

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

|  | <b>July 25, 2014</b> | <b>April 25, 2014</b> |
|--|----------------------|-----------------------|
| <b>ASSETS</b>                                      |                      |                       |
| Current assets:                                    |                      |                       |
| Cash, cash equivalents and investments             | \$ 5,564.2           | \$ 5,003.3            |
| Accounts receivable, net                           | 585.4                | 855.9                 |
| Inventories  | 104.2                | 122.4                 |
| Other current assets                               | 494.3                | 489.7                 |
| Total current assets                               | 6,748.1              | 6,471.3               |
| Property and equipment, net                        | 1,098.0              | 1,108.8               |
| Goodwill and purchased intangible assets, net      | 1,095.1              | 1,109.6               |
| Other non-current assets                           | 531.2                | 529.5                 |
| Total assets                                       | \$ 9,472.4           | \$ 9,219.2            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>        |                      |                       |
| Current liabilities:                               |                      |                       |
| Accounts payable                                   | \$ 183.1             | \$ 247.0              |
| Accrued compensation and other current liabilities | 561.4                | 793.8                 |
| Short-term deferred revenue                        | 1,656.4              | 1,653.8               |
| Total current liabilities                          | 2,400.9              | 2,694.6               |
| Long-term debt                                     | 1,494.1              | 995.5                 |
| Other long-term liabilities                        | 320.8                | 296.2                 |
| Long-term deferred revenue                         | 1,419.9              | 1,446.4               |
| Total liabilities                                  | 5,635.7              | 5,432.7               |
| Stockholders' equity                               | 3,836.7              | 3,786.5               |
| Total liabilities and stockholders' equity         | \$ 9,472.4           | \$ 9,219.2            |

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

|   | <b>Three Months Ended</b> |                      |
|---|---------------------------|----------------------|
|   | <b>July 25, 2014</b>      | <b>July 26, 2013</b> |
| Revenues:   |                           |                      |
| Product   | \$ 882.6                  | \$ 930.8             |
| Software entitlements and maintenance             | 221.3                     | 228.5                |
| Service   | 385.3                     | 356.9                |
| Net revenues                                      | <u>1,489.2</u>            | <u>1,516.2</u>       |
| Cost of revenues:                                 |                           |                      |
| Cost of product                                   | 394.2                     | 449.9                |
| Cost of software entitlements and maintenance     | 8.2                       | 7.5                  |
| Cost of service                                   | 148.7                     | 149.2                |
| Total cost of revenues                            | <u>551.1</u>              | <u>606.6</u>         |
| Gross profit                                      | <u>938.1</u>              | <u>909.6</u>         |
| Operating expenses:                               |                           |                      |
| Sales and marketing                               | 480.2                     | 467.8                |
| Research and development                          | 228.0                     | 228.1                |
| General and administrative                        | 70.0                      | 68.4                 |
| Restructuring and other charges                   | -                         | 48.4                 |
| Total operating expenses                          | <u>778.2</u>              | <u>812.7</u>         |
| Income from operations                            | 159.9                     | 96.9                 |
| Other income/(expense), net:                      |                           |                      |
| Interest income                                   | 8.3                       | 10.0                 |
| Interest expense                                  | (9.0)                     | (16.5)               |
| Other income, net                                 | 0.5                       | 1.9                  |
| Total other income/(expense), net                 | <u>(0.2)</u>              | <u>(4.6)</u>         |
| Income before income taxes                        | 159.7                     | 92.3                 |
| Provision for income taxes                        | 71.3                      | 10.7                 |
| Net income  | <u>\$ 88.4</u>            | <u>\$ 81.6</u>       |
| Net income per share:                             |                           |                      |
| Basic   | <u>\$ 0.27</u>            | <u>\$ 0.23</u>       |
| Diluted   | <u>\$ 0.27</u>            | <u>\$ 0.23</u>       |
| Shares used in net income per share calculations: |                           |                      |
| Basic   | <u>323.5</u>              | <u>350.9</u>         |
| Diluted   | <u>329.1</u>              | <u>359.9</u>         |
| Cash dividends declared per share                 | <u>\$ 0.165</u>           | <u>\$ 0.150</u>      |

