

## **NetApp Usage of Non-GAAP Financials**

The Company refers to the non-GAAP financial measures in making operating decisions because they provide meaningful supplemental information regarding the Company's ongoing operational performance. Non-GAAP net income excludes, when applicable, the amortization of intangible assets, stock-based compensation, acquisition-related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our 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, and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-reoccurring 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) the impact of a temporary lapse of tax law, such as the federal research credit, if such extensions have routinely been granted based on past legislative history and are expected to be reinstated in the near future. Non-GAAP earnings per share is calculated using the diluted number of shares for all periods.

We have excluded these items in order to enhance investors' understanding of our ongoing operations. The use of these non-GAAP financial measures has limitations and they should not solely be used to evaluate our Company without reference to their corresponding GAAP financial measures. As such, we provide non-GAAP financial measures in conjunction with GAAP financial measures.

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. In addition, these non-GAAP financial measures are used to measure Company performance for the purposes of determining employee incentive plan compensation.

NETAPP, INC.  
SUPPLEMENTAL DATA

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

	Q1 FY'14	Q2 FY'14	Q3 FY'14	Q4 FY'14	FY 2014	Q1 FY'15	Q2 FY'15	Q3 FY'15	Q4 FY'15	FY 2015	Q1 FY'16
<b>Revenues</b>											
Product	\$931	\$955	\$1,015	\$1,043	\$3,944	\$883	\$929	\$929	\$914	\$3,655	\$664
Software Maintenance	\$229	\$232	\$227	\$228	\$915	\$221	\$225	\$226	\$227	\$899	\$248
Hardware Maintenance and Other Services:	\$357	\$363	\$368	\$379	\$1,466	\$385	\$389	\$396	\$399	\$1,569	\$423
<i>Hardware Maintenance Support Contracts</i>	\$274	\$276	\$286	\$294	\$1,130	\$303	\$311	\$316	\$323	\$1,253	\$346
<i>Professional &amp; Other Services</i>	\$83	\$86	\$82	\$85	\$337	\$83	\$78	\$80	\$77	\$317	\$77
<b>Net Revenues</b>	\$1,516	\$1,550	\$1,610	\$1,649	\$6,325	\$1,489	\$1,543	\$1,551	\$1,540	\$6,123	\$1,335

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

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

**Geographic Mix**

	% of Q1 FY'14 Revenue	% of Q2 FY'14 Revenue	% of Q3 FY'14 Revenue	% of Q4 FY'14 Revenue	% of FY 2014 Revenue	% of Q1 FY'15 Revenue	% of Q2 FY'15 Revenue	% of Q3 FY'15 Revenue	% of Q4 FY'15 Revenue	% of FY 2015 Revenue	% of Q1 FY'16 Revenue
Americas	57%	58%	52%	56%	56%	56%	59%	54%	57%	56%	56%
<i>Americas Commercial</i>	44%	42%	43%	43%	43%	44%	42%	44%	43%	43%	44%
<i>U.S. Public Sector</i>	12%	16%	9%	12%	12%	12%	17%	10%	14%	13%	12%
EMEA	30%	29%	34%	31%	31%	30%	28%	33%	30%	30%	31%
Asia Pacific	14%	13%	14%	13%	14%	14%	13%	13%	13%	13%	13%

**Pathways Mix**

	% of Q1 FY'14 Revenue	% of Q2 FY'14 Revenue	% of Q3 FY'14 Revenue	% of Q4 FY'14 Revenue	% of FY 2014 Revenue	% of Q1 FY'15 Revenue	% of Q2 FY'15 Revenue	% of Q3 FY'15 Revenue	% of Q4 FY'15 Revenue	% of FY 2015 Revenue	% of Q1 FY'16 Revenue
Direct	22%	20%	21%	21%	21%	24%	21%	21%	22%	22%	22%
Indirect	78%	80%	79%	79%	79%	76%	79%	79%	78%	78%	77%

