	6	15	13
Cost of hardware maintenance and other services	107	112	213	226
Total cost of revenues	<u>543</u>	<u>515</u>	<u>1,054</u>	<u>1,012</u>
Gross profit	<u>974</u>	<u>900</u>	<u>1,937</u>	<u>1,724</u>
<b>Operating expenses:</b>				
Sales and marketing	408	421	817	844
Research and development	211	194	419	387
General and administrative	69	69	142	137
Restructuring charges	—	—	19	—
Total operating expenses	<u>688</u>	<u>684</u>	<u>1,397</u>	<u>1,368</u>
Income from operations	286	216	540	356
Other income, net	7	6	25	11
Income before income taxes	293	222	565	367
Provision for income taxes	52	48	41	62
Net income	<u>\$ 241</u>	<u>\$ 174</u>	<u>\$ 524</u>	<u>\$ 305</u>
<b>Net income per share:</b>				
Basic	<u>\$ 0.93</u>	<u>\$ 0.65</u>	<u>\$ 2.02</u>	<u>\$ 1.13</u>
Diluted	<u>\$ 0.91</u>	<u>\$ 0.63</u>	<u>\$ 1.96</u>	<u>\$ 1.10</u>
<b>Shares used in net income per share calculations:</b>				
Basic	<u>258</u>	<u>269</u>	<u>260</u>	<u>270</u>
Diluted	<u>264</u>	<u>275</u>	<u>267</u>	<u>277</u>
Cash dividends declared per share	<u>\$ 0.40</u>	<u>\$ 0.20</u>	<u>\$ 0.80</u>	<u>\$ 0.40</u>

**NETAPP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 26, 2018	October 27, 2017	October 26, 2018	October 27, 2017
<b>Cash flows from operating activities:</b>				
Net income	\$ 241	\$ 174	\$ 524	\$ 305
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	49	51	98	102
Stock-based compensation	38	39	78	87
Deferred income taxes	1	40	(25)	40
Other items, net	3	(10)	11	(5)
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(154)	(80)	269	146
Inventories	11	34	36	58
Accounts payable	50	92	(127)	34
Accrued expenses	59	67	(162)	(68)
Deferred revenue and financed unearned services revenue	(42)	(61)	(129)	(163)
Long-term taxes payable	(68)	2	(63)	2
Changes in other operating assets and liabilities, net	(23)	(34)	(19)	26
Net cash provided by operating activities	165	314	491	564
<b>Cash flows from investing activities:</b>				
Redemptions of investments, net	241	(64)	489	48
Purchases of property and equipment	(43)	(29)	(107)	(65)
Acquisitions of businesses, net of cash acquired	(3)	(51)	(3)	(75)
Other investing activities, net	—	(1)	2	—
Net cash provided by (used in) investing activities	195	(145)	381	(92)
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of common stock under employee stock award plans	2	9	65	57
Payments for taxes related to net share settlement of stock awards	(5)	(3)	(89)	(60)
Repurchase of common stock	(561)	(150)	(1,061)	(300)
Proceeds from (repayments of) commercial paper notes, net	50	(176)	(135)	218
Issuance of long-term debt, net	—	795	—	795
Dividends paid	(102)	(54)	(207)	(108)
Other financing activities, net	(1)	(1)	(2)	(1)
Net cash provided by (used in) financing activities	(617)	420	(1,429)	601
<b>Effect of exchange rate changes on cash, cash equivalents and restricted cash</b>				
	(11)	(6)	(25)	13
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>				
	(268)	583	(582)	1,086
<b>Cash, cash equivalents and restricted cash:</b>				
Beginning of period	2,633	2,953	2,947	2,450
End of period	<u>\$ 2,365</u>	<u>\$ 3,536</u>	<u>\$ 2,365</u>	<u>\$ 3,536</u>

**SELECTED CONDENSED CONSOLIDATED BALANCE SHEET LINE ITEMS**  
(In millions)  
(Unaudited)

	<u>As of April 27, 2018</u>		
	<u>As Previously Reported</u>	<u>Impact of ASC 606 Adoption</u>	<u>As Adjusted</u>
<b>ASSETS</b>			
Accounts receivable	\$ 1,009	\$ 38	\$ 1,047
Inventories	126	(4)	122
Other current assets	330	62	392
Other non-current assets	420	30	450
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Short-term deferred revenue and financed unearned services revenue	\$ 1,804	\$ (92)	\$ 1,712
Other long-term liabilities	961	31	992
Long-term deferred revenue and financed unearned services revenue	1,673	(22)	1,651
Total stockholders' equity	2,067	209	2,276

