

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

	April 24, 2020	April 26, 2019
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 2,882	\$ 3,899
Accounts receivable	973	1,216
Inventories	145	131
Other current assets	274	364
Total current assets	4,274	5,610
Property and equipment, net	727	759
Goodwill and purchased intangible assets, net	1,822	1,782
Other non-current assets	699	590
Total assets	\$ 7,522	\$ 8,741
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 426	\$ 542
Accrued expenses	774	851
Commercial paper notes	522	249
Current portion of long-term debt	—	400
Short-term deferred revenue and financed unearned services revenue	1,894	1,825
Total current liabilities	3,616	3,867
Long-term debt	1,146	1,144
Other long-term liabilities	714	797
Long-term deferred revenue and financed unearned services revenue	1,804	1,843
Total liabilities	7,280	7,651
Stockholders' equity	242	1,090
Total liabilities and stockholders' equity	\$ 7,522	\$ 8,741

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

	Three Months Ended		Year Ended	
	April 24, 2020	April 26, 2019	April 24, 2020	April 26, 2019
Revenues:				
Product	\$ 793	\$ 1,000	\$ 2,995	\$ 3,755
Software maintenance	267	242	1,034	946
Hardware maintenance and other services	341	350	1,383	1,445
Net revenues	<u>1,401</u>	<u>1,592</u>	<u>5,412</u>	<u>6,146</u>
Cost of revenues:				
Cost of product	355	457	1,368	1,752
Cost of software maintenance	15	10	48	35
Cost of hardware maintenance and other services	90	99	373	414
Total cost of revenues	<u>460</u>	<u>566</u>	<u>1,789</u>	<u>2,201</u>
Gross profit	<u>941</u>	<u>1,026</u>	<u>3,623</u>	<u>3,945</u>
Operating expenses:				
Sales and marketing	389	439	1,585	1,657
Research and development	212	205	847	827
General and administrative	63	69	263	278
Restructuring charges	—	16	21	35
Gain on sale or derecognition of assets	—	(73)	(38)	(73)
Total operating expenses	<u>664</u>	<u>656</u>	<u>2,678</u>	<u>2,724</u>
Income from operations	277	370	945	1,221
Other income (expense), net	(27)	14	(1)	47
Income before income taxes	250	384	944	1,268
Provision (benefit) for income taxes	54	(12)	125	99
Net income	<u>\$ 196</u>	<u>\$ 396</u>	<u>\$ 819</u>	<u>\$ 1,169</u>
Net income per share:				
Basic	<u>\$ 0.89</u>	<u>\$ 1.62</u>	<u>\$ 3.56</u>	<u>\$ 4.60</u>
Diluted	<u>\$ 0.88</u>	<u>\$ 1.59</u>	<u>\$ 3.52</u>	<u>\$ 4.51</u>
Shares used in net income per share calculations:				
Basic	<u>220</u>	<u>245</u>	<u>230</u>	<u>254</u>
Diluted	<u>222</u>	<u>249</u>	<u>233</u>	<u>259</u>
Cash dividends declared per share	<u>\$ 0.48</u>	<u>\$ 0.40</u>	<u>\$ 1.92</u>	<u>\$ 1.60</u>

