

NETAPP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	April 29, 2016	April 24, 2015
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 5,303	\$ 5,326
Accounts receivable	813	779
Inventories	98	146
Other current assets	234	522
Total current assets	6,448	6,773
Property and equipment, net	937	1,030
Goodwill and purchased intangible assets, net	1,856	1,117
Other non-current assets	796	481
Total assets	\$ 10,037	\$ 9,401
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 254	\$ 284
Accrued expenses	765	701
Short-term loan	849	-
Short-term deferred revenue and financed unearned services revenue	1,794	1,724
Total current liabilities	3,662	2,709
Long-term debt	1,490	1,487
Other long-term liabilities	413	318
Long-term deferred revenue and financed unearned services revenue	1,591	1,473
Total liabilities	7,156	5,987
Stockholders' equity	2,881	3,414
Total liabilities and stockholders' equity	\$ 10,037	\$ 9,401

NETAPP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended		Year Ended	
	April 29, 2016	April 24, 2015	April 29, 2016	April 24, 2015
Revenues:				
Product	\$ 757	\$ 914	\$ 2,986	\$ 3,655
Software maintenance	234	227	949	899
Hardware maintenance and other services	389	399	1,611	1,569
Net revenues	<u>1,380</u>	<u>1,540</u>	<u>5,546</u>	<u>6,123</u>
Cost of revenues:				
Cost of product	424	441	1,558	1,657
Cost of software maintenance	9	10	37	36
Cost of hardware maintenance and other services	129	154	578	597
Total cost of revenues	<u>562</u>	<u>605</u>	<u>2,173</u>	<u>2,290</u>
Gross profit	<u>818</u>	<u>935</u>	<u>3,373</u>	<u>3,833</u>
Operating expenses:				
Sales and marketing	434	470	1,792	1,913
Research and development	201	233	861	920
General and administrative	84	71	307	284
Restructuring and other charges	80	-	108	-
Acquisition-related expense	6	-	8	-
Gain on sale of properties	(51)	-	(51)	-
Total operating expenses	<u>754</u>	<u>774</u>	<u>3,025</u>	<u>3,117</u>
Income from operations	64	161	348	716
Other income (expense), net	(4)	3	(3)	(3)
Income before income taxes	60	164	345	713
Provision for income taxes	68	29	116	153
Net income (loss)	<u>\$ (8)</u>	<u>\$ 135</u>	<u>\$ 229</u>	<u>\$ 560</u>
Net income (loss) per share:				
Basic	<u>\$ (0.03)</u>	<u>\$ 0.44</u>	<u>\$ 0.78</u>	<u>\$ 1.77</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ 0.43</u>	<u>\$ 0.77</u>	<u>\$ 1.75</u>
Shares used in net income (loss) per share calculations:				
Basic	<u>284</u>	<u>309</u>	<u>294</u>	<u>316</u>
Diluted	<u>284</u>	<u>313</u>	<u>297</u>	<u>321</u>
Cash dividends declared per share	<u>\$ 0.180</u>	<u>\$ 0.165</u>	<u>\$ 0.720</u>	<u>\$ 0.660</u>

