

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	Q2 FY'16
Revenues												
Product	\$931	\$955	\$1,015	\$1,043	\$3,944	\$883	\$929	\$929	\$914	\$3,655	\$664	\$815
Software Maintenance	\$229	\$232	\$227	\$228	\$915	\$221	\$225	\$226	\$227	\$899	\$248	\$233
Hardware Maintenance and Other Services:	\$357	\$363	\$368	\$379	\$1,466	\$385	\$389	\$396	\$399	\$1,569	\$423	\$397
<i>Hardware Maintenance Support Contracts</i>	\$274	\$276	\$286	\$294	\$1,130	\$303	\$311	\$316	\$323	\$1,253	\$346	\$326
<i>Professional and Other Services</i>	\$83	\$86	\$82	\$85	\$336	\$83	\$78	\$80	\$77	\$317	\$77	\$71
Net Revenues	\$1,516	\$1,550	\$1,610	\$1,649	\$6,325	\$1,489	\$1,543	\$1,551	\$1,540	\$6,123	\$1,335	\$1,445

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

	% 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	% of Q2 FY'16 Revenue
Pathways Mix												
Direct	22%	20%	21%	21%	21%	24%	21%	21%	22%	22%	22%	23%
Indirect	78%	80%	79%	79%	79%	76%	79%	79%	78%	78%	77%	77%

*Direct revenues are those sold through our direct sales force and, effective Q1 FY'16, include those sold to service providers.
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	Q2 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%	62.5%
Product	53.3%	57.3%	57.1%	58.0%	56.5%	57.1%	58.4%	57.0%	53.4%	56.5%	51.2%	51.8%
Software Maintenance	96.7%	96.8%	96.6%	96.5%	96.6%	96.3%	96.2%	95.9%	95.8%	96.0%	96.2%	96.1%
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%	64.7%

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	Q2 FY'16
Non-GAAP Income from Operations	\$227	\$271	\$313	\$344	\$1,155	\$237	\$275	\$288	\$240	\$1,040	\$103	\$219
% 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%	15.2%
Non-GAAP Income Before Income Taxes	\$230	\$276	\$316	\$347	\$1,169	\$237	\$271	\$285	\$243	\$1,036	\$107	\$218
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%	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	Q2 FY'16
Non-GAAP Net Income	\$192	\$232	\$261	\$284	\$968	\$198	\$226	\$238	\$202	\$865	\$89	\$181
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	360	349	346	336	348	329	323	317	313	321	308	296
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	\$0.61

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	Q2 FY'16
Deferred Revenue and Financed Unearned Services Revenue	\$2,941	\$2,932	\$2,959	\$3,100		\$3,076	\$3,047	\$3,110	\$3,197		\$3,066	\$3,046
DSO (days)	32	35	33	47		36	37	39	46		30	37
Inventory Turns	20	20	20	19		20	20	19	16		10	17

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	Q2 FY'16
Net Cash Provided by Operating Activities	\$286	\$363	\$332	\$370	\$1,350	\$216	\$381	\$275	\$396	\$1,268	\$129	\$145
Purchases of Property and Equipment	\$65	\$42	\$58	\$56	\$221	\$58	\$51	\$29	\$37	\$175	\$38	\$46
Free Cash Flow	\$221	\$320	\$274	\$314	\$1,128	\$157	\$330	\$246	\$359	\$1,093	\$91	\$99
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%	6.9%

