

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 and free cash flow, and historical and projected non-GAAP earnings per diluted share.

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'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 of properties.* These are gains/losses from the sale of our properties. Management believes that these transactions do not reflect the results of our underlying, ongoing business and, therefore, cannot be relied upon for future planning or forecasting.

H. *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 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 properties 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.

SUPPLEMENTAL DATA

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

	Q1 FY'16	Q2 FY'16	Q3 FY'16	Q4 FY'16	FY 2016	Q1 FY'17	Q2 FY'17	Q3 FY'17	Q4 FY'17	FY 2017	Q1 FY'18	Q2 FY'18	Q3 FY'18
Revenues													
Product	\$664	\$815	\$750	\$757	\$2,986	\$660	\$710	\$784	\$852	\$3,006	\$723	\$807	\$920
<i>Strategic</i>	\$334	\$448	\$419	\$481	\$1,682	\$411	\$452	\$512	\$596	\$1,971	\$500	\$557	\$647
<i>Mature</i>	\$330	\$367	\$331	\$276	\$1,304	\$249	\$258	\$272	\$256	\$1,035	\$223	\$250	\$273
Software Maintenance	\$248	\$233	\$234	\$234	\$949	\$241	\$242	\$240	\$242	\$965	\$234	\$240	\$237
Hardware Maintenance and Other Services	\$423	\$397	\$402	\$389	\$1,611	\$393	\$388	\$380	\$387	\$1,548	\$368	\$375	\$366
<i>Hardware Maintenance Support Contracts</i>	\$346	\$326	\$326	\$318	\$1,316	\$323	\$316	\$313	\$313	\$1,265	\$298	\$306	\$299
<i>Professional and Other Services</i>	<u>\$77</u>	<u>\$71</u>	<u>\$76</u>	<u>\$71</u>	<u>\$295</u>	<u>\$70</u>	<u>\$72</u>	<u>\$67</u>	<u>\$74</u>	<u>\$283</u>	<u>\$70</u>	<u>\$69</u>	<u>\$67</u>
Net Revenues	\$1,335	\$1,445	\$1,386	\$1,380	\$5,546	\$1,294	\$1,340	\$1,404	\$1,481	\$5,519	\$1,325	\$1,422	\$1,523
Geographic Mix													
	% of Q1 FY'16 Revenue	% of Q2 FY'16 Revenue	% of Q3 FY'16 Revenue	% of Q4 FY'16 Revenue	% of FY 2016 Revenue	% of Q1 FY'17 Revenue	% of Q2 FY'17 Revenue	% of Q3 FY'17 Revenue	% of Q4 FY'17 Revenue	% of FY 2017 Revenue	% of Q1 FY'18 Revenue	% of Q2 FY'18 Revenue	% of Q3 FY'18 Revenue
Americas	56%	57%	54%	54%	55%	57%	57%	55%	54%	56%	55%	56%	54%
<i>Americas Commercial</i>	44%	42%	44%	43%	43%	44%	42%	44%	42%	43%	42%	40%	44%
<i>U.S. Public Sector</i>	12%	14%	10%	12%	12%	13%	16%	10%	12%	13%	13%	16%	10%
EMEA	31%	30%	33%	33%	32%	30%	30%	33%	32%	31%	30%	30%	32%
Asia Pacific	13%	14%	13%	13%	13%	13%	13%	13%	14%	13%	15%	14%	14%
Pathways Mix													
	% of Q1 FY'16 Revenue	% of Q2 FY'16 Revenue	% of Q3 FY'16 Revenue	% of Q4 FY'16 Revenue	% of FY 2016 Revenue	% of Q1 FY'17 Revenue	% of Q2 FY'17 Revenue	% of Q3 FY'17 Revenue	% of Q4 FY'17 Revenue	% of FY 2017 Revenue	% of Q1 FY'18 Revenue	% of Q2 FY'18 Revenue	% of Q3 FY'18 Revenue
Direct	22%	23%	22%	26%	23%	23%	22%	21%	22%	22%	20%	22%	22%
Indirect	77%	77%	78%	74%	77%	77%	78%	79%	78%	78%	80%	78%	78%

