

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 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. *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 (loss) per share amounts)

	FY2018					FY2019					FY2020		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
NET INCOME (LOSS)	\$ 131	\$ 174	\$ (479)	\$ 290	\$ 116	\$ 283	\$ 241	\$ 249	\$ 396	\$ 1,169	\$ 103	\$ 243	\$ 277
Adjustments:													
Amortization of intangible assets	13	14	14	12	53	13	12	13	8	46	11	11	8
Stock-based compensation	48	39	38	36	161	40	38	43	37	158	42	40	36
Litigation settlements	-	-	5	-	5	-	-	-	-	-	-	-	-
Restructuring charges	-	-	-	-	-	19	-	-	16	35	21	-	-
Gain on sale or derecognition of assets	-	-	(218)	-	(218)	-	-	-	(73)	(73)	-	(38)	-
Income tax effects	(26)	(6)	73	(31)	10	(40)	(11)	-	(31)	(82)	(20)	1	(6)
Resolution of income tax matters	-	-	-	-	-	-	-	-	(48)	(48)	-	-	(50)
Income tax benefit of ASC 606 adoption	-	-	-	-	-	(34)	-	-	-	(34)	-	-	-
Tax reform	-	-	856	-	856	-	-	-	-	-	-	-	-
NON-GAAP NET INCOME	\$ 166	\$ 221	\$ 289	\$ 307	\$ 983	\$ 281	\$ 280	\$ 305	\$ 305	\$ 1,171	\$ 157	\$ 257	\$ 265
COST OF REVENUES	\$ 497	\$ 515	\$ 583	\$ 615	2,210	\$ 511	\$ 543	\$ 581	\$ 566	2,201	\$ 420	\$ 446	\$ 463
Adjustments:													
Amortization of intangible assets	(8)	(9)	(10)	(9)	(36)	(9)	(9)	(10)	(8)	(36)	(11)	(11)	(8)
Stock-based compensation	(4)	(3)	(3)	(3)	(13)	(4)	(2)	(4)	(4)	(14)	(3)	(4)	(3)
NON-GAAP COST OF REVENUES	\$ 485	\$ 503	\$ 570	\$ 603	\$ 2,161	\$ 498	\$ 532	\$ 567	\$ 554	\$ 2,151	\$ 406	\$ 431	\$ 452
COST OF PRODUCT REVENUES	\$ 376	\$ 397	\$ 469	\$ 496	\$ 1,738	\$ 398	\$ 428	\$ 469	\$ 457	\$ 1,752	\$ 312	\$ 341	\$ 360
Adjustments:													
Amortization of intangible assets	(8)	(9)	(10)	(9)	(36)	(9)	(9)	(10)	(8)	(36)	(11)	(11)	(8)
Stock-based compensation	(1)	(1)	-	(1)	(3)	(1)	-	(1)	(2)	(4)	(1)	(1)	(1)
NON-GAAP COST OF PRODUCT REVENUES	\$ 367	\$ 387	\$ 459	\$ 486	\$ 1,699	\$ 388	\$ 419	\$ 458	\$ 447	\$ 1,712	\$ 300	\$ 329	\$ 351
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 114	\$ 112	\$ 108	\$ 113	\$ 447	\$ 106	\$ 107	\$ 102	\$ 99	\$ 414	\$ 98	\$ 94	\$ 91
Adjustment:													
Stock-based compensation	(3)	(2)	(3)	(2)	(10)	(3)	(2)	(3)	(2)	(10)	(2)	(3)	(2)
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 111	\$ 110	\$ 105	\$ 111	\$ 437	\$ 103	\$ 105	\$ 99	\$ 97	\$ 404	\$ 96	\$ 91	\$ 89
GROSS PROFIT	\$ 824	\$ 900	\$ 956	\$ 1,029	\$ 3,709	\$ 963	\$ 974	\$ 982	\$ 1,026	\$ 3,945	\$ 816	\$ 925	\$ 941
Adjustments:													
Amortization of intangible assets	8	9	10	9	36	9	9	10	8	36	11	11	8
Stock-based compensation	4	3	3	3	13	4	2	4	4	14	3	4	3
NON-GAAP GROSS PROFIT	\$ 836	\$ 912	\$ 969	\$ 1,041	\$ 3,758	\$ 976	\$ 985	\$ 996	\$ 1,038	\$ 3,995	\$ 830	\$ 940	\$ 952
SALES AND MARKETING EXPENSES	\$ 423	\$ 421	\$ 419	\$ 443	\$ 1,706	\$ 409	\$ 408	\$ 401	\$ 439	\$ 1,657	\$ 405	\$ 389	\$ 402
Adjustments:													
Amortization of intangible assets	(5)	(5)	(4)	(3)	(17)	(4)	(3)	(3)	-	(10)	-	-	-
Stock-based compensation	(21)	(16)	(16)	(15)	(68)	(17)	(16)	(19)	(15)	(67)	(18)	(17)	(15)
NON-GAAP SALES AND MARKETING EXPENSES	\$ 397	\$ 400	\$ 399	\$ 425	\$ 1,621	\$ 388	\$ 389	\$ 379	\$ 424	\$ 1,580	\$ 387	\$ 372	\$ 387
RESEARCH AND DEVELOPMENT EXPENSES	\$ 193	\$ 194	\$ 193	\$ 203	\$ 783	\$ 208	\$ 211	\$ 203	\$ 205	\$ 827	\$ 215	\$ 209	\$ 211
Adjustment:													
Stock-based compensation	(15)	(12)	(11)	(11)	(49)	(12)	(12)	(13)	(11)	(48)	(15)	(13)	(13)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$ 178	\$ 182	\$ 182	\$ 192	\$ 734	\$ 196	\$ 199	\$ 190	\$ 194	\$ 779	\$ 200	\$ 196	\$ 198
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 68	\$ 69	\$ 72	\$ 71	\$ 280	\$ 73	\$ 69	\$ 67	\$ 69	\$ 278	\$ 71	\$ 69	\$ 60
Adjustments:													
Stock-based compensation	(8)	(8)	(8)	(7)	(31)	(7)	(8)	(7)	(7)	(29)	(6)	(6)	(5)
Litigation settlements	-	-	(5)	-	(5)	-	-	-	-	-	-	-	-
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	\$ 60	\$ 61	\$ 59	\$ 64	\$ 244	\$ 66	\$ 61	\$ 60	\$ 62	\$ 249	\$ 65	\$ 63	\$ 55