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

|   | <b>Three Months Ended</b> |                      |
|---|---------------------------|----------------------|
|   | <b>July 25, 2014</b>      | <b>July 26, 2013</b> |
| <b>Cash flows from operating activities:</b>                                      |                           |                      |
| Net income  | \$ 88.4                   | \$ 81.6              |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                      |
| Depreciation and amortization   | 77.5                      | 85.9                 |
| Stock-based compensation  | 62.3                      | 66.3                 |
| Accretion of discount and issuance costs on debt                                  | 0.6                       | 8.2                  |
| Excess tax benefit from stock-based compensation                                  | (42.6)                    | (0.1)                |
| Other, net  | 45.1                      | (35.4)               |
| Changes in assets and liabilities, net of acquired businesses:                    |                           |                      |
| Accounts receivable   | 271.5                     | 265.2                |
| Inventories   | 18.1                      | 22.9                 |
| Accounts payable  | (62.3)                    | (37.9)               |
| Accrued compensation and other current liabilities                                | (227.1)                   | (175.4)              |
| Deferred revenue  | (26.5)                    | (54.3)               |
| Changes in other operating assets and liabilities, net                            | 10.5                      | 58.8                 |
| Net cash provided by operating activities   | <u>215.5</u>              | <u>285.8</u>         |
| <b>Cash flows from investing activities:</b>                                      |                           |                      |
| Redemptions (purchases) of investments, net                                       | 191.2                     | 390.0                |
| Purchases of property and equipment   | (58.4)                    | (65.3)               |
| Other investing activities, net   | 0.2                       | 1.2                  |
| Net cash provided by investing activities   | <u>133.0</u>              | <u>325.9</u>         |
| <b>Cash flows from financing activities:</b>                                      |                           |                      |
| Issuance of common stock  | 28.4                      | 71.5                 |
| Repurchase of common stock and forward contract                                   | (118.9)                   | (849.5)              |
| Excess tax benefit from stock-based compensation                                  | 42.6                      | 0.1                  |
| Repayment of debt   | -                         | (1,264.9)            |
| Issuance of long-term debt, net   | 494.7                     | -                    |
| Dividends paid  | (53.4)                    | (51.4)               |
| Other financing activities, net   | (1.8)                     | 9.5                  |
| Net cash provided by (used in) financing activities                               | <u>391.6</u>              | <u>(2,084.7)</u>     |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>               | 0.5                       | (7.3)                |
| <b>Net increase (decrease) in cash and cash equivalents</b>                       | 740.6                     | (1,480.3)            |
| <b>Cash and cash equivalents:</b>   |                           |                      |
| Beginning of period   | 2,291.0                   | 3,277.1              |
| End of period   | <u>\$ 3,031.6</u>         | <u>\$ 1,796.8</u>    |

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

|   | <u>Q1 FY'15</u>  | <u>Q4 FY'14</u>  | <u>Q1 FY'14</u>  |
|---|------------------|------------------|------------------|
| <b>Revenues</b>                                       |                  |                  |                  |
| Product Revenue                                       | \$882.6          | \$1,042.8        | \$930.8          |
| Software Entitlements & Maintenance Revenue (SEM)     | 221.3            | 227.5            | 228.5            |
| Service Revenue:                                      | 385.3            | 378.7            | 356.9            |
| <i>Hardware Maintenance Support Contracts Revenue</i> | 302.8            | 293.7            | 273.6            |
| <i>Professional &amp; Other Services Revenue</i>      | 82.5             | 85.0             | 83.2             |
| <b>Net Revenues</b>                                   | <b>\$1,489.2</b> | <b>\$1,649.0</b> | <b>\$1,516.2</b> |

|                                 | <u>Q1 FY'15</u>  | <u>Q4 FY'14</u>  | <u>Q1 FY'14</u>  |
|---------------------------------|------------------|------------------|------------------|
| <b>Branded and OEM Revenues</b> |                  |                  |                  |
| Branded Revenue                 | \$1,360.5        | \$1,539.2        | \$1,349.7        |
| OEM Revenue                     | 128.7            | 109.8            | 166.5            |
| <b>Net Revenues</b>             | <b>\$1,489.2</b> | <b>\$1,649.0</b> | <b>\$1,516.2</b> |