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	Q2
NET INCOME (LOSS)	\$ 82	\$ 167	\$ 192	\$ 197	\$ 638	\$ 88	\$ 160	\$ 177	\$ 135	\$ 560	\$ (30)	\$ 114
Adjustments:												
Amortization of intangible assets	15	15	15	15	59	15	14	19	16	64	14	14
Stock-based compensation	66	68	72	67	273	62	68	66	63	259	77	59
Asset impairment	-	-	-	-	-	-	-	-	-	-	11	-
Restructuring and other charges	48	1	-	39	88	-	-	-	-	-	27	1
Non-cash interest expense	8	-	-	-	8	-	-	-	-	-	-	-
Income tax effect of non-GAAP adjustments	(28)	(19)	(18)	(33)	(98)	(15)	(16)	(24)	(11)	(66)	(23)	(17)
Settlement of income tax audit	-	-	-	-	-	47	-	-	-	47	13	10
NON-GAAP NET INCOME	\$ 192	\$ 232	\$ 261	\$ 284	\$ 968	\$ 198	\$ 226	\$ 238	\$ 202	\$ 865	\$ 89	\$ 181
COST OF REVENUES	\$ 607	\$ 585	\$ 608	\$ 607	\$ 2,406	\$ 551	\$ 560	\$ 574	\$ 605	\$ 2,290	\$ 519	\$ 561
Adjustments:												
Amortization of intangible assets	(14)	(14)	(14)	(14)	(57)	(15)	(14)	(18)	(16)	(63)	(14)	(14)
Stock-based compensation	(5)	(6)	(6)	(5)	(22)	(6)	(5)	(6)	(5)	(22)	(8)	(5)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(11)	-
NON-GAAP COST OF REVENUES	\$ (587)	\$ 565	\$ 587	\$ 587	\$ 2,327	\$ 531	\$ 540	\$ 550	\$ 584	\$ 2,205	\$ 486	\$ 542
COST OF PRODUCT REVENUES	\$ 450	\$ 423	\$ 451	\$ 453	\$ 1,777	\$ 394	\$ 402	\$ 420	\$ 441	\$ 1,657	\$ 345	\$ 408
Adjustments:												
Amortization of intangible assets	(14)	(14)	(14)	(14)	(55)	(14)	(14)	(18)	(15)	(61)	(14)	(14)
Stock-based compensation	(1)	(1)	(2)	(1)	(5)	(1)	(2)	(2)	(1)	(6)	(2)	(1)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(5)	-
NON-GAAP COST OF PRODUCT REVENUES	\$ 435	\$ 408	\$ 436	\$ 438	\$ 1,717	\$ 379	\$ 387	\$ 400	\$ 425	\$ 1,591	\$ 324	\$ 393
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 149	\$ 154	\$ 149	\$ 146	\$ 598	\$ 149	\$ 149	\$ 145	\$ 154	\$ 597	\$ 164	\$ 144
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)	(4)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(6)	-
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 145	\$ 149	\$ 144	\$ 141	\$ 579	\$ 144	\$ 145	\$ 140	\$ 150	\$ 579	\$ 152	\$ 140
GROSS PROFIT	\$ 910	\$ 965	\$ 1,002	\$ 1,042	\$ 3,919	\$ 938	\$ 983	\$ 977	\$ 935	\$ 3,833	\$ 816	\$ 884
Adjustments:												
Amortization of intangible assets	14	14	14	14	57	15	14	18	16	63	14	14
Stock-based compensation	5	6	6	5	22	6	5	6	5	22	8	5
Asset impairment	-	-	-	-	-	-	-	-	-	-	11	-
NON-GAAP GROSS PROFIT	\$ 929	\$ 985	\$ 1,023	\$ 1,062	\$ 3,999	\$ 958	\$ 1,002	\$ 1,002	\$ 955	\$ 3,918	\$ 849	\$ 903
SALES AND MARKETING EXPENSES	\$ 468	\$ 480	\$ 476	\$ 475	\$ 1,898	\$ 480	\$ 488	\$ 475	\$ 470	\$ 1,913	\$ 492	\$ 448
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)	(26)
NON-GAAP SALES AND MARKETING EXPENSES	\$ 437	\$ 448	\$ 442	\$ 444	\$ 1,771	\$ 453	\$ 457	\$ 445	\$ 440	\$ 1,796	\$ 461	\$ 422
RESEARCH AND DEVELOPMENT EXPENSES	\$ 228	\$ 228	\$ 230	\$ 231	\$ 918	\$ 228	\$ 229	\$ 230	\$ 233	\$ 920	\$ 244	\$ 216
Adjustment:												
Stock-based compensation	(21)	(22)	(24)	(21)	(88)	(21)	(22)	(21)	(20)	(84)	(26)	(18)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$ 207	\$ 207	\$ 207	\$ 210	\$ 830	\$ 207	\$ 208	\$ 208	\$ 213	\$ 835	\$ 218	\$ 198
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 68	\$ 70	\$ 69	\$ 74	\$ 281	\$ 70	\$ 73	\$ 70	\$ 71	\$ 284	\$ 79	\$ 74
Adjustment:												
Stock-based compensation	(9)	(9)	(9)	(10)	(38)	(8)	(11)	(9)	(9)	(37)	(12)	(10)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	\$ 59	\$ 60	\$ 60	\$ 63	\$ 243	\$ 62	\$ 62	\$ 61	\$ 62	\$ 247	\$ 67	\$ 64