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

	FY2018					FY2019					Q1	Q2	Q3
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total			
RESTRUCTURING CHARGES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19	\$ -	\$ -	\$ 16	\$ 35	\$ 21	\$ -	\$ -
Adjustment:													
Restructuring charges	-	-	-	-	-	(19)	-	-	(16)	(35)	(21)	-	-
NON-GAAP RESTRUCTURING CHARGES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GAIN ON SALE OR DERECOGNITION OF ASSETS	\$ -	\$ -	\$ (218)	\$ -	\$ (218)	\$ -	\$ -	\$ -	\$ (73)	\$ (73)	\$ -	\$ (38)	\$ -
Adjustment:													
Gain on sale or derecognition of assets	-	-	218	-	218	-	-	-	73	73	-	38	-
NON-GAAP GAIN ON SALE OR DERECOGNITION OF ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES	\$ 684	\$ 684	\$ 466	\$ 717	\$ 2,551	\$ 709	\$ 688	\$ 671	\$ 656	\$ 2,724	\$ 712	\$ 629	\$ 673
Adjustments:													
Amortization of intangible assets	(5)	(5)	(4)	(3)	(17)	(4)	(3)	(3)	-	(10)	-	-	-
Stock-based compensation	(44)	(36)	(35)	(33)	(148)	(36)	(36)	(39)	(33)	(144)	(39)	(36)	(33)
Litigation settlements	-	-	(5)	-	(5)	-	-	-	-	-	-	-	-
Restructuring charges	-	-	-	-	-	(19)	-	-	(16)	(35)	(21)	-	-
Gain on sale or derecognition of assets	-	-	218	-	218	-	-	-	73	73	-	38	-
NON-GAAP OPERATING EXPENSES	\$ 635	\$ 643	\$ 640	\$ 681	\$ 2,599	\$ 650	\$ 649	\$ 629	\$ 680	\$ 2,608	\$ 652	\$ 631	\$ 640
INCOME FROM OPERATIONS	\$ 140	\$ 216	\$ 490	\$ 312	\$ 1,158	\$ 254	\$ 286	\$ 311	\$ 370	\$ 1,221	\$ 104	\$ 296	\$ 268
Adjustments:													
Amortization of intangible assets	13	14	14	12	53	13	12	13	8	46	11	11	8
Stock-based compensation	48	39	38	36	161	40	38	43	37	158	42	40	36
Litigation settlements	-	-	5	-	5	-	-	-	-	-	-	-	-
Restructuring charges	-	-	-	-	-	19	-	-	16	35	21	-	-
Gain on sale or derecognition of assets	-	-	(218)	-	(218)	-	-	-	(73)	(73)	-	(38)	-
NON-GAAP INCOME FROM OPERATIONS	\$ 201	\$ 269	\$ 329	\$ 360	\$ 1,159	\$ 326	\$ 336	\$ 367	\$ 358	\$ 1,387	\$ 178	\$ 309	\$ 312
INCOME BEFORE INCOME TAXES	\$ 145	\$ 222	\$ 504	\$ 328	\$ 1,199	\$ 272	\$ 293	\$ 319	\$ 384	\$ 1,268	\$ 119	\$ 299	\$ 276
