

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

	<u>April 29, 2022</u>	<u>April 30, 2021</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 4,134	\$ 4,596
Accounts receivable	1,230	945
Inventories	204	114
Other current assets	377	346
Total current assets	5,945	6,001
Property and equipment, net	602	525
Goodwill and purchased intangible assets, net	2,488	2,140
Other non-current assets	991	694
Total assets	\$ 10,026	\$ 9,360
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 607	\$ 420
Accrued expenses	925	970
Current portion of long-term debt	250	—
Short-term deferred revenue and financed unearned services revenue	2,171	2,062
Total current liabilities	3,953	3,452
Long-term debt	2,386	2,632
Other long-term liabilities	788	650
Long-term deferred revenue and financed unearned services revenue	2,061	1,941
Total liabilities	9,188	8,675
Stockholders' equity	838	685
Total liabilities and stockholders' equity	\$ 10,026	\$ 9,360

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

	Three Months Ended		Year Ended	
	April 29, 2022	April 30, 2021	April 29, 2022	April 30, 2021
Revenues:				
Product	\$ 894	\$ 840	\$ 3,284	\$ 2,991
Services	786	715	3,034	2,753
Net revenues	<u>1,680</u>	<u>1,555</u>	<u>6,318</u>	<u>5,744</u>
Cost of revenues:				
Cost of product	446	387	1,554	1,432
Cost of services	145	133	544	497
Total cost of revenues	<u>591</u>	<u>520</u>	<u>2,098</u>	<u>1,929</u>
Gross profit	<u>1,089</u>	<u>1,035</u>	<u>4,220</u>	<u>3,815</u>
Operating expenses:				
Sales and marketing	480	447	1,857	1,744
Research and development	235	221	881	881
General and administrative	72	66	279	257
Restructuring charges	4	—	33	42
Acquisition-related expense	5	2	13	16
Gain on sale or derecognition of assets	—	(156)	—	(156)
Total operating expenses	<u>796</u>	<u>580</u>	<u>3,063</u>	<u>2,784</u>
Income from operations	293	455	1,157	1,031
Other expense, net	<u>(21)</u>	<u>(19)</u>	<u>(62)</u>	<u>(69)</u>
Income before income taxes	272	436	1,095	962
Provision for income taxes	<u>13</u>	<u>102</u>	<u>158</u>	<u>232</u>
Net income	<u>\$ 259</u>	<u>\$ 334</u>	<u>\$ 937</u>	<u>\$ 730</u>
Net income per share:				
Basic	<u>\$ 1.17</u>	<u>\$ 1.50</u>	<u>\$ 4.20</u>	<u>\$ 3.29</u>
Diluted	<u>\$ 1.14</u>	<u>\$ 1.46</u>	<u>\$ 4.09</u>	<u>\$ 3.23</u>
Shares used in net income per share calculations:				
Basic	<u>222</u>	<u>222</u>	<u>223</u>	<u>222</u>
Diluted	<u>228</u>	<u>229</u>	<u>229</u>	<u>226</u>

