

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

	<u>April 27, 2018</u>	<u>April 28, 2017</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 5,391	\$ 4,921
Accounts receivable	1,009	731
Inventories	126	163
Other current assets	330	383
Total current assets	<u>6,856</u>	<u>6,198</u>
Property and equipment, net	756	799
Goodwill and purchased intangible assets, net	1,833	1,815
Other non-current assets	420	681
Total assets	<u>\$ 9,865</u>	<u>\$ 9,493</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 609	\$ 347
Accrued expenses	825	782
Commercial paper notes	385	500
Current portion of long-term debt	—	749
Short-term deferred revenue and financed unearned services revenue	1,804	1,744
Total current liabilities	<u>3,623</u>	<u>4,122</u>
Long-term debt	1,541	744
Other long-term liabilities	961	249
Long-term deferred revenue and financed unearned services revenue	1,673	1,598
Total liabilities	<u>7,798</u>	<u>6,713</u>
Stockholders' equity	<u>2,067</u>	<u>2,780</u>
Total liabilities and stockholders' equity	<u>\$ 9,865</u>	<u>\$ 9,493</u>

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

	Three Months Ended		Year Ended	
	April 27, 2018	April 28, 2017	April 27, 2018	April 28, 2017
Revenues:				
Product	\$ 1,011	\$ 852	\$ 3,461	\$ 3,006
Software maintenance	247	242	958	965
Hardware maintenance and other services	383	387	1,492	1,548
Net revenues	<u>1,641</u>	<u>1,481</u>	<u>5,911</u>	<u>5,519</u>
Cost of revenues:				
Cost of product	500	444	1,738	1,614
Cost of software maintenance	6	6	25	28
Cost of hardware maintenance and other services	113	118	449	487
Total cost of revenues	<u>619</u>	<u>568</u>	<u>2,212</u>	<u>2,129</u>
Gross profit	<u>1,022</u>	<u>913</u>	<u>3,699</u>	<u>3,390</u>
Operating expenses:				
Sales and marketing	461	405	1,729	1,633
Research and development	203	191	783	779
General and administrative	71	70	280	271
Restructuring charges	—	—	—	52
Gain on sale of properties	—	—	(218)	(10)
Total operating expenses	<u>735</u>	<u>666</u>	<u>2,574</u>	<u>2,725</u>
Income from operations	287	247	1,125	665
Other income (expense), net	16	1	41	—
Income before income taxes	303	248	1,166	665
Provision for income taxes	32	58	1,090	156
Net income	<u>\$ 271</u>	<u>\$ 190</u>	<u>\$ 76</u>	<u>\$ 509</u>
Net income per share:				
Basic	<u>\$ 1.02</u>	<u>\$ 0.70</u>	<u>\$ 0.28</u>	<u>\$ 1.85</u>
Diluted	<u>\$ 0.99</u>	<u>\$ 0.68</u>	<u>\$ 0.28</u>	<u>\$ 1.81</u>
Shares used in net income per share calculations:				
Basic	<u>265</u>	<u>270</u>	<u>268</u>	<u>275</u>
Diluted	<u>273</u>	<u>278</u>	<u>276</u>	<u>281</u>
Cash dividends declared per share	<u>\$ 0.20</u>	<u>\$ 0.19</u>	<u>\$ 0.80</u>	<u>\$ 0.76</u>