*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.*

**Non-GAAP Gross Margins**

	Q1 FY'14	Q2 FY'14	Q3 FY'14	Q4 FY'14	FY 2014	Q1 FY'15	Q2 FY'15	Q3 FY'15	Q4 FY'15	FY 2015	Q1 FY'16
Non-GAAP Gross Margin	61.3%	63.6%	63.5%	64.4%	63.2%	64.3%	65.0%	64.6%	62.0%	64.0%	63.6%
Product	53.3%	57.3%	57.1%	58.0%	56.5%	57.1%	58.4%	57.0%	53.4%	56.5%	51.2%
Software Maintenance	96.7%	96.8%	96.6%	96.5%	96.6%	96.3%	96.2%	95.9%	95.8%	96.0%	96.2%
Hardware Maintenance and Other Services	59.5%	58.9%	60.8%	62.7%	60.5%	62.7%	62.7%	64.5%	62.6%	63.1%	64.1%

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

	Q1 FY'14	Q2 FY'14	Q3 FY'14	Q4 FY'14	FY 2014	Q1 FY'15	Q2 FY'15	Q3 FY'15	Q4 FY'15	FY 2015	Q1 FY'16
Non-GAAP Income from Operations	\$227	\$271	\$313	\$344	\$1,155	\$237	\$275	\$288	\$240	\$1,040	\$103
% of Net Revenues	14.9%	17.5%	19.5%	20.9%	18.3%	15.9%	17.8%	18.5%	15.6%	17.0%	7.7%
Non-GAAP Income Before Income Taxes	\$230	\$276	\$316	\$347	\$1,169	\$237	\$271	\$285	\$243	\$1,036	\$107
Non-GAAP Effective Tax Rate	16.6%	16.1%	17.6%	18.1%	17.2%	16.5%	16.5%	16.5%	16.7%	16.5%	17.0%

**Non-GAAP Net Income**

	Q1 FY'14	Q2 FY'14	Q3 FY'14	Q4 FY'14	FY 2014	Q1 FY'15	Q2 FY'15	Q3 FY'15	Q4 FY'15	FY 2015	Q1 FY'16
Non-GAAP Net Income	\$192	\$232	\$261	\$284	\$968	\$198	\$226	\$238	\$202	\$865	\$89
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	360	349	346	336	348	329	323	317	313	321	308
Non-GAAP Net Income per Share, Diluted	\$0.53	\$0.66	\$0.75	\$0.84	\$2.78	\$0.60	\$0.70	\$0.75	\$0.65	\$2.70	\$0.29

**Select Balance Sheet Items**

	Q1 FY'14	Q2 FY'14	Q3 FY'14	Q4 FY'14		Q1 FY'15	Q2 FY'15	Q3 FY'15	Q4 FY'15		Q1 FY'16
Deferred Revenue	\$2,941	\$2,932	\$2,959	\$3,100		\$3,076	\$3,047	\$3,110	\$3,197		\$3,066
DSO (days)	32	35	33	47		36	37	39	46		30
Inventory Turns	20	20	20	19		20	20	19	16		10

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**

	Q1 FY'14	Q2 FY'14	Q3 FY'14	Q4 FY'14	FY 2014	Q1 FY'15	Q2 FY'15	Q3 FY'15	Q4 FY'15	FY 2015	Q1 FY'16
Net Cash Provided by Operating Activities	\$286	\$363	\$332	\$370	\$1,350	\$216	\$381	\$275	\$396	\$1,268	\$129
Purchases of Property and Equipment	\$65	\$42	\$58	\$56	\$221	\$58	\$51	\$29	\$37	\$175	\$38
Free Cash Flow	\$221	\$320	\$274	\$314	\$1,128	\$157	\$330	\$246	\$359	\$1,093	\$91
Free Cash Flow as % of Net Revenues	14.5%	20.7%	17.0%	19.0%	17.8%	10.5%	21.4%	15.9%	23.3%	17.8%	6.8%

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)

