

NetApp Usage of Non-GAAP Financial Information

To supplement NetApp's condensed consolidated financial statement information presented in accordance with generally accepted accounting principles in the United States (GAAP), NetApp provides investors with certain non-GAAP measures, including, but not limited to, historical non-GAAP operating results, non-GAAP net income, non-GAAP effective tax rate, free cash flow, billings, and historical and projected non-GAAP earnings per diluted share. NetApp also presents the hardware and software components of our GAAP product revenues. Because our revenue recognition policy under GAAP defines a configured storage system, inclusive of the operating system software essential to its functionality, as a single performance obligation, hardware and software components of our product revenues are considered non-GAAP measures. The hardware and software components of our product revenues are derived from an estimated fair value allocation of the transaction price of our contracts with customers, down to the level of the product hardware and software components. This allocation is primarily based on the contractual prices at which NetApp has historically billed customers for such respective components.

NetApp believes that the presentation of non-GAAP net income, non-GAAP effective tax rates, and non-GAAP earnings per share data, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operations.

NetApp believes that the presentation of free cash flow, which it defines as the net cash provided by operating activities less cash used to acquire property and equipment, to be a liquidity measure that provides useful information to management and investors because it reflects cash that can be used to, among other things, invest in its business, make strategic acquisitions, repurchase common stock, and pay dividends on its common stock. As free cash flow is not a measure of liquidity calculated in accordance with GAAP, free cash flow should be considered in addition to, but not as a substitute for, the analysis provided in the statement of cash flows.

NetApp believes that the presentation of the software and hardware components of our product revenues is meaningful to investors and management as it illustrates the significance of the Company's software and provides improved visibility into the value created by our software innovation and R&D investment.

NetApp approximates billings by adding net revenues as reported on our Condensed Consolidated Statements of Operations for the period to the change in total deferred revenue and financed unearned services revenue as reported on our Condensed Consolidated Statements of Cash Flows for the same period. Billings is a performance measure that NetApp believes provides useful information to management and investors because it represents the amounts under purchase orders received by us during a given period that have been billed.

NetApp's management uses these non-GAAP measures in making operating decisions because it believes the measurements provide meaningful supplemental information regarding NetApp's ongoing operational performance. 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.

NetApp excludes the following items from its non-GAAP measures when applicable:

A. *Amortization of intangible assets.* NetApp records amortization of intangible assets that were acquired in connection with its business combinations. The amortization of intangible assets varies depending on the level of acquisition activity. Management finds it useful to exclude these charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods and in measuring operational performance.

B. *Stock-based compensation expenses.* NetApp excludes stock-based compensation expenses from its non-GAAP measures primarily because they are non-cash expenses. While management views stock-based compensation as a key element of our employee retention and long-term incentives, we do not view it as an expense to be used in evaluating operational performance in any given period.

C. *Litigation settlements.* NetApp may periodically incur charges or benefits related to litigation settlements. NetApp excludes these charges and benefits, when significant, because it does not believe they are reflective of ongoing business and operating results.

D. *Acquisition-related expenses.* NetApp excludes acquisition-related expenses, including (a) due diligence, legal and other one-time integration charges and (b) write down of assets acquired that NetApp does not intend to use in its ongoing business, from its non-GAAP measures, primarily because they are not related to our ongoing business or cost base and, therefore, cannot be relied upon for future planning and forecasting.

E. *Restructuring charges.* These charges consist of restructuring charges that are incurred based on the particular facts and circumstances of restructuring decisions, including employment and contractual settlement terms, and other related charges, and can vary in size and frequency. We therefore exclude them in our assessment of operational performance.

F. *Asset impairments.* These are non-cash charges to write down assets when there is an indication that the asset has become impaired. Management finds it useful to exclude these non-cash charges due to the unpredictability of these events in its assessment of operational performance.

G. *Gains/losses on the sale or derecognition of assets.* These are gains/losses from the sale of our properties and other transactions in which we transfer control of assets to a third party. Management believes that these transactions do not reflect the results of our underlying, on-going business and, therefore, cannot be relied upon for future planning or forecasting.

H. *COVID-19 charges.* NetApp has excluded certain non-recurring expenses incurred as a direct result of the COVID-19 pandemic. Management believes such nonrecurring costs do not reflect the results of its underlying, on-going business and, therefore, cannot be relied upon for future planning or forecasting.

