

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

	<b>July 31, 2015</b>	<b>April 24, 2015</b>
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and investments	\$ 4,950	\$ 5,326
Accounts receivable	415	779
Inventories	193	146
Other current assets	561	522
Total current assets	6,119	6,773
Property and equipment, net	1,011	1,030
Goodwill and purchased intangible assets, net	1,091	1,117
Other non-current assets	476	481
Total assets	\$ 8,697	\$ 9,401
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 249	\$ 284
Accrued expenses	592	701
Short-term deferred revenue	1,639	1,724
Total current liabilities	2,480	2,709
Long-term debt	1,488	1,487
Other long-term liabilities	302	318
Long-term deferred revenue	1,427	1,473
Total liabilities	5,697	5,987
Stockholders' equity	3,000	3,414
Total liabilities and stockholders' equity	\$ 8,697	\$ 9,401

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

	<b>Three Months Ended</b>	
	<b>July 31, 2015</b>	<b>July 25, 2014</b>
Revenues:		
Product	\$ 664	\$ 883
Software maintenance	248	221
Hardware maintenance and other services	423	385
Net revenues	<u>1,335</u>	<u>1,489</u>
Cost of revenues:		
Cost of product	345	394
Cost of software maintenance	10	8
Cost of hardware maintenance and other services	164	149
Total cost of revenues	<u>519</u>	<u>551</u>
Gross profit	<u>816</u>	<u>938</u>
Operating expenses:		
Sales and marketing	492	480
Research and development	244	228
General and administrative	79	70
Restructuring and other charges	27	-
Total operating expenses	<u>842</u>	<u>778</u>
Income (loss) from operations	(26)	160
Other income, net	4	-
Income (loss) before income taxes	(22)	160
Provision for income taxes	8	72
Net income (loss)	<u>\$ (30)</u>	<u>\$ 88</u>
Net income (loss) per share:		
Basic	<u>\$ (0.10)</u>	<u>\$ 0.27</u>
Diluted	<u>\$ (0.10)</u>	<u>\$ 0.27</u>
Shares used in net income (loss) per share calculations:		
Basic	<u>304</u>	<u>323</u>
Diluted	<u>304</u>	<u>329</u>
Cash dividends declared per share	<u>\$ 0.180</u>	<u>\$ 0.165</u>

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

	<b>Three Months Ended</b>	
	<b>July 31, 2015</b>	<b>July 25, 2014</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (30)	\$ 88
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	69	78
Stock-based compensation	77	62
Excess tax benefit from stock-based compensation	(2)	(43)
Other, net	(34)	46
Changes in assets and liabilities:		
Accounts receivable	361	271
Inventories	(47)	18
Accounts payable	(33)	(62)
Accrued expenses	(119)	(227)
Deferred revenue	(121)	(26)
Changes in other operating assets and liabilities, net	8	11
Net cash provided by operating activities	<u>129</u>	<u>216</u>
<b>Cash flows from investing activities:</b>		
Redemptions of investments, net	778	191
Purchases of property and equipment	(38)	(58)
Other investing activities, net	2	-
Net cash provided by investing activities	<u>742</u>	<u>133</u>
<b>Cash flows from financing activities:</b>		
Issuance of common stock	19	28
Repurchase of common stock	(430)	(119)
Excess tax benefit from stock-based compensation	2	43
Issuance of long-term debt, net	- #	495
Dividends paid	(54)	(53)
Other financing activities, net	(1)	(2)
Net cash provided by (used in) financing activities	<u>(464)</u>	<u>392</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(5)	-
<b>Net increase in cash and cash equivalents</b>	402	741
<b>Cash and cash equivalents:</b>		
Beginning of period	1,922	2,291
End of period	<u>\$ 2,324</u>	<u>\$ 3,032</u>

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

	<u>Q1 FY'16</u>	<u>Q4 FY'15</u>	<u>Q1 FY'15</u>
<b>Revenues</b>			
Product	<b>\$664</b>	\$914	\$883
Software Maintenance	<b>\$248</b>	\$227	\$221
Hardware Maintenance & Other Services:	<b>\$423</b>	\$399	\$385
<i>Hardware Maintenance Support Contracts</i>	<b>\$346</b>	\$323	\$303
<i>Professional &amp; Other Services</i>	<b>\$77</b>	\$77	\$83
<b>Net Revenues</b>	<b>\$1,335</b>	\$1,540	\$1,489

*Software Maintenance revenue was formerly called Software Entitlements & Maintenance (SEM) revenue.*

*Hardware Maintenance & Other Services revenue was formerly called Services revenue.*