NETAPP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended		Year Ended	
	April 29, 2016	April 24, 2015	April 29, 2016	April 24, 2015
Cash flows from operating activities:				
Net income (loss)	\$ (8)	\$ 135	\$ 229	\$ 560
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	77	72	279	307
Stock-based compensation	61	63	260	259
Excess tax benefit from stock-based compensation	-	(1)	(5)	(55)
Gain on sale of properties	(51)	-	(51)	-
Other, net	31	2	(38)	32
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(206)	(112)	(16)	75
Inventories	5	(29)	49	(24)
Accounts payable	60	85	(53)	39
Accrued expenses	108	95	30	(67)
Deferred revenue and financed unearned services revenue	238	88	186	122
Changes in other operating assets and liabilities, net	30	(2)	104	20
Net cash provided by operating activities	<u>345</u>	<u>396</u>	<u>974</u>	<u>1,268</u>
Cash flows from investing activities:				
Redemptions (purchases) of investments, net	103	(686)	982	(645)
Purchases of property and equipment	(35)	(37)	(160)	(175)
Proceeds from sale of properties	102	-	102	-
Acquisitions of businesses, net of cash acquired	(842)	-	(842)	(85)
Other investing activities, net	4	(1)	3	2
Net cash provided by (used in) investing activities	<u>(668)</u>	<u>(724)</u>	<u>85</u>	<u>(903)</u>
Cash flows from financing activities:				
Issuance of common stock	-	11	70	157
Repurchase of common stock	(262)	(246)	(960)	(1,165)
Excess tax benefit from stock-based compensation	-	1	5	55
Proceeds from sale leaseback financing transaction	148	-	148	-
Proceeds from short-term loan	870	-	870	-
Issuance of long-term debt, net	-	-	-	495
Repayment of short-term loan	(20)	-	(20)	-
Dividends paid	(51)	(51)	(210)	(208)
Other financing activities, net	(4)	(1)	(12)	(9)
Net cash provided by (used in) financing activities	<u>681</u>	<u>(286)</u>	<u>(109)</u>	<u>(675)</u>
Effect of exchange rate changes on cash and cash equivalents	15	(4)	(4)	(59)
Net increase (decrease) in cash and cash equivalents	373	(618)	946	(369)
Cash and cash equivalents:				
Beginning of period	2,495	2,540	1,922	2,291
End of period	<u>\$ 2,868</u>	<u>\$ 1,922</u>	<u>\$ 2,868</u>	<u>\$ 1,922</u>

NETAPP, INC.
SUPPLEMENTAL DATA
(In millions except net income per share, percentages, DSO and Inventory Turns)
(Unaudited)

	<u>Q4 FY'16</u>	<u>Q3 FY'16</u>	<u>Q4 FY'15</u>	<u>FY 2016</u>	<u>FY 2015</u>
Revenues					
Product	\$757	\$750	\$914	\$2,986	\$3,655
Software Maintenance	\$234	\$234	\$227	\$949	\$899
Hardware Maintenance & Other Services:	\$389	\$402	\$399	\$1,611	\$1,569
<i>Hardware Maintenance Support Contracts</i>	\$318	\$326	\$323	\$1,316	\$1,253
<i>Professional and Other Services</i>	\$71	\$76	\$77	\$295	\$317
Net Revenues	\$1,380	\$1,386	\$1,540	\$5,546	\$6,123

	<u>% of Q4 FY'16 Revenue</u>	<u>% of Q3 FY'16 Revenue</u>	<u>% of Q4 FY'15 Revenue</u>	<u>% of FY 2016 Revenue</u>	<u>% of FY 2015 Revenue</u>
Geographic Mix					
Americas	54%	54%	57%	55%	56%
<i>Americas Commercial</i>	43%	44%	43%	43%	43%
<i>U.S. Public Sector</i>	12%	10%	14%	12%	13%
EMEA	33%	33%	30%	32%	30%
Asia Pacific	13%	13%	13%	13%	13%

	<u>% of Q4 FY'16 Revenue</u>	<u>% of Q3 FY'16 Revenue</u>	<u>% of Q4 FY'15 Revenue</u>	<u>% of FY 2016 Revenue</u>	<u>% of FY 2015 Revenue</u>
Pathways Mix					
Direct	26%	22%	22%	23%	22%
Indirect	74%	78%	78%	77%	78%

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.

	<u>Q4 FY'16</u>	<u>Q3 FY'16</u>	<u>Q4 FY'15</u>	<u>FY 2016</u>	<u>FY 2015</u>
Non-GAAP Gross Margins					
Non-GAAP Gross Margin	61.1%	63.1%	62.0%	62.5%	64.0%
Product	46.8%	51.1%	53.4%	50.2%	56.5%
Software Maintenance	96.2%	96.2%	95.8%	96.1%	96.0%
Hardware Maintenance & Other Services	67.9%	66.2%	62.6%	65.7%	63.1%