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

	Three Months Ended		Year Ended	
	April 24, 2020	April 26, 2019	April 24, 2020	April 26, 2019
Cash flows from operating activities:				
Net income	\$ 196	\$ 396	\$ 819	\$ 1,169
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	47	48	193	197
Non-cash operating lease cost	12	—	51	—
Stock-based compensation	35	37	153	158
Deferred income taxes	6	18	(17)	(3)
Gain on sale or derecognition of assets	—	(73)	(38)	(73)
Other items, net	17	(6)	1	2
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(156)	(350)	238	(185)
Inventories	(32)	(31)	(14)	(9)
Accounts payable	41	44	(117)	(57)
Accrued expenses	96	127	(177)	42
Deferred revenue and financed unearned services revenue	147	326	54	343
Long-term taxes payable	(30)	(104)	(163)	(164)
Changes in other operating assets and liabilities, net	4	(33)	77	(79)
Net cash provided by operating activities	<u>383</u>	<u>399</u>	<u>1,060</u>	<u>1,341</u>
Cash flows from investing activities:				
Redemptions of investments, net	82	215	1,370	876
Purchases of property and equipment	(24)	(35)	(124)	(173)
Proceeds from sale of properties	—	—	96	—
Acquisitions of businesses, net of cash acquired	(17)	—	(73)	(3)
Other investing activities, net	1	3	—	4
Net cash provided by investing activities	<u>42</u>	<u>183</u>	<u>1,269</u>	<u>704</u>
Cash flows from financing activities:				
Proceeds from issuance of common stock under employee stock award plans	—	3	102	121
Payments for taxes related to net share settlement of stock awards	(2)	(4)	(79)	(96)
Repurchase of common stock	(161)	(500)	(1,411)	(2,111)
Proceeds from (repayments of) commercial paper notes, net	(170)	85	273	(136)
Repayment of long-term debt	—	—	(400)	—
Dividends paid	(105)	(97)	(439)	(403)
Other financing activities, net	(2)	(1)	(6)	(6)
Net cash used in financing activities	<u>(440)</u>	<u>(514)</u>	<u>(1,960)</u>	<u>(2,631)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash				
	(30)	(13)	(34)	(30)
Net increase (decrease) in cash, cash equivalents and restricted cash	(45)	55	335	(616)
Cash, cash equivalents and restricted cash:				
Beginning of period	2,711	2,276	2,331	2,947
End of period	<u>\$ 2,666</u>	<u>\$ 2,331</u>	<u>\$ 2,666</u>	<u>\$ 2,331</u>

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

	Q4 FY'20	Q3 FY'20	Q4 FY'19	FY 2020	FY 2019
Revenues					
Product	\$ 793	\$ 787	\$ 1,000	\$ 2,995	\$ 3,755
Strategic*	\$ 544	\$ 483	\$ 623	\$ 1,806	\$ 2,100
Mature*	\$ 249	\$ 304	\$ 377	\$ 1,189	\$ 1,655
Software Maintenance	\$ 267	\$ 263	\$ 242	\$ 1,034	\$ 946
Hardware Maintenance & Other Services	\$ 341	\$ 354	\$ 350	\$ 1,383	\$ 1,445
Hardware Maintenance Support Contracts	\$ 279	\$ 293	\$ 284	\$ 1,142	\$ 1,182
Professional and Other Services	\$ 62	\$ 61	\$ 66	\$ 241	\$ 263
Net Revenues	\$ 1,401	\$ 1,404	\$ 1,592	\$ 5,412	\$ 6,146

* In Q1 FY'20 we made changes to the products and solutions contained in each of the Strategic and Mature product groupings. Strategic now includes All-flash FAS products, including all related add-on hardware and OS software, private cloud solutions, enterprise software license agreements and other optional add-on software products. Mature now includes Hybrid FAS products, including all related add-on hardware and OS software, OEM products, and branded E-Series. Prior to this change, Hybrid FAS and branded E-Series were included in Strategic, while all add-on hardware and OS software were included in Mature. For comparability, Strategic and Mature revenues presented for the prior year period have been recast based on the revised groupings.

Geographic Mix

	% of Q4 FY'20 Revenue	% of Q3 FY'20 Revenue	% of Q4 FY'19 Revenue	% of FY 2020 Revenue	% of FY 2019 Revenue
Americas	54%	50%	57%	53%	56%
Americas Commercial	43%	39%	45%	41%	44%
U.S. Public Sector	11%	11%	11%	12%	12%
EMEA	32%	35%	29%	32%	30%
Asia Pacific	14%	15%	14%	15%	14%

Pathways Mix

	% of Q4 FY'20 Revenue	% of Q3 FY'20 Revenue	% of Q4 FY'19 Revenue	% of FY 2020 Revenue	% of FY 2019 Revenue
Direct	23%	21%	24%	21%	24%
Indirect	77%	79%	76%	79%	76%