Non-GAAP Gross Margins

	Q1 FY'16	Q2 FY'16	Q3 FY'16	Q4 FY'16	FY 2016	Q1 FY'17	Q2 FY'17	Q3 FY'17	Q4 FY'17	FY 2017	Q1 FY'18	Q2 FY'18	Q3 FY'18
Non-GAAP Gross Margin	63.6%	62.5%	63.1%	61.1%	62.5%	62.4%	62.7%	61.5%	62.5%	62.3%	63.8%	64.3%	62.6%
Product	51.2%	51.8%	51.1%	46.8%	50.2%	46.7%	48.2%	45.7%	48.9%	47.4%	49.9%	51.8%	50.2%
Software Maintenance	96.2%	96.1%	96.2%	96.2%	96.1%	96.7%	97.1%	97.1%	97.5%	97.1%	97.0%	97.5%	97.5%
Hardware Maintenance and Other Services	64.1%	64.7%	66.2%	67.9%	65.7%	67.9%	67.8%	71.6%	70.3%	69.4%	70.1%	69.9%	71.3%

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

	Q1 FY'16	Q2 FY'16	Q3 FY'16	Q4 FY'16	FY 2016	Q1 FY'17	Q2 FY'17	Q3 FY'17	Q4 FY'17	FY 2017	Q1 FY'18	Q2 FY'18	Q3 FY'18
Non-GAAP Income from Operations	\$103	\$219	\$244	\$185	\$751	\$156	\$204	\$284	\$306	\$950	\$209	\$272	\$310
% of Net Revenues	7.7%	15.2%	17.6%	13.4%	13.5%	12.1%	15.2%	20.2%	20.7%	17.2%	15.8%	19.1%	20.4%
Non-GAAP Income Before Income Taxes	\$107	\$218	\$242	\$181	\$748	\$155	\$204	\$284	\$307	\$950	\$214	\$278	\$324
Non-GAAP Effective Tax Rate	17.0%	17.0%	14.9%	13.1%	15.4%	16.6%	17.3%	18.6%	22.1%	19.2%	19.4%	19.4%	15.7%

Non-GAAP Net Income

	Q1 FY'16	Q2 FY'16	Q3 FY'16	Q4 FY'16	FY 2016	Q1 FY'17	Q2 FY'17	Q3 FY'17	Q4 FY'17	FY 2017	Q1 FY'18	Q2 FY'18	Q3 FY'18
Non-GAAP Net Income	\$89	\$181	\$206	\$157	\$633	\$129	\$169	\$231	\$239	\$768	\$173	\$223	\$273
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	308	296	296	287	297	282	284	281	278	281	278	275	276
Non-GAAP Net Income per Share, Diluted	\$0.29	\$0.61	\$0.70	\$0.55	\$2.13	\$0.46	\$0.60	\$0.82	\$0.86	\$2.73	\$0.62	\$0.81	\$0.99

Select Balance Sheet Items

	Q1 FY'16	Q2 FY'16	Q3 FY'16	Q4 FY'16	Q1 FY'17	Q2 FY'17	Q3 FY'17	Q4 FY'17	Q1 FY'18	Q2 FY'18	Q3 FY'18
Deferred Revenue and Financed Unearned Services Revenue	\$3,066	\$3,046	\$3,126	\$3,385	\$3,300	\$3,201	\$3,234	\$3,342	\$3,251	\$3,167	\$3,269
DSO (days)	30	37	38	54	35	37	39	45	36	37	45
DIO (days)	36	20	17	16	15	17	21	26	27	19	15
DPO (days)	47	37	30	41	44	45	42	56	54	66	72
CCC (days)	20	21	26	28	6	9	17	15	9	(10)	(11)
Inventory Turns	11	18	21	23	25	21	18	14	14	19	24

