

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

	<u>April 28,</u> <u>2017</u>	<u>April 29,</u> <u>2016</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 4,921	\$ 5,303
Accounts receivable	731	813
Inventories	163	98
Other current assets	383	234
Total current assets	6,198	6,448
Property and equipment, net	799	937
Goodwill and purchased intangible assets, net	1,815	1,856
Other non-current assets	681	796
Total assets	\$ 9,493	\$ 10,037
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 347	\$ 254
Accrued expenses	782	765
Commercial paper notes	500	—
Short-term loan	—	849
Current portion of long-term debt	749	—
Short-term deferred revenue and financed unearned services revenue	1,661	1,794
Total current liabilities	4,039	3,662
Long-term debt	744	1,490
Other long-term liabilities	249	413
Long-term deferred revenue and financed unearned services revenue	1,681	1,591
Total liabilities	6,713	7,156
Stockholders' equity	2,780	2,881
Total liabilities and stockholders' equity	\$ 9,493	\$ 10,037

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

	Three Months Ended		Year Ended	
	April 28, 2017	April 29, 2016	April 28, 2017	April 29, 2016
Revenues:				
Product	\$ 852	\$ 757	\$ 3,006	\$ 2,986
Software maintenance	242	234	965	949
Hardware maintenance and other services	387	389	1,548	1,611
Net revenues	<u>1,481</u>	<u>1,380</u>	<u>5,519</u>	<u>5,546</u>
Cost of revenues:				
Cost of product	444	424	1,614	1,558
Cost of software maintenance	6	9	28	37
Cost of hardware maintenance and other services	118	129	487	578
Total cost of revenues	<u>568</u>	<u>562</u>	<u>2,129</u>	<u>2,173</u>
Gross profit	913	818	3,390	3,373
Operating expenses:				
Sales and marketing	405	434	1,633	1,792
Research and development	191	201	779	861
General and administrative	70	84	271	307
Restructuring charges	—	80	52	108
Acquisition-related expense	—	6	—	8
Gain on sale of properties	—	(51)	(10)	(51)
Total operating expenses	<u>666</u>	<u>754</u>	<u>2,725</u>	<u>3,025</u>
Income from operations	247	64	665	348
Other income (expense), net	1	(4)	—	(3)
Income before income taxes	248	60	665	345
Provision for income taxes	58	68	156	116
Net income (loss)	<u>\$ 190</u>	<u>\$ (8)</u>	<u>\$ 509</u>	<u>\$ 229</u>
Net income (loss) per share:				
Basic	<u>\$ 0.70</u>	<u>\$ (0.03)</u>	<u>\$ 1.85</u>	<u>\$ 0.78</u>
Diluted	<u>\$ 0.68</u>	<u>\$ (0.03)</u>	<u>\$ 1.81</u>	<u>\$ 0.77</u>
Shares used in net income (loss) per share calculations:				
Basic	<u>270</u>	<u>284</u>	<u>275</u>	<u>294</u>
Diluted	<u>278</u>	<u>284</u>	<u>281</u>	<u>297</u>
Cash dividends declared per share	<u>\$ 0.190</u>	<u>\$ 0.180</u>	<u>\$ 0.760</u>	<u>\$ 0.720</u>