I. *Income tax adjustments.* NetApp's non-GAAP tax provision is based upon a 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, statute lapses and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-recurring 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) tax charges resulting from the integration of intellectual property from acquisitions. Management believes that the use of non-GAAP tax provisions provides a more meaningful measure of the Company's operational performance.

These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. NetApp believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. NetApp management compensates for these limitations by analyzing current and projected results on a GAAP basis as well as a non-GAAP basis. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with generally accepted accounting principles in the United States. The non-GAAP financial measures are meant to supplement, and be viewed in conjunction with, GAAP financial measures.

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

	FY2019					FY2020					FY2021
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
NET INCOME	\$ 283	\$ 241	\$ 249	\$ 396	\$ 1,169	\$ 103	\$ 243	\$ 277	\$ 196	\$ 819	\$ 77
Adjustments:											
Amortization of intangible assets	13	12	13	8	46	11	11	8	9	39	10
Stock-based compensation	40	38	43	37	158	42	40	36	35	153	54
Asset impairment	-	-	-	-	-	-	-	-	10	10	-
COVID-19 charges	-	-	-	-	-	-	-	-	3	3	-
Restructuring charges	19	-	-	16	35	21	-	-	-	21	5
Acquisition-related expense	-	-	-	-	-	-	-	-	-	-	8
Gain on sale or derecognition of assets	-	-	-	(73)	(73)	-	(38)	-	-	(38)	-
Debt extinguishment costs	-	-	-	-	-	-	-	-	-	-	14
Income tax effects	(40)	(11)	-	(31)	(82)	(20)	1	(6)	12	(13)	(16)
Income tax expenses from integration of acquired companies	-	-	-	-	-	-	-	-	-	-	11
Resolution of income tax matters	-	-	-	(48)	(48)	-	-	(50)	-	(50)	-
Income tax benefit of ASC 606 adoption	(34)	-	-	-	(34)	-	-	-	-	-	-
NON-GAAP NET INCOME	\$ 281	\$ 280	\$ 305	\$ 305	\$ 1,171	\$ 157	\$ 257	\$ 265	\$ 265	\$ 944	\$ 163
COST OF REVENUES	511	\$ 543	\$ 581	\$ 566	2,201	\$ 420	\$ 446	\$ 463	\$ 460	1,789	\$ 431
Adjustments:											
Amortization of intangible assets	(9)	(9)	(10)	(8)	(36)	(11)	(11)	(8)	(9)	(39)	(10)
Stock-based compensation	(4)	(2)	(4)	(4)	(14)	(3)	(4)	(3)	(3)	(13)	(4)