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

	Q1 FY'16	Q2 FY'16	Q3 FY'16	Q4 FY'16	FY 2016	Q1 FY'17	Q2 FY'17	Q3 FY'17	Q4 FY'17	FY 2017	Q1 FY'18	Q2 FY'18	Q3 FY'18
Net Cash Provided by Operating Activities	\$129	\$145	\$355	\$345	\$974	\$228	\$158	\$235	\$365	\$986	\$250	\$314	\$420
Purchases of Property and Equipment	\$38	\$46	\$41	\$35	\$160	\$36	\$56	\$45	\$38	\$175	\$36	\$29	\$32
Free Cash Flow	\$91	\$99	\$314	\$310	\$814	\$192	\$102	\$190	\$327	\$811	\$214	\$285	\$388
Free Cash Flow as % of Net Revenues	6.8%	6.9%	22.7%	22.5%	14.7%	14.8%	7.6%	13.5%	22.1%	14.7%	16.2%	20.0%	25.5%

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)

	FY2016					FY2017					FY2018		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
NET INCOME (LOSS)	\$ (30)	\$ 114	\$ 153	\$ (8)	\$ 229	\$ 64	\$ 109	\$ 146	\$ 190	\$ 509	\$ 136	\$ 175	\$ (506)
Adjustments:													
Amortization of intangible assets	14	14	14	25	67	11	11	13	13	48	13	14	14
Stock-based compensation	77	59	63	61	260	52	51	46	46	195	48	39	38
Asset impairment	11	-	-	-	11	-	-	-	-	-	-	-	-
Litigation settlements	-	-	-	-	-	-	-	-	-	-	-	-	5
Restructuring and other charges	27	1	-	80	108	-	-	52	-	52	-	-	-
Acquisition-related expense	-	-	2	6	8	-	-	-	-	-	-	-	-
Gain on sale of properties	-	-	-	(51)	(51)	-	-	(10)	-	(10)	-	-	(218)
Income tax effect of non-GAAP adjustments	(23)	(17)	(26)	(20)	(86)	2	(2)	(16)	(10)	(26)	(24)	(5)	84
Income tax expenses from integration of intellectual properties from acquisition	-	-	-	64	64	-	-	-	-	-	-	-	-
Settlement of income tax audit	13	10	-	-	23	-	-	-	-	-	-	-	-
Tax reform	-	-	-	-	-	-	-	-	-	-	-	-	856
NON-GAAP NET INCOME	\$ 89	\$ 181	\$ 206	\$ 157	\$ 633	\$ 129	\$ 169	\$ 231	\$ 239	\$ 768	\$ 173	\$ 223	\$ 273
COST OF REVENUES	\$ 519	\$ 561	\$ 531	\$ 562	\$ 2,173	\$ 497	\$ 511	\$ 553	\$ 568	\$ 2,129	\$ 491	\$ 520	\$ 582
Adjustments:													
Amortization of intangible assets	(14)	(14)	(13)	(20)	(61)	(6)	(7)	(8)	(8)	(29)	(8)	(9)	(10)
Stock-based compensation	(8)	(5)	(6)	(5)	(24)	(5)	(4)	(4)	(4)	(17)	(4)	(3)	(3)
Asset impairment	(11)	-	-	-	(11)	-	-	-	-	-	-	-	-
NON-GAAP COST OF REVENUES	\$ 486	\$ 542	\$ 512	\$ 537	\$ 2,077	\$ 486	\$ 500	\$ 541	\$ 556	\$ 2,083	\$ 479	\$ 508	\$ 569
COST OF PRODUCT REVENUES	\$ 345	\$ 408	\$ 381	\$ 424	\$ 1,558	\$ 359	\$ 376	\$ 435	\$ 444	\$ 1,614	\$ 371	\$ 399	\$ 468
Adjustments:													