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

	Three Months Ended		Year Ended	
	April 28, 2017	April 29, 2016	April 28, 2017	April 29, 2016
Cash flows from operating activities:				
Net income (loss)	\$ 190	\$ (8)	\$ 509	\$ 229
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	53	77	226	279
Stock-based compensation	46	61	195	260
Gain on sale of properties	—	(51)	(10)	(51)
Other items, net	19	31	84	(43)
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(127)	(206)	81	(16)
Inventories	(38)	5	(65)	49
Accounts payable	81	60	94	(53)
Accrued expenses	35	108	(86)	30
Deferred revenue and financed unearned services revenue	111	238	(37)	186
Changes in other operating assets and liabilities, net	(5)	30	(5)	104
Net cash provided by operating activities	<u>365</u>	<u>345</u>	<u>986</u>	<u>974</u>
Cash flows from investing activities:				
Redemptions (purchases) of investments, net	(45)	103	(43)	982
Purchases of property and equipment	(38)	(35)	(175)	(160)
Proceeds from sale of properties	—	102	—	102
Acquisitions of businesses, net of cash acquired	(8)	(842)	(8)	(842)
Other investing activities, net	4	4	6	3
Net cash provided by (used in) investing activities	<u>(87)</u>	<u>(668)</u>	<u>(220)</u>	<u>85</u>
Cash flows from financing activities:				
Issuance of common stock under employee stock award plans	22	—	92	70
Repurchase of common stock	(129)	(262)	(705)	(960)
Changes in commercial paper notes, net	107	—	499	—
Proceeds from sale-leaseback financing transactions	—	148	—	148
Proceeds from short-term loan	—	870	—	870
Repayment of short-term loan	—	(20)	(850)	(20)
Dividends paid	(51)	(51)	(208)	(210)
Other financing activities, net	—	(4)	(7)	(7)
Net cash provided by (used in) financing activities	<u>(51)</u>	<u>681</u>	<u>(1,179)</u>	<u>(109)</u>
Effect of exchange rate changes on cash and cash equivalents	4	15	(11)	(4)
Net increase (decrease) in cash and cash equivalents	231	373	(424)	946
Cash and cash equivalents:				
Beginning of period	2,213	2,495	2,868	1,922
End of period	<u>\$ 2,444</u>	<u>\$ 2,868</u>	<u>\$ 2,444</u>	<u>\$ 2,868</u>

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

	<u>Q4 FY'17</u>	<u>Q3 FY'17</u>	<u>Q4 FY'16</u>	<u>FY 2017</u>	<u>FY 2016</u>
Revenues					
Product (1)	\$ 852	\$ 784	\$ 757	\$ 3,006	\$ 2,986
<i>Strategic</i>	\$ 596	\$ 512	\$ 481	\$ 1,971	\$ 1,682
<i>Mature</i>	\$ 256	\$ 272	\$ 276	\$ 1,035	\$ 1,304
Software Maintenance	\$ 242	\$ 240	\$ 234	\$ 965	\$ 949
Hardware Maintenance and Other Services:	\$ 387	\$ 380	\$ 389	\$ 1,548	\$ 1,611
<i>Hardware Maintenance Support Contracts</i>	\$ 313	\$ 313	\$ 318	\$ 1,265	\$ 1,316
<i>Professional and Other Services</i>	\$ 74	\$ 67	\$ 71	\$ 283	\$ 295
Net Revenues	\$ 1,481	\$ 1,404	\$ 1,380	\$ 5,519	\$ 5,546

	<u>% of Q4 FY'17 Revenue</u>	<u>% of Q3 FY'17 Revenue</u>	<u>% of Q4 FY'16 Revenue</u>	<u>% of FY 2017 Revenue</u>	<u>% of FY 2016 Revenue</u>
Geographic Mix					
Americas	54%	55%	54%	56%	55%
<i>Americas Commercial</i>	42%	44%	43%	43%	43%
<i>U.S. Public Sector</i>	12%	10%	12%	13%	12%
EMEA	32%	33%	33%	31%	32%
Asia Pacific	14%	13%	13%	13%	13%

	<u>% of Q4 FY'17 Revenue</u>	<u>% of Q3 FY'17 Revenue</u>	<u>% of Q4 FY'16 Revenue</u>	<u>% of FY 2017 Revenue</u>	<u>% of FY 2016 Revenue</u>
Pathways Mix					
Direct	22%	21%	26%	22%	23%
Indirect	78%	79%	74%	78%	77%

	<u>Q4 FY'17</u>	<u>Q3 FY'17</u>	<u>Q4 FY'16</u>	<u>FY 2017</u>	<u>FY 2016</u>
Non-GAAP Gross Margins					
Non-GAAP Gross Margin	62.5%	61.5%	61.1%	62.3%	62.5%
Product	48.9%	45.7%	46.8%	47.4%	50.2%
Software Maintenance	97.5%	97.1%	96.2%	97.1%	96.1%
Hardware Maintenance and Other Services	70.3%	71.6%	67.9%	69.4%	65.7%

