

NetApp usage of non-GAAP financial information

To supplement NetApp's condensed consolidated financial statement information presented in accordance with generally accepted accounting principles in the United States (GAAP), NetApp provides investors with certain non-GAAP measures, including, but not limited to, historical non-GAAP operating results, non-GAAP net income, non-GAAP effective tax rate, free cash flow, billings, and historical and projected non-GAAP earnings per diluted share. NetApp also presents the hardware and software components of our GAAP product revenues. Because 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, hardware and software components of our product revenues are considered non-GAAP measures. The hardware and software components of our product revenues are derived from an estimated fair value allocation of the transaction price of our contracts with customers, down to the level of the product hardware and software components. This allocation is primarily based on the contractual prices at which NetApp has historically billed customers for such respective components.

NetApp believes that the presentation of non-GAAP net income, non-GAAP effective tax rates, and non-GAAP earnings per share data, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operations.

NetApp believes that the presentation of free cash flow, which it defines as the net cash provided by operating activities less cash used to acquire property and equipment, to be a liquidity measure that provides useful information to management and investors because it reflects cash that can be used to, among other things, invest in its business, make strategic acquisitions, repurchase common stock, and pay dividends on its common stock. As free cash flow is not a measure of liquidity calculated in accordance with GAAP, free cash flow should be considered in addition to, but not as a substitute for, the analysis provided in the statement of cash flows.

NetApp believes that the presentation of the software and hardware components of our product revenues is meaningful to investors and management as it illustrates the significance of the Company's software and provides improved visibility into the value created by our software innovation and R&D investment.

NetApp approximates billings by adding net revenues as reported on our Condensed Consolidated Statements of Operations for the period to the change in total deferred revenue and financed unearned services revenue as reported on our Condensed Consolidated Statements of Cash Flows for the same period. Billings is a performance measure that NetApp believes provides useful information to management and investors because it approximates the amounts under purchase orders received by us during a given period that have been billed.

NetApp's management uses these non-GAAP measures in making operating decisions because it believes the measurements provide meaningful supplemental information regarding NetApp's ongoing operational performance. These non-GAAP financial measures are used to: (1) measure company performance against historical results, (2) facilitate comparisons to our competitors' operating results and (3) allow greater transparency with respect to information used by management in financial and operational decision making.

NetApp excludes the following items from its non-GAAP measures when applicable:

A. Amortization of intangible assets. NetApp records amortization of intangible assets that were acquired in connection with its business combinations. The amortization of intangible assets varies depending on the level of acquisition activity. Management finds it useful to exclude these charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods and in measuring operational performance.

B. Stock-based compensation expenses. NetApp excludes stock-based compensation expenses from its non-GAAP measures primarily because the amount can fluctuate based on variables unrelated to the performance of the underlying business. While management views stock-based compensation as a key element of our employee retention and long-term incentives, we do not view it as an expense to be used in evaluating operational performance in any given period.

C. Litigation settlements. NetApp may periodically incur charges or benefits related to litigation settlements. NetApp excludes these charges and benefits, when significant, because it does not believe they are reflective of ongoing business and operating results.

D. Acquisition-related expenses. NetApp excludes acquisition-related expenses, including (a) due diligence, legal and other one-time integration charges and (b) write down of assets acquired that NetApp does not intend to use in its ongoing business, from its non-

GAAP measures, primarily because they are not related to our ongoing business or cost base and, therefore, are less useful for future planning and forecasting.

E. *Restructuring charges*. These charges consist of restructuring charges that are incurred based on the particular facts and circumstances of restructuring decisions, including employment and contractual settlement terms, and other related charges, and can vary in size and frequency. We therefore exclude them in our assessment of operational performance.

F. *Asset impairments*. These are non-cash charges to write down assets when there is an indication that the asset has become impaired. Management finds it useful to exclude these non-cash charges due to the unpredictability of these events in its assessment of operational performance.