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

	Three Months Ended		Year Ended	
	April 27, 2018	April 28, 2017	April 27, 2018	April 28, 2017
Cash flows from operating activities:				
Net income	\$ 271	\$ 190	\$ 76	\$ 509
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	48	53	198	226
Stock-based compensation	36	46	161	195
Deferred income taxes	19	17	277	90
Gain on sale of properties	—	—	(218)	(10)
Other items, net	(19)	2	(27)	(6)
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(264)	(127)	(272)	81
Inventories	(28)	(38)	37	(65)
Accounts payable	147	81	262	94
Accrued expenses	104	35	162	(86)
Deferred revenue and financed unearned services revenue	226	111	124	(37)
Long-term taxes payable	(9)	10	714	(6)
Changes in other operating assets and liabilities, net	(37)	(15)	(16)	1
Net cash provided by operating activities	494	365	1,478	986
Cash flows from investing activities:				
Redemptions (purchases) of investments, net	168	(45)	(10)	(43)
Purchases of property and equipment	(48)	(38)	(145)	(175)
Proceeds from sale of properties	—	—	210	—
Acquisitions of businesses, net of cash acquired	—	(8)	(75)	(8)
Other investing activities, net	—	4	(1)	6
Net cash provided by (used in) investing activities	120	(87)	(21)	(220)
Cash flows from financing activities:				
Proceeds from issuance of common stock under employee stock award plans	16	28	173	140
Payments for taxes related to net share settlement of stock awards	(8)	(6)	(75)	(48)
Repurchase of common stock	(344)	(129)	(794)	(705)
Proceeds from (repayments of) commercial paper notes, net	(247)	107	(115)	499
Issuance of long-term debt, net	—	—	795	—
Repayment of short-term loan	—	—	—	(850)
Repayment of long-term debt	—	—	(750)	—
Dividends paid	(53)	(51)	(214)	(208)
Other financing activities, net	—	—	(6)	(7)
Net cash used in financing activities	(636)	(51)	(986)	(1,179)
Effect of exchange rate changes on cash and cash equivalents	(11)	4	26	(11)
Net increase (decrease) in cash and cash equivalents	(33)	231	497	(424)
Cash and cash equivalents:				
Beginning of period	2,974	2,213	2,444	2,868
End of period	<u>\$ 2,941</u>	<u>\$ 2,444</u>	<u>\$ 2,941</u>	<u>\$ 2,444</u>

NETAPP, INC.
SUPPLEMENTAL DATA

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

	<u>Q4 FY'18</u>	<u>Q3 FY'18</u>	<u>Q4 FY'17</u>	<u>FY 2018</u>	<u>FY 2017</u>
Revenues					
Product	\$ 1,011	\$ 920	\$ 852	\$ 3,461	\$ 3,006
<i>Strategic</i>	\$ 745	\$ 647	\$ 596	\$ 2,449	\$ 1,971
<i>Mature</i>	\$ 266	\$ 273	\$ 256	\$ 1,012	\$ 1,035
Software Maintenance	\$ 247	\$ 237	\$ 242	\$ 958	\$ 965
Hardware Maintenance and Other Services	\$ 383	\$ 366	\$ 387	\$ 1,492	\$ 1,548
<i>Hardware Maintenance Support Contracts</i>	\$ 310	\$ 299	\$ 313	\$ 1,213	\$ 1,265
<i>Professional and Other Services</i>	\$ 73	\$ 67	\$ 74	\$ 279	\$ 283
Net Revenues	\$ 1,641	\$ 1,523	\$ 1,481	\$ 5,911	\$ 5,519

Geographic Mix

	<u>% of Q4 FY'18 Revenue</u>	<u>% of Q3 FY'18 Revenue</u>	<u>% of Q4 FY'17 Revenue</u>	<u>% of FY 2018 Revenue</u>	<u>% of FY 2017 Revenue</u>
Americas	51%	54%	54%	54%	56%
<i>Americas Commercial</i>	39%	44%	42%	41%	43%
<i>U.S. Public Sector</i>	12%	10%	12%	13%	13%
EMEA	34%	32%	32%	32%	31%
Asia Pacific	15%	14%	14%	14%	13%

Pathways Mix

	<u>% of Q4 FY'18 Revenue</u>	<u>% of Q3 FY'18 Revenue</u>	<u>% of Q4 FY'17 Revenue</u>	<u>% of FY 2018 Revenue</u>	<u>% of FY 2017 Revenue</u>
Direct	21%	22%	22%	21%	22%
Indirect	79%	78%	78%	79%	78%