NON-GAAP COST OF REVENUES	\$ 498	\$ 532	\$ 567	\$ 554	\$ 2,151	\$ 406	\$ 431	\$ 452	\$ 448	\$ 1,737	\$ 417
COST OF PRODUCT REVENUES	\$ 398	\$ 428	\$ 469	\$ 457	\$ 1,752	\$ 312	\$ 341	\$ 360	\$ 355	\$ 1,368	\$ 316
Adjustments:											
Amortization of intangible assets	(9)	(9)	(10)	(8)	(36)	(11)	(11)	(8)	(9)	(39)	(10)
Stock-based compensation	(1)	-	(1)	(2)	(4)	(1)	(1)	(1)	-	(3)	(1)
NON-GAAP COST OF PRODUCT REVENUES	\$ 388	\$ 419	\$ 458	\$ 447	\$ 1,712	\$ 300	\$ 329	\$ 351	\$ 346	\$ 1,326	\$ 305
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 106	\$ 107	\$ 102	\$ 99	\$ 414	\$ 98	\$ 94	\$ 91	\$ 90	\$ 373	\$ 100
Adjustment:											
Stock-based compensation	(3)	(2)	(3)	(2)	(10)	(2)	(3)	(2)	(3)	(10)	(3)
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 103	\$ 105	\$ 99	\$ 97	\$ 404	\$ 96	\$ 91	\$ 89	\$ 87	\$ 363	\$ 97
GROSS PROFIT	\$ 963	\$ 974	\$ 982	\$ 1,026	\$ 3,945	\$ 816	\$ 925	\$ 941	\$ 941	\$ 3,623	\$ 872
Adjustments:											
Amortization of intangible assets	9	9	10	8	36	11	11	8	9	39	10
Stock-based compensation	4	2	4	4	14	3	4	3	3	13	4
NON-GAAP GROSS PROFIT	\$ 976	\$ 985	\$ 996	\$ 1,038	\$ 3,995	\$ 830	\$ 940	\$ 952	\$ 953	\$ 3,675	\$ 886
SALES AND MARKETING EXPENSES	\$ 409	\$ 408	\$ 401	\$ 439	\$ 1,657	\$ 405	\$ 389	\$ 402	\$ 389	\$ 1,585	\$ 429
Adjustments:											
Amortization of intangible assets	(4)	(3)	(3)	-	(10)	-	-	-	-	-	-
Stock-based compensation	(17)	(16)	(19)	(15)	(67)	(18)	(17)	(15)	(16)	(66)	(25)
COVID-19 charges	-	-	-	-	-	-	-	-	(3)	(3)	-
NON-GAAP SALES AND MARKETING EXPENSES	\$ 388	\$ 389	\$ 379	\$ 424	\$ 1,580	\$ 387	\$ 372	\$ 387	\$ 370	\$ 1,516	\$ 404
RESEARCH AND DEVELOPMENT EXPENSES	\$ 208	\$ 211	\$ 203	\$ 205	\$ 827	\$ 215	\$ 209	\$ 211	\$ 212	\$ 847	\$ 233
Adjustment:											
Stock-based compensation	(12)	(12)	(13)	(11)	(48)	(15)	(13)	(13)	(12)	(53)	(19)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$ 196	\$ 199	\$ 190	\$ 194	\$ 779	\$ 200	\$ 196	\$ 198	\$ 200	\$ 794	\$ 214
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 73	\$ 69	\$ 67	\$ 69	\$ 278	\$ 71	\$ 69	\$ 60	\$ 63	\$ 263	\$ 61
Adjustments:											
Stock-based compensation	(7)	(8)	(7)	(7)	(29)	(6)	(6)	(5)	(4)	(21)	(6)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	\$ 66	\$ 61	\$ 60	\$ 62	\$ 249	\$ 65	\$ 63	\$ 55	\$ 59	\$ 242	\$ 55