G. *Gains/losses on the sale or derecognition of assets*. These are gains/losses from the sale of our properties and other transactions in which we transfer control of assets to a third party. Management believes that these transactions do not reflect the results of our underlying, on-going business and, therefore, are less useful for future planning and forecasting.

H. *Gains/losses on the sale of investments in equity securities*. These are gains/losses from the sale of our investment in certain equity securities. Typically, such investments are sold as a result of a change in control of the underlying businesses. Management believes that these transactions do not reflect the results of our underlying, on-going business and, therefore, are less useful for future planning and forecasting.

I. *Debt extinguishment costs*. NetApp excludes certain non-recurring expenses incurred as a result of the early extinguishment of debt. Management believes such nonrecurring costs do not reflect the results of its underlying, on-going business and, therefore, are less useful for future planning and forecasting.

J. *COVID-19 charges*. NetApp has excluded certain non-recurring expenses incurred as a direct result of the COVID-19 pandemic. Management believes such nonrecurring costs do not reflect the results of its underlying, on-going business and, therefore, are less useful for future planning and forecasting.

K. *Income tax adjustments*. NetApp's non-GAAP tax provision is based upon a projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. The non-GAAP tax provision also excludes, when applicable, (a) tax charges or benefits in the current period that relate to one or more prior fiscal periods that are a result of events such as changes in tax legislation, authoritative guidance, income tax audit settlements, statute lapses and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-recurring book and/or tax accounting method changes, (c) tax charges that are a result of a non-routine foreign cash repatriation, (d) tax charges or benefits that are a result of infrequent restructuring of the Company's tax structure, (e) tax charges or benefits that are a result of a change in valuation allowance, and (f) tax charges resulting from the integration of intellectual property from acquisitions. Management believes that the use of non-GAAP tax provisions provides a more meaningful measure of the Company's operational performance.

These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. NetApp believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. NetApp management compensates for these limitations by analyzing current and projected results on a GAAP basis as well as a non-GAAP basis. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with generally accepted accounting principles in the United States. The non-GAAP financial measures are meant to supplement, and be viewed in conjunction with, GAAP financial measures.

NETAPP, INC.

SUPPLEMENTAL DATA

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

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
RECONCILIATION OF SEGMENTS GROSS PROFIT TO TOTAL GROSS PROFIT*							
Revenues by Segment							
Product	\$ 2,995	\$ 627	\$ 749	\$ 775	\$ 840	\$ 2,991	\$ 730
Support	2,114	577	553	571	576	2,277	578
Professional and Other Services	241	68	67	69	73	277	71
Hybrid Cloud Segment Net Revenues	5,350	1,272	1,369	1,415	1,489	5,545	1,379
Public Cloud Segment Net Revenues	62	31	47	55	66	199	79
Net Revenues	\$ 5,412	\$ 1,303	\$ 1,416	\$ 1,470	\$ 1,555	\$ 5,744	\$ 1,458
Gross Profit by Segment							
Product	\$ 1,669	\$ 322	\$ 397	\$ 414	\$ 456	\$ 1,589	\$ 404
Support	1,926	526	503	522	525	2,076	530
Professional and Other Services	53	20	17	16	18	71	20
Hybrid Cloud Segment Gross Profit	3,648	868	917	952	999	3,736	954
Public Cloud Segment Gross Profit	27	18	31	38	47	134	56
Total Segments Gross Profit	3,675	886	948	990	1,046	3,870	1,010
Amortization of Intangible Assets	(39)	(10)	(12)	(12)	(7)	(41)	(7)
Stock-based Compensation	(13)	(4)	(3)	(3)	(4)	(14)	(4)
Unallocated Cost of Revenues	(52)	(14)	(15)	(15)	(11)	(55)	(11)
Gross Profit	\$ 3,623	\$ 872	\$ 933	\$ 975	\$ 1,035	\$ 3,815	\$ 999
Gross Margin by Segment							
Product	55.7%	51.4%	53.0%	53.4%	54.3%	53.1%	55.3%
Support	91.1%	91.2%	91.0%	91.4%	91.1%	91.2%	91.7%
Professional and Other Services	22.0%	29.4%	25.4%	23.2%	24.7%	25.6%	28.2%
Hybrid Cloud Segment Gross Margin	68.2%	68.2%	67.0%	67.3%	67.1%	67.4%	69.2%
Public Cloud Segment Gross Margin	43.5%	58.1%	66.0%	69.1%	71.2%	67.3%	70.9%