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

	Three Months Ended		Year Ended	
	April 29, 2022	April 30, 2021	April 29, 2022	April 30, 2021
Cash flows from operating activities:				
Net income	\$ 259	\$ 334	\$ 937	\$ 730
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	51	48	194	207
Non-cash operating lease cost	15	14	55	52
Stock-based compensation	66	48	245	197
Deferred income taxes	(78)	(5)	(144)	(6)
Gain on sale or derecognition of assets	—	(156)	—	(156)
Other items, net	(19)	(11)	(54)	24
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(450)	(146)	(313)	62
Inventories	(37)	(8)	(90)	31
Accounts payable	171	81	181	(11)
Accrued expenses	96	195	(111)	134
Deferred revenue and financed unearned services revenue	338	183	384	193
Long-term taxes payable	21	(6)	(45)	(57)
Changes in other operating assets and liabilities, net	(22)	(12)	(28)	(67)
Net cash provided by operating activities	<u>411</u>	<u>559</u>	<u>1,211</u>	<u>1,333</u>
Cash flows from investing activities:				
Redemptions of investments, net	9	20	45	160
Purchases of property and equipment	(68)	(38)	(226)	(162)
Proceeds from sale of properties	—	365	—	371
Acquisitions of businesses, net of cash acquired	(21)	—	(380)	(350)
Other investing activities, net	—	(6)	—	2
Net cash (used in) provided by investing activities	<u>(80)</u>	<u>341</u>	<u>(561)</u>	<u>21</u>
Cash flows from financing activities:				
Proceeds from issuance of common stock under employee stock award plans	—	6	105	98
Payments for taxes related to net share settlement of stock awards	(5)	(4)	(74)	(42)
Repurchase of common stock	(250)	(75)	(600)	(125)
Repayments of commercial paper notes, original maturities of three months or less, net	—	—	—	(420)
Issuances of debt, net of issuance costs	—	—	—	2,057
Repayments and extinguishment of debt	—	—	—	(689)
Dividends paid	(111)	(106)	(446)	(427)
Other financing activities, net	—	(1)	(2)	(8)
Net cash (used in) provided by financing activities	<u>(366)</u>	<u>(180)</u>	<u>(1,017)</u>	<u>444</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash				
	(23)	1	(49)	71
Net change in cash, cash equivalents and restricted cash	(58)	721	(416)	1,869
Cash, cash equivalents and restricted cash:				
Beginning of period	4,177	3,814	4,535	2,666
End of period	<u>\$ 4,119</u>	<u>\$ 4,535</u>	<u>\$ 4,119</u>	<u>\$ 4,535</u>

NETAPP, INC.
SUPPLEMENTAL DATA
(In millions except net income per share, percentages, DSO, DPO and Inventory Turns)
(Unaudited)

In the first quarter of fiscal year 2022, the Company introduced two segments for financial reporting purposes: Hybrid Cloud and Public Cloud. Prior period disclosures have been revised for comparability.

Revenues by Segment

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Product	\$ 894	\$ 846	\$ 840	\$ 3,284	\$ 2,991
Support	590	586	576	2,344	2,277
Professional and Other Services	76	72	73	294	277
Hybrid Cloud Segment Net Revenues	1,560	1,504	1,489	5,922	5,545
Public Cloud Segment Net Revenues	120	110	66	396	199
Net Revenues	\$ 1,680	\$ 1,614	\$ 1,555	\$ 6,318	\$ 5,744

Gross Profit by Segment

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Product	\$ 452	\$ 442	\$ 456	\$ 1,743	\$ 1,589
Support	547	541	525	2,160	2,076
Professional and Other Services	22	26	18	89	71
Hybrid Cloud Segment Gross Profit	1,021	1,009	999	3,992	3,736
Public Cloud Segment Gross Profit	82	78	47	278	134
Total Segments Gross Profit	1,103	1,087	1,046	4,270	3,870
Amortization of Intangible Assets	(10)	(9)	(7)	(33)	(41)
Stock-based Compensation	(4)	(5)	(4)	(17)	(14)
Unallocated Cost of Revenues	(14)	(14)	(11)	(50)	(55)
Gross Profit	\$ 1,089	\$ 1,073	\$ 1,035	\$ 4,220	\$ 3,815

Gross Margin by Segment

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Product	50.6%	52.2%	54.3%	53.1%	53.1%
Support	92.7%	92.3%	91.1%	92.2%	91.2%
Professional and Other Services	28.9%	36.1%	24.7%	30.3%	25.6%
Hybrid Cloud Segment Gross Margin	65.4%	67.1%	67.1%	67.4%	67.4%
Public Cloud Segment Gross Margin	68.3%	70.9%	71.2%	70.2%	67.3%

Product Revenues

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Total	\$ 894	\$ 846	\$ 840	\$ 3,284	\$ 2,991
Software*	\$ 530	\$ 507	\$ 480	\$ 1,926	\$ 1,636
Hardware*	\$ 364	\$ 339	\$ 360	\$ 1,358	\$ 1,355

Software and recurring support and public cloud revenue

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Product - Software	\$ 530	\$ 507	\$ 480	\$ 1,926	\$ 1,636
Support	590	586	576	2,344	2,277
Public Cloud	120	110	66	396	199
Software and recurring support and public cloud revenue*	\$ 1,240	\$ 1,203	\$ 1,122	\$ 4,666	\$ 4,112

Software and recurring support and public cloud revenue as a percentage of net revenues	74%	75%	72%	74%	72%
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* Our revenue recognition policy under GAAP defines a configured storage system, inclusive of the operating system software essential to its functionality, as a single performance obligation. We have provided a breakdown of our GAAP product revenues into the software and hardware components, which are considered non-GAAP measures, to display the significance of software included in total product revenues. Software and recurring support and public cloud revenue is a non-GAAP measure because it includes the software component of our product revenues, but not the hardware component.