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

	FY2019					FY2020					FY2021
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
RESTRUCTURING CHARGES	\$ 19	\$ -	\$ -	\$ 16	\$ 35	\$ 21	\$ -	\$ -	\$ -	\$ 21	\$ 5
Adjustment:											
Restructuring charges	(19)	-	-	(16)	(35)	(21)	-	-	-	(21)	(5)
NON-GAAP RESTRUCTURING CHARGES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ACQUISITION-RELATED EXPENSE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8
Adjustment:										\$ -	
Acquisition-related expense	-	-	-	-	-	-	-	-	-	-	(8)
NON-GAAP ACQUISITION-RELATED EXPENSE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GAIN ON SALE OR DERECOGNITION OF ASSETS	\$ -	\$ -	\$ -	\$ (73)	\$ (73)	\$ -	\$ (38)	\$ -	\$ -	\$ (38)	\$ -
Adjustment:											
Gain on sale or derecognition of assets	-	-	-	73	73	-	38	-	-	38	-
NON-GAAP GAIN ON SALE OR DERECOGNITION OF ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES	\$ 709	\$ 688	\$ 671	\$ 656	\$ 2,724	\$ 712	\$ 629	\$ 673	\$ 664	\$ 2,678	\$ 736
Adjustments:											
Amortization of intangible assets	(4)	(3)	(3)	-	(10)	-	-	-	-	-	-
Stock-based compensation	(36)	(36)	(39)	(33)	(144)	(39)	(36)	(33)	(32)	(140)	(50)
COVID-19 charges	-	-	-	-	-	-	-	-	(3)	(3)	-
Restructuring charges	(19)	-	-	(16)	(35)	(21)	-	-	-	(21)	(5)
Acquisition-related expense	-	-	-	-	-	-	-	-	-	-	(8)
Gain on sale or derecognition of assets	-	-	-	73	73	-	38	-	-	38	-
NON-GAAP OPERATING EXPENSES	\$ 650	\$ 649	\$ 629	\$ 680	\$ 2,608	\$ 652	\$ 631	\$ 640	\$ 629	\$ 2,552	\$ 673
INCOME FROM OPERATIONS	\$ 254	\$ 286	\$ 311	\$ 370	\$ 1,221	\$ 104	\$ 296	\$ 268	\$ 277	\$ 945	\$ 136
Adjustments:											
Amortization of intangible assets	13	12	13	8	46	11	11	8	9	39	10
Stock-based compensation	40	38	43	37	158	42	40	36	35	153	54
COVID-19 charges	-	-	-	-	-	-	-	-	3	3	-
Restructuring charges	19	-	-	16	35	21	-	-	-	21	5
Acquisition-related expense	-	-	-	-	-	-	-	-	-	-	8
Gain on sale or derecognition of assets	-	-	-	(73)	(73)	-	(38)	-	-	(38)	-
NON-GAAP INCOME FROM OPERATIONS	\$ 326	\$ 336	\$ 367	\$ 358	\$ 1,387	\$ 178	\$ 309	\$ 312	\$ 324	\$ 1,123	\$ 213
OTHER INCOME (EXPENSE), NET	\$ 18	\$ 18	\$ 8	\$ 14	\$ 40	\$ 15	\$ 3	\$ 8	\$ (27)	\$ (1)	\$ (32)
Adjustments:											
Debt extinguishment costs	-	-	-	-	-	-	-	-	-	-	14
Asset impairment	-	-	-	-	-	-	-	-	10	10	-
NON-GAAP OTHER INCOME (EXPENSE), NET	\$ 18	\$ 18	\$ 8	\$ 14	\$ 40	\$ 15	\$ 3	\$ 8	\$ (17)	\$ 9	\$ (18)
INCOME BEFORE INCOME TAXES	\$ 272	\$ 293	\$ 319	\$ 384	\$ 1,268	\$ 119	\$ 299	\$ 276	\$ 250	\$ 944	\$ 104
Adjustments:											
Amortization of intangible assets	13	12	13	8	46	11	11	8	9	39	10
Stock-based compensation	40	38	43	37	158	42	40	36	35	153	54
Asset impairment	-	-	-	-	-	-	-	-	10	10	-
COVID-19 charges	-	-	-	-	-	-	-	-	3	3	-
Restructuring charges	19	-	-	16	35	21	-	-	-	21	5
Acquisition-related expense	-	-	-	-	-	-	-	-	-	-	8
Gain on sale or derecognition of assets	-	-	-	(73)	(73)	-	(38)	-	-	(38)	-
Debt extinguishment costs	-	-	-	-	-	-	-	-	-	-	14
NON-GAAP INCOME BEFORE INCOME TAXES	\$ 344	\$ 343	\$ 375	\$ 372	\$ 1,434	\$ 193	\$ 312	\$ 320	\$ 307	\$ 1,132	\$ 195
PROVISION (BENEFIT) FOR INCOME TAXES	\$ (11)	\$ 52	\$ 70	\$ (12)	\$ 99	\$ 16	\$ 56	\$ (1)	\$ 54	\$ 125	\$ 27
Adjustments:											
Income tax effects	40	11	-	31	82	20	(1)	6	(12)	13	16
Income tax expenses from integration of acquired companies	-	-	-	-	-	-	-	-	-	-	(11)
Resolution of income tax matters	-	-	-	48	48	-	-	50	-	50	-
Income tax benefit of ASC 606 adoption	34	-	-	-	34	-	-	-	-	-	-
NON-GAAP PROVISION FOR INCOME TAXES	\$ 63	\$ 63	\$ 70	\$ 67	\$ 263	\$ 36	\$ 55	\$ 55	\$ 42	\$ 188	\$ 32