Non-GAAP Gross Margins

	Q4 FY'20	Q3 FY'20	Q4 FY'19	FY 2020	FY 2019
Non-GAAP Gross Margin	68.0%	67.8%	65.2%	67.9%	65.0%
Product	56.4%	55.4%	55.3%	55.7%	54.4%
Software Maintenance	94.4%	95.4%	95.9%	95.4%	96.3%
Hardware Maintenance & Other Services	74.5%	74.9%	72.3%	73.8%	72.0%

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

	<u>Q4 FY'20</u>	<u>Q3 FY'20</u>	<u>Q4 FY'19</u>	<u>FY 2020</u>	<u>FY 2019</u>
Non-GAAP Income from Operations	\$ 324	\$ 312	\$ 358	\$ 1,123	\$ 1,387
% of Net Revenues	23.1%	22.2%	22.5%	20.8%	22.6%
Non-GAAP Income before Income Taxes	\$ 307	\$ 320	\$ 372	\$ 1,132	\$ 1,434
Non-GAAP Effective Tax Rate	13.7%	17.2%	18.1%	16.6%	18.4%

Non-GAAP Net Income

	<u>Q4 FY'20</u>	<u>Q3 FY'20</u>	<u>Q4 FY'19</u>	<u>FY 2020</u>	<u>FY 2019</u>
Non-GAAP Net Income	\$ 265	\$ 265	\$ 305	\$ 944	\$ 1,171
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	222	229	249	233	259
Non-GAAP Net Income per Share, Diluted	\$ 1.19	\$ 1.16	\$ 1.22	\$ 4.05	\$ 4.52

Select Balance Sheet Items

	<u>Q4 FY'20</u>	<u>Q3 FY'20</u>	<u>Q4 FY'19</u>
Deferred Revenue and Financed Unearned Services Revenue	\$ 3,698	\$ 3,573	\$ 3,668
DSO (days)	63	53	70
DIO (days)	29	22	21
DPO (days)	84	75	87
CCC (days)	8	1	3
Inventory Turns	13	16	17

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

	<u>Q4 FY'20</u>	<u>Q3 FY'20</u>	<u>Q4 FY'19</u>	<u>FY 2020</u>	<u>FY 2019</u>
Net Cash Provided by Operating Activities	\$ 383	\$ 420	\$ 399	\$ 1,060	\$ 1,341
Purchases of Property and Equipment	\$ 24	\$ 32	\$ 35	\$ 124	\$ 173
Free Cash Flow	\$ 359	\$ 388	\$ 364	\$ 936	\$ 1,168
Free Cash Flow as % of Net Revenues	25.6%	27.6%	22.9%	17.3%	19.0%