*Effective July 30, 2021, our Chief Operating Decision Maker, who is our Chief Executive Officer, realigned internal reporting for the purposes of evaluating performance and allocating resources. This resulted in the creation of two reportable segments for financial reporting purposes: Public Cloud and Hybrid Cloud.

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
Software and recurring Support and public cloud revenue							
Product - Software	\$1,454	\$311	\$417	\$428	\$480	\$1,636	\$414
Support	\$2,114	\$577	\$552	\$572	\$576	\$2,277	\$578
Public Cloud	\$62	\$31	\$47	\$55	\$66	\$199	\$79

Software and recurring Support and public cloud revenue*	\$3,630	\$919	\$1,016	\$1,055	\$1,122	\$4,112	\$1,071
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*Software and recurring Support and cloud revenue is a non-GAAP measure because it includes the software component of our product revenues, but not the hardware component.

Geographic Mix

	% of FY 2020 Revenue	% of Q1 FY 2021 Revenue	% of Q2 FY 2021 Revenue	% of Q3 FY 2021 Revenue	% of Q4 FY 2021 Revenue	% of FY 2021 Revenue	% of Q1 FY 2022 Revenue
Americas	53%	54%	55%	53%	53%	54%	54%
<i>Americas Commercial</i>	41%	43%	40%	43%	44%	43%	43%
<i>U.S. Public Sector</i>	12%	12%	15%	10%	9%	11%	11%
EMEA	32%	29%	30%	32%	32%	31%	31%
Asia Pacific	15%	16%	15%	15%	15%	15%	15%

Pathways Mix

	% of FY 2020 Revenue	% of Q1 FY 2021 Revenue	% of Q2 FY 2021 Revenue	% of Q3 FY 2021 Revenue	% of Q4 FY 2021 Revenue	% of FY 2021 Revenue	% of Q1 FY 2022 Revenue
Direct	21%	22%	25%	24%	23%	23%	23%
Indirect	79%	78%	75%	76%	77%	77%	77%

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

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
Non-GAAP Income from Operations	\$1,123	\$213	\$291	\$322	\$358	\$1,184	\$336
% of Net Revenues	20.8%	16.3%	20.6%	21.9%	23.0%	20.6%	23.0%
Non-GAAP Income Before Income Taxes	\$1,132	\$195	\$278	\$311	\$339	\$1,123	\$324
Non-GAAP Effective Tax Rate	16.6%	16.4%	15.1%	19.6%	20.9%	18.3%	18.8%

Non-GAAP Net Income

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
Non-GAAP Net Income	\$944	\$163	\$236	\$250	\$268	\$917	\$263
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	233	222	224	227	229	226	229
Non-GAAP Net Income per Share, Diluted	\$4.05	\$0.73	\$1.05	\$1.10	\$1.17	\$4.06	\$1.15

Select Balance Sheet Items

	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	Q1 FY'22
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Deferred Revenue and Financed Unearned Services Revenue	\$3,620	\$3,651	\$3,828	\$4,003	\$3,904
DSO (days)	45	51	49	55	41
DPO (days)	90	69	62	74	73
Inventory Turns	13	17	19	18	17