NET INCOME PER SHARE	\$	1.05	\$	0.91	\$	0.98	\$	1.59	\$	4.51	\$	0.42	\$	1.03	\$	1.21	\$	0.88	\$	3.52	\$	0.35	
Adjustments:																							
Amortization of intangible assets		0.05		0.05		0.05		0.03		0.18		0.05		0.05		0.03		0.04		0.17		0.05	
Stock-based compensation		0.15		0.14		0.17		0.15		0.61		0.17		0.17		0.16		0.16		0.66		0.24	
Asset impairment		-		-		-		-		-		-		-		-		0.05		0.04		0.00	
COVID-19 charges		-		-		-		-		-		-		-		-		0.01		0.01		-	
Restructuring charges		0.07		-		-		0.06		0.14		0.09		-		-		-		0.09		0.02	
Acquisition-related expense		-		-		-		-		-		-		-		-		-		-		0.04	
Gain on sale or derecognition of assets		-		-		-		(0.29)		(0.28)		-		(0.16)		-		-		(0.16)		-	
Debt extinguishment costs		-		-		-		-		-		-		-		-		-		-		0.06	
Income tax effects		(0.15)		(0.04)		-		(0.12)		(0.32)		(0.08)		0.00		(0.03)		0.05		(0.06)		(0.07)	
Income tax expenses from integration of acquired companies		-		-		-		-		-		-		-		-		-		-		0.05	
Resolution of income tax matters		-		-		-		(0.19)		(0.19)		-		-		(0.22)		-		(0.21)		-	
Income tax benefit of ASC 606 adoption		(0.13)		-		-		-		(0.13)		-		-		-		-		-		-	
NON-GAAP NET INCOME PER SHARE	\$	1.04	\$	1.06	\$	1.20	\$	1.22	\$	4.52	\$	0.65	\$	1.09	\$	1.16	\$	1.19	\$	4.05	\$	0.73	

RECONCILIATION OF NON-GAAP TO GAAP

GROSS MARGIN

(\$ in millions)

	FY2019					FY2020					FY2021
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Gross margin-GAAP	65.3%	64.2%	62.8%	64.4%	64.2%	66.0%	67.5%	67.0%	67.2%	66.9%	66.9%
Cost of revenues adjustments	0.9%	0.7%	0.9%	0.8%	0.8%	1.1%	1.1%	0.8%	0.9%	1.0%	1.1%
Gross margin-Non-GAAP	66.2%	64.9%	63.7%	65.2%	65.0%	67.2%	68.6%	67.8%	68.0%	67.9%	68.0%
GAAP cost of revenues	\$ 511	\$ 543	\$ 581	\$ 566	\$ 2,201	\$ 420	\$ 446	\$ 463	\$ 460	\$ 1,789	\$ 431
Cost of revenues adjustments:											
Amortization of intangible assets	(9)	(9)	(10)	(8)	(36)	(11)	(11)	(8)	(9)	(39)	(10)
Stock-based compensation	(4)	(2)	(4)	(4)	(14)	(3)	(4)	(3)	(3)	(13)	(4)
Non-GAAP cost of revenues	\$ 498	\$ 532	\$ 567	\$ 554	\$ 2,151	\$ 406	\$ 431	\$ 452	\$ 448	\$ 1,737	\$ 417
Net revenues	\$ 1,474	\$ 1,517	\$ 1,563	\$ 1,592	\$ 6,146	\$ 1,236	\$ 1,371	\$ 1,404	\$ 1,401	\$ 5,412	\$ 1,303

RECONCILIATION OF NON-GAAP TO GAAP

PRODUCT GROSS MARGIN

(\$ in millions)

	FY2019					FY2020					FY2021
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Product gross margin-GAAP	54.5%	53.1%	51.5%	54.3%	53.3%	51.6%	55.8%	54.3%	55.2%	54.3%	49.6%
Cost of product revenues adjustments	1.1%	1.0%	1.1%	1.0%	1.1%	1.9%	1.6%	1.1%	1.1%	1.4%	1.8%
Product gross margin-Non-GAAP	55.7%	54.1%	52.6%	55.3%	54.4%	53.4%	57.3%	55.4%	56.4%	55.7%	51.4%
GAAP cost of product revenues	\$ 398	\$ 428	\$ 469	\$ 457	\$ 1,752	\$ 312	\$ 341	\$ 360	\$ 355	\$ 1,368	\$ 316
Cost of product revenues adjustments:											
Amortization of intangible assets	(9)	(9)	(10)	(8)	(36)	(11)	(11)	(8)	(9)	(39)	(10)
Stock-based compensation	(1)	-	(1)	(2)	(4)	(1)	(1)	(1)	-	(3)	(1)
Non-GAAP cost of product revenues	\$ 388	\$ 419	\$ 458	\$ 447	\$ 1,712	\$ 300	\$ 329	\$ 351	\$ 346	\$ 1,326	\$ 305
Product revenues	\$ 875	\$ 913	\$ 967	\$ 1,000	\$ 3,755	\$ 644	\$ 771	\$ 787	\$ 793	\$ 2,995	\$ 627