	<u>Q4 FY'17</u>	<u>Q3 FY'17</u>	<u>Q4 FY'16</u>	<u>FY 2017</u>	<u>FY 2016</u>
Non-GAAP Income from Operations, Income before Income Taxes & Effective Tax Rate					
Non-GAAP Income from Operations	\$ 306	\$ 284	\$ 185	\$ 950	\$ 751
% of Net Revenues	20.7%	20.2%	13.4%	17.2%	13.5%
Non-GAAP Income before Income Taxes	\$ 307	\$ 284	\$ 181	\$ 950	\$ 748
Non-GAAP Effective Tax Rate	22.1%	18.6%	13.1%	19.2%	15.4%

Non-GAAP Net Income

	<u>Q4 FY'17</u>	<u>Q3 FY'17</u>	<u>Q4 FY'16</u>	<u>FY 2017</u>	<u>FY 2016</u>
Non-GAAP Net Income	\$ 239	\$ 231	\$ 157	\$ 768	\$ 633
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	278	281	287	281	297
Non-GAAP Income per Share, Diluted	\$ 0.86	\$ 0.82	\$ 0.55	\$ 2.73	\$ 2.13

Select Balance Sheet Items

	<u>Q4 FY'17</u>	<u>Q3 FY'17</u>	<u>Q4 FY'16</u>
Deferred Revenue and Financed Unearned Services Revenue	\$ 3,342	\$ 3,234	\$ 3,385
DSO (days)	45	39	54
DIO (days)	26	21	16
DPO (days)	56	42	41
CCC (days)	15	17	28
Inventory Turns	14	18	23

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'17</u>	<u>Q3 FY'17</u>	<u>Q4 FY'16</u>	<u>FY 2017</u>	<u>FY 2016</u>
Net Cash Provided by Operating Activities	\$ 365	\$ 235	\$ 345	\$ 986	\$ 974
Purchases of Property and Equipment	\$ 38	\$ 45	\$ 35	\$ 175	\$ 160
Free Cash Flow	\$ 327	\$ 190	\$ 310	\$ 811	\$ 814
Free Cash Flow as a % of Net Revenues	22.1%	13.5%	22.5%	14.7%	14.7%

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.

(1) Sales of certain products which should have been reported as strategic products were improperly reported as mature product revenues. All FY 2016 periods presented have been recast to reflect the appropriate classification.

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

	Q4'FY17	Q3'FY17	Q4'FY16	FY2017	FY2016
NET INCOME (LOSS)	\$ 190	\$ 146	\$ (8)	\$ 509	\$ 229
Adjustments:					
Amortization of intangible assets	13	13	25	48	67
Stock-based compensation	46	46	61	195	260
Asset impairment	—	—	—	—	11
Restructuring charges	—	52	80	52	108
Acquisition-related expense	—	—	6	—	8
Gain on sale of properties	—	(10)	(51)	(10)	(51)
Income tax effect of non-GAAP adjustments	(10)	(16)	(20)	(26)	(86)
Income tax expenses from integration of intellectual properties from acquisition	—	—	64	—	64
Settlement of income tax audit	—	—	—	—	23
NON-GAAP NET INCOME	<u>\$ 239</u>	<u>\$ 231</u>	<u>\$ 157</u>	<u>\$ 768</u>	<u>\$ 633</u>
COST OF REVENUES	\$ 568	\$ 553	\$ 562	\$ 2,129	\$ 2,173
Adjustments:					
Amortization of intangible assets	(8)	(8)	(20)	(29)	(61)
Stock-based compensation	(4)	(4)	(5)	(17)	(24)
Asset impairment	—	—	—	—	(11)
NON-GAAP COST OF REVENUES	<u>\$ 556</u>	<u>\$ 541</u>	<u>\$ 537</u>	<u>\$ 2,083</u>	<u>\$ 2,077</u>
COST OF PRODUCT REVENUES	\$ 444	\$ 435	\$ 424	\$ 1,614	\$ 1,558
Adjustments:					
Amortization of intangible assets	(8)	(8)	(20)	(29)	(61)
Stock-based compensation	(1)	(1)	(1)	(4)	(5)
Asset impairment	—	—	—	—	(5)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 435</u>	<u>\$ 426</u>	<u>\$ 403</u>	<u>\$ 1,581</u>	<u>\$ 1,487</u>
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 118	\$ 111	\$ 129	\$ 487	\$ 578
Adjustments:					
Stock-based compensation	(3)	(3)	(4)	(13)	(19)
Asset impairment	—	—	—	—	(6)
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	<u>\$ 115</u>	<u>\$ 108</u>	<u>\$ 125</u>	<u>\$ 474</u>	<u>\$ 553</u>
GROSS PROFIT	\$ 913	\$ 851	\$ 818	\$ 3,390	\$ 3,373
Adjustments:					
Amortization of intangible assets	8	8	20	29	61
Stock-based compensation	4	4	5	17	24
Asset impairment	—	—	—	—	11
NON-GAAP GROSS PROFIT	<u>\$ 925</u>	<u>\$ 863</u>	<u>\$ 843</u>	<u>\$ 3,436</u>	<u>\$ 3,469</u>