Geographic Mix

	<u>% of Q4 FY'22 Revenue</u>	<u>% of Q3 FY'22 Revenue</u>	<u>% of Q4 FY'21 Revenue</u>	<u>% of FY 2022 Revenue</u>	<u>% of FY 2021 Revenue</u>
Americas	54%	56%	53%	55%	54%
<i>Americas Commercial</i>	45%	47%	44%	45%	43%
<i>U.S. Public Sector</i>	9%	9%	9%	10%	11%
EMEA	32%	32%	32%	31%	31%
Asia Pacific	14%	12%	15%	14%	15%

Pathways Mix

	<u>% of Q4 FY'22 Revenue</u>	<u>% of Q3 FY'22 Revenue</u>	<u>% of Q4 FY'21 Revenue</u>	<u>% of FY 2022 Revenue</u>	<u>% of FY 2021 Revenue</u>
Direct	24%	21%	23%	23%	23%
Indirect	76%	79%	77%	77%	77%

Non-GAAP Income from Operations, Income before Income Taxes & Effective Tax Rate

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Non-GAAP Income from Operations	\$ 382	\$ 404	\$ 358	\$ 1,496	\$ 1,184
% of Net Revenues	22.7%	25.0%	23.0%	23.7%	20.6%
Non-GAAP Income before Income Taxes	\$ 361	\$ 389	\$ 339	\$ 1,434	\$ 1,123
Non-GAAP Effective Tax Rate	10.2%	15.2%	20.9%	15.7%	18.3%

Non-GAAP Net Income

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Non-GAAP Net Income	\$ 324	\$ 330	\$ 268	\$ 1,209	\$ 917
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	228	229	229	229	226
Non-GAAP Net Income per Share, Diluted	\$ 1.42	\$ 1.44	\$ 1.17	\$ 5.28	\$ 4.06

Select Balance Sheet Items

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>
Deferred Revenue and Financed Unearned Services Revenue	\$ 4,232	\$ 3,969	\$ 4,003
DSO (days)	67	45	55
DPO (days)	93	73	74
Inventory Turns	12	13	18

Days sales outstanding (DSO) is defined as accounts receivable divided by net 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.

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

Select Cash Flow Statement Items

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Net Cash Provided by Operating Activities	\$ 411	\$ 260	\$ 559	\$ 1,211	\$ 1,333
Purchases of Property and Equipment	\$ 68	\$ 61	\$ 38	\$ 226	\$ 162
Free Cash Flow	\$ 343	\$ 199	\$ 521	\$ 985	\$ 1,171
<i>Free Cash Flow as % of Net Revenues</i>	20.4%	12.3%	33.5%	15.6%	20.4%