Non-GAAP Gross Margins

	<u>Q4 FY'18</u>	<u>Q3 FY'18</u>	<u>Q4 FY'17</u>	<u>FY 2018</u>	<u>FY 2017</u>
Non-GAAP Gross Margin	63.0%	62.6%	62.5%	63.4%	62.3%
Product	51.5%	50.2%	48.9%	50.9%	47.4%
Software Maintenance	97.6%	97.5%	97.5%	97.4%	97.1%
Hardware Maintenance and Other Services	71.0%	71.3%	70.3%	70.6%	69.4%

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

	<u>Q4 FY'18</u>	<u>Q3 FY'18</u>	<u>Q4 FY'17</u>	<u>FY 2018</u>	<u>FY 2017</u>
Non-GAAP Income from Operations	\$ 335	\$ 310	\$ 306	\$ 1,126	\$ 950
% of Net Revenues	20.4%	20.4%	20.7%	19.0%	17.2%
Non-GAAP Income before Income Taxes	\$ 351	\$ 324	\$ 307	\$ 1,167	\$ 950
Non-GAAP Effective Tax Rate	17.9%	15.7%	22.1%	18.0%	19.2%

Non-GAAP Net Income

	<u>Q4 FY'18</u>	<u>Q3 FY'18</u>	<u>Q4 FY'17</u>	<u>FY 2018</u>	<u>FY 2017</u>
Non-GAAP Net Income	\$ 288	\$ 273	\$ 239	\$ 957	\$ 768
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	273	276	278	276	281
Non-GAAP Income per Share, Diluted	\$ 1.05	\$ 0.99	\$ 0.86	\$ 3.47	\$ 2.73

Select Balance Sheet Items

	<u>Q4 FY'18</u>	<u>Q3 FY'18</u>	<u>Q4 FY'17</u>
Deferred Revenue and Financed Unearned Services Revenue	\$ 3,477	\$ 3,269	\$ 3,342
DSO (days)	56	45	45
DIO (days)	19	15	26
DPO (days)	90	72	56
CCC (days)	(15)	(11)	15
Inventory Turns	20	24	14

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'18</u>	<u>Q3 FY'18</u>	<u>Q4 FY'17</u>	<u>FY 2018</u>	<u>FY 2017</u>
Net Cash Provided by Operating Activities	\$ 494	\$ 420	\$ 365	\$ 1,478	\$ 986
Purchases of Property and Equipment	\$ 48	\$ 32	\$ 38	\$ 145	\$ 175
Free Cash Flow	\$ 446	\$ 388	\$ 327	\$ 1,333	\$ 811
Free Cash Flow as a % of Net Revenues	27.2%	25.5%	22.1%	22.6%	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.