Amortization of intangible assets	(14)	(14)	(13)	(20)	(61)	(6)	(7)	(8)	(8)	(29)	(8)	(9)	(10)
Stock-based compensation	(2)	(1)	(1)	(1)	(5)	(1)	(1)	(1)	(1)	(4)	(1)	(1)	-
Asset impairment	(5)	-	-	-	(5)	-	-	-	-	-	-	-	-
NON-GAAP COST OF PRODUCT REVENUES	\$ 324	\$ 393	\$ 367	\$ 403	\$ 1,487	\$ 352	\$ 368	\$ 426	\$ 435	\$ 1,581	\$ 362	\$ 389	\$ 458
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 164	\$ 144	\$ 141	\$ 129	\$ 578	\$ 130	\$ 128	\$ 111	\$ 118	\$ 487	\$ 113	\$ 115	\$ 108
Adjustments:													
Asset impairment	(6)	-	-	-	(6)	-	-	-	-	-	-	-	-
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 152	\$ 140	\$ 136	\$ 125	\$ 553	\$ 126	\$ 125	\$ 108	\$ 115	\$ 474	\$ 110	\$ 113	\$ 105
GROSS PROFIT	\$ 816	\$ 884	\$ 855	\$ 818	\$ 3,373	\$ 797	\$ 829	\$ 851	\$ 913	\$ 3,390	\$ 834	\$ 902	\$ 941
Adjustments:													
Amortization of intangible assets	14	14	13	20	61	6	7	8	8	29	8	9	10
Stock-based compensation	8	5	6	5	24	5	4	4	4	17	4	3	3
Asset impairment	11	-	-	-	11	-	-	-	-	-	-	-	-
NON-GAAP GROSS PROFIT	\$ 849	\$ 903	\$ 874	\$ 843	\$ 3,469	\$ 808	\$ 840	\$ 863	\$ 925	\$ 3,436	\$ 846	\$ 914	\$ 954
SALES AND MARKETING EXPENSES	\$ 492	\$ 448	\$ 418	\$ 434	\$ 1,792	\$ 429	\$ 418	\$ 381	\$ 405	\$ 1,633	\$ 425	\$ 420	\$ 423
Adjustments:													
Amortization of intangible assets	-	-	(1)	(5)	(6)	(5)	(4)	(5)	(5)	(19)	(5)	(5)	(4)
Stock-based compensation	(31)	(26)	(27)	(26)	(110)	(23)	(21)	(20)	(20)	(84)	(21)	(16)	(16)
NON-GAAP SALES AND MARKETING EXPENSES	\$ 461	\$ 422	\$ 390	\$ 403	\$ 1,676	\$ 401	\$ 393	\$ 356	\$ 380	\$ 1,530	\$ 399	\$ 399	\$ 403
RESEARCH AND DEVELOPMENT EXPENSES	\$ 244	\$ 216	\$ 200	\$ 201	\$ 861	\$ 207	\$ 200	\$ 181	\$ 191	\$ 779	\$ 193	\$ 194	\$ 193
Adjustment:													
Stock-based compensation	(26)	(18)	(20)	(20)	(84)	(15)	(17)	(14)	(13)	(59)	(15)	(12)	(11)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$ 218	\$ 198	\$ 180	\$ 181	\$ 777	\$ 192	\$ 183	\$ 167	\$ 178	\$ 720	\$ 178	\$ 182	\$ 182
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 79	\$ 74	\$ 70	\$ 84	\$ 307	\$ 68	\$ 69	\$ 64	\$ 70	\$ 271	\$ 68	\$ 69	\$ 72
Adjustments:													
Stock-based compensation	(12)	(10)	(10)	(10)	(42)	(9)	(9)	(8)	(9)	(35)	(8)	(8)	(8)
Litigation settlements	-	-	-	-	-	-	-	-	-	-	-	-	(5)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	\$ 67	\$ 64	\$ 60	\$ 74	\$ 265	\$ 59	\$ 60	\$ 56	\$ 61	\$ 236	\$ 60	\$ 61	\$ 59