	<u>Q4 FY'16</u>	<u>Q3 FY'16</u>	<u>Q4 FY'15</u>	<u>FY 2016</u>	<u>FY 2015</u>
Non-GAAP Income from Operations, Income before Income Taxes & Effective Tax Rate					
Non-GAAP Income from Operations	\$185	\$244	\$240	\$751	\$1,040
% of Net Revenues	13.4%	17.6%	15.6%	13.5%	17.0%
Non-GAAP Income before Income Taxes	\$181	\$242	\$243	\$748	\$1,036
Non-GAAP Effective Tax Rate	13.1%	14.9%	16.7%	15.4%	16.5%

	<u>Q4 FY'16</u>	<u>Q3 FY'16</u>	<u>Q4 FY'15</u>	<u>FY 2016</u>	<u>FY 2015</u>
Non-GAAP Net Income					
Non-GAAP Net Income	\$157	\$206	\$202	\$633	\$865
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	287	296	313	297	\$321

Non-GAAP Net Income per Share, Diluted	\$0.55	\$0.70	\$0.65	\$2.13	\$2.70
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Select Balance Sheet Items

	<u>Q4 FY'16</u>	Q3 FY'16	Q4 FY'15
Deferred Revenue and Financed Unearned Services Revenue	\$3,385	\$3,126	\$3,197
DSO (days)	54	38	46
Inventory Turns	22	20	16

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

	<u>Q4 FY'16</u>	Q3 FY'16	Q4 FY'15	<u>FY 2016</u>	FY 2015
Net Cash Provided by Operating Activities	\$345	\$355	\$396	\$974	\$1,268
Purchases of Property and Equipment	\$35	\$41	\$37	\$160	\$175
Free Cash Flow	\$310	\$314	\$359	\$814	\$1,093
<i>Free Cash Flow as % of Net Revenues</i>	22.5%	22.7%	23.3%	14.7%	17.8%

Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less purchases of property and equipment.

Some items may not add or recalculate due to rounding.

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

	<u>Q4'FY16</u>	<u>Q3'FY16</u>	<u>Q4'FY15</u>	<u>FY2016</u>	<u>FY2015</u>
NET INCOME (LOSS)	\$ (8)	\$ 153	\$ 135	\$ 229	\$ 560
Adjustments:					
Amortization of intangible assets	25	14	16	67	64
Stock-based compensation	61	63	63	260	259
Asset impairment	-	-	-	11	-
Restructuring and other charges	80	-	-	108	-
Acquisition-related expense	6	2	-	8	-
Gain on sale of properties	(51)	-	-	(51)	-
Income tax effect of non-GAAP adjustments	(20)	(26)	(11)	(86)	(66)
Income tax expenses from integration of intellectual properties from acquisitions	64	-	-	64	-
Settlement of income tax audit	-	-	-	23	47
NON-GAAP NET INCOME	<u>\$ 157</u>	<u>\$ 206</u>	<u>\$ 202</u>	<u>\$ 633</u>	<u>\$ 865</u>
COST OF REVENUES	\$ 562	\$ 531	\$ 605	\$ 2,173	\$ 2,290
Adjustments:					
Amortization of intangible assets	(20)	(13)	(16)	(61)	(63)
Stock-based compensation	(5)	(6)	(5)	(24)	(22)
Asset impairment	-	-	-	(11)	-
NON-GAAP COST OF REVENUES	<u>\$ 537</u>	<u>\$ 512</u>	<u>\$ 584</u>	<u>\$ 2,077</u>	<u>\$ 2,205</u>
COST OF PRODUCT REVENUES	\$ 424	\$ 381	\$ 441	\$ 1,558	\$ 1,657
Adjustments:					
Amortization of intangible assets	(20)	(13)	(15)	(61)	(61)
Stock-based compensation	(1)	(1)	(1)	(5)	(6)
Asset impairment	-	-	-	(5)	-
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 403</u>	<u>\$ 367</u>	<u>\$ 425</u>	<u>\$ 1,487</u>	<u>\$ 1,591</u>
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 129	\$ 141	\$ 154	\$ 578	\$ 597
Adjustments:					
Amortization of intangible assets	-	-	(1)	-	(2)
Stock-based compensation	(4)	(5)	(4)	(19)	(16)
Asset impairment	-	-	-	(6)	-
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	<u>\$ 125</u>	<u>\$ 136</u>	<u>\$ 150</u>	<u>\$ 553</u>	<u>\$ 579</u>
GROSS PROFIT	\$ 818	\$ 855	\$ 935	\$ 3,373	\$ 3,833
Adjustments:					
Amortization of intangible assets	20	13	16	61	63
Stock-based compensation	5	6	5	24	22
Asset impairment	-	-	-	11	-
NON-GAAP GROSS PROFIT	<u>\$ 843</u>	<u>\$ 874</u>	<u>\$ 955</u>	<u>\$ 3,469</u>	<u>\$ 3,918</u>
SALES AND MARKETING EXPENSES	\$ 434	\$ 418	\$ 470	\$ 1,792	\$ 1,913
Adjustments:					
Amortization of intangible assets	(5)	(1)	-	(6)	(1)
Stock-based compensation	(26)	(27)	(29)	(110)	(116)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 403</u>	<u>\$ 390</u>	<u>\$ 440</u>	<u>\$ 1,676</u>	<u>\$ 1,796</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 201	\$ 200	\$ 233	\$ 861	\$ 920
Adjustment:					
Stock-based compensation	(20)	(20)	(20)	(84)	(84)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 181</u>	<u>\$ 180</u>	<u>\$ 213</u>	<u>\$ 777</u>	<u>\$ 835</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 84	\$ 70	\$ 71	\$ 307	\$ 284
Adjustment:					
Stock-based compensation	(10)	(10)	(9)	(42)	(37)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 74</u>	<u>\$ 60</u>	<u>\$ 62</u>	<u>\$ 265</u>	<u>\$ 247</u>