RECONCILIATION OF NON-GAAP TO GAAP

HARDWARE MAINTENANCE AND OTHER SERVICES GROSS MARGIN

(\$ in millions)

	FY2019					FY2020					FY2021
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Hardware maintenance and other services gross margin-GAAP	71.4%	70.9%	71.4%	71.7%	71.3%	71.3%	72.8%	74.3%	73.6%	73.0%	73.3%
Cost of hardware maintenance and other services revenues adjustments	0.8%	0.5%	0.8%	0.6%	0.7%	0.6%	0.9%	0.6%	0.9%	0.7%	0.8%
Hardware maintenance and other services gross margin-Non-GAAP	72.2%	71.5%	72.3%	72.3%	72.0%	71.9%	73.7%	74.9%	74.5%	73.8%	74.1%
GAAP cost of hardware maintenance and other services revenues	\$ 106	\$ 107	\$ 102	\$ 99	\$ 414	\$ 98	\$ 94	\$ 91	\$ 90	\$ 373	\$ 100
Cost of hardware maintenance and other services revenues adjustment:											
Stock-based compensation	(3)	(2)	(3)	(2)	(10)	(2)	(3)	(2)	(3)	(10)	(3)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 103	\$ 105	\$ 99	\$ 97	\$ 404	\$ 96	\$ 91	\$ 89	\$ 87	\$ 363	\$ 97
Hardware maintenance and other services revenues	\$ 370	\$ 368	\$ 357	\$ 350	\$ 1,445	\$ 342	\$ 346	\$ 354	\$ 341	\$ 1,383	\$ 375

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

	FY2019					FY2020					FY2021
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
GAAP effective tax rate	(4.0%)	17.7%	21.9%	(3.1%)	7.8%	13.4%	18.7%	(0.4%)	21.6%	13.2%	26.0%
Adjustments:											
Income tax effects	9.8%	0.8%	(3.2%)	8.3%	4.9%	5.3%	(1.1%)	2.0%	(7.9%)	(1.1%)	1%
Income tax expenses from integration of acquired companies	- %	- %	- %	0.0%	0.0%	- %	- %	0.0%	- %	- %	(10.6%)
Resolution of income tax matters	- %	- %	- %	12.9%	3.3%	- %	- %	15.6%	- %	4.4%	- %
Income tax benefit of ASC 606 adoption	12.5%	- %	- %	- %	2.4%	- %	- %	- %	- %	- %	- %
Non-GAAP effective tax rate	18.3%	18.5%	18.7%	18.1%	18.4%	18.7%	17.6%	17.2%	13.7%	16.6%	16.4%

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

(In millions)

	FY2019					FY2020					FY2021
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Net cash provided by (used in) operating activities	\$ 326	\$ 165	\$ 451	\$ 399	\$ 1,341	\$ 310	\$ (53)	\$ 420	\$ 383	\$ 1,060	\$ 240
Purchases of property and equipment	\$ (64)	(43)	(31)	(35)	(173)	(32)	(36)	(32)	(24)	(124)	(52)
Free cash flow	\$ 262	\$ 122	\$ 420	\$ 364	\$ 1,168	\$ 278	\$ (89)	\$ 388	\$ 359	\$ 936	\$ 188

**RECONCILIATION OF NET REVENUES
TO BILLINGS (NON-GAAP)**

(In millions)

	FY2019					FY2020					FY2021
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Net revenues	\$ 1,474	\$ 1,517	\$ 1,563	\$ 1,592	\$ 6,146	\$ 1,236	\$ 1,371	\$ 1,404	\$ 1,401	\$ 5,412	\$ 1,303
Change in deferred revenue and financed unearned services revenue*	\$ (87)	(42)	146	326	343	(154)	(43)	104	147	54	(158)
Billings	\$ 1,387	\$ 1,475	\$ 1,709	\$ 1,918	\$ 6,489	\$ 1,082	\$ 1,328	\$ 1,508	\$ 1,548	\$ 5,466	\$ 1,145