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

	FY2016					FY2017					FY2018		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
RESTRUCTURING CHARGES	\$ 27	\$ 1	\$ -	\$ 80	\$ 108	\$ -	\$ -	\$ 52	\$ -	\$ 52	\$ -	\$ -	\$ -
Adjustment:													
Restructuring charges	(27)	(1)	-	(80)	(108)	-	-	(52)	-	(52)	-	-	-
NON-GAAP RESTRUCTURING CHARGES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ACQUISITION-RELATED EXPENSE	\$ -	\$ -	\$ 2	\$ 6	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustment:													
Acquisition-related expense	-	-	(2)	(6)	(8)	-	-	-	-	-	-	-	-
NON-GAAP ACQUISITION-RELATED EXPENSE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GAIN ON SALE OF PROPERTIES	\$ -	\$ -	\$ -	\$ (51)	\$ (51)	\$ -	\$ -	\$ (10)	\$ -	\$ (10)	\$ -	\$ -	\$ (218)
Adjustment:													
Gain on sale of properties	-	-	-	51	51	-	-	10	-	10	-	-	218
NON-GAAP GAIN ON SALE OF PROPERTIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES	\$ 842	\$ 739	\$ 690	\$ 754	\$ 3,025	\$ 704	\$ 687	\$ 668	\$ 666	\$ 2,725	\$ 686	\$ 683	\$ 470
Adjustments:													
Amortization of intangible assets	-	-	(1)	(5)	(6)	(5)	(4)	(5)	(5)	(19)	(5)	(5)	(4)
Stock-based compensation	(69)	(54)	(57)	(56)	(236)	(47)	(47)	(42)	(42)	(178)	(44)	(36)	(35)
Litigation settlements	-	-	-	-	-	-	-	-	-	-	-	-	(5)
Restructuring and other charges	(27)	(1)	-	(80)	(108)	-	-	(52)	-	(52)	-	-	-
Acquisition-related expense	-	-	(2)	(6)	(8)	-	-	-	-	-	-	-	-
Gain on sale of properties	-	-	-	51	51	-	-	10	-	10	-	-	218
NON-GAAP OPERATING EXPENSES	\$ 746	\$ 684	\$ 630	\$ 658	\$ 2,718	\$ 652	\$ 636	\$ 579	\$ 619	\$ 2,486	\$ 637	\$ 642	\$ 644
INCOME (LOSS) FROM OPERATIONS	\$ (26)	\$ 145	\$ 165	\$ 64	\$ 348	\$ 93	\$ 142	\$ 183	\$ 247	\$ 665	\$ 148	\$ 219	\$ 471
Adjustments:													
Amortization of intangible assets	14	14	14	25	67	11	11	13	13	48	13	14	14
Stock-based compensation	77	59	63	61	260	52	51	46	46	195	48	39	38
Asset impairment	11	-	-	-	11	-	-	-	-	-	-	-	-
Litigation settlements	-	-	-	-	-	-	-	-	-	-	-	-	5
Restructuring and other charges	27	1	-	80	108	-	-	52	-	52	-	-	-
Acquisition-related expense	-	-	2	6	8	-	-	-	-	-	-	-	-
Gain on sale of properties	-	-	-	(51)	(51)	-	-	(10)	-	(10)	-	-	(218)
NON-GAAP INCOME FROM OPERATIONS	\$ 103	\$ 219	\$ 244	\$ 185	\$ 751	\$ 156	\$ 204	\$ 284	\$ 306	\$ 950	\$ 209	\$ 272	\$ 310
INCOME (LOSS) BEFORE INCOME TAXES	\$ (22)	\$ 144	\$ 163	\$ 60	\$ 345	\$ 92	\$ 142	\$ 183	\$ 248	\$ 665	\$ 153	\$ 225	\$ 485
Adjustments:													
Amortization of intangible assets	14	14	14	25	67	11	11	13	13	48	13	14	14
Stock-based compensation	77	59	63	61	260	52	51	46	46	195	48	39	38
Asset impairment	11	-	-	-	11	-	-	-	-	-	-	-	-
Litigation settlements	-	-	-	-	-	-	-	-	-	-	-	-	5
Restructuring and other charges	27	1	-	80	108	-	-	52	-	52	-	-	-
Acquisition-related expense	-	-	2	6	8	-	-	-	-	-	-	-	-
Gain on sale of properties	-	-	-	(51)	(51)	-	-	(10)	-	(10)	-	-	(218)
NON-GAAP INCOME BEFORE INCOME TAXES	\$ 107	\$ 218	\$ 242	\$ 181	\$ 748	\$ 155	\$ 204	\$ 284	\$ 307	\$ 950	\$ 214	\$ 278	\$ 324
PROVISION FOR INCOME TAXES	\$ 8	\$ 30	\$ 10	\$ 68	\$ 116	\$ 28	\$ 33	\$ 37	\$ 58	\$ 156	\$ 17	\$ 50	\$ 991
Adjustments:													
Income tax effect of non-GAAP adjustments	23	17	26	20	86	(2)	2	16	10	26	24	5	(84)
Income tax expenses from integration of intellectual properties from acquisition	-	-	-	(64)	(64)	-	-	-	-	-	-	-	-
Settlement of income tax audit	(13)	(10)	-	-	(23)	-	-	-	-	-	-	-	-
Tax reform	-	-	-	-	-	-	-	-	-	-	-	-	(856)
NON-GAAP PROVISION FOR INCOME TAXES	\$ 18	\$ 37	\$ 36	\$ 24	\$ 115	\$ 26	\$ 35	\$ 53	\$ 68	\$ 182	\$ 41	\$ 55	\$ 51
NET INCOME (LOSS) PER SHARE	\$ (0.10)	\$ 0.39	\$ 0.52	\$ (0.03)	\$ 0.77	\$ 0.23	\$ 0.38	\$ 0.52	\$ 0.68	\$ 1.81	\$ 0.49	\$ 0.64	\$ (1.89)
Adjustments:													
Amortization of intangible assets	0.05	0.05	0.05	0.09	0.23	0.04	0.04	0.05	0.05	0.17	0.05	0.05	0.05
Stock-based compensation	0.25	0.20	0.21	0.21	0.88	0.18	0.18	0.16	0.17	0.69	0.17	0.14	0.14
Asset impairment	0.04	-	-	-	0.04	-	-	-	-	-	-	-	-
Litigation settlements	-	-	-	-	-	-	-	-	-	-	-	-	0.02
Restructuring and other charges	0.09	-	-	0.28	0.36	-	-	0.19	-	0.19	-	-	-
Acquisition-related expense	-	-	0.01	0.02	0.03	-	-	-	-	-	-	-	-
Gain on sale of properties	-	-	-	(0.18)	(0.17)	-	-	(0.04)	-	(0.04)	-	-	(0.81)
Income tax effect of non-GAAP adjustments	(0.08)	(0.06)	(0.09)	(0.07)	(0.29)	0.01	(0.01)	(0.06)	(0.04)	(0.09)	(0.09)	(0.02)	0.31
Income tax expenses from integration of intellectual properties from acquisition	-	-	-	0.23	0.22	-	-	-	-	-	-	-	-
Settlement of income tax audit	0.04	0.03	-	-	0.08	-	-	-	-	-	-	-	-
Tax reform	-	-	-	-	0.22	-	-	-	-	-	-	-	3.19
NON-GAAP NET INCOME PER SHARE	\$ 0.29	\$ 0.61	\$ 0.70	\$ 0.55	\$ 2.13	\$ 0.46	\$ 0.60	\$ 0.82	\$ 0.86	\$ 2.73	\$ 0.62	\$ 0.81	\$ 0.99