*Branded revenue includes revenue from all products and services sold directly by us or our partners under the NetApp brand, including NetApp branded E-Series products and solutions. OEM revenue comprises revenue from the sale of our products by other companies under their brands and includes revenue from IBM, Fujitsu, and other E-Series OEM relationships.*

|                            | <u>% of Q1<br/>FY'15<br/>Revenue</u> | <u>% of Q4<br/>FY'14<br/>Revenue</u> | <u>% of Q1<br/>FY'14<br/>Revenue</u> |
|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Geographic Mix</b>      |                                      |                                      |                                      |
| Americas                   | 56%                                  | 56%                                  | 57%                                  |
| <i>Americas Commercial</i> | 44%                                  | 43%                                  | 44%                                  |
| <i>U.S. Public Sector</i>  | 12%                                  | 12%                                  | 12%                                  |
| EMEA                       | 30%                                  | 31%                                  | 30%                                  |
| Asia Pacific               | 14%                                  | 13%                                  | 14%                                  |

|                     | <u>% of Q1<br/>FY'15<br/>Revenue</u> | <u>% of Q4<br/>FY'14<br/>Revenue</u> | <u>% of Q1<br/>FY'14<br/>Revenue</u> |
|---------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Pathways Mix</b> |                                      |                                      |                                      |
| Direct              | 21%                                  | 17%                                  | 20%                                  |
| Indirect            | 79%                                  | 83%                                  | 80%                                  |

*Direct revenues are those sold through our direct sales force. Indirect revenues include those sold through value-added resellers, system integrators, OEMs and distributors. Indirect revenue mix reflects order fulfillment and is not reflective of who is responsible for the customer relationship.*

|   | <u>Q1 FY'15</u> | <u>Q4 FY'14</u> | <u>Q1 FY'14</u> |
|---|-----------------|-----------------|-----------------|
| <b>Non-GAAP Gross Margins</b>             |                 |                 |                 |
| Non-GAAP Gross Margin                     | 64.3%           | 64.4%           | 61.3%           |
| Product                                   | 57.1%           | 58.0%           | 53.3%           |
| Software Entitlements & Maintenance (SEM) | 96.3%           | 96.5%           | 96.7%           |
| Service                                   | 62.7%           | 62.7%           | 59.5%           |

|   | <u>Q1 FY'15</u> | <u>Q4 FY'14</u> | <u>Q1 FY'14</u> |
|---|-----------------|-----------------|-----------------|
| <b>Non-GAAP Income from Operations, Income before Income Taxes &amp; Effective Tax Rate</b> |                 |                 |                 |
| Non-GAAP Income from Operations   | \$236.7         | \$344.4         | \$226.5         |
| % of Net Revenue  | 15.9%           | 20.9%           | 14.9%           |
| Non-GAAP Income before Income Taxes   | \$236.5         | \$347.2         | \$230.1         |
| Non-GAAP Effective Tax Rate   | 16.5%           | 18.1%           | 16.6%           |

**Non-GAAP Net Income**

|   | <u>Q1 FY'15</u> | <u>Q4 FY'14</u> | <u>Q1 FY'14</u> |
|---|-----------------|-----------------|-----------------|
| Non-GAAP Net Income                                 | \$197.5         | \$284.2         | \$191.9         |
| Weighted Average Common Shares Outstanding, Diluted | 329.1           | 336.4           | 359.9           |
| Non-GAAP Net Income per Share, Diluted              | \$0.60          | \$0.84          | \$0.53          |