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

	<u>Q4'FY16</u>	<u>Q3'FY16</u>	<u>Q4'FY15</u>	<u>FY2016</u>	<u>FY2015</u>
RESTRUCTURING AND OTHER CHARGES	\$ 80	\$ -	\$ -	\$ 108	\$ -
Adjustment:					
Restructuring and other charges	(80)	-	-	(108)	-
NON-GAAP RESTRUCTURING AND OTHER CHARGES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ACQUISITION-RELATED EXPENSE	\$ 6	\$ 2	\$ -	\$ 8	\$ -
Adjustment:					
Acquisition-related expense	(6)	(2)	-	(8)	-
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAIN ON SALE OF PROPERTIES	\$ (51)	\$ -	\$ -	\$ (51)	\$ -
Adjustment:					
Gain on sale of properties	51	-	-	51	-
NON-GAAP GAIN ON SALE OF PROPERTIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES	\$ 754	\$ 690	\$ 774	\$ 3,025	\$ 3,117
Adjustments:					
Amortization of intangible assets	(5)	(1)	-	(6)	(1)
Stock-based compensation	(56)	(57)	(58)	(236)	(237)
Restructuring and other charges	(80)	-	-	(108)	-
Acquisition-related expense	(6)	(2)	-	(8)	-
Gain on sale of properties	51	-	-	51	-
NON-GAAP OPERATING EXPENSES	<u>\$ 658</u>	<u>\$ 630</u>	<u>\$ 715</u>	<u>\$ 2,718</u>	<u>\$ 2,878</u>
INCOME FROM OPERATIONS	\$ 64	\$ 165	\$ 161	\$ 348	\$ 716
Adjustments:					
Amortization of intangible assets	25	14	16	67	64
Stock-based compensation	61	63	63	260	259
Asset impairment	-	-	-	11	-
Restructuring and other charges	80	-	-	108	-
Acquisition-related expense	6	2	-	8	-
Gain on sale of properties	(51)	-	-	(51)	-
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 185</u>	<u>\$ 244</u>	<u>\$ 240</u>	<u>\$ 751</u>	<u>\$ 1,040</u>
INCOME BEFORE INCOME TAXES	\$ 60	\$ 163	\$ 164	\$ 345	\$ 713
Adjustments:					
Amortization of intangible assets	25	14	16	67	64
Stock-based compensation	61	63	63	260	259
Asset impairment	-	-	-	11	-
Restructuring and other charges	80	-	-	108	-
Acquisition-related expense	6	2	-	8	-
Gain on sale of properties	(51)	-	-	(51)	-
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 181</u>	<u>\$ 242</u>	<u>\$ 243</u>	<u>\$ 748</u>	<u>\$ 1,036</u>
PROVISION FOR INCOME TAXES	\$ 68	\$ 10	\$ 29	\$ 116	\$ 153
Adjustments:					
Income tax effect of non-GAAP adjustments	20	26	11	86	66
Income tax expenses from integration of intellectual properties from acquisitions	(64)	-	-	(64)	-
Settlement of income tax audit	-	-	-	(23)	(47)
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 24</u>	<u>\$ 36</u>	<u>\$ 41</u>	<u>\$ 115</u>	<u>\$ 171</u>
NET INCOME (LOSS) PER SHARE	\$ (0.03)	\$ 0.52	\$ 0.43	\$ 0.77	\$ 1.75
Adjustments:					
Amortization of intangible assets	0.09	0.05	0.05	0.23	0.20
Stock-based compensation	0.21	0.21	0.20	0.88	0.81
Asset impairment	-	-	-	0.04	-
Restructuring and other charges	0.28	-	-	0.36	-
Acquisition-related expense	0.02	0.01	-	0.03	-
Gain on sale of properties	(0.18)	-	-	(0.17)	-
Income tax effect of non-GAAP adjustments	(0.07)	(0.09)	(0.04)	(0.29)	(0.21)
Income tax expenses from integration of intellectual properties from acquisitions	0.23	-	-	0.22	-
Settlement of income tax audit	-	-	-	0.08	0.15
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.55</u>	<u>\$ 0.70</u>	<u>\$ 0.65</u>	<u>\$ 2.13</u>	<u>\$ 2.70</u>