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	Q2
RESTRUCTURING AND OTHER CHARGES	\$ 48	\$ 1	\$ -	\$ 39	\$ 88	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 1
Adjustment:												
Restructuring and other charges	(48)	(1)	-	(39)	(88)	-	-	-	-	-	(27)	(1)
NON-GAAP RESTRUCTURING AND OTHER CHARGES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES	\$ 813	\$ 778	\$ 776	\$ 818	\$ 3,185	\$ 778	\$ 790	\$ 775	\$ 774	\$ 3,117	\$ 842	\$ 739
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)	(54)
Restructuring and other charges	(48)	(1)	-	(39)	(88)	-	-	-	-	-	(27)	(1)
NON-GAAP OPERATING EXPENSES	\$ 703	\$ 715	\$ 709	\$ 717	\$ 2,844	\$ 722	\$ 728	\$ 714	\$ 715	\$ 2,878	\$ 746	\$ 684
INCOME (LOSS) FROM OPERATIONS	\$ 97	\$ 187	\$ 227	\$ 224	\$ 734	\$ 160	\$ 193	\$ 202	\$ 161	\$ 716	\$ (26)	\$ 145
Adjustments:												
Amortization of intangible assets	15	15	15	15	59	15	14	19	16	64	14	14
Stock-based compensation	66	68	72	67	273	62	68	66	63	259	77	59
Asset impairment	-	-	-	-	-	-	-	-	-	-	11	-
Restructuring and other charges	48	1	-	39	88	-	-	-	-	-	27	1
NON-GAAP INCOME FROM OPERATIONS	\$ 227	\$ 271	\$ 313	\$ 344	\$ 1,155	\$ 237	\$ 275	\$ 288	\$ 240	\$ 1,040	\$ 103	\$ 219
OTHER INCOME(EXPENSE), NET	\$ (5)	\$ 5	\$ 3	\$ 3	\$ 7	\$ -	\$ (4)	\$ (2)	\$ 3	\$ (3)	\$ 4	\$ (1)
Adjustment:												
Non-cash interest expense	8	-	-	-	8	-	-	-	-	-	-	-
NON-GAAP OTHER INCOME(EXPENSE), NET	\$ 4	\$ 5	\$ 3	\$ 3	\$ 15	\$ -	\$ (4)	\$ (2)	\$ 3	\$ (3)	\$ 4	\$ (1)
INCOME (LOSS) BEFORE INCOME TAXES	\$ 92	\$ 192	\$ 230	\$ 227	\$ 741	\$ 160	\$ 189	\$ 200	\$ 164	\$ 713	\$ (22)	\$ 144
Adjustments:												
Amortization of intangible assets	15	15	15	15	59	15	14	19	16	64	14	14
Stock-based compensation	66	68	72	67	273	62	68	66	63	259	77	59
Asset impairment	-	-	-	-	-	-	-	-	-	-	11	-
Restructuring and other charges	48	1	-	39	88	-	-	-	-	-	27	1
Non-cash interest expense	8	-	-	-	8	-	-	-	-	-	-	-
NON-GAAP INCOME BEFORE INCOME TAXES	\$ 230	\$ 276	\$ 316	\$ 347	\$ 1,169	\$ 237	\$ 271	\$ 285	\$ 243	\$ 1,036	\$ 107	\$ 218
PROVISION FOR INCOME TAXES	\$ 11	\$ 25	\$ 38	\$ 30	\$ 103	\$ 72	\$ 29	\$ 23	\$ 29	\$ 153	\$ 8	\$ 30
Adjustments:												
Income tax effect of non-GAAP adjustments	28	19	18	33	98	15	16	24	11	66	23	17
Settlement of income tax audit	-	-	-	-	-	(47)	-	-	-	(47)	(13)	(10)
NON-GAAP PROVISION FOR INCOME TAXES	\$ 38	\$ 44	\$ 56	\$ 63	\$ 201	\$ 39	\$ 45	\$ 47	\$ 41	\$ 171	\$ 18	\$ 37
NET INCOME (LOSS) PER SHARE	\$ 0.23	\$ 0.48	\$ 0.55	\$ 0.59	\$ 1.83	\$ 0.27	\$ 0.49	\$ 0.56	\$ 0.43	\$ 1.75	\$ (0.10)	\$ 0.39
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	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	0.20
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)	(0.06)
Settlement of income tax audit	-	-	-	-	-	0.14	-	-	-	0.15	0.04	0.03
NON-GAAP NET INCOME PER SHARE	\$ 0.53	\$ 0.66	\$ 0.75	\$ 0.84	\$ 2.78	\$ 0.60	\$ 0.70	\$ 0.75	\$ 0.65	\$ 2.70	\$ 0.29	\$ 0.61