**NETAPP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except per share amounts)  
(Unaudited)

	Three Months Ended			Six Months Ended		
	October 27, 2017			October 27, 2017		
	As Previously Reported	Impact of ASC 606 Adoption	As Adjusted	As Previously Reported	Impact of ASC 606 Adoption	As Adjusted
Revenues:						
Product	\$ 807	\$ 12	\$ 819	\$ 1,530	\$ 16	\$ 1,546
Software maintenance	240	(16)	224	474	(27)	447
Hardware maintenance and other services	375	(3)	372	743	—	743
Net revenues	1,422	(7)	1,415	2,747	(11)	2,736
Cost of revenues:						
Cost of product	399	(2)	397	770	3	773
Cost of software maintenance	6	—	6	13	—	13
Cost of hardware maintenance and other services	115	(3)	112	228	(2)	226
Total cost of revenues	520	(5)	515	1,011	1	1,012
Gross profit	902	(2)	900	1,736	(12)	1,724
Operating expenses:						
Sales and marketing	420	1	421	845	(1)	844
Research and development	194	—	194	387	—	387
General and administrative	69	—	69	137	—	137
Total operating expenses	683	1	684	1,369	(1)	1,368
Income from operations	219	(3)	216	367	(11)	356
Other income, net	6	—	6	11	—	11
Income before income taxes	225	(3)	222	378	(11)	367
Provision for income taxes	50	(2)	48	67	(5)	62
Net income	<u>\$ 175</u>	<u>\$ (1)</u>	<u>\$ 174</u>	<u>\$ 311</u>	<u>\$ (6)</u>	<u>\$ 305</u>
Net income per share:						
Basic	<u>\$ 0.65</u>	<u>\$ —</u>	<u>\$ 0.65</u>	<u>\$ 1.15</u>	<u>\$ (0.02)</u>	<u>\$ 1.13</u>
Diluted	<u>\$ 0.64</u>	<u>\$ (0.01)</u>	<u>\$ 0.63</u>	<u>\$ 1.12</u>	<u>\$ (0.02)</u>	<u>\$ 1.10</u>
Shares used in net income per share calculations:						
Basic	<u>269</u>	<u>269</u>	<u>269</u>	<u>270</u>	<u>270</u>	<u>270</u>
Diluted	<u>275</u>	<u>275</u>	<u>275</u>	<u>277</u>	<u>277</u>	<u>277</u>

**NETAPP, INC.**  
**SUPPLEMENTAL DATA**

(In millions except net income per share, percentages, DSO, DIO, DPO, CCC and Inventory Turns)  
(Unaudited)

	<u>Q2 FY'19</u>	<u>Q1 FY'19</u>	<u>Q2 FY'18</u>
<b>Revenues</b>			
Product	\$ 913	\$ 875	\$ 819
<i>Strategic</i>	\$ 649	\$ 612	\$ 566
<i>Mature</i>	\$ 264	\$ 263	\$ 253
Software Maintenance	\$ 236	\$ 229	\$ 224
Hardware Maintenance and Other Services	\$ 368	\$ 370	\$ 372
<i>Hardware Maintenance Support Contracts</i>	\$ 303	\$ 303	\$ 306
<i>Professional and Other Services</i>	\$ 65	\$ 67	\$ 66
<b>Net Revenues</b>	<b>\$ 1,517</b>	<b>\$ 1,474</b>	<b>\$ 1,415</b>

	<u>% of Q2 FY'19 Revenue</u>	<u>% of Q1 FY'19 Revenue</u>	<u>% of Q2 FY'18 Revenue</u>
<b>Geographic Mix</b>			
Americas	57%	57%	56%
<i>Americas Commercial</i>	44%	46%	40%
<i>U.S. Public Sector</i>	14%	11%	16%
EMEA	28%	29%	30%
Asia Pacific	15%	14%	14%