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

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
Net Cash Provided by (used in) Operating Activities	\$1,060	\$240	\$161	\$373	\$559	\$1,333	\$242
Purchases of Property and Equipment	\$124	\$52	\$40	\$32	\$38	\$162	\$51
Free Cash Flow	\$936	\$188	\$121	\$341	\$521	\$1,171	\$191
Free Cash Flow as % of Net Revenues	17.3%	14.4%	8.5%	23.2%	33.5%	20.4%	13.1%

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>FY 2020</u>	<u>Q1 FY'21</u>	<u>Q2 FY'21</u>	<u>Q3 FY'21</u>	<u>Q4 FY'21</u>	<u>FY 2021</u>	<u>Q1 FY'22</u>
NET INCOME	\$ 819	\$ 77	\$ 137	\$ 182	\$ 334	\$ 730	\$ 202
Adjustments:							
Amortization of intangible assets	39	10	15	15	9	49	9
Stock-based compensation	153	54	49	46	48	197	53
Asset impairment	10	-	-	-	-	-	-
Litigation settlements	-	-	5	-	-	5	2
COVID-19 charges	3	-	-	-	-	-	-
Restructuring charges	21	5	37	-	-	42	22
Acquisition-related expense	-	8	3	3	2	16	1
Gain on sale or derecognition of assets	(38)	-	-	-	(156)	(156)	-
Debt extinguishment costs	-	14	-	-	-	14	-
Gain on sale of equity investment	-	-	(6)	-	-	(6)	-
Income tax effects	(13)	(16)	(9)	(13)	18	(20)	(26)
Income tax expenses from integration of acquired companies	-	11	5	17	13	46	-
Resolution of income tax matters	(50)	-	-	-	-	-	-
NON-GAAP NET INCOME	\$ 944	\$ 163	\$ 236	\$ 250	\$ 268	\$ 917	\$ 263
COST OF REVENUES	1,789	431	483	495	520	1,929	\$ 459
Adjustments:							
Amortization of intangible assets	(39)	(10)	(12)	(12)	(7)	(41)	(7)
Stock-based compensation	(13)	(4)	(3)	(3)	(4)	(14)	(4)
NON-GAAP COST OF REVENUES	\$ 1,737	\$ 417	\$ 468	\$ 480	\$ 509	\$ 1,874	\$ 448
COST OF PRODUCT REVENUES	\$ 1,368	\$ 316	\$ 360	\$ 369	\$ 387	\$ 1,432	\$ 329
Adjustments:							
Amortization of intangible assets	(39)	(10)	(7)	(7)	(2)	(26)	(2)
Stock-based compensation	(3)	(1)	(1)	(1)	(1)	(4)	(1)
NON-GAAP COST OF PRODUCT REVENUES	\$ 1,326	\$ 305	\$ 352	\$ 361	\$ 384	\$ 1,402	\$ 326
COST OF SERVICES REVENUES	\$ 421	\$ 115	\$ 123	\$ 126	\$ 133	\$ 497	130
Adjustments:							
Amortization of intangible assets	-	-	(5)	(5)	(5)	(15)	(5)
Stock-based compensation	(10)	(3)	(2)	(2)	(3)	(10)	(3)
NON-GAAP COST OF SERVICES REVENUES	\$ 411	\$ 112	\$ 116	\$ 119	\$ 125	\$ 472	\$ 122
GROSS PROFIT	\$ 3,623	\$ 872	\$ 933	\$ 975	\$ 1,035	\$ 3,815	\$ 999
Adjustments:							
Amortization of intangible assets	39	10	12	12	7	41	7
Stock-based compensation	13	4	3	3	4	14	4