Adjustments:													
Amortization of intangible assets	13	14	14	12	53	13	12	13	8	46	11	11	8
Stock-based compensation	48	39	38	36	161	40	38	43	37	158	42	40	36
Litigation settlements	-	-	5	-	5	-	-	-	-	-	-	-	-
Restructuring charges	-	-	-	-	-	19	-	-	16	35	21	-	-
Gain on sale or derecognition of assets	-	-	(218)	-	(218)	-	-	-	(73)	(73)	-	(38)	-
NON-GAAP INCOME BEFORE INCOME TAXES	\$ 206	\$ 275	\$ 343	\$ 376	\$ 1,200	\$ 344	\$ 343	\$ 375	\$ 372	\$ 1,434	\$ 193	\$ 312	\$ 320
PROVISION (BENEFIT) FOR INCOME TAXES	\$ 14	\$ 48	\$ 983	\$ 38	\$ 1,083	\$ (11)	\$ 52	\$ 70	\$ (12)	\$ 99	\$ 16	\$ 56	\$ (1)
Adjustments:													
Income tax effects	26	6	(73)	31	(10)	40	11	-	31	82	20	(1)	6
Resolution of income tax matters	-	-	-	-	-	-	-	-	48	48	-	-	50
Income tax benefit of ASC 606 adoption	-	-	-	-	-	34	-	-	-	34	-	-	-
Tax reform	-	-	(856)	-	(856)	-	-	-	-	-	-	-	-
NON-GAAP PROVISION FOR INCOME TAXES	\$ 40	\$ 54	\$ 54	\$ 69	\$ 217	\$ 63	\$ 63	\$ 70	\$ 67	\$ 263	\$ 36	\$ 55	\$ 55
NET INCOME (LOSS) PER SHARE	\$ 0.47	\$ 0.63	\$ (1.79)	\$ 1.06	\$ 0.42	\$ 1.05	\$ 0.91	\$ 0.98	\$ 1.59	\$ 4.51	\$ 0.42	\$ 1.03	\$ 1.21
Adjustments:													
Amortization of intangible assets	0.05	0.05	0.05	0.04	0.19	0.05	0.05	0.05	0.03	0.18	0.05	0.05	0.03
Stock-based compensation	0.17	0.14	0.14	0.13	0.58	0.15	0.14	0.17	0.15	0.61	0.17	0.17	0.16
Litigation settlements	-	-	0.02	-	0.02	-	-	-	-	-	-	-	-
Restructuring charges	-	-	-	-	-	0.07	-	-	0.06	0.14	0.09	-	-
Gain on sale or derecognition of assets	-	-	(0.81)	-	(0.79)	-	-	-	(0.29)	(0.28)	-	(0.16)	-
Income tax effects	(0.09)	(0.02)	0.27	(0.11)	0.04	(0.15)	(0.04)	-	(0.12)	(0.32)	(0.08)	0.00	(0.03)
Resolution of income tax matters	-	-	-	-	-	-	-	-	(0.19)	(0.19)	-	-	(0.22)
Income tax benefit of ASC 606 adoption	-	-	-	-	-	(0.13)	-	-	-	(0.13)	-	-	-
Tax reform	-	-	3.19	-	3.10	-	-	-	-	-	-	-	-
NON-GAAP NET INCOME PER SHARE	\$ 0.60	\$ 0.80	\$ 1.05	\$ 1.12	\$ 3.56	\$ 1.04	\$ 1.06	\$ 1.20	\$ 1.22	\$ 4.52	\$ 0.65	\$ 1.09	\$ 1.16

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)

