

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

	April 24, 2015	April 25, 2014
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 5,326.2	\$ 5,003.3
Accounts receivable	778.9	855.9
Inventories	146.5	122.4
Other current assets	521.8	489.7
Total current assets	6,773.4	6,471.3
Property and equipment, net	1,029.9	1,108.8
Goodwill and purchased intangible assets, net	1,116.9	1,109.6
Other non-current assets ⁽¹⁾	481.0	524.1
Total assets	\$ 9,401.2	\$ 9,213.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 283.4	\$ 247.0
Accrued expenses	701.4	793.8
Short-term deferred revenue	1,724.2	1,653.8
Total current liabilities	2,709.0	2,694.6
Long-term debt ⁽¹⁾	1,487.5	990.1
Other long-term liabilities	317.6	296.2
Long-term deferred revenue	1,473.0	1,446.4
Total liabilities	5,987.1	5,427.3
Stockholders' equity	3,414.1	3,786.5
Total liabilities and stockholders' equity	\$ 9,401.2	\$ 9,213.8

(1) In the fourth quarter of fiscal 2015, we adopted a new accounting standard that resulted in a reclassification of debt issuance costs of \$7.5 million and \$5.4 million as of April 24, 2015 and April 25, 2014, respectively from other assets to an offset to long-term debt.

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

	Three Months Ended		Year Ended	
	April 24, 2015	April 25, 2014	April 24, 2015	April 25, 2014
Revenues:				
Product	\$ 913.4	\$ 1,042.8	\$ 3,654.6	\$ 3,943.9
Software maintenance	226.5	227.5	898.6	914.8
Hardware maintenance and other services	399.8	378.7	1,569.5	1,466.4
Net revenues	<u>1,539.7</u>	<u>1,649.0</u>	<u>6,122.7</u>	<u>6,325.1</u>
Cost of revenues:				
Cost of product	441.3	453.2	1,656.9	1,777.1
Cost of software maintenance	9.5	8.0	35.7	30.7
Cost of hardware maintenance and other services	153.7	145.8	596.9	598.2
Total cost of revenues	<u>604.5</u>	<u>607.0</u>	<u>2,289.5</u>	<u>2,406.0</u>
Gross profit	<u>935.2</u>	<u>1,042.0</u>	<u>3,833.2</u>	<u>3,919.1</u>
Operating expenses:				
Sales and marketing	470.2	475.0	1,913.2	1,898.2
Research and development	232.4	230.7	919.3	917.3
General and administrative	71.0	73.7	284.2	281.0
Restructuring and other charges	-	38.8	-	88.3
Total operating expenses	<u>773.6</u>	<u>818.2</u>	<u>3,116.7</u>	<u>3,184.8</u>
Income from operations	161.6	223.8	716.5	734.3
Other income (expense), net	2.5	2.8	(3.7)	6.4
Income before income taxes	164.1	226.6	712.8	740.7
Provision for income taxes	29.2	29.6	152.9	103.2
Net income	<u>\$ 134.9</u>	<u>\$ 197.0</u>	<u>\$ 559.9</u>	<u>\$ 637.5</u>
Net income per share:				
Basic	<u>\$ 0.44</u>	<u>\$ 0.60</u>	<u>\$ 1.77</u>	<u>\$ 1.87</u>
Diluted	<u>\$ 0.43</u>	<u>\$ 0.59</u>	<u>\$ 1.75</u>	<u>\$ 1.83</u>
Shares used in net income per share calculations:				
Basic	<u>308.8</u>	<u>330.2</u>	<u>315.5</u>	<u>340.3</u>
Diluted	<u>313.3</u>	<u>336.4</u>	<u>320.7</u>	<u>347.9</u>
Cash dividends declared per share	<u>\$ 0.165</u>	<u>\$ 0.150</u>	<u>\$ 0.660</u>	<u>\$ 0.600</u>