**Select Balance Sheet Items**

|                  | <u>Q1 FY'15</u> | <u>Q4 FY'14</u> | <u>Q1 FY'14</u> |
|------------------|-----------------|-----------------|-----------------|
| Deferred Revenue | \$3,076.3       | \$3,100.2       | \$2,941.3       |
| DSO (days)       | 36              | 47              | 32              |
| Inventory Turns  | 20              | 19              | 20              |

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

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

**Select Cash Flow Statement Items**

|   | <u>Q1 FY'15</u> | <u>Q4 FY'14</u> | <u>Q1 FY'14</u> |
|---|-----------------|-----------------|-----------------|
| Net Cash Provided by Operating Activities   | \$215.5         | \$369.5         | \$285.8         |
| Purchases of Property and Equipment         | \$58.4          | \$56.0          | \$65.3          |
| Free Cash Flow                              | \$157.1         | \$313.5         | \$220.5         |
| <i>Free Cash Flow as % of Total Revenue</i> | <b>10.5%</b>    | 19.0%           | 14.5%           |

*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>Q1'FY15</u>  | <u>Q4'FY14</u>    | <u>Q1'FY14</u>  |
|---|-----------------|-------------------|-----------------|
| <b>NET INCOME</b>                                   | \$ 88.4         | \$ 197.0          | \$ 81.6         |
| Adjustments:  |                 |                   |                 |
| Amortization of intangible assets                   | 14.5            | 14.6              | 14.9            |
| Stock-based compensation                            | 62.3            | 67.2              | 66.3            |
| Restructuring and other charges                     | -               | 38.8              | 48.4            |
| Non-cash interest expense                           | -               | -                 | 8.2             |
| Income tax effect of non-GAAP adjustments           | (15.1)          | (33.4)            | (27.5)          |
| Settlement of income tax audit                      | 47.4            | -                 | -               |
| <b>NON-GAAP NET INCOME</b>                          | <u>\$ 197.5</u> | <u>\$ 284.2</u>   | <u>\$ 191.9</u> |
| <b>COST OF REVENUES</b>                             | \$ 551.1        | \$ 607.0          | \$ 606.6        |
| Adjustments:  |                 |                   |                 |
| Amortization of intangible assets                   | (14.3)          | (14.3)            | (14.3)          |
| Stock-based compensation                            | (5.9)           | (5.3)             | (5.3)           |
| <b>NON-GAAP COST OF REVENUES</b>                    | <u>\$ 530.9</u> | <u>\$ 587.4</u>   | <u>\$ 587.0</u> |
| <b>COST OF PRODUCT REVENUES</b>                     | \$ 394.2        | \$ 453.2          | \$ 449.9        |
| Adjustments:  |                 |                   |                 |
| Amortization of intangible assets                   | (13.7)          | (13.7)            | (13.7)          |
| Stock-based compensation                            | (1.5)           | (1.4)             | (1.3)           |
| <b>NON-GAAP COST OF PRODUCT REVENUES</b>            | <u>\$ 379.0</u> | <u>\$ 438.1</u>   | <u>\$ 434.9</u> |
| <b>COST OF SERVICE REVENUES</b>                     | \$ 148.7        | \$ 145.8          | \$ 149.2        |
| Adjustments:  |                 |                   |                 |
| Amortization of intangible assets                   | (0.6)           | (0.6)             | (0.6)           |
| Stock-based compensation                            | (4.4)           | (3.9)             | (4.0)           |
| <b>NON-GAAP COST OF SERVICE REVENUES</b>            | <u>\$ 143.7</u> | <u>\$ 141.3</u>   | <u>\$ 144.6</u> |
| <b>GROSS PROFIT</b>                                 | \$ 938.1        | \$ 1,042.0        | \$ 909.6        |
| Adjustments:  |                 |                   |                 |
| Amortization of intangible assets                   | 14.3            | 14.3              | 14.3            |
| Stock-based compensation                            | 5.9             | 5.3               | 5.3             |
| <b>NON-GAAP GROSS PROFIT</b>                        | <u>\$ 958.3</u> | <u>\$ 1,061.6</u> | <u>\$ 929.2</u> |
| <b>SALES AND MARKETING EXPENSES</b>                 | \$ 480.2        | \$ 475.0          | \$ 467.8        |
| Adjustments:  |                 |                   |                 |
| Amortization of intangible assets                   | (0.2)           | (0.3)             | (0.6)           |
| Stock-based compensation                            | (27.0)          | (30.4)            | (30.5)          |
| <b>NON-GAAP SALES AND MARKETING EXPENSES</b>        | <u>\$ 453.0</u> | <u>\$ 444.3</u>   | <u>\$ 436.7</u> |
| <b>RESEARCH AND DEVELOPMENT EXPENSES</b>            | \$ 228.0        | \$ 230.7          | \$ 228.1        |
| Adjustment:   |                 |                   |                 |
| Stock-based compensation                            | (21.5)          | (21.1)            | (21.4)          |
| <b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>   | <u>\$ 206.5</u> | <u>\$ 209.6</u>   | <u>\$ 206.7</u> |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>          | \$ 70.0         | \$ 73.7           | \$ 68.4         |
| Adjustment:   |                 |                   |                 |
| Stock-based compensation                            | (7.9)           | (10.4)            | (9.1)           |
| <b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b> | <u>\$ 62.1</u>  | <u>\$ 63.3</u>    | <u>\$ 59.3</u>  |