	FY2014					FY2015					FY2016
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
<b>NET INCOME (LOSS)</b>	\$ 82	\$ 167	\$ 192	\$ 197	\$ 638	\$ 88	\$ 160	\$ 177	\$ 135	\$ 560	\$ (30)
Adjustments:											
Amortization of intangible assets	15	15	15	15	59	15	14	19	16	64	14
Stock-based compensation	66	68	72	67	273	62	68	66	63	259	77
Asset impairment	-	-	-	-	-	-	-	-	-	-	11
Restructuring and other charges	48	1	-	39	88	-	-	-	-	-	27
Non-cash interest expense	8	-	-	-	8	-	-	-	-	-	-
Income tax effect of non-GAAP adjustments	(28)	(19)	(18)	(33)	(98)	(15)	(16)	(24)	(11)	(66)	(23)
Settlement of income tax audit	-	-	-	-	-	47	-	-	-	47	13
<b>NON-GAAP NET INCOME</b>	<b>\$ 192</b>	<b>\$ 232</b>	<b>\$ 261</b>	<b>\$ 284</b>	<b>\$ 968</b>	<b>\$ 198</b>	<b>\$ 226</b>	<b>\$ 238</b>	<b>\$ 202</b>	<b>\$ 865</b>	<b>\$ 89</b>
<b>COST OF REVENUES</b>	<b>\$ 607</b>	<b>\$ 585</b>	<b>\$ 608</b>	<b>\$ 607</b>	<b>\$ 2,406</b>	<b>\$ 551</b>	<b>\$ 560</b>	<b>\$ 574</b>	<b>\$ 605</b>	<b>\$ 2,290</b>	<b>\$ 519</b>
Adjustments:											
Amortization of intangible assets	(14)	(14)	(14)	(14)	(57)	(15)	(14)	(18)	(16)	(63)	(14)
Stock-based compensation	(5)	(6)	(6)	(5)	(22)	(6)	(5)	(6)	(5)	(22)	(8)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(11)
<b>NON-GAAP COST OF REVENUES</b>	<b>\$ (587)</b>	<b>\$ 565</b>	<b>\$ 587</b>	<b>\$ 587</b>	<b>\$ 2,327</b>	<b>\$ 531</b>	<b>\$ 540</b>	<b>\$ 550</b>	<b>\$ 584</b>	<b>\$ 2,205</b>	<b>\$ 486</b>
<b>COST OF PRODUCT REVENUES</b>	<b>\$ 450</b>	<b>\$ 423</b>	<b>\$ 451</b>	<b>\$ 453</b>	<b>\$ 1,777</b>	<b>\$ 394</b>	<b>\$ 402</b>	<b>\$ 420</b>	<b>\$ 441</b>	<b>\$ 1,657</b>	<b>\$ 345</b>
Adjustments:											
Amortization of intangible assets	(14)	(14)	(14)	(14)	(55)	(14)	(14)	(18)	(15)	(61)	(14)
Stock-based compensation	(1)	(1)	(2)	(1)	(5)	(1)	(2)	(2)	(1)	(6)	(2)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(5)
<b>NON-GAAP COST OF PRODUCT REVENUES</b>	<b>\$ 435</b>	<b>\$ 408</b>	<b>\$ 436</b>	<b>\$ 438</b>	<b>\$ 1,717</b>	<b>\$ 379</b>	<b>\$ 387</b>	<b>\$ 400</b>	<b>\$ 425</b>	<b>\$ 1,591</b>	<b>\$ 324</b>
<b>COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	<b>\$ 149</b>	<b>\$ 154</b>	<b>\$ 149</b>	<b>\$ 146</b>	<b>\$ 598</b>	<b>\$ 149</b>	<b>\$ 149</b>	<b>\$ 145</b>	<b>\$ 154</b>	<b>\$ 597</b>	<b>\$ 164</b>
Adjustments:											
Amortization of intangible assets	(1)	-	(1)	(1)	(2)	(1)	-	-	(1)	(2)	-