In Q3FY18, 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)**

	FY2016					FY2017					FY2018		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Gross margin-GAAP	61.1%	61.2%	61.7%	59.3%	60.8%	61.6%	61.9%	60.6%	61.6%	61.4%	62.9%	63.4%	61.8%
Cost of revenues adjustments	2.5%	1.3%	1.4%	1.8%	1.7%	0.9%	0.8%	0.9%	0.8%	0.8%	0.9%	0.8%	0.9%
Gross margin-Non-GAAP	63.6%	62.5%	63.1%	61.1%	62.5%	62.4%	62.7%	61.5%	62.5%	62.3%	63.8%	64.3%	62.6%
GAAP cost of revenues	\$ 519	\$ 561	\$ 531	\$ 562	\$ 2,173	\$ 497	\$ 511	\$ 553	\$ 568	\$ 2,129	\$ 491	\$ 520	\$ 582
Cost of revenues adjustments:													
Amortization of intangible assets	(14)	(14)	(13)	(20)	(61)	(6)	(7)	(8)	(8)	(29)	(8)	(9)	(10)
Stock-based compensation	(8)	(5)	(6)	(5)	(24)	(5)	(4)	(4)	(4)	(17)	(4)	(3)	(3)
Asset impairment	(11)	-	-	-	(11)	-	-	-	-	-	-	-	-
Non-GAAP cost of revenues	\$ 486	\$ 542	\$ 512	\$ 537	\$ 2,077	\$ 486	\$ 500	\$ 541	\$ 556	\$ 2,083	\$ 479	\$ 508	\$ 569
Net revenues	\$ 1,335	\$ 1,445	\$ 1,386	\$ 1,380	\$ 5,546	\$ 1,294	\$ 1,340	\$ 1,404	\$ 1,481	\$ 5,519	\$ 1,325	\$ 1,422	\$ 1,523