NON-GAAP GROSS PROFIT	\$ 3,675	\$ 886	\$ 948	\$ 990	\$ 1,046	\$ 3,870	\$ 1,010
SALES AND MARKETING EXPENSES	\$ 1,585	\$ 429	\$ 432	\$ 436	\$ 447	\$ 1,744	\$ 451
Adjustments:							
Amortization of intangible assets	-	-	(3)	(3)	(2)	(8)	(2)
Stock-based compensation	(66)	(25)	(24)	(21)	(22)	(92)	(26)
COVID-19 charges	(3)	-	-	-	-	-	-
NON-GAAP SALES AND MARKETING EXPENSES	\$ 1,516	\$ 404	\$ 405	\$ 412	\$ 423	\$ 1,644	\$ 423
RESEARCH AND DEVELOPMENT EXPENSES	\$ 847	\$ 233	\$ 212	\$ 215	\$ 221	\$ 881	\$ 210
Adjustment:							
Stock-based compensation	(53)	(19)	(15)	(15)	(15)	(64)	(15)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$ 794	\$ 214	\$ 197	\$ 200	\$ 206	\$ 817	\$ 195
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 263	\$ 61	\$ 67	\$ 63	\$ 66	\$ 257	\$ 66
Adjustments:							
Stock-based compensation	(21)	(6)	(7)	(7)	(7)	(27)	(8)
Litigation settlements	-	-	(5)	-	-	(5)	(2)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	\$ 242	\$ 55	\$ 55	\$ 56	\$ 59	\$ 225	\$ 56

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

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
RESTRUCTURING CHARGES	\$ 21	\$ 5	\$ 37	\$ -	\$ -	\$ 42	\$ 22
Adjustment:							
Restructuring charges	(21)	(5)	(37)	-	-	(42)	(22)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ACQUISITION-RELATED EXPENSE	\$ -	\$ 8	\$ 3	\$ 3	\$ 2	\$ 16	\$ 1
Adjustment:							
Acquisition-related expense	-	(8)	(3)	(3)	(2)	(16)	(1)
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAIN ON SALE OR DERECOGNITION OF ASSETS	\$ (38)	\$ -	\$ -	\$ -	\$ (156)	\$ (156)	\$ -
Adjustment:							
Gain on sale or derecognition of assets	38	-	-	-	156	156	-
NON-GAAP GAIN ON SALE OR DERECOGNITION OF ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES	\$ 2,678	\$ 736	\$ 751	\$ 717	\$ 580	\$ 2,784	\$ 750
Adjustments:							
Amortization of intangible assets	-	-	(3)	(3)	(2)	(8)	(2)
Stock-based compensation	(140)	(50)	(46)	(43)	(44)	(183)	(49)
Litigation settlements	-	-	(5)	-	-	(5)	(2)
COVID-19 charges	(3)	-	-	-	-	-	-
Restructuring charges	(21)	(5)	(37)	-	-	(42)	(22)
Acquisition-related expense	-	(8)	(3)	(3)	(2)	(16)	(1)
Gain on sale or derecognition of assets	38	-	-	-	156	156	-
NON-GAAP OPERATING EXPENSES	<u>\$ 2,552</u>	<u>\$ 673</u>	<u>\$ 657</u>	<u>\$ 668</u>	<u>\$ 688</u>	<u>\$ 2,686</u>	<u>\$ 674</u>
INCOME FROM OPERATIONS	\$ 945	\$ 136	\$ 182	\$ 258	\$ 455	\$ 1,031	\$ 249
Adjustments:							
Amortization of intangible assets	39	10	15	15	9	49	9
Stock-based compensation	153	54	49	46	48	197	53
Litigation settlements	-	-	5	-	-	5	2
COVID-19 charges	3	-	-	-	-	-	-
Restructuring charges	21	5	37	-	-	42	22
Acquisition-related expense	-	8	3	3	2	16	1
Gain on sale or derecognition of assets	(38)	-	-	-	(156)	(156)	-
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 1,123</u>	<u>\$ 213</u>	<u>\$ 291</u>	<u>\$ 322</u>	<u>\$ 358</u>	<u>\$ 1,184</u>	<u>\$ 336</u>
OTHER INCOME (EXPENSE), NET	\$ (1)	\$ (32)	\$ (7)	\$ (11)	\$ (19)	\$ (69)	\$ (12)