	<u>% of Q1 FY'16 Revenue</u>	<u>% of Q4 FY'15 Revenue</u>	<u>% of Q1 FY'15 Revenue</u>
<b>Geographic Mix</b>			
Americas	<b>56%</b>	57%	56%
<i>Americas Commercial</i>	<b>44%</b>	43%	44%
<i>U.S. Public Sector</i>	<b>12%</b>	14%	12%
EMEA	<b>31%</b>	30%	30%
Asia Pacific	<b>13%</b>	13%	14%

	<u>% of Q1 FY'16 Revenue</u>	<u>% of Q4 FY'15 Revenue</u>	<u>% of Q1 FY'15 Revenue</u>
<b>Pathways Mix</b>			
Direct	<b>22%</b>	22%	24%
Indirect	<b>77%</b>	78%	76%

*Direct revenues are those sold through our direct sales force and, effective Q1 FY'16, include those sold to service providers. Previously, sales to service providers were included in indirect revenues. All periods presented have been recast to reflect this change in presentation. Indirect revenues include those sold through value-added resellers, system integrators, OEMs and distributors. Indirect revenue reflects order fulfillment and is not reflective of who is responsible for the customer relationship.*

	<u>Q1 FY'16</u>	<u>Q4 FY'15</u>	<u>Q1 FY'15</u>
<b>Non-GAAP Gross Margins</b>			
Non-GAAP Gross Margin	<b>63.6%</b>	62.0%	64.3%
Product	<b>51.2%</b>	53.4%	57.1%
Software Maintenance	<b>96.2%</b>	95.8%	96.3%
Hardware Maintenance & Other Services	<b>64.1%</b>	62.6%	62.7%

	<u>Q1 FY'16</u>	<u>Q4 FY'15</u>	<u>Q1 FY'15</u>
<b>Non-GAAP Income from Operations, Income before Income Taxes &amp; Effective Tax Rate</b>			
Non-GAAP Income from Operations	<b>\$103</b>	\$240	\$237
% of Net Revenues	<b>7.7%</b>	15.6%	15.9%
Non-GAAP Income before Income Taxes	<b>\$107</b>	\$243	\$237
Non-GAAP Effective Tax Rate	<b>17.0%</b>	16.7%	16.5%

	<u>Q1 FY'16</u>	<u>Q4 FY'15</u>	<u>Q1 FY'15</u>
<b>Non-GAAP Net Income</b>			
Non-GAAP Net Income	<b>\$89</b>	\$202	\$198
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	<b>308</b>	313	329
Non-GAAP Net Income per Share, Diluted	<b>\$0.29</b>	\$0.65	\$0.60

**Select Balance Sheet Items**

	<u>Q1 FY'16</u>	<u>Q4 FY'15</u>	<u>Q1 FY'15</u>
Deferred Revenue	\$3,066	\$3,197	\$3,076
DSO (days)	30	46	36
Inventory Turns	10	16	20

*Days sales outstanding (DSO) is defined as accounts receivable divided by net revenues, 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'16</u>	<u>Q4 FY'15</u>	<u>Q1 FY'15</u>
Net Cash Provided by Operating Activities	\$129	\$396	\$216
Purchases of Property and Equipment	\$38	\$37	\$58
Free Cash Flow	\$91	\$359	\$157
Free Cash Flow as % of Net Revenues	6.8%	23.3%	10.5%