	<u>% of Q2 FY'19 Revenue</u>	<u>% of Q1 FY'19 Revenue</u>	<u>% of Q2 FY'18 Revenue</u>
<b>Pathways Mix</b>			
Direct	23%	29%	22%
Indirect	77%	71%	78%

	<u>Q2 FY'19</u>	<u>Q1 FY'19</u>	<u>Q2 FY'18</u>
<b>Non-GAAP Gross Margins</b>			
Non-GAAP Gross Margin	64.9%	66.2%	64.5%
Product	54.1%	55.7%	52.7%
Software Maintenance	96.6%	96.9%	97.3%
Hardware Maintenance and Other Services	71.5%	72.2%	70.4%

	<u>Q2 FY'19</u>	<u>Q1 FY'19</u>	<u>Q2 FY'18</u>
<b>Non-GAAP Income from Operations, Income before Income Taxes &amp; Effective Tax Rate</b>			
Non-GAAP Income from Operations	\$ 336	\$ 326	\$ 269
% of Net Revenues	22.1%	22.1%	19.0%
Non-GAAP Income before Income Taxes	\$ 343	\$ 344	\$ 275
Non-GAAP Effective Tax Rate	18.5%	18.3%	19.6%

**Non-GAAP Net Income**

	Q2 FY'19	Q1 FY'19	Q2 FY'18
Non-GAAP Net Income	\$ 280	\$ 281	\$ 221
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	264	269	275
Non-GAAP Income per Share, Diluted	\$ 1.06	\$ 1.04	\$ 0.80

**Select Balance Sheet Items**

	Q2 FY'19	Q1 FY'19	Q2 FY'18
Deferred Revenue and Financed Unearned Services Revenue	\$ 3,206	\$ 3,260	\$ 3,059
DSO (days)	46	38	39
DIO (days)	14	17	18
DPO (days)	79	76	67
CCC (days)	(19)	(20)	(10)
Inventory Turns	25	21	21

*Days sales outstanding (DSO) is defined as accounts receivable divided by net revenues, multiplied by the number of days in the quarter.*

*Days inventory outstanding (DIO) is defined as net inventories divided by cost of revenues, multiplied by the number of days in the quarter.*

*Days payables outstanding (DPO) is defined as accounts payable divided by cost of revenues, multiplied by the number of days in the quarter.*

*Cash conversion cycle (CCC) is defined as DSO plus DIO minus DPO.*

*Inventory turns is defined as annualized cost of revenues divided by net inventories.*

**Select Cash Flow Statement Items**

	Q2 FY'19	Q1 FY'19	Q2 FY'18
Net Cash Provided by Operating Activities	\$ 165	\$ 326	\$ 314
Purchases of Property and Equipment	\$ 43	\$ 64	\$ 29
Free Cash Flow	\$ 122	\$ 262	\$ 285
<i>Free Cash Flow as a % of Net Revenues</i>	<b>8.0%</b>	17.8%	20.1%

*Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less purchases of property and equipment.*

*Some items may not add or recalculate due to rounding.*

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP TO GAAP**  
**INCOME STATEMENT INFORMATION**  
(In millions, except net income per share amounts)

	<u>Q2'FY19</u>	<u>Q1'FY19</u>	<u>Q2'FY18</u>
<b>NET INCOME</b>	\$ 241	\$ 283	\$ 174
Adjustments:			
Amortization of intangible assets	12	13	14
Stock-based compensation	38	40	39
Restructuring charges	—	19	—
Income tax effects	(11)	(40)	(6)
Income tax benefit of ASC 606 adoption	—	(34)	—
<b>NON-GAAP NET INCOME</b>	<u>\$ 280</u>	<u>\$ 281</u>	<u>\$ 221</u>
<b>COST OF REVENUES</b>	\$ 543	\$ 511	\$ 515
Adjustments:			
Amortization of intangible assets	(9)	(9)	(9)
Stock-based compensation	(2)	(4)	(3)
<b>NON-GAAP COST OF REVENUES</b>	<u>\$ 532</u>	<u>\$ 498</u>	<u>\$ 503</u>
<b>COST OF PRODUCT REVENUES</b>	\$ 428	\$ 398	\$ 397
Adjustments:			
Amortization of intangible assets	(9)	(9)	(9)
Stock-based compensation	—	(1)	(1)
<b>NON-GAAP COST OF PRODUCT REVENUES</b>	<u>\$ 419</u>	<u>\$ 388</u>	<u>\$ 387</u>
<b>COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	\$ 107	\$ 106	\$ 112
Adjustment:			
Stock-based compensation	(2)	(3)	(2)
<b>NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	<u>\$ 105</u>	<u>\$ 103</u>	<u>\$ 110</u>
<b>GROSS PROFIT</b>	\$ 974	\$ 963	\$ 900
Adjustments:			
Amortization of intangible assets	9	9	9
Stock-based compensation	2	4	3
<b>NON-GAAP GROSS PROFIT</b>	<u>\$ 985</u>	<u>\$ 976</u>	<u>\$ 912</u>