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

|   | <u>Q1'FY15</u>  | <u>Q4'FY14</u>  | <u>Q1'FY14</u>  |
|---|-----------------|-----------------|-----------------|
| <b>RESTRUCTURING AND OTHER CHARGES</b>          | \$ -            | \$ 38.8         | \$ 48.4         |
| Adjustment:                                     |                 |                 |                 |
| Restructuring and other charges                 | -               | (38.8)          | (48.4)          |
| <b>NON-GAAP RESTRUCTURING AND OTHER CHARGES</b> | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| <b>OPERATING EXPENSES</b>                       | \$ 778.2        | \$ 818.2        | \$ 812.7        |
| Adjustments:                                    |                 |                 |                 |
| Amortization of intangible assets               | (0.2)           | (0.3)           | (0.6)           |
| Stock-based compensation                        | (56.4)          | (61.9)          | (61.0)          |
| Restructuring and other charges                 | -               | (38.8)          | (48.4)          |
| <b>NON-GAAP OPERATING EXPENSES</b>              | <u>\$ 721.6</u> | <u>\$ 717.2</u> | <u>\$ 702.7</u> |
| <b>INCOME FROM OPERATIONS</b>                   | \$ 159.9        | \$ 223.8        | \$ 96.9         |
| Adjustments:                                    |                 |                 |                 |
| Amortization of intangible assets               | 14.5            | 14.6            | 14.9            |
| Stock-based compensation                        | 62.3            | 67.2            | 66.3            |
| Restructuring and other charges                 | -               | 38.8            | 48.4            |
| <b>NON-GAAP INCOME FROM OPERATIONS</b>          | <u>\$ 236.7</u> | <u>\$ 344.4</u> | <u>\$ 226.5</u> |
| <b>TOTAL OTHER INCOME (EXPENSE), NET</b>        | \$ (0.2)        | \$ 2.8          | \$ (4.6)        |
| Adjustment:                                     |                 |                 |                 |
| Non-cash interest expense                       | -               | -               | 8.2             |
| <b>NON-GAAP TOTAL OTHER INCOME, NET</b>         | <u>\$ (0.2)</u> | <u>\$ 2.8</u>   | <u>\$ 3.6</u>   |
| <b>INCOME BEFORE INCOME TAXES</b>               | \$ 159.7        | \$ 226.6        | \$ 92.3         |
| Adjustments:                                    |                 |                 |                 |
| Amortization of intangible assets               | 14.5            | 14.6            | 14.9            |
| Stock-based compensation                        | 62.3            | 67.2            | 66.3            |
| Restructuring and other charges                 | -               | 38.8            | 48.4            |
| Non-cash interest expense                       | -               | -               | 8.2             |
| <b>NON-GAAP INCOME BEFORE INCOME TAXES</b>      | <u>\$ 236.5</u> | <u>\$ 347.2</u> | <u>\$ 230.1</u> |
| <b>PROVISION FOR INCOME TAXES</b>               | \$ 71.3         | \$ 29.6         | \$ 10.7         |
| Adjustment:                                     |                 |                 |                 |
| Income tax effect of non-GAAP adjustments       | 15.1            | 33.4            | 27.5            |
| Settlement of income tax audit                  | (47.4)          | -               | -               |
| <b>NON-GAAP PROVISION FOR INCOME TAXES</b>      | <u>\$ 39.0</u>  | <u>\$ 63.0</u>  | <u>\$ 38.2</u>  |
| <b>NET INCOME PER SHARE</b>                     | \$ 0.27         | \$ 0.59         | \$ 0.23         |
| Adjustments:                                    |                 |                 |                 |
| Amortization of intangible assets               | 0.04            | 0.04            | 0.04            |
| Stock-based compensation                        | 0.19            | 0.20            | 0.18            |
| Restructuring and other charges                 | -               | 0.11            | 0.13            |
| Non-cash interest expense                       | -               | -               | 0.02            |
| Income tax effect of non-GAAP adjustments       | (0.04)          | (0.10)          | (0.08)          |
| Settlement of income tax audit                  | 0.14            | -               | -               |
| <b>NON-GAAP NET INCOME PER SHARE</b>            | <u>\$ 0.60</u>  | <u>\$ 0.84</u>  | <u>\$ 0.53</u>  |