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

	FY2014					FY2015					FY2016	
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2
Gross margin-GAAP	60.0%	62.3%	62.3%	63.2%	62.0%	63.0%	63.7%	63.0%	60.7%	62.6%	61.1%	61.2%
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%	1.3%
Gross margin-Non-GAAP	61.3%	63.6%	63.5%	64.4%	63.2%	64.3%	65.0%	64.6%	62.0%	64.0%	63.6%	62.5%
GAAP cost of revenues	\$ 607	\$ 585	\$ 608	\$ 607	\$ 2,406	\$ 551	\$ 560	\$ 574	\$ 605	\$ 2,290	\$ 519	\$ 561
Cost of revenues adjustments:												
Amortization of intangible assets	(14)	(14)	(14)	(14)	(57)	(15)	(14)	(18)	(16)	(63)	(14)	(14)
Stock-based compensation	(5)	(6)	(6)	(5)	(22)	(6)	(5)	(6)	(5)	(22)	(8)	(5)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(11)	-
Non-GAAP cost of revenues	\$ 587	\$ 565	\$ 587	\$ 587	\$ 2,327	\$ 531	\$ 540	\$ 550	\$ 584	\$ 2,205	\$ 486	\$ 542
Net revenues	\$ 1,516	\$ 1,550	\$ 1,610	\$ 1,649	\$ 6,325	\$ 1,489	\$ 1,543	\$ 1,551	\$ 1,540	\$ 6,123	\$ 1,335	\$ 1,445

**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	Q2
Product gross margin-GAAP	51.7%	55.7%	55.6%	56.5%	54.9%	55.3%	56.8%	54.9%	51.7%	54.7%	48.0%	49.9%
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%	1.8%
Product gross margin-Non-GAAP	53.3%	57.3%	57.1%	58.0%	56.5%	57.1%	58.4%	57.0%	53.4%	56.5%	51.2%	51.8%
GAAP cost of product revenues	\$ 450	\$ 423	\$ 451	\$ 453	\$ 1,777	\$ 394	\$ 402	\$ 420	\$ 441	\$ 1,657	\$ 345	\$ 408
Cost of product revenues adjustments:												
Amortization of intangible assets	(14)	(14)	(14)	(14)	(55)	(14)	(14)	(18)	(15)	(61)	(14)	(14)
Stock-based compensation	(1)	(1)	(2)	(1)	(5)	(1)	(2)	(2)	(1)	(6)	(2)	(1)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(5)	-
Non-GAAP cost of product revenues	\$ 435	\$ 408	\$ 436	\$ 438	\$ 1,717	\$ 379	\$ 387	\$ 400	\$ 425	\$ 1,591	\$ 324	\$ 393
Product revenues	\$ 931	\$ 955	\$ 1,015	\$ 1,043	\$ 3,944	\$ 883	\$ 929	\$ 929	\$ 914	\$ 3,655	\$ 664	\$ 815