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

	<u>Q4'FY16</u>	<u>Q3'FY16</u>	<u>Q4'FY15</u>	<u>FY2016</u>	<u>FY2015</u>
Gross margin-GAAP	59.3%	61.7%	60.7%	60.8%	62.6%
Cost of revenues adjustments	<u>1.8%</u>	<u>1.4%</u>	<u>1.3%</u>	<u>1.7%</u>	<u>1.4%</u>
Gross margin-Non-GAAP	61.1%	63.1%	62.0%	62.5%	64.0%
GAAP cost of revenues	\$ 562	\$ 531	\$ 605	\$ 2,173	\$ 2,290
Cost of revenues adjustments:					
Amortization of intangible assets	(20)	(13)	(16)	(61)	(63)
Stock-based compensation	(5)	(6)	(5)	(24)	(22)
Asset impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>-</u>
Non-GAAP cost of revenues	<u>\$ 537</u>	<u>\$ 512</u>	<u>\$ 584</u>	<u>\$ 2,077</u>	<u>\$ 2,205</u>
Net revenues	\$ 1,380	\$ 1,386	\$ 1,540	\$ 5,546	\$ 6,123

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

	<u>Q4'FY16</u>	<u>Q3'FY16</u>	<u>Q4'FY15</u>	<u>FY2016</u>	<u>FY2015</u>
Product gross margin-GAAP	44.0%	49.2%	51.7%	47.8%	54.7%
Cost of product revenues adjustments	<u>2.8%</u>	<u>1.9%</u>	<u>1.8%</u>	<u>2.4%</u>	<u>1.8%</u>
Product gross margin-Non-GAAP	46.8%	51.1%	53.4%	50.2%	56.5%
GAAP cost of product revenues	\$ 424	\$ 381	\$ 441	\$ 1,558	\$ 1,657
Cost of product revenues adjustments:					
Amortization of intangible assets	(20)	(13)	(15)	(61)	(61)
Stock-based compensation	(1)	(1)	(1)	(5)	(6)
Asset impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>-</u>
Non-GAAP cost of product revenues	<u>\$ 403</u>	<u>\$ 367</u>	<u>\$ 425</u>	<u>\$ 1,487</u>	<u>\$ 1,591</u>
Product revenues	\$ 757	\$ 750	\$ 914	\$ 2,986	\$ 3,655