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

	<u>Q4'FY18</u>	<u>Q3'FY18</u>	<u>Q4'FY17</u>	<u>FY2018</u>	<u>FY2017</u>
NET INCOME (LOSS)	\$ 271	\$ (506)	\$ 190	\$ 76	\$ 509
Adjustments:					
Amortization of intangible assets	12	14	13	53	48
Stock-based compensation	36	38	46	161	195
Litigation settlements	—	5	—	5	—
Restructuring charges	—	—	—	—	52
Gain on sale of properties	—	(218)	—	(218)	(10)
Income tax effects	(31)	84	(10)	24	(26)
Tax reform	—	856	—	856	—
NON-GAAP NET INCOME	<u>\$ 288</u>	<u>\$ 273</u>	<u>\$ 239</u>	<u>\$ 957</u>	<u>\$ 768</u>
COST OF REVENUES	\$ 619	\$ 582	\$ 568	\$ 2,212	\$ 2,129
Adjustments:					
Amortization of intangible assets	(9)	(10)	(8)	(36)	(29)
Stock-based compensation	(3)	(3)	(4)	(13)	(17)
NON-GAAP COST OF REVENUES	<u>\$ 607</u>	<u>\$ 569</u>	<u>\$ 556</u>	<u>\$ 2,163</u>	<u>\$ 2,083</u>
COST OF PRODUCT REVENUES	\$ 500	\$ 468	\$ 444	\$ 1,738	\$ 1,614
Adjustments:					
Amortization of intangible assets	(9)	(10)	(8)	(36)	(29)
Stock-based compensation	(1)	—	(1)	(3)	(4)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 490</u>	<u>\$ 458</u>	<u>\$ 435</u>	<u>\$ 1,699</u>	<u>\$ 1,581</u>
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 113	\$ 108	\$ 118	\$ 449	\$ 487
Adjustment:					
Stock-based compensation	(2)	(3)	(3)	(10)	(13)
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	<u>\$ 111</u>	<u>\$ 105</u>	<u>\$ 115</u>	<u>\$ 439</u>	<u>\$ 474</u>
GROSS PROFIT	\$ 1,022	\$ 941	\$ 913	\$ 3,699	\$ 3,390
Adjustments:					
Amortization of intangible assets	9	10	8	36	29
Stock-based compensation	3	3	4	13	17
NON-GAAP GROSS PROFIT	<u>\$ 1,034</u>	<u>\$ 954</u>	<u>\$ 925</u>	<u>\$ 3,748</u>	<u>\$ 3,436</u>

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

	Q4'FY18	Q3'FY18	Q4'FY17	FY2018	FY2017
SALES AND MARKETING EXPENSES	\$ 461	\$ 423	\$ 405	\$ 1,729	\$ 1,633
Adjustments:					
Amortization of intangible assets	(3)	(4)	(5)	(17)	(19)
Stock-based compensation	(15)	(16)	(20)	(68)	(84)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 443</u>	<u>\$ 403</u>	<u>\$ 380</u>	<u>\$ 1,644</u>	<u>\$ 1,530</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 203	\$ 193	\$ 191	\$ 783	\$ 779
Adjustment:					
Stock-based compensation	(11)	(11)	(13)	(49)	(59)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 192</u>	<u>\$ 182</u>	<u>\$ 178</u>	<u>\$ 734</u>	<u>\$ 720</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 71	\$ 72	\$ 70	\$ 280	\$ 271
Adjustments:					
Stock-based compensation	(7)	(8)	(9)	(31)	(35)
Litigation settlements	—	(5)	—	(5)	—
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 64</u>	<u>\$ 59</u>	<u>\$ 61</u>	<u>\$ 244</u>	<u>\$ 236</u>
RESTRUCTURING CHARGES	\$ —	\$ —	\$ —	\$ —	\$ 52
Adjustment:					
Restructuring charges	—	—	—	—	(52)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
GAIN ON SALE OF PROPERTIES	\$ —	\$ (218)	\$ —	\$ (218)	\$ (10)
Adjustment:					
Gain on sale of properties	—	218	—	218	10
NON-GAAP GAIN ON SALE OF PROPERTIES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
OPERATING EXPENSES	\$ 735	\$ 470	\$ 666	\$ 2,574	\$ 2,725
Adjustments:					
Amortization of intangible assets	(3)	(4)	(5)	(17)	(19)
Stock-based compensation	(33)	(35)	(42)	(148)	(178)
Litigation settlements	—	(5)	—	(5)	—
Restructuring charges	—	—	—	—	(52)
Gain on sale of properties	—	218	—	218	10
NON-GAAP OPERATING EXPENSES	<u>\$ 699</u>	<u>\$ 644</u>	<u>\$ 619</u>	<u>\$ 2,622</u>	<u>\$ 2,486</u>