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

	FY2016					FY2017					FY2018		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Product gross margin-GAAP	48.0%	49.9%	49.2%	44.0%	47.8%	45.6%	47.0%	44.5%	47.9%	46.3%	48.7%	50.6%	49.1%
Cost of product revenues adjustments	3.2%	1.8%	1.9%	2.8%	2.4%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.1%
Product gross margin-Non-GAAP	51.2%	51.8%	51.1%	46.8%	50.2%	46.7%	48.2%	45.7%	48.9%	47.4%	49.9%	51.8%	50.2%
GAAP cost of product revenues	\$ 345	\$ 408	\$ 381	\$ 424	\$ 1,558	\$ 359	\$ 376	\$ 435	\$ 444	\$ 1,614	\$ 371	\$ 399	\$ 468
Cost of product revenues adjustments:													
Amortization of intangible assets	(14)	(14)	(13)	(20)	(61)	(6)	(7)	(8)	(8)	(29)	(8)	(9)	(10)
Stock-based compensation	(2)	(1)	(1)	(1)	(5)	(1)	(1)	(1)	(1)	(4)	(1)	(1)	-
Asset impairment	(5)	-	-	-	(5)	-	-	-	-	-	-	-	-
Non-GAAP cost of product revenues	\$ 324	\$ 393	\$ 367	\$ 403	\$ 1,487	\$ 352	\$ 368	\$ 426	\$ 435	\$ 1,581	\$ 362	\$ 389	\$ 458
Product revenues	\$ 664	\$ 815	\$ 750	\$ 757	\$ 2,986	\$ 660	\$ 710	\$ 784	\$ 852	\$ 3,006	\$ 723	\$ 807	\$ 920

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

	FY2016					FY2017					FY2018		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Hardware maintenance and other services gross margin-GAAP	61.2%	63.7%	64.9%	66.8%	64.1%	66.9%	67.0%	70.8%	69.5%	68.5%	69.3%	69.3%	70.5%
Cost of hardware maintenance and other services revenues adjustments	2.8%	1.0%	1.2%	1.0%	1.6%	1.0%	0.8%	0.8%	0.8%	0.8%	0.8%	0.5%	0.8%
Hardware maintenance and other services gross margin-Non-GAAP	64.1%	64.7%	66.2%	67.9%	65.7%	67.9%	67.8%	71.6%	70.3%	69.4%	70.1%	69.9%	71.3%
GAAP cost of hardware maintenance and other services revenues	\$ 164	\$ 144	\$ 141	\$ 129	\$ 578	\$ 130	\$ 128	\$ 111	\$ 118	\$ 487	\$ 113	\$ 115	\$ 108
Cost of hardware maintenance and other services revenues adjustments:													
Stock-based compensation	(6)	(4)	(5)	(4)	(19)	(4)	(3)	(3)	(3)	(13)	(3)	(2)	(3)
Asset impairment	(6)	-	-	-	(6)	-	-	-	-	-	-	-	-
Non-GAAP cost of hardware maintenance and other services revenues	\$ 152	\$ 140	\$ 136	\$ 125	\$ 553	\$ 126	\$ 125	\$ 108	\$ 115	\$ 474	\$ 110	\$ 113	\$ 105
Hardware maintenance and other services revenues	\$ 423	\$ 397	\$ 402	\$ 389	\$ 1,611	\$ 393	\$ 388	\$ 380	\$ 387	\$ 1,548	\$ 368	\$ 375	\$ 366