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

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

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
NET INCOME	\$ 259	\$ 252	\$ 334	\$ 937	\$ 730
Adjustments:					
Amortization of intangible assets	14	13	9	46	49
Stock-based compensation	66	64	48	245	197
Litigation settlements	—	—	—	2	5
Restructuring charges	4	—	—	33	42
Acquisition-related expense	5	6	2	13	16
Gain on sale or derecognition of assets	—	—	(156)	—	(156)
Gain on sale of equity investment	—	—	—	—	(6)
Debt extinguishment costs	—	—	—	—	14
Income tax effects	(24)	(5)	18	(68)	(20)
Income tax expenses from integration of acquired companies	—	—	13	1	46
NON-GAAP NET INCOME	<u>\$ 324</u>	<u>\$ 330</u>	<u>\$ 268</u>	<u>\$ 1,209</u>	<u>\$ 917</u>
COST OF REVENUES	\$ 591	\$ 541	\$ 520	\$ 2,098	\$ 1,929
Adjustments:					
Amortization of intangible assets	(10)	(9)	(7)	(33)	(41)
Stock-based compensation	(4)	(5)	(4)	(17)	(14)
NON-GAAP COST OF REVENUES	<u>\$ 577</u>	<u>\$ 527</u>	<u>\$ 509</u>	<u>\$ 2,048</u>	<u>\$ 1,874</u>
COST OF PRODUCT REVENUES	\$ 446	\$ 407	\$ 387	\$ 1,554	\$ 1,432
Adjustments:					
Amortization of intangible assets	(3)	(2)	(2)	(9)	(26)
Stock-based compensation	(1)	(1)	(1)	(4)	(4)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 442</u>	<u>\$ 404</u>	<u>\$ 384</u>	<u>\$ 1,541</u>	<u>\$ 1,402</u>
COST OF SERVICES REVENUES	\$ 145	\$ 134	\$ 133	\$ 544	\$ 497
Adjustments:					
Amortization of intangible assets	(7)	(7)	(5)	(24)	(15)
Stock-based compensation	(3)	(4)	(3)	(13)	(10)
NON-GAAP COST OF SERVICES REVENUES	<u>\$ 135</u>	<u>\$ 123</u>	<u>\$ 125</u>	<u>\$ 507</u>	<u>\$ 472</u>
GROSS PROFIT	\$ 1,089	\$ 1,073	\$ 1,035	\$ 4,220	\$ 3,815
Adjustments:					
Amortization of intangible assets	10	9	7	33	41
Stock-based compensation	4	5	4	17	14
NON-GAAP GROSS PROFIT	<u>\$ 1,103</u>	<u>\$ 1,087</u>	<u>\$ 1,046</u>	<u>\$ 4,270</u>	<u>\$ 3,870</u>

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

	Q4'FY22	Q3'FY22	Q4'FY21	FY2022	FY2021
SALES AND MARKETING EXPENSES	\$ 480	\$ 461	\$ 447	\$ 1,857	\$ 1,744
Adjustments:					
Amortization of intangible assets	(4)	(4)	(2)	(13)	(8)
Stock-based compensation	(30)	(30)	(22)	(115)	(92)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 446</u>	<u>\$ 427</u>	<u>\$ 423</u>	<u>\$ 1,729</u>	<u>\$ 1,644</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 235	\$ 220	\$ 221	\$ 881	\$ 881
Adjustment:					
Stock-based compensation	(22)	(19)	(15)	(75)	(64)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 213</u>	<u>\$ 201</u>	<u>\$ 206</u>	<u>\$ 806</u>	<u>\$ 817</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 72	\$ 65	\$ 66	\$ 279	\$ 257
Adjustments:					
Stock-based compensation	(10)	(10)	(7)	(38)	(27)
Litigation settlements	—	—	—	(2)	(5)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 62</u>	<u>\$ 55</u>	<u>\$ 59</u>	<u>\$ 239</u>	<u>\$ 225</u>
RESTRUCTURING CHARGES	\$ 4	\$ —	\$ —	\$ 33	\$ 42
Adjustment:					
Restructuring charges	(4)	—	—	(33)	(42)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
ACQUISITION-RELATED EXPENSE	\$ 5	\$ 6	\$ 2	\$ 13	\$ 16
Adjustment:					
Acquisition-related expense	(5)	(6)	(2)	(13)	(16)
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
GAIN ON SALE OR DERECOGNITION OF ASSETS	\$ —	\$ —	\$ (156)	\$ —	\$ (156)
Adjustment:					
Gain on sale or derecognition of assets	—	—	156	—	156
NON-GAAP GAIN ON SALE OR DERECOGNITION OF ASSETS	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
OPERATING EXPENSES	\$ 796	\$ 752	\$ 580	\$ 3,063	\$ 2,784
Adjustments:					
Amortization of intangible assets	(4)	(4)	(2)	(13)	(8)
Stock-based compensation	(62)	(59)	(44)	(228)	(183)
Litigation settlements	—	—	—	(2)	(5)
Restructuring charges	(4)	—	—	(33)	(42)
Acquisition-related expense	(5)	(6)	(2)	(13)	(16)
Gain on sale or derecognition of assets	—	—	156	—	156
NON-GAAP OPERATING EXPENSES	<u>\$ 721</u>	<u>\$ 683</u>	<u>\$ 688</u>	<u>\$ 2,774</u>	<u>\$ 2,686</u>