* As reported on our Condensed Consolidated Statements of Cash Flows

Some items may not add or recalculate due to rounding

NETAPP, INC.
SUPPLEMENTAL DATA

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

	Q1 FY'19	Q2 FY'19	Q3 FY'19	Q4 FY'19	FY 2019	Q1 FY'20	Q2 FY'20	Q3 FY'20	Q4 FY'20	FY 2020	Q1 FY'21
Revenues											
Product	\$875	\$913	\$967	\$1,000	\$3,755	\$644	\$771	\$787	\$793	\$2,995	\$627
<i>Hardware*</i>	\$459	\$473	\$514	\$489	\$1,936	\$338	\$405	\$412	\$386	\$1,541	\$316
<i>Software*</i>	\$416	\$440	\$453	\$511	\$1,819	\$306	\$366	\$375	\$407	\$1,454	\$311
Software Maintenance	\$229	\$236	\$239	\$242	\$946	\$250	\$254	\$263	\$267	\$1,034	\$301
Hardware Maintenance and Other Services	\$370	\$368	\$357	\$350	\$1,445	\$342	\$346	\$354	\$341	\$1,383	\$375
<i>Hardware Maintenance Support Contracts</i>	\$303	\$303	\$292	\$284	\$1,182	\$284	\$286	\$293	\$279	\$1,142	\$307
<i>Professional and Other Services</i>	\$67	\$65	\$65	\$66	\$263	\$58	\$60	\$61	\$62	\$241	\$68
Net Revenues	\$1,474	\$1,517	\$1,563	\$1,592	\$6,146	\$1,236	\$1,371	\$1,404	\$1,401	\$5,412	\$1,303

* Our revenue recognition policy under GAAP defines a configured storage system, inclusive of the operating system software essential to its functionality, as a single performance obligation. We have provided a breakdown of our GAAP product revenues into the software and hardware components to display the significance of software included in total product revenues.

Geographic Mix

	% of Q1 FY'19 Revenue	% of Q2 FY'19 Revenue	% of Q3 FY'19 Revenue	% of Q4 FY'19 Revenue	% of FY 2019 Revenue	% of Q1 FY'20 Revenue	% of Q2 FY'20 Revenue	% of Q3 FY'20 Revenue	% of Q4 FY'20 Revenue	% of FY 2020 Revenue	% of FY 2021 Revenue
Americas	57%	57%	52%	57%	56%	51%	56%	50%	54%	53%	54%
<i>Americas Commercial</i>	46%	44%	41%	45%	44%	38%	42%	39%	43%	41%	43%
<i>U.S. Public Sector</i>	11%	14%	11%	11%	12%	13%	14%	11%	11%	12%	12%
EMEA	29%	28%	33%	29%	30%	33%	29%	35%	32%	32%	29%
Asia Pacific	14%	15%	14%	14%	14%	16%	14%	15%	14%	15%	16%

Pathways Mix

	% of Q1 FY'19 Revenue	% of Q2 FY'19 Revenue	% of Q3 FY'19 Revenue	% of Q4 FY'19 Revenue	% of FY 2019 Revenue	% of Q1 FY'20 Revenue	% of Q2 FY'20 Revenue	% of Q3 FY'20 Revenue	% of Q4 FY'20 Revenue	% of FY 2020 Revenue	% of FY 2021 Revenue
Direct	29%	23%	19%	24%	24%	19%	21%	21%	23%	21%	22%
Indirect	71%	77%	81%	76%	76%	81%	79%	79%	77%	79%	78%

Non-GAAP Gross Margins

	Q1 FY'19	Q2 FY'19	Q3 FY'19	Q4 FY'19	FY 2019	Q1 FY'20	Q2 FY'20	Q3 FY'20	Q4 FY'20	FY 2020	Q1 FY'21
Non-GAAP Gross Margin	66.2%	64.9%	63.7%	65.2%	65.0%	67.2%	68.6%	67.8%	68.0%	67.9%	68.0%
Product	55.7%	54.1%	52.6%	55.3%	54.4%	53.4%	57.3%	55.4%	56.4%	55.7%	51.4%
Software Maintenance	96.9%	96.6%	95.8%	95.9%	96.3%	96.0%	95.7%	95.4%	94.4%	95.4%	95.0%
Hardware Maintenance and Other Services	72.2%	71.5%	72.3%	72.3%	72.0%	71.9%	73.7%	74.9%	74.5%	73.8%	74.1%