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

	<u>Q4'FY17</u>	<u>Q3'FY17</u>	<u>Q4'FY16</u>	<u>FY2017</u>	<u>FY2016</u>
SALES AND MARKETING EXPENSES	\$ 405	\$ 381	\$ 434	\$ 1,633	\$ 1,792
Adjustments:					
Amortization of intangible assets	(5)	(5)	(5)	(19)	(6)
Stock-based compensation	(20)	(20)	(26)	(84)	(110)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 380</u>	<u>\$ 356</u>	<u>\$ 403</u>	<u>\$ 1,530</u>	<u>\$ 1,676</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 191	\$ 181	\$ 201	\$ 779	\$ 861
Adjustment:					
Stock-based compensation	(13)	(14)	(20)	(59)	(84)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 178</u>	<u>\$ 167</u>	<u>\$ 181</u>	<u>\$ 720</u>	<u>\$ 777</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 70	\$ 64	\$ 84	\$ 271	\$ 307
Adjustment:					
Stock-based compensation	(9)	(8)	(10)	(35)	(42)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 61</u>	<u>\$ 56</u>	<u>\$ 74</u>	<u>\$ 236</u>	<u>\$ 265</u>
RESTRUCTURING CHARGES	\$ —	\$ 52	\$ 80	\$ 52	\$ 108
Adjustment:					
Restructuring charges	—	(52)	(80)	(52)	(108)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
ACQUISITION-RELATED EXPENSE	\$ —	\$ —	\$ 6	\$ —	\$ 8
Adjustment:					
Acquisition-related expense	—	—	(6)	—	(8)
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
GAIN ON SALE OF PROPERTIES	\$ —	\$ (10)	\$ (51)	\$ (10)	\$ (51)
Adjustment:					
Gain on sale of properties	—	10	51	10	51
NON-GAAP GAIN ON SALE OF PROPERTIES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
OPERATING EXPENSES	\$ 666	\$ 668	\$ 754	\$ 2,725	\$ 3,025
Adjustments:					
Amortization of intangible assets	(5)	(5)	(5)	(19)	(6)
Stock-based compensation	(42)	(42)	(56)	(178)	(236)
Restructuring charges	—	(52)	(80)	(52)	(108)
Acquisition-related expense	—	—	(6)	—	(8)
Gain on sale of properties	—	10	51	10	51
NON-GAAP OPERATING EXPENSES	<u>\$ 619</u>	<u>\$ 579</u>	<u>\$ 658</u>	<u>\$ 2,486</u>	<u>\$ 2,718</u>