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

	Three Months Ended		Year Ended	
	April 24, 2015	April 25, 2014	April 24, 2015	April 25, 2014
Cash flows from operating activities:				
Net income	\$ 134.9	\$ 197.0	\$ 559.9	\$ 637.5
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	72.6	82.1	307.2	334.1
Stock-based compensation	63.2	67.2	259.3	273.0
Excess tax benefit from stock-based compensation	(1.4)	(19.1)	(55.2)	(52.5)
Other, net	2.3	(26.3)	31.9	(48.7)
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(111.9)	(270.0)	74.8	(56.6)
Inventories	(28.7)	(4.3)	(24.1)	17.0
Accounts payable	84.5	57.7	38.6	(12.1)
Accrued expenses	95.4	126.8	(66.7)	32.3
Deferred revenue	87.7	133.6	122.1	106.6
Changes in other operating assets and liabilities, net	(2.0)	24.8	20.3	119.0
Net cash provided by operating activities	<u>396.6</u>	<u>369.5</u>	<u>1,268.1</u>	<u>1,349.6</u>
Cash flows from investing activities:				
Redemptions (purchases) of investments, net	(686.4)	212.3	(644.8)	975.0
Purchases of property and equipment	(37.2)	(56.0)	(175.3)	(221.4)
Acquisitions of businesses	-	-	(84.6)	-
Other investing activities, net	(1.0)	4.2	1.5	6.8
Net cash provided by (used in) investing activities	<u>(724.6)</u>	<u>160.5</u>	<u>(903.2)</u>	<u>760.4</u>
Cash flows from financing activities:				
Issuance of common stock	11.3	9.6	156.9	201.4
Repurchase of common stock and forward contract	(246.3)	(374.5)	(1,165.2)	(1,881.5)
Excess tax benefit from stock-based compensation	1.4	19.1	55.2	52.5
Repayment of debt	-	-	-	(1,264.9)
Issuance of long-term debt, net	-	-	494.7	-
Dividends paid	(50.5)	(49.2)	(207.4)	(202.3)
Other financing activities, net	(1.8)	(1.7)	(9.4)	(9.2)
Net cash used in financing activities	<u>(285.9)</u>	<u>(396.7)</u>	<u>(675.2)</u>	<u>(3,104.0)</u>
Effect of exchange rate changes on cash and cash equivalents	(4.3)	5.0	(59.2)	7.9
Net increase (decrease) in cash and cash equivalents	(618.2)	138.3	(369.5)	(986.1)
Cash and cash equivalents:				
Beginning of period	<u>2,539.7</u>	<u>2,152.7</u>	<u>2,291.0</u>	<u>3,277.1</u>
End of period	<u>\$ 1,921.5</u>	<u>\$ 2,291.0</u>	<u>\$ 1,921.5</u>	<u>\$ 2,291.0</u>

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

	<u>Q4 FY'15</u>	<u>Q3 FY'15</u>	<u>Q4 FY'14</u>	<u>FY 2015</u>	<u>FY 2014</u>
Revenues					
Product	\$913.4	\$929.5	\$1,042.8	\$3,654.6	\$3,943.9
Software Maintenance	226.5	226.6	227.5	898.6	914.8
Hardware Maintenance & Other Services:	399.8	395.2	378.7	1,569.5	1,466.4
<i>Hardware Maintenance Support Contracts</i>	323.1	315.6	293.7	1,252.5	1,129.6
<i>Professional & Other Services</i>	76.7	79.6	85.0	317.0	336.7
Net Revenues	\$1,539.7	\$1,551.3	\$1,649.0	\$6,122.7	\$6,325.1

Software Maintenance revenue was formerly called Software Entitlements & Maintenance (SEM) revenue.

Hardware Maintenance & Other Services revenue was formerly called Services revenue.

	<u>Q4 FY'15</u>	<u>Q3 FY'15</u>	<u>Q4 FY'14</u>	<u>FY 2015</u>	<u>FY 2014</u>
Branded and OEM Revenues					
Branded Revenue	\$1,438.0	\$1,427.5	\$1,539.2	\$5,649.9	\$5,740.4
OEM Revenue	101.7	123.8	109.8	472.8	584.7
Net Revenues	\$1,539.7	\$1,551.3	\$1,649.0	\$6,122.7	\$6,325.1

Branded revenue includes revenue from all products and services sold directly by us or our partners under the NetApp brand, including NetApp branded E-Series products and solutions.

OEM revenue comprises revenue from the sale of our products by other companies under their brands and includes revenue from IBM, Fujitsu, and other E-Series OEM relationships.

	<u>% of Q4 FY'15 Revenue</u>	<u>% of Q3 FY'15 Revenue</u>	<u>% of Q4 FY'14 Revenue</u>	<u>% of FY 2015 Revenue</u>	<u>% of FY 2014 Revenue</u>
Geographic Mix					
Americas	57%	54%	56%	56%	56%
<i>Americas Commercial</i>	43%	44%	43%	43%	43%
<i>U.S. Public Sector</i>	14%	10%	12%	13%	12%
EMEA	30%	33%	31%	30%	31%
Asia Pacific	13%	13%	13%	13%	14%

	<u>% of Q4 FY'15 Revenue</u>	<u>% of Q3 FY'15 Revenue</u>	<u>% of Q4 FY'14 Revenue</u>	<u>% of FY 2015 Revenue</u>	<u>% of FY 2014 Revenue</u>
Pathways Mix					
Direct	21%	19%	17%	20%	18%
Indirect	79%	81%	83%	80%	82%

Direct revenues are those sold through our direct sales force. 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'15</u>	<u>Q3 FY'15</u>	<u>Q4 FY'14</u>	<u>FY 2015</u>	<u>FY 2014</u>
Non-GAAP Gross Margins					
Non-GAAP Gross Margin	62.0%	64.6%	64.4%	64.0%	63.2%
Product	53.4%	57.0%	58.0%	56.5%	56.5%
Software Maintenance	95.8%	95.9%	96.5%	96.0%	96.6%
Hardware Maintenance & Other Services	62.6%	64.5%	62.7%	63.1%	60.5%