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

	Q1 FY'19	Q2 FY'19	Q3 FY'19	Q4 FY'19	FY 2019	Q1 FY'20	Q2 FY'20	Q3 FY'20	Q4 FY'20	FY 2020	Q1 FY'21
Non-GAAP Income from Operations	\$326	\$336	\$367	\$358	\$1,387	\$178	\$309	\$312	\$324	\$1,123	\$213
% of Net Revenues	22.1%	22.1%	23.5%	22.5%	22.6%	14.4%	22.5%	22.2%	23.1%	20.8%	16.3%
Non-GAAP Income Before Income Taxes	\$344	\$343	\$375	\$372	\$1,434	\$193	\$312	\$320	\$307	\$1,132	\$195
Non-GAAP Effective Tax Rate	18.3%	18.5%	18.7%	18.1%	18.4%	18.7%	17.6%	17.2%	13.7%	16.6%	16.4%

Non-GAAP Net Income

	Q1 FY'19	Q2 FY'19	Q3 FY'19	Q4 FY'19	FY 2019	Q1 FY'20	Q2 FY'20	Q3 FY'20	Q4 FY'20	FY 2020	Q1 FY'21
Non-GAAP Net Income	\$281	\$280	\$305	\$305	\$1,171	\$157	\$257	\$265	\$265	\$944	\$163
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	269	264	255	249	259	243	236	229	222	233	222
Non-GAAP Net Income per Share, Diluted	\$1.04	\$1.06	\$1.20	\$1.22	\$4.52	\$0.65	\$1.09	\$1.16	\$1.19	\$4.05	\$0.73

Select Balance Sheet Items

	Q1 FY'19	Q2 FY'19	Q3 FY'19	Q4 FY'19	Q1 FY'20	Q2 FY'20	Q3 FY'20	Q4 FY'20	Q1 FY'21
Deferred Revenue and Financed Unearned Services Revenue	\$3,260	\$3,206	\$3,357	\$3,668	\$3,510	\$3,468	\$3,573	\$3,698	\$3,620
DSO (days)	38	46	51	70	40	52	53	63	45
DPO (days)	76	79	78	87	75	78	75	84	90
Inventory Turns	21	25	23	17	14	16	16	13	13

Days sales outstanding (DSO) is defined as accounts receivable divided by net 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

Inventory turns is defined as annualized cost of revenues divided by net inventories

Select Cash Flow Statement Items

	Q1 FY'19	Q2 FY'19	Q3 FY'19	Q4 FY'19	FY 2019	Q1 FY'20	Q2 FY'20	Q3 FY'20	Q4 FY'20	FY 2020	Q1 FY'21
Net Cash Provided by Operating Activities	\$326	\$165	\$451	\$399	\$1,341	\$310	(\$53)	\$420	\$383	\$1,060	\$240
Purchases of Property and Equipment	\$64	\$43	\$31	\$35	\$173	\$32	\$36	\$32	\$24	\$124	\$52
Free Cash Flow	\$262	\$122	\$420	\$364	\$1,168	\$278	(\$89)	\$388	\$359	\$936	\$188
Free Cash Flow as % of Net Revenues	17.8%	8.0%	26.9%	22.9%	19.0%	22.5%	-6.5%	27.6%	25.6%	17.3%	14.4%

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 GUIDANCE TO GAAP
SECOND QUARTER FISCAL 2021
(Unaudited)

	Second Quarter Fiscal 2021
Gross Margin - Non-GAAP Guidance	66% - 67%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	65% - 66%

	Second Quarter Fiscal 2021 (In millions)
Operating Expenses - Non-GAAP Guidance	\$655 - \$665
Adjustments:	
Amortization of intangibles	\$2
Stock-based compensation expense	\$42
Restructuring expense	\$35 - \$40
Operating Expenses - GAAP Guidance	\$734 - \$749

	Second Quarter Fiscal 2021
Operating Margin - Non-GAAP Guidance	~16%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Restructuring charges	(3)%
Operating Margin - GAAP Guidance	~8%

	Second Quarter Fiscal 2021
Net Income Per Share - Non-GAAP Guidance	\$0.66 - \$0.74
Adjustments:	
Amortization of intangible assets	(\$0.07)
Stock-based compensation expense	(\$0.20)
Restructuring charges	(\$0.17)
Income tax effects	\$0.06
Net Income Per Share - GAAP Guidance	\$0.28 - \$0.36

	Second Quarter Fiscal 2021
Effective Tax Rate - Non-GAAP Guidance	16% - 17%
Adjustment:	
Income tax effects	4 %
Effective Tax Rate - GAAP Guidance	20% - 21%

Some items may not add or recalculate due to rounding