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

	FY2016					FY2017					FY2018		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
GAAP effective tax rate	(36.4%)	20.8%	6.1%	113.3%	33.6%	30.4%	23.2%	20.2%	23.4%	23.5%	11.1%	22.2%	204.3%
Adjustments:													
Tax effect of non-GAAP adjustments	65.5%	0.8%	8.8%	(64.9%)	(6.6%)	(13.8%)	(5.9%)	(1.6%)	(1.3%)	(4.3%)	8.3%	(2.8%)	(12.1%)
Income tax expenses from integration of intellectual properties from acquisition	- %	- %	- %	(35.4%)	(8.6%)	- %	- %	- %	- %	- %	- %	- %	- %
Settlement of income tax audit	(12.1%)	(4.6%)	- %	- %	(3.1%)	- %	- %	- %	- %	- %	- %	- %	- %
Tax reform	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	(176.5%)
Non-GAAP effective tax rate	17.0%	17.0%	14.9%	13.1%	15.4%	16.6%	17.3%	18.6%	22.1%	19.2%	19.4%	19.4%	15.7%

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

	FY2016					FY2017					FY2018		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Net cash provided by operating activities	\$ 129	\$ 145	\$ 355	\$ 345	\$ 974	\$ 228	\$ 158	\$ 235	\$ 365	\$ 986	\$ 250	\$ 314	\$ 420
Purchases of property and equipment	(38)	(46)	(41)	(35)	(160)	(36)	(56)	(45)	(38)	(175)	(36)	(29)	(32)
Free cash flow	\$ 91	\$ 99	\$ 314	\$ 310	\$ 814	\$ 192	\$ 102	\$ 190	\$ 327	\$ 811	\$ 214	\$ 285	\$ 388

Some items may not add or recalculate due to rounding

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

GROSS MARGIN

Gross Margin - Non-GAAP Guidance	61.5% - 62.5%
Adjustment:	
Cost of revenues adjustments	(1.0)%
Gross Margin - GAAP Guidance	<u>60.5% - 61.5%</u>

OPERATING MARGIN

Operating Margin - Non-GAAP Guidance	20% - 21%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(2)%
Operating Margin - GAAP Guidance	<u>17% - 18%</u>

NET INCOME PER SHARE

Net Income Per Share - Non-GAAP Guidance	\$0.95 - \$1.03
Adjustments:	
Amortization of intangible assets	(\$0.05)
Stock-based compensation expense	(\$0.13)
Income tax effect of non-GAAP adjustments	(\$0.02)
Net Income Per Share - GAAP Guidance	<u>\$0.75 - 0.83</u>

Some items may not add or recalculate due to rounding

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

	<u>GROSS PROFIT</u>
Gross Profit - Non-GAAP Guidance	\$ 3,706
Adjustments:	
Amortization of intangible assets	\$ (36)
Stock-based compensation expense	\$ (14)
Gross Profit - GAAP Guidance	<u>\$ 3,656</u>
	<u>OPERATING INCOME</u>
Operating Income - Non-GAAP Guidance	\$ 1,120
Adjustments:	
Amortization of intangible assets	\$ (53)
Stock-based compensation expense	\$ (161)
Litigation settlements	\$ (5)
Gain on sale of properties	\$ 218
Operating Income - GAAP Guidance	<u>\$ 1,119</u>
	<u>NET INCOME (LOSS)</u>
	<u>PER SHARE</u>
Net income per share - Non-GAAP Guidance	\$ 3.42
Adjustments:	
Amortization of intangible assets	\$ (0.19)
Stock-based compensation expense	\$ (0.58)
Litigation settlements	\$ (0.02)
Gain on sale of properties	\$ 0.79
Tax reform	\$ (3.10)
Non-GAAP tax adjustments	\$ (0.38)
Net loss per share - GAAP Guidance	<u>\$ (0.07)</u>

Some items may not add or recalculate due to rounding