Adjustments:

Debt extinguishment costs	-	14	-	-	-	14	-
Gain on sale of equity investment	-	-	(6)	-	-	(6)	-
Asset impairment	10	-	-	-	-	-	-
NON-GAAP OTHER INCOME (EXPENSE), NET	\$ 9	\$ (18)	\$ (13)	\$ (11)	\$ (19)	\$ (61)	\$ (12)

INCOME BEFORE INCOME TAXES

\$ 944	\$ 104	\$ 175	\$ 247	\$ 436	\$ 962	\$ 237
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Adjustments:

Amortization of intangible assets	39	10	15	15	9	49	9
Stock-based compensation	153	54	49	46	48	197	53
Asset impairment	10	-	-	-	-	-	-
Litigation settlements	-	-	5	-	-	5	2
COVID-19 charges	3	-	-	-	-	-	-
Restructuring charges	21	5	37	-	-	42	22
Acquisition-related expense	-	8	3	3	2	16	1
Gain on sale or derecognition of assets	(38)	-	-	-	(156)	(156)	-
Debt extinguishment costs	-	14	-	-	-	14	-
Gain on sale of equity investment	-	-	(6)	-	-	(6)	-
NON-GAAP INCOME BEFORE INCOME TAXES	\$ 1,132	\$ 195	\$ 278	\$ 311	\$ 339	\$ 1,123	\$ 324

PROVISION FOR INCOME TAXES

\$ 125	\$ 27	\$ 38	\$ 65	\$ 102	\$ 232	\$ 35
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Adjustments:

Income tax effects	13	16	9	13	(18)	20	26
Income tax expenses from integration of acquired companies	-	(11)	(5)	(17)	(13)	(46)	-
Resolution of income tax matters	50	-	-	-	-	-	-
NON-GAAP PROVISION FOR INCOME TAXES	\$ 188	\$ 32	\$ 42	\$ 61	\$ 71	\$ 206	\$ 61

NET INCOME PER SHARE

\$ 3.52	\$ 0.35	\$ 0.61	\$ 0.80	\$ 1.46	\$ 3.23	\$ 0.88
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Adjustments:

Amortization of intangible assets	0.17	0.05	0.07	0.07	0.04	0.22	0.04
Stock-based compensation	0.66	0.24	0.22	0.20	0.21	0.87	0.23
Asset impairment	0.04	-	-	-	-	-	0.00
Litigation settlements	-	-	0.02	-	-	0.02	0.01
COVID-19 charges	0.01	-	-	-	-	-	-
Restructuring charges	0.09	0.02	0.17	-	-	0.19	0.10
Acquisition-related expense	-	0.04	0.01	0.01	0.01	0.07	0.00
Gain on sale or derecognition of assets	(0.16)	-	-	-	(0.68)	(0.69)	-
Debt extinguishment costs	-	0.06	-	-	-	0.06	-
Gain on sale of equity investment	-	-	(0.03)	-	-	(0.03)	-
Income tax effects	(0.06)	(0.07)	(0.04)	(0.06)	0.08	(0.09)	(0.11)
Income tax expenses from integration of acquired companies	-	0.05	0.02	0.07	0.06	0.20	-
Resolution of income tax matters	(0.21)	-	-	-	-	-	-
NON-GAAP NET INCOME PER SHARE	\$ 4.05	\$ 0.73	\$ 1.05	\$ 1.10	\$ 1.17	\$ 4.06	\$ 1.15

RECONCILIATION OF NON-GAAP TO GAAP

GROSS MARGIN

(\$ in millions)