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP TO GAAP**  
**INCOME STATEMENT INFORMATION**  
(In millions, except net income per share amounts)

	<u>Q2'FY19</u>	<u>Q1'FY19</u>	<u>Q2'FY18</u>
<b>SALES AND MARKETING EXPENSES</b>	\$ 408	\$ 409	\$ 421
Adjustments:			
Amortization of intangible assets	(3)	(4)	(5)
Stock-based compensation	(16)	(17)	(16)
<b>NON-GAAP SALES AND MARKETING EXPENSES</b>	<u>\$ 389</u>	<u>\$ 388</u>	<u>\$ 400</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	\$ 211	\$ 208	\$ 194
Adjustment:			
Stock-based compensation	(12)	(12)	(12)
<b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	<u>\$ 199</u>	<u>\$ 196</u>	<u>\$ 182</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 69	\$ 73	\$ 69
Adjustment:			
Stock-based compensation	(8)	(7)	(8)
<b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>\$ 61</u>	<u>\$ 66</u>	<u>\$ 61</u>
<b>RESTRUCTURING CHARGES</b>	\$ —	\$ 19	\$ —
Adjustment:			
Restructuring charges	—	(19)	—
<b>NON-GAAP RESTRUCTURING CHARGES</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>OPERATING EXPENSES</b>	\$ 688	\$ 709	\$ 684
Adjustments:			
Amortization of intangible assets	(3)	(4)	(5)
Stock-based compensation	(36)	(36)	(36)
Restructuring charges	—	(19)	—
<b>NON-GAAP OPERATING EXPENSES</b>	<u>\$ 649</u>	<u>\$ 650</u>	<u>\$ 643</u>

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP TO GAAP**  
**INCOME STATEMENT INFORMATION**  
(In millions, except net income per share amounts)

	<u>Q2'FY19</u>	<u>Q1'FY19</u>	<u>Q2'FY18</u>
<b>INCOME FROM OPERATIONS</b>	\$ 286	\$ 254	\$ 216
Adjustments:			
Amortization of intangible assets	12	13	14
Stock-based compensation	38	40	39
Restructuring charges	—	19	—
<b>NON-GAAP INCOME FROM OPERATIONS</b>	<u>\$ 336</u>	<u>\$ 326</u>	<u>\$ 269</u>
<b>INCOME BEFORE INCOME TAXES</b>	\$ 293	\$ 272	\$ 222
Adjustments:			
Amortization of intangible assets	12	13	14
Stock-based compensation	38	40	39
Restructuring charges	—	19	—
<b>NON-GAAP INCOME BEFORE INCOME TAXES</b>	<u>\$ 343</u>	<u>\$ 344</u>	<u>\$ 275</u>
<b>PROVISION (BENEFIT) FOR INCOME TAXES</b>	\$ 52	\$ (11)	\$ 48
Adjustments:			
Income tax effects	11	40	6
Income tax benefit of ASC 606 adoption	—	34	—
<b>NON-GAAP PROVISION FOR INCOME TAXES</b>	<u>\$ 63</u>	<u>\$ 63</u>	<u>\$ 54</u>
<b>NET INCOME PER SHARE</b>	\$ 0.91	\$ 1.05	\$ 0.63
Adjustments:			
Amortization of intangible assets	0.05	0.05	0.05
Stock-based compensation	0.14	0.15	0.14
Restructuring charges	—	0.07	—
Income tax effects	(0.04)	(0.15)	(0.02)
Income tax benefit of ASC 606 adoption	—	(0.13)	—
<b>NON-GAAP NET INCOME PER SHARE</b>	<u>\$ 1.06</u>	<u>\$ 1.04</u>	<u>\$ 0.80</u>