Stock-based compensation	(4)	(4)	(5)	(4)	(17)	(5)	(3)	(4)	(4)	(16)	(6)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(6)
<b>NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	<b>\$ 145</b>	<b>\$ 149</b>	<b>\$ 144</b>	<b>\$ 141</b>	<b>\$ 579</b>	<b>\$ 144</b>	<b>\$ 145</b>	<b>\$ 140</b>	<b>\$ 150</b>	<b>\$ 579</b>	<b>\$ 152</b>
<b>GROSS PROFIT</b>	<b>\$ 910</b>	<b>\$ 965</b>	<b>\$ 1,002</b>	<b>\$ 1,042</b>	<b>\$ 3,919</b>	<b>\$ 938</b>	<b>\$ 983</b>	<b>\$ 977</b>	<b>\$ 935</b>	<b>\$ 3,833</b>	<b>\$ 816</b>
Adjustments:											
Amortization of intangible assets	14	14	14	14	57	15	14	18	16	63	14
Stock-based compensation	5	6	6	5	22	6	5	6	5	22	8
Asset impairment	-	-	-	-	-	-	-	-	-	-	11
<b>NON-GAAP GROSS PROFIT</b>	<b>\$ 929</b>	<b>\$ 985</b>	<b>\$ 1,023</b>	<b>\$ 1,062</b>	<b>\$ 3,999</b>	<b>\$ 958</b>	<b>\$ 1,002</b>	<b>\$ 1,002</b>	<b>\$ 955</b>	<b>\$ 3,918</b>	<b>\$ 849</b>
<b>SALES AND MARKETING EXPENSES</b>	<b>\$ 468</b>	<b>\$ 480</b>	<b>\$ 476</b>	<b>\$ 475</b>	<b>\$ 1,898</b>	<b>\$ 480</b>	<b>\$ 488</b>	<b>\$ 475</b>	<b>\$ 470</b>	<b>\$ 1,913</b>	<b>\$ 492</b>
Adjustments:											
Amortization of intangible assets	(1)	(1)	(1)	-	(2)	-	-	(1)	-	(1)	-
Stock-based compensation	(31)	(31)	(33)	(30)	(125)	(27)	(30)	(30)	(29)	(116)	(31)
<b>NON-GAAP SALES AND MARKETING EXPENSES</b>	<b>\$ 437</b>	<b>\$ 448</b>	<b>\$ 442</b>	<b>\$ 444</b>	<b>\$ 1,771</b>	<b>\$ 453</b>	<b>\$ 457</b>	<b>\$ 445</b>	<b>\$ 440</b>	<b>\$ 1,796</b>	<b>\$ 461</b>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>\$ 228</b>	<b>\$ 228</b>	<b>\$ 230</b>	<b>\$ 231</b>	<b>\$ 918</b>	<b>\$ 228</b>	<b>\$ 229</b>	<b>\$ 230</b>	<b>\$ 233</b>	<b>\$ 920</b>	<b>\$ 244</b>
Adjustment:											
Stock-based compensation	(21)	(22)	(24)	(21)	(88)	(21)	(22)	(21)	(20)	(84)	(26)
<b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>\$ 207</b>	<b>\$ 207</b>	<b>\$ 207</b>	<b>\$ 210</b>	<b>\$ 830</b>	<b>\$ 207</b>	<b>\$ 208</b>	<b>\$ 208</b>	<b>\$ 213</b>	<b>\$ 835</b>	<b>\$ 218</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>\$ 68</b>	<b>\$ 70</b>	<b>\$ 69</b>	<b>\$ 74</b>	<b>\$ 281</b>	<b>\$ 70</b>	<b>\$ 73</b>	<b>\$ 70</b>	<b>\$ 71</b>	<b>\$ 284</b>	<b>\$ 79</b>
Adjustment:											
Stock-based compensation	(9)	(9)	(9)	(10)	(38)	(8)	(11)	(9)	(9)	(37)	(12)
<b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>\$ 59</b>	<b>\$ 60</b>	<b>\$ 60</b>	<b>\$ 63</b>	<b>\$ 243</b>	<b>\$ 62</b>	<b>\$ 62</b>	<b>\$ 61</b>	<b>\$ 62</b>	<b>\$ 247</b>	<b>\$ 67</b>