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
Gross margin-GAAP	66.9%	66.9%	65.9%	66.3%	66.6%	66.4%	68.5%
Cost of revenues adjustments	1.0%	1.1%	1.1%	1.0%	0.7%	1.0%	0.8%
Gross margin-Non-GAAP	67.9%	68.0%	66.9%	67.3%	67.3%	67.4%	69.3%
GAAP cost of revenues	\$ 1,789	\$ 431	\$ 483	\$ 495	\$ 520	\$ 1,929	\$ 459
Cost of revenues adjustments:							
Amortization of intangible assets	(39)	(10)	(12)	(12)	(7)	(41)	(7)
Stock-based compensation	(13)	(4)	(3)	(3)	(4)	(14)	(4)
Non-GAAP cost of revenues	\$ 1,737	\$ 417	\$ 468	\$ 480	\$ 509	\$ 1,874	\$ 448
Net revenues	\$ 5,412	\$ 1,303	\$ 1,416	\$ 1,470	\$ 1,555	\$ 5,744	\$ 1,458

RECONCILIATION OF NON-GAAP TO GAAP

PRODUCT GROSS MARGIN

(\$ in millions)

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
Product gross margin-GAAP	54.3%	49.6%	51.9%	52.4%	53.9%	52.1%	54.9%
Cost of product revenues adjustments	1.4%	1.8%	1.1%	1.0%	0.4%	1.0%	0.4%
Product gross margin-Non-GAAP	55.7%	51.4%	53.0%	53.4%	54.3%	53.1%	55.3%
GAAP cost of product revenues	\$ 1,368	\$ 316	\$ 360	\$ 369	\$ 387	\$ 1,432	\$ 329
Cost of product revenues adjustments:							
Amortization of intangible assets	(39)	(10)	(7)	(7)	(2)	(26)	(2)
Stock-based compensation	(3)	(1)	(1)	(1)	(1)	(4)	(1)
Non-GAAP cost of product revenues	\$ 1,326	\$ 305	\$ 352	\$ 361	\$ 384	\$ 1,402	\$ 326
Product revenues	\$ 2,995	\$ 627	\$ 749	\$ 775	\$ 840	\$ 2,991	\$ 730

RECONCILIATION OF NON-GAAP TO GAAP

SERVICES GROSS MARGIN

(\$ in millions)

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
Services gross margin-GAAP	82.6%	83.0%	81.6%	81.9%	81.4%	81.9%	82.1%
Cost of services revenues adjustments	0.4%	0.4%	1.0%	1.0%	1.1%	0.9%	1.1%
Services gross margin-Non-GAAP	83.0%	83.4%	82.6%	82.9%	82.5%	82.8%	83.2%

GAAP cost of services revenues	\$	421	\$	115	\$	123	\$	126	\$	133	\$	497	\$	130
Cost of services revenues adjustments:														
Amortization of intangible assets		-		-		(5)		(5)		(5)		(15)		(5)
Stock-based compensation		(10)		(3)		(2)		(2)		(3)		(10)		(3)
Non-GAAP cost of services revenues	<u>\$</u>	<u>411</u>	<u>\$</u>	<u>112</u>	<u>\$</u>	<u>116</u>	<u>\$</u>	<u>119</u>	<u>\$</u>	<u>125</u>	<u>\$</u>	<u>472</u>	<u>\$</u>	<u>122</u>
Services revenues	\$	2,417	\$	676	\$	667	\$	695	\$	715	\$	2,753	\$	728

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

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
GAAP effective tax rate	13.2%	26.0%	21.7%	26.3%	23.4%	24.1%	14.8%
Adjustments:							
Income tax effects	(1.1%)	1.0%	(3.8%)	0.2%	0.5%	(1.0%)	4.1%
Income tax expenses from integration of acquired companies	- %	(10.6%)	(2.9%)	(6.9%)	(3.0%)	(4.8%)	- %
Resolution of income tax matters	4.4%	- %	- %	- %	- %	- %	- %
Non-GAAP effective tax rate	16.6%	16.4%	15.1%	19.6%	20.9%	18.3%	18.8%