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

	Q4'FY22	Q3'FY22	Q4'FY21	FY2022	FY2021
INCOME FROM OPERATIONS	\$ 293	\$ 321	\$ 455	\$ 1,157	\$ 1,031
Adjustments:					
Amortization of intangible assets	14	13	9	46	49
Stock-based compensation	66	64	48	245	197
Litigation settlements	—	—	—	2	5
Restructuring charges	4	—	—	33	42
Acquisition-related expense	5	6	2	13	16
Gain on sale or derecognition of assets	—	—	(156)	—	(156)
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 382</u>	<u>\$ 404</u>	<u>\$ 358</u>	<u>\$ 1,496</u>	<u>\$ 1,184</u>
OTHER EXPENSE, NET	\$ (21)	\$ (15)	\$ (19)	\$ (62)	\$ (69)
Adjustments:					
Debt extinguishment costs	—	—	—	—	14
Gain on sale of equity investment	—	—	—	—	(6)
NON-GAAP OTHER EXPENSE, NET	<u>\$ (21)</u>	<u>\$ (15)</u>	<u>\$ (19)</u>	<u>\$ (62)</u>	<u>\$ (61)</u>
INCOME BEFORE INCOME TAXES	\$ 272	\$ 306	\$ 436	\$ 1,095	\$ 962
Adjustments:					
Amortization of intangible assets	14	13	9	46	49
Stock-based compensation	66	64	48	245	197
Litigation settlements	—	—	—	2	5
Restructuring charges	4	—	—	33	42
Acquisition-related expense	5	6	2	13	16
Gain on sale or derecognition of assets	—	—	(156)	—	(156)
Debt extinguishment costs	—	—	—	—	14
Gain on sale of equity investment	—	—	—	—	(6)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 361</u>	<u>\$ 389</u>	<u>\$ 339</u>	<u>\$ 1,434</u>	<u>\$ 1,123</u>
PROVISION FOR INCOME TAXES	\$ 13	\$ 54	\$ 102	\$ 158	\$ 232
Adjustments:					
Income tax effects	24	5	(18)	68	20
Income tax expenses from integration of acquired companies	—	—	(13)	(1)	(46)
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 37</u>	<u>\$ 59</u>	<u>\$ 71</u>	<u>\$ 225</u>	<u>\$ 206</u>
NET INCOME PER SHARE	\$ 1.14	\$ 1.10	\$ 1.46	\$ 4.09	\$ 3.23
Adjustments:					
Amortization of intangible assets	0.06	0.06	0.04	0.20	0.22
Stock-based compensation	0.29	0.28	0.21	1.07	0.87
Litigation settlements	—	—	—	0.01	0.02
Restructuring charges	0.02	—	—	0.14	0.19
Acquisition-related expense	0.02	0.03	0.01	0.06	0.07
Gain on sale or derecognition of assets	—	—	(0.68)	—	(0.69)
Debt extinguishment costs	—	—	—	—	0.06
Gain on sale of equity investment	—	—	—	—	(0.03)
Income tax effects	(0.11)	(0.02)	0.08	(0.30)	(0.09)
Income tax expenses from integration of acquired companies	—	—	0.06	—	0.20
NON-GAAP NET INCOME PER SHARE	<u>\$ 1.42</u>	<u>\$ 1.44</u>	<u>\$ 1.17</u>	<u>\$ 5.28</u>	<u>\$ 4.06</u>

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

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Gross margin-GAAP	64.8%	66.5%	66.6%	66.8%	66.4%
Cost of revenues adjustments	0.8%	0.9%	0.7%	0.8%	1.0%
Gross margin-Non-GAAP	65.7%	67.3%	67.3%	67.6%	67.4%
GAAP cost of revenues	\$ 591	\$ 541	\$ 520	\$ 2,098	\$ 1,929
Cost of revenues adjustments:					
Amortization of intangible assets	(10)	(9)	(7)	(33)	(41)
Stock-based compensation	(4)	(5)	(4)	(17)	(14)
Non-GAAP cost of revenues	\$ 577	\$ 527	\$ 509	\$ 2,048	\$ 1,874
Net revenues	\$ 1,680	\$ 1,614	\$ 1,555	\$ 6,318	\$ 5,744