	FY2018					FY2019					Q1	Q2	Q3
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total			
Gross margin-GAAP	62.4%	63.6%	62.1%	62.6%	62.7%	65.3%	64.2%	62.8%	64.4%	64.2%	66.0%	67.5%	67.0%
Cost of revenues adjustments	0.9%	0.8%	0.8%	0.7%	0.8%	0.9%	0.7%	0.9%	0.8%	0.8%	1.1%	1.1%	0.8%
Gross margin-Non-GAAP	63.3%	64.5%	63.0%	63.3%	63.5%	66.2%	64.9%	63.7%	65.2%	65.0%	67.2%	68.6%	67.8%
GAAP cost of revenues	\$ 497	\$ 515	\$ 583	\$ 615	\$ 2,210	\$ 511	\$ 543	\$ 581	\$ 566	\$ 2,201	\$ 420	\$ 446	\$ 463
Cost of revenues adjustments:													
Amortization of intangible assets	(8)	(9)	(10)	(9)	(36)	(9)	(9)	(10)	(8)	(36)	(11)	(11)	(8)
Stock-based compensation	(4)	(3)	(3)	(3)	(13)	(4)	(2)	(4)	(4)	(14)	(3)	(4)	(3)
Non-GAAP cost of revenues	\$ 485	\$ 503	\$ 570	\$ 603	\$ 2,161	\$ 498	\$ 532	\$ 567	\$ 554	\$ 2,151	\$ 406	\$ 431	\$ 452
Net revenues	\$ 1,321	\$ 1,415	\$ 1,539	\$ 1,644	\$ 5,919	\$ 1,474	\$ 1,517	\$ 1,563	\$ 1,592	\$ 6,146	\$ 1,236	\$ 1,371	\$ 1,404

RECONCILIATION OF NON-GAAP TO GAAP

PRODUCT GROSS MARGIN

(\$ in millions)

	FY2018					FY2019					Q1	Q2	Q3
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total			
Product gross margin-GAAP	48.3%	51.5%	50.7%	51.7%	50.7%	54.5%	53.1%	51.5%	54.3%	53.3%	51.6%	55.8%	54.3%
Cost of product revenues adjustments	1.2%	1.2%	1.1%	1.0%	1.1%	1.1%	1.0%	1.1%	1.0%	1.1%	1.9%	1.6%	1.1%
Product gross margin-Non-GAAP	49.5%	52.7%	51.8%	52.7%	51.8%	55.7%	54.1%	52.6%	55.3%	54.4%	53.4%	57.3%	55.4%
GAAP cost of product revenues	\$ 376	\$ 397	\$ 469	\$ 496	\$ 1,738	\$ 398	\$ 428	\$ 469	\$ 457	\$ 1,752	\$ 312	\$ 341	\$ 360
Cost of product revenues adjustments:													
Amortization of intangible assets	(8)	(9)	(10)	(9)	(36)	(9)	(9)	(10)	(8)	(36)	(11)	(11)	(8)
Stock-based compensation	(1)	(1)	-	(1)	(3)	(1)	-	(1)	(2)	(4)	(1)	(1)	(1)
Non-GAAP cost of product revenues	\$ 367	\$ 387	\$ 459	\$ 486	\$ 1,699	\$ 388	\$ 419	\$ 458	\$ 447	\$ 1,712	\$ 300	\$ 329	\$ 351
Product revenues	\$ 727	\$ 819	\$ 952	\$ 1,027	\$ 3,525	\$ 875	\$ 913	\$ 967	\$ 1,000	\$ 3,755	\$ 644	\$ 771	\$ 787

RECONCILIATION OF NON-GAAP TO GAAP

HARDWARE MAINTENANCE AND OTHER SERVICES GROSS MARGIN

(\$ in millions)