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

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
Net cash provided by (used in) operating activities	\$ 1,060	\$ 240	\$ 161	\$ 373	\$ 559	\$ 1,333	\$ 242
Purchases of property and equipment	\$ (124)	\$ (52)	\$ (40)	\$ (32)	\$ (38)	\$ (162)	\$ (51)
Free cash flow	\$ 936	\$ 188	\$ 121	\$ 341	\$ 521	\$ 1,171	\$ 191

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

	FY 2020	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY 2021	Q1 FY'22
Net revenues	\$ 5,412	\$ 1,303	\$ 1,416	\$ 1,470	\$ 1,555	\$ 5,744	\$ 1,458
Change in deferred revenue and financed unearned services revenue*	\$ 54	\$ (158)	\$ 40	\$ 128	\$ 183	\$ 193	\$ (82)
Billings	\$ 5,466	\$ 1,145	\$ 1,456	\$ 1,598	\$ 1,738	\$ 5,937	\$ 1,376

* As reported on our Condensed Consolidated Statements of Cash Flows

Some items may not add or recalculate due to rounding

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
SECOND QUARTER FISCAL 2022
(Unaudited)

	Second Quarter Fiscal 2022
Gross Margin - Non-GAAP Guidance	~68%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~67%

	Second Quarter Fiscal 2022 (In millions)
Operating Expenses - Non-GAAP Guidance	\$690 - \$700
Adjustments:	
Amortization of intangibles	\$2
Stock-based compensation expense	\$54
Operating Expenses - GAAP Guidance	\$746 - \$756

	Second Quarter Fiscal 2022
Operating Margin - Non-GAAP Guidance	~23%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	~19%

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
SECOND QUARTER FISCAL 2022
(Unaudited)

	Second Quarter Fiscal 2022
Net Income Per Share - Non-GAAP Guidance	\$1.14 - \$1.24
Adjustments:	
Amortization of intangible assets	(\$0.04)
Stock-based compensation expense	(\$0.25)
Income tax effects	\$0.03
Net Income Per Share - GAAP Guidance	\$0.88 - \$0.98

	Second Quarter Fiscal 2022
Effective Tax Rate - Non-GAAP Guidance	~19%
Adjustment:	
Income tax effects	2%
Effective Tax Rate - GAAP Guidance	~21%

Some items may not add or recalculate due to rounding

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2022
(Unaudited)

	Fiscal 2022
Gross Margin - Non-GAAP Guidance	~68%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~67%

	Fiscal 2022 (In millions)
Operating Expenses - Non-GAAP Guidance	\$2,750 - \$2,800
Adjustments:	
Amortization of intangibles	\$9
Stock-based compensation expense	\$209
Operating Expenses - GAAP Guidance	\$2,968 - \$3,018

	Fiscal 2022
Operating Margin - Non-GAAP Guidance	23% - 24%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	18% - 19%

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2022
(Unaudited)

	Fiscal 2022
Net Income Per Share - Non-GAAP Guidance	\$4.85 - \$5.05
Adjustments:	
Amortization of intangible assets	(\$0.16)
Stock-based compensation expense	(\$0.98)
Income tax effects	\$0.12
Net Income Per Share - GAAP Guidance	\$3.83 - \$4.03

	Fiscal 2022
Effective Tax Rate - Non-GAAP Guidance	~19%
Adjustment:	
Income tax effects	2%
Effective Tax Rate - GAAP Guidance	~21%

Some items may not add or recalculate due to rounding

	Fiscal 2022 (In millions)
Net cash provided by operating activities	> \$1,400
Adjustment:	
Purchases of property and equipment	~225
Free cash flow	> \$1,200

Public Cloud ARR - Public Cloud annualized revenue run-rate is calculated as the annualized value of all Public Cloud customer commitments, with the assumption that any commitment expiring during the next 12 months will be renewed with its existing term