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

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Product gross margin-GAAP	50.1%	51.9%	53.9%	52.7%	52.1%
Cost of product revenues adjustments	0.4%	0.4%	0.4%	0.4%	1.0%
Product gross margin-Non-GAAP	50.6%	52.2%	54.3%	53.1%	53.1%
GAAP cost of product revenues	\$ 446	\$ 407	\$ 387	\$ 1,554	\$ 1,432
Cost of product revenues adjustments:					
Amortization of intangible assets	(3)	(2)	(2)	(9)	(26)
Stock-based compensation	(1)	(1)	(1)	(4)	(4)
Non-GAAP cost of product revenues	\$ 442	\$ 404	\$ 384	\$ 1,541	\$ 1,402
Product revenues	\$ 894	\$ 846	\$ 840	\$ 3,284	\$ 2,991

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

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Services gross margin-GAAP	81.6%	82.6%	81.4%	82.1%	81.9%
Cost of services revenues adjustments	1.3%	1.4%	1.1%	1.2%	1.0%
Services gross margin-Non-GAAP	82.8%	84.0%	82.5%	83.3%	82.9%
GAAP cost of services revenues	\$ 145	\$ 134	\$ 133	\$ 544	\$ 497
Cost of services revenues adjustments:					
Amortization of intangible assets	(7)	(7)	(5)	(24)	(15)
Stock-based compensation	(3)	(4)	(3)	(13)	(10)
Non-GAAP cost of services revenues	\$ 135	\$ 123	\$ 125	\$ 507	\$ 472
Services revenues	\$ 786	\$ 768	\$ 715	\$ 3,034	\$ 2,753

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

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
GAAP effective tax rate	4.8%	17.6%	23.4%	14.4%	24.1%
Adjustments:					
Income tax effects	5.5%	(2.5)%	0.5%	1.4%	(1.0)%
Income tax expenses from integration of acquired companies	—%	—%	(3.0)%	(0.1)%	(4.8)%
Non-GAAP effective tax rate	10.2%	15.2%	20.9%	15.7%	18.3%

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

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Net cash provided by operating activities	\$ 411	\$ 260	\$ 559	\$ 1,211	\$ 1,333
Purchases of property and equipment	(68)	(61)	(38)	(226)	(162)
Free cash flow	\$ 343	\$ 199	\$ 521	\$ 985	\$ 1,171

**RECONCILIATION OF NET REVENUES
TO BILLINGS (NON-GAAP)
(In millions)**

	<u>Q4'FY22</u>	<u>Q3'FY22</u>	<u>Q4'FY21</u>	<u>FY2022</u>	<u>FY2021</u>
Net revenues	\$ 1,680	\$ 1,614	\$ 1,555	\$ 6,318	\$ 5,744
Change in deferred revenue and financed unearned services revenue*	338	143	183	384	193
Billings	\$ 2,018	\$ 1,757	\$ 1,738	\$ 6,702	\$ 5,937

* As reported on our Condensed Consolidated Statements of Cash Flows

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FIRST QUARTER FISCAL 2023

	First Quarter Fiscal 2023
Non-GAAP Guidance - Net Income Per Share	\$1.05 - \$1.15
Adjustments of Specific Items to Net Income	
Per Share for the First Quarter Fiscal 2023:	
Amortization of intangible assets	(\$0.08)
Stock-based compensation expense	(\$0.30)
Income tax effects	\$0.05
Total Adjustments	(\$0.33)
GAAP Guidance - Net Income Per Share	\$0.72 - \$0.82

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2023
(Unaudited)

	Fiscal 2023
Gross Margin - Non-GAAP Guidance	66% - 67%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	65% - 66%
	Fiscal 2023
Operating Margin - Non-GAAP Guidance	23% - 24%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	18% - 19%
	Fiscal 2023
Effective Tax Rate - Non-GAAP Guidance	21% - 22%
Adjustment:	
Income tax effects	3%
Effective Tax Rate - GAAP Guidance	24% - 25%

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FISCAL 2023

	Fiscal 2023
Non-GAAP Guidance - Net Income Per Share	\$5.40 - \$5.60
Adjustments of Specific Items to Net Income Per Share for Fiscal 2023:	
Amortization of intangible assets	(\$0.30)
Stock-based compensation expense	(\$1.33)
Income tax effects	\$0.19
Total Adjustments	(\$1.44)
GAAP Guidance - Net Income Per Share	\$3.96 - \$4.16

Some items may not add or recalculate due to rounding.

Contacts:

(Press)

Chris Drago

1 831 900 8889

chris.drago@netapp.com

(Investors)

Lance Berger

1 408 822 6628

lance.berger@netapp.com