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

|                                   | <u>Q1'FY15</u> | <u>Q4'FY14</u> | <u>Q1'FY14</u> |
|-----------------------------------|----------------|----------------|----------------|
| <b>Gross margin-GAAP</b>          | 63.0%          | 63.2%          | 60.0%          |
| Cost of revenues adjustments      | <u>1.4%</u>    | <u>1.2%</u>    | <u>1.3%</u>    |
| <b>Gross margin-Non-GAAP</b>      | 64.3%          | 64.4%          | 61.3%          |
| GAAP cost of revenues             | \$ 551.1       | \$ 607.0       | \$ 606.6       |
| Cost of revenues adjustments:     |                |                |                |
| Amortization of intangible assets | (14.3)         | (14.3)         | (14.3)         |
| Stock-based compensation          | <u>(5.9)</u>   | <u>(5.3)</u>   | <u>(5.3)</u>   |
| Non-GAAP cost of revenues         | \$ 530.9       | \$ 587.4       | \$ 587.0       |
| Revenues                          | \$ 1,489.2     | \$ 1,649.0     | \$ 1,516.2     |

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

|                                       | <u>Q1'FY15</u> | <u>Q4'FY14</u> | <u>Q1'FY14</u> |
|---------------------------------------|----------------|----------------|----------------|
| <b>Product gross margin-GAAP</b>      | 55.3%          | 56.5%          | 51.7%          |
| Cost of product revenues adjustments  | <u>1.7%</u>    | <u>1.4%</u>    | <u>1.6%</u>    |
| <b>Product gross margin-Non-GAAP</b>  | 57.1%          | 58.0%          | 53.3%          |
| GAAP cost of product revenues         | \$ 394.2       | \$ 453.2       | \$ 449.9       |
| Cost of product revenues adjustments: |                |                |                |
| Amortization of intangible assets     | (13.7)         | (13.7)         | (13.7)         |
| Stock-based compensation              | <u>(1.5)</u>   | <u>(1.4)</u>   | <u>(1.3)</u>   |
| Non-GAAP cost of product revenues     | \$ 379.0       | \$ 438.1       | \$ 434.9       |
| Product revenues                      | \$ 882.6       | \$ 1,042.8     | \$ 930.8       |