*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'FY16</u>	<u>Q4'FY15</u>	<u>Q1'FY15</u>
<b>NET INCOME (LOSS)</b>	\$ (30)	\$ 135	\$ 88
Adjustments:			
Amortization of intangible assets	14	16	15
Stock-based compensation	77	63	62
Asset impairment	11	-	-
Restructuring and other charges	27	-	-
Income tax effect of non-GAAP adjustments	(23)	(11)	(15)
Settlement of income tax audit	13	-	47
<b>NON-GAAP NET INCOME</b>	<u>\$ 89</u>	<u>\$ 202</u>	<u>\$ 198</u>
<b>COST OF REVENUES</b>	\$ 519	\$ 605	\$ 551
Adjustments:			
Amortization of intangible assets	(14)	(16)	(15)
Stock-based compensation	(8)	(5)	(6)
Asset impairment	(11)	-	-
<b>NON-GAAP COST OF REVENUES</b>	<u>\$ 486</u>	<u>\$ 584</u>	<u>\$ 531</u>
<b>COST OF PRODUCT REVENUES</b>	\$ 345	\$ 441	\$ 394
Adjustments:			
Amortization of intangible assets	(14)	(15)	(14)
Stock-based compensation	(2)	(1)	(1)
Asset impairment	(5)	-	-
<b>NON-GAAP COST OF PRODUCT REVENUES</b>	<u>\$ 324</u>	<u>\$ 425</u>	<u>\$ 379</u>
<b>COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	\$ 164	\$ 154	\$ 149
Adjustments:			
Amortization of intangible assets	-	(1)	(1)
Stock-based compensation	(6)	(4)	(5)
Asset impairment	(6)	-	-
<b>NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	<u>\$ 152</u>	<u>\$ 150</u>	<u>\$ 144</u>
<b>GROSS PROFIT</b>	\$ 816	\$ 935	\$ 938
Adjustments:			
Amortization of intangible assets	14	16	15
Stock-based compensation	8	5	6
Asset impairment	11	-	-
<b>NON-GAAP GROSS PROFIT</b>	<u>\$ 849</u>	<u>\$ 955</u>	<u>\$ 958</u>
<b>SALES AND MARKETING EXPENSES</b>	\$ 492	\$ 470	\$ 480
Adjustment:			
Stock-based compensation	(31)	(29)	(27)
<b>NON-GAAP SALES AND MARKETING EXPENSES</b>	<u>\$ 461</u>	<u>\$ 440</u>	<u>\$ 453</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	\$ 244	\$ 233	\$ 228
Adjustment:			
Stock-based compensation	(26)	(20)	(21)
<b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	<u>\$ 218</u>	<u>\$ 213</u>	<u>\$ 207</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 79	\$ 71	\$ 70
Adjustment:			
Stock-based compensation	(12)	(9)	(8)
<b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>\$ 67</u>	<u>\$ 62</u>	<u>\$ 62</u>

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

	<u>Q1'FY16</u>	<u>Q4'FY15</u>	<u>Q1'FY15</u>
<b>RESTRUCTURING AND OTHER CHARGES</b>	\$ 27	\$ -	\$ -
Adjustment:			
Restructuring and other charges	(27)	-	-
<b>NON-GAAP RESTRUCTURING AND OTHER CHARGES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>OPERATING EXPENSES</b>	\$ 842	\$ 774	\$ 778
Adjustments:			
Stock-based compensation	(69)	(58)	(56)
Restructuring and other charges	(27)	-	-
<b>NON-GAAP OPERATING EXPENSES</b>	<u>\$ 746</u>	<u>\$ 715</u>	<u>\$ 722</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	\$ (26)	\$ 161	\$ 160
Adjustments:			
Amortization of intangible assets	14	16	15
Stock-based compensation	77	63	62
Asset impairment	11	-	-
Restructuring and other charges	27	-	-
<b>NON-GAAP INCOME FROM OPERATIONS</b>	<u>\$ 103</u>	<u>\$ 240</u>	<u>\$ 237</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	\$ (22)	\$ 164	\$ 160
Adjustments:			
Amortization of intangible assets	14	16	15
Stock-based compensation	77	63	62
Asset impairment	11	-	-
Restructuring and other charges	27	-	-
<b>NON-GAAP INCOME BEFORE INCOME TAXES</b>	<u>\$ 107</u>	<u>\$ 243</u>	<u>\$ 237</u>
<b>PROVISION FOR INCOME TAXES</b>	\$ 8	\$ 29	\$ 72
Adjustments:			
Income tax effect of non-GAAP adjustments	23	11	15
Settlement of income tax audit	(13)	-	(47)
<b>NON-GAAP PROVISION FOR INCOME TAXES</b>	<u>\$ 18</u>	<u>\$ 41</u>	<u>\$ 39</u>
<b>NET INCOME (LOSS) PER SHARE</b>	\$ (0.10)	\$ 0.43	\$ 0.27
Adjustments:			
Amortization of intangible assets	0.05	0.05	0.04
Stock-based compensation	0.25	0.20	0.19
Asset impairment	0.04	-	-
Restructuring and other charges	0.09	-	-
Income tax effect of non-GAAP adjustments	(0.08)	(0.04)	(0.04)
Settlement of income tax audit	0.04	-	0.14
<b>NON-GAAP NET INCOME PER SHARE</b>	<u>\$ 0.29</u>	<u>\$ 0.65</u>	<u>\$ 0.60</u>