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

	FY2014					FY2015					FY2016	
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	
<b>RESTRUCTURING AND OTHER CHARGES</b>	\$ 48	\$ 1	\$ -	\$ 39	\$ 88	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27
Adjustment:												
Restructuring and other charges	(48)	(1)	-	(39)	(88)	-	-	-	-	-	-	(27)
<b>NON-GAAP RESTRUCTURING AND OTHER CHARGES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>OPERATING EXPENSES</b>	\$ 813	\$ 778	\$ 776	\$ 818	\$ 3,185	\$ 778	\$ 790	\$ 775	\$ 774	\$ 3,117	\$ 842	
Adjustments:												
Amortization of intangible assets	(1)	(1)	(1)	-	(2)	-	-	(1)	-	(1)	-	
Stock-based compensation	(61)	(62)	(66)	(62)	(251)	(56)	(63)	(60)	(58)	(237)	(69)	
Restructuring and other charges	(48)	(1)	-	(39)	(88)	-	-	-	-	-	(27)	
<b>NON-GAAP OPERATING EXPENSES</b>	\$ 703	\$ 715	\$ 709	\$ 717	\$ 2,844	\$ 722	\$ 728	\$ 714	\$ 715	\$ 2,878	\$ 746	
<b>INCOME (LOSS) FROM OPERATIONS</b>	\$ 97	\$ 187	\$ 227	\$ 224	\$ 734	\$ 160	\$ 193	\$ 202	\$ 161	\$ 716	\$ (26)	
Adjustments:												
Amortization of intangible assets	15	15	15	15	59	15	14	19	16	64	14	
Stock-based compensation	66	68	72	67	273	62	68	66	63	259	77	
Asset impairment	-	-	-	-	-	-	-	-	-	-	11	
Restructuring and other charges	48	1	-	39	88	-	-	-	-	-	27	
<b>NON-GAAP INCOME FROM OPERATIONS</b>	\$ 227	\$ 271	\$ 313	\$ 344	\$ 1,155	\$ 237	\$ 275	\$ 288	\$ 240	\$ 1,040	\$ 103	
<b>OTHER INCOME(EXPENSE), NET</b>	\$ (5)	\$ 5	\$ 3	\$ 3	\$ 7	\$ -	\$ (4)	\$ (2)	\$ 3	\$ (3)	\$ 4	
Adjustment:												
Non-cash interest expense	8	-	-	-	8	-	-	-	-	-	-	
<b>NON-GAAP OTHER INCOME(EXPENSE), NET</b>	\$ 4	\$ 5	\$ 3	\$ 3	\$ 15	\$ -	\$ (4)	\$ (2)	\$ 3	\$ (3)	\$ 4	
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	\$ 92	\$ 192	\$ 230	\$ 227	\$ 741	\$ 160	\$ 189	\$ 200	\$ 164	\$ 713	\$ (22)	
Adjustments:												
Amortization of intangible assets	15	15	15	15	59	15	14	19	16	64	14	
Stock-based compensation	66	68	72	67	273	62	68	66	63	259	77	
Asset impairment	-	-	-	-	-	-	-	-	-	-	11	
Restructuring and other charges	48	1	-	39	88	-	-	-	-	-	27	
Non-cash interest expense	8	-	-	-	8	-	-	-	-	-	-	
<b>NON-GAAP INCOME BEFORE INCOME TAXES</b>	\$ 230	\$ 276	\$ 316	\$ 347	\$ 1,169	\$ 237	\$ 271	\$ 285	\$ 243	\$ 1,036	\$ 107	
<b>PROVISION FOR INCOME TAXES</b>	\$ 11	\$ 25	\$ 38	\$ 30	\$ 103	\$ 72	\$ 29	\$ 23	\$ 29	\$ 153	\$ 8	
Adjustments:												
Income tax effect of non-GAAP adjustments	28	19	18	33	98	15	16	24	11	66	23	
Settlement of income tax audit	-	-	-	-	-	(47)	-	-	-	(47)	(13)	
<b>NON-GAAP PROVISION FOR INCOME TAXES</b>	\$ 38	\$ 44	\$ 56	\$ 63	\$ 201	\$ 39	\$ 45	\$ 47	\$ 41	\$ 171	\$ 18	
<b>NET INCOME (LOSS) PER SHARE</b>	\$ 0.23	\$ 0.48	\$ 0.55	\$ 0.59	\$ 1.83	\$ 0.27	\$ 0.49	\$ 0.56	\$ 0.43	\$ 1.75	\$ (0.10)	
Adjustments:												
Amortization of intangible assets	0.04	0.04	0.04	0.04	0.17	0.04	0.04	0.06	0.05	0.20	0.05	
Stock-based compensation	0.18	0.19	0.21	0.20	0.79	0.19	0.21	0.21	0.20	0.81	0.25	
Asset impairment	-	-	-	-	-	-	-	-	-	-	0.04	
Restructuring and other charges	0.13	-	-	0.11	0.25	-	-	-	-	-	0.09	
Non-cash interest expense	0.02	-	-	-	0.02	-	-	-	-	-	-	
Income tax effect of non-GAAP adjustments	(0.08)	(0.05)	(0.05)	(0.10)	(0.28)	(0.04)	(0.05)	(0.07)	(0.04)	(0.21)	(0.08)	
Settlement of income tax audit	-	-	-	-	-	0.14	-	-	-	0.15	0.04	
<b>NON-GAAP NET INCOME PER SHARE</b>	\$ 0.53	\$ 0.66	\$ 0.75	\$ 0.84	\$ 2.78	\$ 0.60	\$ 0.70	\$ 0.75	\$ 0.65	\$ 2.70	\$ 0.29	