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>Q4'FY20</u>	<u>Q3'FY20</u>	<u>Q4'FY19</u>	<u>FY2020</u>	<u>FY2019</u>
NET INCOME	\$ 196	\$ 277	\$ 396	\$ 819	\$ 1,169
Adjustments:					
Amortization of intangible assets	9	8	8	39	46
Stock-based compensation	35	36	37	153	158
Asset impairment	10	—	—	10	—
COVID-19 charges	3	—	—	3	—
Restructuring charges	—	—	16	21	35
Gain on sale or derecognition of assets	—	—	(73)	(38)	(73)
Income tax effects	12	(6)	(31)	(13)	(82)
Resolution of income tax matters	—	(50)	(48)	(50)	(48)
Income tax benefit of ASC 606 adoption	—	—	—	—	(34)
NON-GAAP NET INCOME	<u>\$ 265</u>	<u>\$ 265</u>	<u>\$ 305</u>	<u>\$ 944</u>	<u>\$ 1,171</u>
COST OF REVENUES	\$ 460	\$ 463	\$ 566	\$ 1,789	\$ 2,201
Adjustments:					
Amortization of intangible assets	(9)	(8)	(8)	(39)	(36)
Stock-based compensation	(3)	(3)	(4)	(13)	(14)
NON-GAAP COST OF REVENUES	<u>\$ 448</u>	<u>\$ 452</u>	<u>\$ 554</u>	<u>\$ 1,737</u>	<u>\$ 2,151</u>
COST OF PRODUCT REVENUES	\$ 355	\$ 360	\$ 457	\$ 1,368	\$ 1,752
Adjustments:					
Amortization of intangible assets	(9)	(8)	(8)	(39)	(36)
Stock-based compensation	—	(1)	(2)	(3)	(4)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 346</u>	<u>\$ 351</u>	<u>\$ 447</u>	<u>\$ 1,326</u>	<u>\$ 1,712</u>
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 90	\$ 91	\$ 99	\$ 373	\$ 414
Adjustment:					
Stock-based compensation	(3)	(2)	(2)	(10)	(10)
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	<u>\$ 87</u>	<u>\$ 89</u>	<u>\$ 97</u>	<u>\$ 363</u>	<u>\$ 404</u>
GROSS PROFIT	\$ 941	\$ 941	\$ 1,026	\$ 3,623	\$ 3,945
Adjustments:					
Amortization of intangible assets	9	8	8	39	36
Stock-based compensation	3	3	4	13	14
NON-GAAP GROSS PROFIT	<u>\$ 953</u>	<u>\$ 952</u>	<u>\$ 1,038</u>	<u>\$ 3,675</u>	<u>\$ 3,995</u>

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

	Q4'FY20	Q3'FY20	Q4'FY19	FY2020	FY2019
SALES AND MARKETING EXPENSES	\$ 389	\$ 402	\$ 439	\$ 1,585	\$ 1,657
Adjustments:					
Amortization of intangible assets	—	—	—	—	(10)
Stock-based compensation	(16)	(15)	(15)	(66)	(67)
COVID-19 charges	(3)	—	—	(3)	—
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 370</u>	<u>\$ 387</u>	<u>\$ 424</u>	<u>\$ 1,516</u>	<u>\$ 1,580</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 212	\$ 211	\$ 205	\$ 847	\$ 827
Adjustment:					
Stock-based compensation	(12)	(13)	(11)	(53)	(48)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 200</u>	<u>\$ 198</u>	<u>\$ 194</u>	<u>\$ 794</u>	<u>\$ 779</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 63	\$ 60	\$ 69	\$ 263	\$ 278
Adjustment:					
Stock-based compensation	(4)	(5)	(7)	(21)	(29)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 59</u>	<u>\$ 55</u>	<u>\$ 62</u>	<u>\$ 242</u>	<u>\$ 249</u>
RESTRUCTURING CHARGES	\$ —	\$ —	\$ 16	\$ 21	\$ 35
Adjustment:					
Restructuring charges	—	—	(16)	(21)	(35)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
GAIN ON SALE OR DERECOGNITION OF ASSETS	\$ —	\$ —	\$ (73)	\$ (38)	\$ (73)
Adjustment:					
Gain on sale or derecognition of assets	—	—	73	38	73
NON-GAAP GAIN ON SALE OR DERECOGNITION OF ASSETS	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
OPERATING EXPENSES	\$ 664	\$ 673	\$ 656	\$ 2,678	\$ 2,724
Adjustments:					
Amortization of intangible assets	—	—	—	—	(10)
Stock-based compensation	(32)	(33)	(33)	(140)	(144)
COVID-19 charges	(3)	—	—	(3)	—
Restructuring charges	—	—	(16)	(21)	(35)
Gain on sale or derecognition of assets	—	—	73	38	73
NON-GAAP OPERATING EXPENSES	<u>\$ 629</u>	<u>\$ 640</u>	<u>\$ 680</u>	<u>\$ 2,552</u>	<u>\$ 2,608</u>