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

	Q4'FY17	Q3'FY17	Q4'FY16	FY2017	FY2016
INCOME FROM OPERATIONS	\$ 247	\$ 183	\$ 64	\$ 665	\$ 348
Adjustments:					
Amortization of intangible assets	13	13	25	48	67
Stock-based compensation	46	46	61	195	260
Asset impairment	—	—	—	—	11
Restructuring charges	—	52	80	52	108
Acquisition-related expense	—	—	6	—	8
Gain on sale of properties	—	(10)	(51)	(10)	(51)
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 306</u>	<u>\$ 284</u>	<u>\$ 185</u>	<u>\$ 950</u>	<u>\$ 751</u>
INCOME BEFORE INCOME TAXES	\$ 248	\$ 183	\$ 60	\$ 665	\$ 345
Adjustments:					
Amortization of intangible assets	13	13	25	48	67
Stock-based compensation	46	46	61	195	260
Asset impairment	—	—	—	—	11
Restructuring charges	—	52	80	52	108
Acquisition-related expense	—	—	6	—	8
Gain on sale of properties	—	(10)	(51)	(10)	(51)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 307</u>	<u>\$ 284</u>	<u>\$ 181</u>	<u>\$ 950</u>	<u>\$ 748</u>
PROVISION FOR INCOME TAXES	\$ 58	\$ 37	\$ 68	\$ 156	\$ 116
Adjustments:					
Income tax effect of non-GAAP adjustments	10	16	20	26	86
Income tax expenses from integration of intellectual properties from acquisition	—	—	(64)	—	(64)
Settlement of income tax audit	—	—	—	—	(23)
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 68</u>	<u>\$ 53</u>	<u>\$ 24</u>	<u>\$ 182</u>	<u>\$ 115</u>
NET INCOME (LOSS) PER SHARE	\$ 0.68	\$ 0.52	\$ (0.03)	\$ 1.81	\$ 0.77
Adjustments:					
Amortization of intangible assets	0.05	0.05	0.09	0.17	0.23
Stock-based compensation	0.17	0.16	0.21	0.69	0.88
Asset impairment	—	—	—	—	0.04
Restructuring charges	—	0.19	0.28	0.19	0.36
Acquisition-related expense	—	—	0.02	—	0.03
Gain on sale of properties	—	(0.04)	(0.18)	(0.04)	(0.17)
Income tax effect of non-GAAP adjustments	(0.04)	(0.06)	(0.07)	(0.09)	(0.29)
Income tax expenses from integration of intellectual properties from acquisition	—	—	0.23	—	0.22
Settlement of income tax audit	—	—	—	—	0.08
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.86</u>	<u>\$ 0.82</u>	<u>\$ 0.55</u>	<u>\$ 2.73</u>	<u>\$ 2.13</u>

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

	<u>Q4'FY17</u>	<u>Q3'FY17</u>	<u>Q4'FY16</u>	<u>FY2017</u>	<u>FY2016</u>
Gross margin-GAAP	61.6%	60.6%	59.3%	61.4%	60.8%
Cost of revenues adjustments	0.8%	0.9%	1.8%	0.8%	1.7%
Gross margin-Non-GAAP	62.5%	61.5%	61.1%	62.3%	62.5%
GAAP cost of revenues	\$ 568	\$ 553	\$ 562	\$ 2,129	\$ 2,173
Cost of revenues adjustments:					
Amortization of intangible assets	(8)	(8)	(20)	(29)	(61)
Stock-based compensation	(4)	(4)	(5)	(17)	(24)
Asset impairment	—	—	—	—	(11)
Non-GAAP cost of revenues	<u>\$ 556</u>	<u>\$ 541</u>	<u>\$ 537</u>	<u>\$ 2,083</u>	<u>\$ 2,077</u>
Net revenues	\$ 1,481	\$ 1,404	\$ 1,380	\$ 5,519	\$ 5,546