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

	FY2014					FY2015					FY2016
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
<b>Gross margin-GAAP</b>	60.0%	62.3%	62.3%	63.2%	62.0%	63.0%	63.7%	63.0%	60.7%	62.6%	61.1%
Cost of revenues adjustments	1.3%	1.3%	1.3%	1.2%	1.3%	1.4%	1.3%	1.6%	1.3%	1.4%	2.5%
<b>Gross margin-Non-GAAP</b>	61.3%	63.6%	63.5%	64.4%	63.2%	64.3%	65.0%	64.6%	62.0%	64.0%	63.6%
GAAP cost of revenues	\$ 607	\$ 585	\$ 608	\$ 607	\$ 2,406	\$ 551	\$ 560	\$ 574	\$ 605	\$ 2,290	\$ 519
Cost of revenues adjustments:											
Amortization of intangible assets	(14)	(14)	(14)	(14)	(57)	(15)	(14)	(18)	(16)	(63)	(14)
Stock-based compensation	(5)	(6)	(6)	(5)	(22)	(6)	(5)	(6)	(5)	(22)	(8)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(11)
Non-GAAP cost of revenues	\$ 587	\$ 565	\$ 587	\$ 587	\$ 2,327	\$ 531	\$ 540	\$ 550	\$ 584	\$ 2,205	\$ 486
Net revenues	\$ 1,516	\$ 1,550	\$ 1,610	\$ 1,649	\$ 6,325	\$ 1,489	\$ 1,543	\$ 1,551	\$ 1,540	\$ 6,123	\$ 1,335

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

	FY2014					FY2015					FY2016
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
<b>Product gross margin-GAAP</b>	51.7%	55.7%	55.6%	56.5%	54.9%	55.3%	56.8%	54.9%	51.7%	54.7%	48.0%
Cost of product revenues adjustments	1.6%	1.6%	1.5%	1.4%	1.5%	1.7%	1.6%	2.1%	1.8%	1.8%	3.2%
<b>Product gross margin-Non-GAAP</b>	53.3%	57.3%	57.1%	58.0%	56.5%	57.1%	58.4%	57.0%	53.4%	56.5%	51.2%
GAAP cost of product revenues	\$ 450	\$ 423	\$ 451	\$ 453	\$ 1,777	\$ 394	\$ 402	\$ 420	\$ 441	\$ 1,657	\$ 345
Cost of product revenues adjustments:											
Amortization of intangible assets	(14)	(14)	(14)	(14)	(55)	(14)	(14)	(18)	(15)	(61)	(14)
Stock-based compensation	(1)	(1)	(2)	(1)	(5)	(1)	(2)	(2)	(1)	(6)	(2)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(5)
Non-GAAP cost of product revenues	\$ 435	\$ 408	\$ 436	\$ 438	\$ 1,717	\$ 379	\$ 387	\$ 400	\$ 425	\$ 1,591	\$ 324
Product revenues	\$ 931	\$ 955	\$ 1,015	\$ 1,043	\$ 3,944	\$ 883	\$ 929	\$ 929	\$ 914	\$ 3,655	\$ 664