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

	<u>Q4'FY18</u>	<u>Q3'FY18</u>	<u>Q4'FY17</u>	<u>FY2018</u>	<u>FY2017</u>
INCOME FROM OPERATIONS	\$ 287	\$ 471	\$ 247	\$ 1,125	\$ 665
Adjustments:					
Amortization of intangible assets	12	14	13	53	48
Stock-based compensation	36	38	46	161	195
Litigation settlements	—	5	—	5	—
Restructuring charges	—	—	—	—	52
Gain on sale of properties	—	(218)	—	(218)	(10)
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 335</u>	<u>\$ 310</u>	<u>\$ 306</u>	<u>\$ 1,126</u>	<u>\$ 950</u>
INCOME BEFORE INCOME TAXES	\$ 303	\$ 485	\$ 248	\$ 1,166	\$ 665
Adjustments:					
Amortization of intangible assets	12	14	13	53	48
Stock-based compensation	36	38	46	161	195
Litigation settlements	—	5	—	5	—
Restructuring charges	—	—	—	—	52
Gain on sale of properties	—	(218)	—	(218)	(10)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 351</u>	<u>\$ 324</u>	<u>\$ 307</u>	<u>\$ 1,167</u>	<u>\$ 950</u>
PROVISION FOR INCOME TAXES	\$ 32	\$ 991	\$ 58	\$ 1,090	\$ 156
Adjustments:					
Income tax effects	31	(84)	10	(24)	26
Tax reform	—	(856)	—	(856)	—
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 63</u>	<u>\$ 51</u>	<u>\$ 68</u>	<u>\$ 210</u>	<u>\$ 182</u>
NET INCOME (LOSS) PER SHARE	\$ 0.99	\$ (1.89)	\$ 0.68	\$ 0.28	\$ 1.81
Adjustments:					
Amortization of intangible assets	0.04	0.05	0.05	0.19	0.17
Stock-based compensation	0.13	0.14	0.17	0.58	0.69
Litigation settlements	—	0.02	—	0.02	—
Restructuring charges	—	—	—	—	0.19
Gain on sale of properties	-	(0.81)	—	(0.79)	(0.04)
Income tax effects	(0.11)	0.31	(0.04)	0.09	(0.09)
Tax reform	—	3.19	—	3.10	—
NON-GAAP NET INCOME PER SHARE	<u>\$ 1.05</u>	<u>\$ 0.99</u>	<u>\$ 0.86</u>	<u>\$ 3.47</u>	<u>\$ 2.73</u>

In Q3'FY18, our GAAP net loss per share was calculated using basic shares of 268 million, as the impact of common stock equivalents would have been anti-dilutive. Additionally, each adjustment presented in the reconciliation was computed using basic shares. However, because we reported net income on a non-GAAP basis, non-GAAP net income per share was computed using diluted shares of 276 million. As a result of the difference in the number of shares, the summation of GAAP net loss per share and the adjustments does not equal non-GAAP net income per share.

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

	<u>Q4'FY18</u>	<u>Q3'FY18</u>	<u>Q4'FY17</u>	<u>FY2018</u>	<u>FY2017</u>
Gross margin-GAAP	62.3%	61.8%	61.6%	62.6%	61.4%
Cost of revenues adjustments	0.7%	0.9%	0.8%	0.8%	0.8%
Gross margin-Non-GAAP	63.0%	62.6%	62.5%	63.4%	62.3%
GAAP cost of revenues	\$ 619	\$ 582	\$ 568	\$ 2,212	\$ 2,129
Cost of revenues adjustments:					
Amortization of intangible assets	(9)	(10)	(8)	(36)	(29)
Stock-based compensation	(3)	(3)	(4)	(13)	(17)
Non-GAAP cost of revenues	\$ 607	\$ 569	\$ 556	\$ 2,163	\$ 2,083
Net revenues	\$ 1,641	\$ 1,523	\$ 1,481	\$ 5,911	\$ 5,519