**RECONCILIATION OF NON-GAAP TO GAAP  
GROSS MARGIN  
(\$ in millions)**

	<u>Q2'FY19</u>	<u>Q1'FY19</u>	<u>Q2'FY18</u>
<b>Gross margin-GAAP</b>	64.2%	65.3%	63.6%
Cost of revenues adjustments	0.7%	0.9%	0.8%
<b>Gross margin-Non-GAAP</b>	64.9%	66.2%	64.5%
GAAP cost of revenues	\$ 543	\$ 511	\$ 515
Cost of revenues adjustments:			
Amortization of intangible assets	(9)	(9)	(9)
Stock-based compensation	(2)	(4)	(3)
Non-GAAP cost of revenues	\$ 532	\$ 498	\$ 503
Net revenues	\$ 1,517	\$ 1,474	\$ 1,415

**RECONCILIATION OF NON-GAAP TO GAAP  
PRODUCT GROSS MARGIN  
(\$ in millions)**

	<u>Q2'FY19</u>	<u>Q1'FY19</u>	<u>Q2'FY18</u>
<b>Product gross margin-GAAP</b>	53.1%	54.5%	51.5%
Cost of product revenues adjustments	1.0%	1.1%	1.2%
<b>Product gross margin-Non-GAAP</b>	54.1%	55.7%	52.7%
GAAP cost of product revenues	\$ 428	\$ 398	\$ 397
Cost of product revenues adjustments:			
Amortization of intangible assets	(9)	(9)	(9)
Stock-based compensation	—	(1)	(1)
Non-GAAP cost of product revenues	\$ 419	\$ 388	\$ 387
Product revenues	\$ 913	\$ 875	\$ 819

**RECONCILIATION OF NON-GAAP TO GAAP  
HARDWARE MAINTENANCE AND OTHER SERVICES GROSS MARGIN  
(\$ in millions)**

	<u>Q2'FY19</u>	<u>Q1'FY19</u>	<u>Q2'FY18</u>
<b>Hardware maintenance and other services gross margin-GAAP</b>	70.9%	71.4%	69.9%
Cost of hardware maintenance and other services revenues adjustment	0.5%	0.8%	0.5%
<b>Hardware maintenance and other services gross margin-Non-GAAP</b>	71.5%	72.2%	70.4%
GAAP cost of hardware maintenance and other services revenues	\$ 107	\$ 106	\$ 112
Cost of hardware maintenance and other services revenues adjustment:			
Stock-based compensation	(2)	(3)	(2)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 105	\$ 103	\$ 110
Hardware maintenance and other services revenues	\$ 368	\$ 370	\$ 372

**RECONCILIATION OF NON-GAAP TO GAAP  
EFFECTIVE TAX RATE**

	<u>Q2'FY19</u>	<u>Q1'FY19</u>	<u>Q2'FY18</u>
<b>GAAP effective tax rate</b>	17.7%	(4.0)%	21.6%
Adjustments:			
Income tax effects	0.8%	9.8%	(2.0)%
Income tax benefit of ASC 606 adoption	—%	12.5%	—%
<b>Non-GAAP effective tax rate</b>	18.5%	18.3%	19.6%

**RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES  
TO FREE CASH FLOW (NON-GAAP)**

(In millions)

	<u>Q2'FY19</u>	<u>Q1'FY19</u>	<u>Q2'FY18</u>
Net cash provided by operating activities	\$ 165	\$ 326	\$ 314
Purchases of property and equipment	(43)	(64)	(29)
<b>Free cash flow</b>	\$ 122	\$ 262	\$ 285

*Some items may not add or recalculate due to rounding.*

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP**  
**EXPRESSED AS EARNINGS PER SHARE**  
**THIRD QUARTER FISCAL 2019**

	<b>Third Quarter Fiscal 2019</b>
Non-GAAP Guidance - Net Income Per Share	\$1.12 - \$1.18
Adjustments of Specific Items to Net Income	
Per Share for the Third Quarter Fiscal 2019:	
Amortization of intangible assets	(0.05)
Stock-based compensation expense	(0.15)
Income tax effects	0.04
Total Adjustments	(0.16)
GAAP Guidance - Net Income Per Share	\$0.96 - \$1.02

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