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

	FY2014					FY2015					FY2016
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
<b>Hardware maintenance and other services gross margin-GAAP</b>	58.2%	57.6%	59.4%	61.5%	59.2%	61.4%	61.6%	63.3%	61.6%	62.0%	61.2%
Cost of hardware maintenance and other services revenues adjustments	1.3%	1.3%	1.4%	1.2%	1.3%	1.3%	1.2%	1.2%	1.0%	1.2%	2.8%
<b>Hardware maintenance and other services gross margin-Non-GAAP</b>	59.5%	58.9%	60.8%	62.7%	60.5%	62.7%	62.7%	64.5%	62.6%	63.1%	64.1%
GAAP cost of hardware maintenance and other services revenues	\$ 149	\$ 154	\$ 149	\$ 146	\$ 598	\$ 149	\$ 149	\$ 145	\$ 154	\$ 597	\$ 164
Cost of hardware maintenance and other services revenues adjustments:											
Amortization of intangible assets	(1)	-	(1)	(1)	(2)	(1)	-	-	(1)	(2)	-
Stock-based compensation	(4)	(4)	(5)	(4)	(17)	(5)	(3)	(4)	(4)	(16)	(6)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(6)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 145	\$ 149	\$ 144	\$ 141	\$ 579	\$ 144	\$ 145	\$ 140	\$ 150	\$ 579	\$ 152
Hardware maintenance and other services revenues	\$ 357	\$ 363	\$ 368	\$ 379	\$ 1,466	\$ 385	\$ 389	\$ 396	\$ 399	\$ 1,569	\$ 423

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

	FY2014					FY2015					FY2016
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
<b>GAAP effective tax rate</b>	11.6%	13.2%	16.3%	13.1%	13.9%	44.6%	15.4%	11.6%	17.8%	21.5%	(36.4%)
Adjustments:											
Tax effect of non-GAAP adjustments	5.0%	2.8%	1.3%	5.1%	3.3%	(8.1%)	1.1%	4.9%	(1.1%)	(0.3%)	65.5%
Settlement of income tax audit	- %	- %	- %	- %	- %	(20.0%)	- %	- %	- %	(4.6%)	(12.1%)
<b>Non-GAAP effective tax rate</b>	16.6%	16.1%	17.6%	18.1%	17.2%	16.5%	16.5%	16.5%	16.7%	16.5%	17.0%

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

	FY2014					FY2015					FY2016
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Net cash provided by operating activities	\$ 286	\$ 363	\$ 332	\$ 370	\$ 1,350	\$ 216	\$ 381	\$ 275	\$ 396	\$ 1,268	\$ 129
Purchases of property and equipment	(65)	(42)	(58)	(56)	(221)	(58)	(51)	(29)	(37)	(175)	(38)
<b>Free cash flow</b>	\$ 221	\$ 320	\$ 274	\$ 314	\$ 1,128	\$ 157	\$ 330	\$ 246	\$ 359	\$ 1,093	\$ 91

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

	FY2014					FY2015					FY2016
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
<b>Annualized inventory turns-GAAP</b>	21	20	21	20		21	21	19	17		11
Cost of revenues adjustments	(1)	-	(1)	(1)		(1)	(1)	(1)	(1)		(1)
<b>Annualized inventory turns-Non-GAAP</b>	20	20	20	19		20	20	19	16		10
GAAP cost of revenues	\$ 607	\$ 585	\$ 608	\$ 607		\$ 551	\$ 560	\$ 574	\$ 605		\$ 519
Cost of revenues adjustments:											
Amortization of intangible assets	(14)	(14)	(14)	(14)		(15)	(14)	(18)	(16)		(14)
Stock-based compensation	(5)	(6)	(6)	(5)		(6)	(5)	(6)	(5)		(8)
Asset impairment	-	-	-	-		-	-	-	-		(11)
Non-GAAP cost of revenues	\$ 587	\$ 565	\$ 587	\$ 587		\$ 531	\$ 540	\$ 550	\$ 584		\$ 486
Inventory	\$ 117	\$ 116	\$ 118	\$ 122		\$ 104	\$ 108	\$ 118	\$ 146		\$ 193

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