**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	Q2
Hardware maintenance and other services gross margin-GAAP	58.2%	57.6%	59.4%	61.5%	59.2%	61.4%	61.6%	63.3%	61.6%	62.0%	61.2%	63.7%
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%	1.0%
Hardware maintenance and other services gross margin-Non-GAAP	59.5%	58.9%	60.8%	62.7%	60.5%	62.7%	62.7%	64.5%	62.6%	63.1%	64.1%	64.7%
GAAP cost of hardware maintenance and other services revenues	\$ 149	\$ 154	\$ 149	\$ 146	\$ 598	\$ 149	\$ 149	\$ 145	\$ 154	\$ 597	\$ 164	\$ 144
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)	(4)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(6)	-
Non-GAAP cost of hardware maintenance and other services revenues	\$ 145	\$ 149	\$ 144	\$ 141	\$ 579	\$ 144	\$ 145	\$ 140	\$ 150	\$ 579	\$ 152	\$ 140
Hardware maintenance and other services revenues	\$ 357	\$ 363	\$ 368	\$ 379	\$ 1,466	\$ 385	\$ 389	\$ 396	\$ 399	\$ 1,569	\$ 423	\$ 397

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

	FY2014					FY2015					FY2016	
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2
GAAP effective tax rate	11.6%	13.2%	16.3%	13.1%	13.9%	44.6%	15.4%	11.6%	17.8%	21.5%	(36.4%)	20.8%
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%	0.8%
Settlement of income tax audit	- %	- %	- %	- %	- %	(20.0%)	- %	- %	- %	(4.6%)	(12.1%)	(4.6%)
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%	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	Q2
Net cash provided by operating activities	\$ 286	\$ 363	\$ 332	\$ 370	\$ 1,350	\$ 216	\$ 381	\$ 275	\$ 396	\$ 1,268	\$ 129	\$ 145
Purchases of property and equipment	(65)	(42)	(58)	(56)	(221)	(58)	(51)	(29)	(37)	(175)	(38)	(46)
Free cash flow	\$ 221	\$ 320	\$ 274	\$ 314	\$ 1,128	\$ 157	\$ 330	\$ 246	\$ 359	\$ 1,093	\$ 91	\$ 99

**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	Q2
Annualized inventory turns-GAAP	21	20	21	20	20	21	21	19	17	17	11	18
Cost of revenues adjustments	(1)	-	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Annualized inventory turns-Non-GAAP	20	20	20	19	19	20	20	19	16	16	10	17
GAAP cost of revenues	\$ 607	\$ 585	\$ 608	\$ 607	\$ 607	\$ 551	\$ 560	\$ 574	\$ 605	\$ 605	\$ 519	\$ 561
Cost of revenues adjustments:												
Amortization of intangible assets	(14)	(14)	(14)	(14)	(14)	(15)	(14)	(18)	(16)	(16)	(14)	(14)
Stock-based compensation	(5)	(6)	(6)	(5)	(5)	(6)	(5)	(6)	(5)	(5)	(8)	(5)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(11)	-
Non-GAAP cost of revenues	\$ 587	\$ 565	\$ 587	\$ 587	\$ 587	\$ 531	\$ 540	\$ 550	\$ 584	\$ 584	\$ 486	\$ 542
Inventory	\$ 117	\$ 116	\$ 118	\$ 122	\$ 122	\$ 104	\$ 108	\$ 118	\$ 146	\$ 146	\$ 193	\$ 125

Some items may not add or recalculate due to rounding