	FY2018					FY2019					Q1	Q2	Q3
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total			
Hardware maintenance and other services gross margin-GAAP	69.3%	69.9%	70.5%	70.5%	70.0%	71.4%	70.9%	71.4%	71.7%	71.3%	71.3%	72.8%	74.3%
Cost of hardware maintenance and other services revenues adjustments	0.8%	0.5%	0.8%	0.5%	0.7%	0.8%	0.5%	0.8%	0.6%	0.7%	0.6%	0.9%	0.6%
Hardware maintenance and other services gross margin-Non-GAAP	70.1%	70.4%	71.3%	71.0%	70.7%	72.2%	71.5%	72.3%	72.3%	72.0%	71.9%	73.7%	74.9%
GAAP cost of hardware maintenance and other services revenues	\$ 114	\$ 112	\$ 108	\$ 113	\$ 447	\$ 106	\$ 107	\$ 102	\$ 99	\$ 414	\$ 98	\$ 94	\$ 91
Cost of hardware maintenance and other services revenues adjustment:													
Stock-based compensation	(3)	(2)	(3)	(2)	(10)	(3)	(2)	(3)	(2)	(10)	(2)	(3)	(2)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 111	\$ 110	\$ 105	\$ 111	\$ 437	\$ 103	\$ 105	\$ 99	\$ 97	\$ 404	\$ 96	\$ 91	\$ 89
Hardware maintenance and other services revenues	\$ 371	\$ 372	\$ 366	\$ 383	\$ 1,492	\$ 370	\$ 368	\$ 357	\$ 350	\$ 1,445	\$ 342	\$ 346	\$ 354

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

	FY2018					FY2019							
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
GAAP effective tax rate	9.7%	21.6%	195.0%	11.6%	90.3%	(4.0%)	17.7%	21.9%	(3.1%)	7.8%	13.4%	18.7%	(0.4%)
Adjustments:													
Income tax effects	9.8%	(2.0%)	-9.5%	6.8%	(0.8%)	9.8%	0.8%	(3.2%)	8.3%	4.9%	5.3%	(1.1%)	2.0%
Resolution of income tax matters	- %	- %	- %	- %	- %	- %	- %	- %	12.9%	3.3%	- %	- %	15.6%
Income tax benefit of ASC 606 adoption	- %	- %	- %	- %	- %	12.5%	- %	- %	- %	2.4%	- %	- %	- %
Tax reform	- %	- %	(169.8%)	- %	(71.4%)	- %	- %	- %	- %	- %	- %	- %	- %
Non-GAAP effective tax rate	19.4%	19.6%	15.7%	18.4%	18.1%	18.3%	18.5%	18.7%	18.1%	18.4%	18.7%	17.6%	17.2%

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

	FY2018					FY2019							
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Net cash provided by (used in) operating activities	\$ 250	\$ 314	\$ 420	\$ 494	\$ 1,478	\$ 326	\$ 165	\$ 451	\$ 399	\$ 1,341	\$ 310	\$ (53)	\$ 420
Purchases of property and equipment	\$ (36)	\$ (29)	\$ (32)	\$ (48)	\$ (145)	\$ (64)	\$ (43)	\$ (31)	\$ (35)	\$ (173)	\$ (32)	\$ (36)	\$ (32)
Free cash flow	\$ 214	\$ 285	\$ 388	\$ 446	\$ 1,333	\$ 262	\$ 122	\$ 420	\$ 364	\$ 1,168	\$ 278	\$ (89)	\$ 388

Some items may not add or recalculate due to rounding

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FOURTH QUARTER FISCAL 2020
(Unaudited)

	Fourth Quarter Fiscal 2020
Gross Margin - Non-GAAP Guidance	66% - 67%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	65% - 66%

	Fourth Quarter Fiscal 2020
Operating Margin - Non-GAAP Guidance	23% - 24%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(2)%
Operating Margin - GAAP Guidance	20% - 21%

	Fourth Quarter Fiscal 2020
Net Income Per Share - Non-GAAP Guidance	\$1.28 - \$1.36
Adjustments:	
Amortization of intangible assets	(\$0.04)
Stock-based compensation expense	(\$0.17)
Income tax effects	\$0.04
Net Income Per Share - GAAP Guidance	\$1.11 - \$1.19

Some items may not add or recalculate due to rounding

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2020
(Unaudited)

	Fiscal 2020
Gross Margin - Non-GAAP Guidance	67% - 68%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	66% - 67%

	Fiscal 2020
Operating Margin - Non-GAAP Guidance	~21%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(3)%
Gain on sale or derecognition of assets	1%
Operating Margin - GAAP Guidance	~18%

	Fiscal 2020 versus Fiscal 2019
Year-over-year Decrease in Net Income Per Share - Non-GAAP Guidance	(7)%
Adjustments:	
Amortization of intangible assets	1%
Restructuring charges	1%
Gain on sale or derecognition of assets	(3)%
Income tax benefit of ASC 606 adoption	(3)%
Income tax effects	(5)%
Year-over-year Decrease in Net Income Per Share - GAAP Guidance	(16)%

Some items may not add or recalculate due to rounding