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

	<u>Q1'FY16</u>	<u>Q4'FY15</u>	<u>Q1'FY15</u>
<b>Gross margin-GAAP</b>	61.1%	60.7%	63.0%
Cost of revenues adjustments	2.5%	1.3%	1.4%
<b>Gross margin-Non-GAAP</b>	<u>63.6%</u>	<u>62.0%</u>	<u>64.3%</u>
GAAP cost of revenues	\$ 519	\$ 605	\$ 551
Cost of revenues adjustments:			
Amortization of intangible assets	(14)	(16)	(15)
Stock-based compensation	(8)	(5)	(6)
Asset impairment	(11)	-	-
Non-GAAP cost of revenues	<u>\$ 486</u>	<u>\$ 584</u>	<u>\$ 531</u>
Net revenues	\$ 1,335	\$ 1,540	\$ 1,489

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

	<u>Q1'FY16</u>	<u>Q4'FY15</u>	<u>Q1'FY15</u>
<b>Product gross margin-GAAP</b>	48.0%	51.7%	55.3%
Cost of product revenues adjustments	3.2%	1.8%	1.7%
<b>Product gross margin-Non-GAAP</b>	<u>51.2%</u>	<u>53.4%</u>	<u>57.1%</u>
GAAP cost of product revenues	\$ 345	\$ 441	\$ 394
Cost of product revenues adjustments:			
Amortization of intangible assets	(14)	(15)	(14)
Stock-based compensation	(2)	(1)	(1)
Asset impairment	(5)	-	-
Non-GAAP cost of product revenues	<u>\$ 324</u>	<u>\$ 425</u>	<u>\$ 379</u>
Product revenues	\$ 664	\$ 914	\$ 883

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

	<u>Q1'FY16</u>	<u>Q4'FY15</u>	<u>Q1'FY15</u>
<b>Hardware maintenance and other services gross margin-GAAP</b>	61.2%	61.6%	61.4%
Cost of hardware maintenance and other services revenues adjustments	2.8%	1.0%	1.3%
<b>Hardware maintenance and other services gross margin-Non-GAAP</b>	<u>64.1%</u>	<u>62.6%</u>	<u>62.7%</u>
GAAP cost of hardware maintenance and other services revenues	\$ 164	\$ 154	\$ 149
Cost of hardware maintenance and other services revenues adjustments:			
Amortization of intangible assets	-	(1)	(1)
Stock-based compensation	(6)	(4)	(5)
Asset impairment	(6)	-	-
Non-GAAP cost of hardware maintenance and other services revenues	<u>\$ 152</u>	<u>\$ 150</u>	<u>\$ 144</u>
Hardware maintenance and other services revenues	\$ 423	\$ 399	\$ 385



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

	<u>Q1'FY16</u>	<u>Q4'FY15</u>	<u>Q1'FY15</u>
<b>GAAP effective tax rate</b>	(36.4%)	17.8%	44.6%
Adjustments:			
Tax effect of non-GAAP adjustments	65.5%	(1.1%)	(8.1%)
Settlement of income tax audit	(12.1%)	- %	(20.0%)
<b>Non-GAAP effective tax rate</b>	<u>17.0%</u>	<u>16.7%</u>	<u>16.5%</u>

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

	<u>Q1'FY16</u>	<u>Q4'FY15</u>	<u>Q1'FY15</u>
Net cash provided by operating activities	\$ 129	\$ 396	\$ 216
Purchases of property and equipment	(38)	(37)	(58)
<b>Free cash flow</b>	<u>\$ 91</u>	<u>\$ 359</u>	<u>\$ 157</u>

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

	<u>Q1'FY16</u>	<u>Q4'FY15</u>	<u>Q1'FY15</u>
<b>Annualized inventory turns-GAAP</b>	11	17	21
Cost of revenues adjustments	(1)	(1)	(1)
<b>Annualized inventory turns-Non-GAAP</b>	<u>10</u>	<u>16</u>	<u>20</u>
GAAP cost of revenues	\$ 519	\$ 605	\$ 551
Cost of revenues adjustments:			
Amortization of intangible assets	(14)	(16)	(15)
Stock-based compensation	(8)	(5)	(6)
Asset impairment	(11)	-	-
Non-GAAP cost of revenues	<u>\$ 486</u>	<u>\$ 584</u>	<u>\$ 531</u>
Inventory	\$ 193	\$ 146	\$ 104

*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 2016**

	<b>Second Quarter</b> <b>Fiscal 2016</b>
Non-GAAP Guidance - Net Income Per Share	\$0.55 - \$0.60
Adjustments of Specific Items to Net Income Per Share for the Second Quarter Fiscal 2016:	
Amortization of intangible assets	(0.05)
Stock-based compensation expense	-0.20
Income tax effect of non-GAAP adjustments	0.05
Total Adjustments	(0.20)
GAAP Guidance - Net Income Per Share	\$0.35 - \$0.40