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

	<u>Q4'FY17</u>	<u>Q3'FY17</u>	<u>Q4'FY16</u>	<u>FY2017</u>	<u>FY2016</u>
Product gross margin-GAAP	47.9%	44.5%	44.0%	46.3%	47.8%
Cost of product revenues adjustments	1.1%	1.1%	2.8%	1.1%	2.4%
Product gross margin-Non-GAAP	48.9%	45.7%	46.8%	47.4%	50.2%
GAAP cost of product revenues	\$ 444	\$ 435	\$ 424	\$ 1,614	\$ 1,558
Cost of product revenues adjustments:					
Amortization of intangible assets	(8)	(8)	(20)	(29)	(61)
Stock-based compensation	(1)	(1)	(1)	(4)	(5)
Asset impairment	—	—	—	—	(5)
Non-GAAP cost of product revenues	<u>\$ 435</u>	<u>\$ 426</u>	<u>\$ 403</u>	<u>\$ 1,581</u>	<u>\$ 1,487</u>
Product revenues	\$ 852	\$ 784	\$ 757	\$ 3,006	\$ 2,986

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

	<u>Q4'FY17</u>	<u>Q3'FY17</u>	<u>Q4'FY16</u>	<u>FY2017</u>	<u>FY2016</u>
Hardware maintenance and other services gross margin-GAAP	69.5%	70.8%	66.8%	68.5%	64.1%
Cost of hardware maintenance and other services revenues adjustments	0.8%	0.8%	1.0%	0.8%	1.6%
Hardware maintenance and other services gross margin-Non-GAAP	70.3%	71.6%	67.9%	69.4%	65.7%
GAAP cost of hardware maintenance and other services revenues	\$ 118	\$ 111	\$ 129	\$ 487	\$ 578
Cost of hardware maintenance and other services revenues adjustments:					
Stock-based compensation	(3)	(3)	(4)	(13)	(19)
Asset impairment	—	—	—	—	(6)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 115	\$ 108	\$ 125	\$ 474	\$ 553
Hardware maintenance and other services revenues	\$ 387	\$ 380	\$ 389	\$ 1,548	\$ 1,611

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

	<u>Q4'FY17</u>	<u>Q3'FY17</u>	<u>Q4'FY16</u>	<u>FY2017</u>	<u>FY2016</u>
GAAP effective tax rate	23.4%	20.2%	113.3%	23.5%	33.6%
Adjustments:					
Tax effect of non-GAAP adjustments	(1.3)%	(1.6)%	(64.9)%	(4.3)%	(6.6)%
Income tax expenses from integration of intellectual properties from acquisition	—%	—%	(35.4)%	—%	(8.6)%
Settlement of income tax audit	—%	—%	—%	—%	(3.1)%
Non-GAAP effective tax rate	22.1%	18.6%	13.1%	19.2%	15.4%

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

	<u>Q4'FY17</u>	<u>Q3'FY17</u>	<u>Q4'FY16</u>	<u>FY2017</u>	<u>FY2016</u>
Net cash provided by operating activities	\$ 365	\$ 235	\$ 345	\$ 986	\$ 974
Purchases of property and equipment	(38)	(45)	(35)	(175)	(160)
Free cash flow	\$ 327	\$ 190	\$ 310	\$ 811	\$ 814

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 2018

	First Quarter Fiscal 2018
Non-GAAP Guidance - Net Income Per Share	\$0.49 - \$0.57
Adjustments of Specific Items to Net Income Per Share for the First Quarter Fiscal 2018:	
Amortization of intangible assets	(0.05)
Stock-based compensation expense	(0.17)
Income tax effect of non-GAAP adjustments	0.03
Total Adjustments	(0.19)
GAAP Guidance - Net Income Per Share	\$0.30 - \$0.38

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2018
(Unaudited)

	GROSS MARGIN
Gross Margin - Non-GAAP Guidance	62% - 63%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	61% - 62%

	OPERATING MARGIN
Operating Margin - Non-GAAP Guidance	18% - 20%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(3)%
Operating Margin - GAAP Guidance	14% - 16%

	EFFECTIVE TAX RATE
Effective Tax Rate - Non-GAAP Guidance	19% - 20%
Adjustment:	
Tax effect of non-GAAP adjustments	4%
Effective Tax Rate - GAAP Guidance	23% - 24%

Some items may not add or recalculate due to rounding.

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