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

|                                       | <u>Q1'FY15</u> | <u>Q4'FY14</u> | <u>Q1'FY14</u> |
|---------------------------------------|----------------|----------------|----------------|
| <b>Services gross margin-GAAP</b>     | 61.4%          | 61.5%          | 58.2%          |
| Cost of service revenues adjustments  | <u>1.3%</u>    | <u>1.2%</u>    | <u>1.3%</u>    |
| <b>Services gross margin-Non-GAAP</b> | 62.7%          | 62.7%          | 59.5%          |
| GAAP cost of service revenues         | \$ 148.7       | \$ 145.8       | \$ 149.2       |
| Cost of product revenues adjustments: |                |                |                |
| Amortization of intangible assets     | (0.6)          | (0.6)          | (0.6)          |
| Stock-based compensation              | <u>(4.4)</u>   | <u>(3.9)</u>   | <u>(4.0)</u>   |
| Non-GAAP cost of service revenues     | \$ 143.7       | \$ 141.3       | \$ 144.6       |
| Service revenues                      | \$ 385.3       | \$ 378.7       | \$ 356.9       |

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

|                                | <u>Q1'FY15</u> | <u>Q4'FY14</u> | <u>Q1'FY14</u> |
|--------------------------------|----------------|----------------|----------------|
| <b>GAAP effective tax rate</b> | 44.6%          | 13.1%          | 11.6%          |

Adjustments:

|                                    |              |              |              |
|------------------------------------|--------------|--------------|--------------|
| Tax effect of non-GAAP adjustments | (8.1%)       | 5.1%         | 5.0%         |
| Settlement of income tax audit     | (20.0%)      | -            | -            |
| <b>Non-GAAP effective tax rate</b> | <u>16.5%</u> | <u>18.1%</u> | <u>16.6%</u> |

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

|   | <u>Q1'FY15</u>  | <u>Q4'FY14</u>  | <u>Q1'FY14</u>  |
|---|-----------------|-----------------|-----------------|
| Net cash provided by operating activities | \$ 215.5        | \$ 369.5        | \$ 285.8        |
| Purchases of property and equipment       | (58.4)          | (56.0)          | (65.3)          |
| <b>Free cash flow</b>                     | <b>\$ 157.1</b> | <b>\$ 313.5</b> | <b>\$ 220.5</b> |

**INVENTORY TURNS AND RECONCILIATION OF NON-GAAP TO GAAP  
COST OF REVENUES USED IN INVENTORY TURNS  
(In millions, except annualized inventory turns)**

|  | <u>Q1'FY15</u>  | <u>Q4'FY14</u>  | <u>Q1'FY14</u>  |
|--|-----------------|-----------------|-----------------|
| <b>Annualized inventory turns- GAAP</b>    | 21              | 20              | 21              |
| Cost of revenues adjustments               | (1)             | (1)             | (1)             |
| <b>Annualized inventory turns-Non-GAAP</b> | <b>20</b>       | <b>19</b>       | <b>20</b>       |
| GAAP cost of revenues                      | \$ 551.1        | \$ 607.0        | \$ 606.6        |
| Cost of revenues adjustments:              |                 |                 |                 |
| Amortization of intangible assets          | (14.3)          | (14.3)          | (14.3)          |
| Stock-based compensation                   | (5.9)           | (5.3)           | (5.3)           |
| Non-GAAP cost of revenues                  | <u>\$ 530.9</u> | <u>\$ 587.4</u> | <u>\$ 587.0</u> |
| Inventory                                  | \$ 104.2        | \$ 122.4        | \$ 116.5        |

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

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP**  
**EXPRESSED AS EARNINGS PER SHARE**  
**SECOND QUARTER FISCAL 2015**

|   | <b>Second Quarter</b><br><b>Fiscal 2015</b> |
|---|---|
|   | <hr/>                                       |
| Non-GAAP Guidance - Net Income Per Share  | \$0.66 - \$0.71                             |
| Adjustments of Specific Items to<br>Net Income Per Share for the Second<br>Quarter Fiscal 2015: |   |
| Amortization of intangible assets   | (0.05)                                      |
| Stock-based compensation expense  | (0.20)                                      |
| Income tax effect of non-GAAP adjustments   | 0.04  |
| Total Adjustments   | <hr/> (0.21)                                |
| GAAP Guidance - Net Income Per Share  | \$0.45 - \$0.50                             |