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

	<u>Q4'FY16</u>	<u>Q3'FY16</u>	<u>Q4'FY15</u>	<u>FY2016</u>	<u>FY2015</u>
Hardware maintenance and other services gross margin-GAAP	66.8%	64.9%	61.6%	64.1%	62.0%
Cost of hardware maintenance and other services revenues adjustments	<u>1.0%</u>	<u>1.2%</u>	<u>1.0%</u>	<u>1.6%</u>	<u>1.2%</u>
Hardware maintenance and other services gross margin-Non-GAAP	67.9%	66.2%	62.6%	65.7%	63.1%
GAAP cost of hardware maintenance and other services revenues	\$ 129	\$ 141	\$ 154	\$ 578	\$ 597
Cost of hardware maintenance and other services revenues adjustments:					
Amortization of intangible assets	-	-	(1)	-	(2)
Stock-based compensation	(4)	(5)	(4)	(19)	(16)
Asset impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
Non-GAAP cost of hardware maintenance and other services revenues	<u>\$ 125</u>	<u>\$ 136</u>	<u>\$ 150</u>	<u>\$ 553</u>	<u>\$ 579</u>
Hardware maintenance and other services revenues	\$ 389	\$ 402	\$ 399	\$ 1,611	\$ 1,569

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

	<u>Q4'FY16</u>	<u>Q3'FY16</u>	<u>Q4'FY15</u>	<u>FY2016</u>	<u>FY2015</u>
GAAP effective tax rate	113.3%	6.1%	17.8%	33.6%	21.5%
Adjustments:					
Tax effect of non-GAAP adjustments	(64.9%)	8.8%	(1.1%)	(6.6%)	(0.3%)
Income tax expenses from integration of intellectual properties from acquisitions	(35.4%)	- %	- %	(8.6%)	- %
Settlement of income tax audit	- %	- %	- %	(3.1%)	(4.6%)
Non-GAAP effective tax rate	<u>13.1%</u>	<u>14.9%</u>	<u>16.7%</u>	<u>15.4%</u>	<u>16.5%</u>

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

	<u>Q4'FY16</u>	<u>Q3'FY16</u>	<u>Q4'FY15</u>	<u>FY2016</u>	<u>FY2015</u>
Net cash provided by operating activities	\$ 345	\$ 355	\$ 396	\$ 974	\$ 1,268
Purchases of property and equipment	(35)	(41)	(37)	(160)	(175)
Free cash flow	<u>\$ 310</u>	<u>\$ 314</u>	<u>\$ 359</u>	<u>\$ 814</u>	<u>\$ 1,093</u>

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

	<u>Q4'FY16</u>	<u>Q3'FY16</u>	<u>Q4'FY15</u>
Annualized inventory turns-GAAP	23	21	17
Cost of revenues adjustments	(1)	(1)	(1)
Annualized inventory turns-Non-GAAP	<u>22</u>	<u>20</u>	<u>16</u>
GAAP cost of revenues	\$ 562	\$ 531	\$ 605
Cost of revenues adjustments:			
Amortization of intangible assets	(20)	(13)	(16)
Stock-based compensation	(5)	(6)	(5)
Non-GAAP cost of revenues	<u>\$ 537</u>	<u>\$ 512</u>	<u>\$ 584</u>
Inventory	\$ 98	\$ 102	\$ 146

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FIRST QUARTER FISCAL 2017

	First Quarter Fiscal 2017
Non-GAAP Guidance - Net Income Per Share	\$0.34 - \$0.39
Adjustments of Specific Items to Net Income Per Share for the First Quarter Fiscal 2017:	
Amortization of intangible assets	(0.04)
Stock-based compensation expense	(0.20)
Restructuring and other charges	(0.01)
Income tax effect of non-GAAP adjustments	0.04
Total Adjustments	<u>(0.21)</u>
GAAP Guidance - Net Income Per Share	\$0.13 - \$0.18