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

	<u>Q4'FY20</u>	<u>Q3'FY20</u>	<u>Q4'FY19</u>	<u>FY2020</u>	<u>FY2019</u>
INCOME FROM OPERATIONS	\$ 277	\$ 268	\$ 370	\$ 945	\$ 1,221
Adjustments:					
Amortization of intangible assets	9	8	8	39	46
Stock-based compensation	35	36	37	153	158
COVID-19 charges	3	—	—	3	—
Restructuring charges	—	—	16	21	35
Gain on sale or derecognition of assets	—	—	(73)	(38)	(73)
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 324</u>	<u>\$ 312</u>	<u>\$ 358</u>	<u>\$ 1,123</u>	<u>\$ 1,387</u>
OTHER INCOME (EXPENSE), NET	\$ (27)	\$ 8	\$ 14	\$ (1)	\$ 40
Adjustment:					
Asset impairment	10	—	—	10	—
NON-GAAP OTHER INCOME (EXPENSE), NET	<u>\$ (17)</u>	<u>\$ 8</u>	<u>\$ 14</u>	<u>\$ 9</u>	<u>\$ 40</u>
INCOME BEFORE INCOME TAXES	\$ 250	\$ 276	\$ 384	\$ 944	\$ 1,268
Adjustments:					
Amortization of intangible assets	9	8	8	39	46
Stock-based compensation	35	36	37	153	158
Asset impairment	10	—	—	10	—
COVID-19 charges	3	—	—	3	—
Restructuring charges	—	—	16	21	35
Gain on sale or derecognition of assets	—	—	(73)	(38)	(73)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 307</u>	<u>\$ 320</u>	<u>\$ 372</u>	<u>\$ 1,132</u>	<u>\$ 1,434</u>
PROVISION (BENEFIT) FOR INCOME TAXES	\$ 54	\$ (1)	\$ (12)	\$ 125	\$ 99
Adjustments:					
Income tax effects	(12)	6	31	13	82
Resolution of income tax matters	—	50	48	50	48
Income tax benefit of ASC 606 adoption	—	—	—	—	34
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 42</u>	<u>\$ 55</u>	<u>\$ 67</u>	<u>\$ 188</u>	<u>\$ 263</u>
NET INCOME PER SHARE	\$ 0.88	\$ 1.21	\$ 1.59	\$ 3.52	\$ 4.51
Adjustments:					
Amortization of intangible assets	0.04	0.03	0.03	0.17	0.18
Stock-based compensation	0.16	0.16	0.15	0.66	0.61
Asset impairment	0.05	—	—	0.04	—
COVID-19 charges	0.01	—	—	0.01	—
Restructuring charges	—	—	0.06	0.09	0.14
Gain on sale or derecognition of assets	—	—	(0.29)	(0.16)	(0.28)
Income tax effects	0.05	(0.03)	(0.12)	(0.06)	(0.32)
Resolution of income tax matters	—	(0.22)	(0.19)	(0.21)	(0.19)
Income tax benefit of ASC 606 adoption	—	—	—	—	(0.13)
NON-GAAP NET INCOME PER SHARE	<u>\$ 1.19</u>	<u>\$ 1.16</u>	<u>\$ 1.22</u>	<u>\$ 4.05</u>	<u>\$ 4.52</u>

RECONCILIATION OF NON-GAAP TO GAAP

GROSS MARGIN

(\$ in millions)

	<u>Q4'FY20</u>	<u>Q3'FY20</u>	<u>Q4'FY19</u>	<u>FY2020</u>	<u>FY2019</u>
Gross margin-GAAP	67.2%	67.0%	64.4%	66.9%	64.2%
Cost of revenues adjustments	0.9%	0.8%	0.8%	1.0%	0.8%
Gross margin-Non-GAAP	68.0%	67.8%	65.2%	67.9%	65.0%
GAAP cost of revenues	\$ 460	\$ 463	\$ 566	\$ 1,789	\$ 2,201
Cost of revenues adjustments:					
Amortization of intangible assets	(9)	(8)	(8)	(39)	(36)
Stock-based compensation	(3)	(3)	(4)	(13)	(14)
Non-GAAP cost of revenues	\$ 448	\$ 452	\$ 554	\$ 1,737	\$ 2,151
Net revenues	\$ 1,401	\$ 1,404	\$ 1,592	\$ 5,412	\$ 6,146