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

	<u>Q4'FY18</u>	<u>Q3'FY18</u>	<u>Q4'FY17</u>	<u>FY2018</u>	<u>FY2017</u>
Product gross margin-GAAP	50.5%	49.1%	47.9%	49.8%	46.3%
Cost of product revenues adjustments	1.0%	1.1%	1.1%	1.1%	1.1%
Product gross margin-Non-GAAP	51.5%	50.2%	48.9%	50.9%	47.4%
GAAP cost of product revenues	\$ 500	\$ 468	\$ 444	\$ 1,738	\$ 1,614
Cost of product revenues adjustments:					
Amortization of intangible assets	(9)	(10)	(8)	(36)	(29)
Stock-based compensation	(1)	—	(1)	(3)	(4)
Non-GAAP cost of product revenues	\$ 490	\$ 458	\$ 435	\$ 1,699	\$ 1,581
Product revenues	\$ 1,011	\$ 920	\$ 852	\$ 3,461	\$ 3,006

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

	<u>Q4'FY18</u>	<u>Q3'FY18</u>	<u>Q4'FY17</u>	<u>FY2018</u>	<u>FY2017</u>
Hardware maintenance and other services gross margin-GAAP	70.5%	70.5%	69.5%	69.9%	68.5%
Cost of hardware maintenance and other services revenues adjustment	0.5%	0.8%	0.8%	0.7%	0.8%
Hardware maintenance and other services gross margin-Non-GAAP	71.0%	71.3%	70.3%	70.6%	69.4%
GAAP cost of hardware maintenance and other services revenues	\$ 113	\$ 108	\$ 118	\$ 449	\$ 487
Cost of hardware maintenance and other services revenues adjustment:					
Stock-based compensation	(2)	(3)	(3)	(10)	(13)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 111	\$ 105	\$ 115	\$ 439	\$ 474
Hardware maintenance and other services revenues	\$ 383	\$ 366	\$ 387	\$ 1,492	\$ 1,548

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

	<u>Q4'FY18</u>	<u>Q3'FY18</u>	<u>Q4'FY17</u>	<u>FY2018</u>	<u>FY2017</u>
GAAP effective tax rate	10.6%	204.3%	23.4%	93.5%	23.5%
Adjustments:					
Income tax effects	7.3%	(12.1)%	(1.3)%	(2.1)%	(4.3)%
Tax reform	—%	(176.5)%	—%	(73.4)%	—%
Non-GAAP effective tax rate	17.9%	15.7%	22.1%	18.0%	19.2%

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

	<u>Q4'FY18</u>	<u>Q3'FY18</u>	<u>Q4'FY17</u>	<u>FY2018</u>	<u>FY2017</u>
Net cash provided by operating activities	\$ 494	\$ 420	\$ 365	\$ 1,478	\$ 986
Purchases of property and equipment	(48)	(32)	(38)	(145)	(175)
Free cash flow	\$ 446	\$ 388	\$ 327	\$ 1,333	\$ 811

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 2019

	First Quarter Fiscal 2019
Non-GAAP Guidance - Net Income Per Share	\$0.76 - \$0.82
Adjustments of Specific Items to Net Income Per Share for the First Quarter Fiscal 2019:	
Amortization of intangible assets	(0.05)
Stock-based compensation expense	(0.15)
Restructuring charges	(0.07)
Income tax effects	0.04
Total Adjustments	(0.23)
GAAP Guidance - Net Income Per Share	\$0.53 - 0.59

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2019
(Unaudited)

GROSS MARGIN

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

OPERATING MARGIN

Operating Margin - Non-GAAP Guidance	20% - 21%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(2)%
Gain on sale of properties	1%
Operating Margin - GAAP Guidance	18% - 19%

EFFECTIVE TAX RATE

Effective Tax Rate - Non-GAAP Guidance	~18%
Adjustment:	
Income tax effects	4%
Effective Tax Rate - GAAP Guidance	~22%

Some items may not add or recalculate due to rounding

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