RECONCILIATION OF NON-GAAP TO GAAP

PRODUCT GROSS MARGIN

(\$ in millions)

	<u>Q4'FY20</u>	<u>Q3'FY20</u>	<u>Q4'FY19</u>	<u>FY2020</u>	<u>FY2019</u>
Product gross margin-GAAP	55.2%	54.3%	54.3%	54.3%	53.3%
Cost of product revenues adjustments	1.1%	1.1%	1.0%	1.4%	1.1%
Product gross margin-Non-GAAP	56.4%	55.4%	55.3%	55.7%	54.4%
GAAP cost of product revenues	\$ 355	\$ 360	\$ 457	\$ 1,368	\$ 1,752
Cost of product revenues adjustments:					
Amortization of intangible assets	(9)	(8)	(8)	(39)	(36)
Stock-based compensation	—	(1)	(2)	(3)	(4)
Non-GAAP cost of product revenues	\$ 346	\$ 351	\$ 447	\$ 1,326	\$ 1,712
Product revenues	\$ 793	\$ 787	\$ 1,000	\$ 2,995	\$ 3,755

RECONCILIATION OF NON-GAAP TO GAAP

HARDWARE MAINTENANCE AND OTHER SERVICES GROSS MARGIN

(\$ in millions)

	<u>Q4'FY20</u>	<u>Q3'FY20</u>	<u>Q4'FY19</u>	<u>FY2020</u>	<u>FY2019</u>
Hardware maintenance and other services gross margin-GAAP	73.6%	74.3%	71.7%	73.0%	71.3%
Cost of hardware maintenance and other services revenues adjustment	0.9%	0.6%	0.6%	0.7%	0.7%
Hardware maintenance and other services gross margin-Non-GAAP	74.5%	74.9%	72.3%	73.8%	72.0%
GAAP cost of hardware maintenance and other services revenues	\$ 90	\$ 91	\$ 99	\$ 373	\$ 414
Cost of hardware maintenance and other services revenues adjustment:					
Stock-based compensation	(3)	(2)	(2)	(10)	(10)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 87	\$ 89	\$ 97	\$ 363	\$ 404
Hardware maintenance and other services revenues	\$ 341	\$ 354	\$ 350	\$ 1,383	\$ 1,445

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

	<u>Q4'FY20</u>	<u>Q3'FY20</u>	<u>Q4'FY19</u>	<u>FY2020</u>	<u>FY2019</u>
GAAP effective tax rate	21.6%	(0.4)%	(3.1)%	13.2%	7.8%
Adjustments:					
Income tax effects	(7.9)%	2.0%	8.3%	(1.1)%	4.9%
Resolution of income tax matters	—%	15.6%	12.9%	4.4%	3.3%
Income tax benefit of ASC 606 adoption	—%	—%	—%	—%	2.4%
Non-GAAP effective tax rate	13.7%	17.2%	18.1%	16.6%	18.4%

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

	<u>Q4'FY20</u>	<u>Q3'FY20</u>	<u>Q4'FY19</u>	<u>FY2020</u>	<u>FY2019</u>
Net cash provided by operating activities	\$ 383	\$ 420	\$ 399	\$ 1,060	\$ 1,341
Purchases of property and equipment	(24)	(32)	(35)	(124)	(173)
Free cash flow	\$ 359	\$ 388	\$ 364	\$ 936	\$ 1,168

Some items may not add or recalculate due to rounding.

**NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FIRST QUARTER FISCAL 2021**

	<u>First Quarter Fiscal 2021</u>
Non-GAAP Guidance - Net Income Per Share	\$0.36 - \$0.44
Adjustments of Specific Items to Net Income	
Per Share for the First Quarter Fiscal 2021:	
Amortization of intangible assets	(0.04)
Stock-based compensation expense	(0.18)
Income tax effects	0.04
Total Adjustments	(0.18)
GAAP Guidance - Net Income Per Share	\$0.18 - \$0.26

Some items may not add or recalculate due to rounding.

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