	<u>Q4 FY'15</u>	<u>Q3 FY'15</u>	<u>Q4 FY'14</u>	<u>FY 2015</u>	<u>FY 2014</u>
Non-GAAP Income from Operations, Income before Income Taxes & Effective Tax Rate					
Non-GAAP Income from Operations	\$240.3	\$287.7	\$344.4	\$1,039.5	\$1,154.7
% of Net Revenues	15.6%	18.5%	20.9%	17.0%	18.3%
Non-GAAP Income before Income Taxes	\$242.8	\$285.3	\$347.2	\$1,035.8	\$1,169.3
Non-GAAP Effective Tax Rate	16.7%	16.5%	18.1%	16.5%	17.2%

Non-GAAP Net Income

	<u>Q4 FY'15</u>	<u>Q3 FY'15</u>	<u>Q4 FY'14</u>	<u>FY 2015</u>	<u>FY 2014</u>
Non-GAAP Net Income	\$202.3	\$238.3	\$284.2	\$864.5	\$968.2
Weighted Average Common Shares Outstanding, Diluted	313.3	317.1	336.4	320.7	347.9
Non-GAAP Net Income per Share, Diluted	\$0.65	\$0.75	\$0.84	\$2.70	\$2.78

Select Balance Sheet Items

	<u>Q4 FY'15</u>	<u>Q3 FY'15</u>	<u>Q4 FY'14</u>
Deferred Revenue	\$3,197.2	\$3,109.7	\$3,100.2
DSO (days)	46	39	47
Inventory Turns	16	19	19

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'15</u>	<u>Q3 FY'15</u>	<u>Q4 FY'14</u>	<u>FY 2015</u>	<u>FY 2014</u>
Net Cash Provided by Operating Activities	\$396.6	\$274.6	\$369.5	\$1,268.1	\$1,349.6
Purchases of Property and Equipment	\$37.2	\$28.6	\$56.0	\$175.3	\$221.4
Free Cash Flow	\$359.4	\$246.0	\$313.5	\$1,092.8	\$1,128.2
<i>Free Cash Flow as % of Net Revenues</i>	23.3%	15.9%	19.0%	17.8%	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'FY15</u>	<u>Q3'FY15</u>	<u>Q4'FY14</u>	<u>FY2015</u>	<u>FY2014</u>
NET INCOME	\$ 134.9	\$ 176.8	\$ 197.0	\$ 559.9	\$ 637.5
Adjustments:					
Amortization of intangible assets	15.5	19.2	14.6	63.7	59.1
Stock-based compensation	63.2	66.0	67.2	259.3	273.0
Restructuring and other charges	-	-	38.8	-	88.3
Non-cash interest expense	-	-	-	-	8.2
Income tax effect of non-GAAP adjustments	(11.3)	(23.7)	(33.4)	(65.8)	(97.9)
Settlement of income tax audit	-	-	-	47.4	-
NON-GAAP NET INCOME	<u>\$ 202.3</u>	<u>\$ 238.3</u>	<u>\$ 284.2</u>	<u>\$ 864.5</u>	<u>\$ 968.2</u>
COST OF REVENUES	\$ 604.5	\$ 573.9	\$ 607.0	\$ 2,289.5	\$ 2,406.0
Adjustments:					
Amortization of intangible assets	(15.2)	(18.9)	(14.3)	(62.6)	(57.1)
Stock-based compensation	(4.9)	(5.4)	(5.3)	(21.8)	(22.3)
NON-GAAP COST OF REVENUES	<u>\$ 584.4</u>	<u>\$ 549.6</u>	<u>\$ 587.4</u>	<u>\$ 2,205.1</u>	<u>\$ 2,326.6</u>
COST OF PRODUCT REVENUES	\$ 441.3	\$ 419.6	\$ 453.2	\$ 1,656.9	\$ 1,777.1
Adjustments:					
Amortization of intangible assets	(14.7)	(18.3)	(13.7)	(60.4)	(54.8)
Stock-based compensation	(1.3)	(1.4)	(1.4)	(5.8)	(5.6)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 425.3</u>	<u>\$ 399.9</u>	<u>\$ 438.1</u>	<u>\$ 1,590.7</u>	<u>\$ 1,716.7</u>
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 153.7	\$ 144.9	\$ 145.8	\$ 596.9	\$ 598.2
Adjustments:					
Amortization of intangible assets	(0.5)	(0.6)	(0.6)	(2.2)	(2.3)
Stock-based compensation	(3.6)	(4.0)	(3.9)	(16.0)	(16.7)
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	<u>\$ 149.6</u>	<u>\$ 140.3</u>	<u>\$ 141.3</u>	<u>\$ 578.7</u>	<u>\$ 579.2</u>
GROSS PROFIT	\$ 935.2	\$ 977.4	\$ 1,042.0	\$ 3,833.2	\$ 3,919.1
Adjustments:					
Amortization of intangible assets	15.2	18.9	14.3	62.6	57.1
Stock-based compensation	4.9	5.4	5.3	21.8	22.3
NON-GAAP GROSS PROFIT	<u>\$ 955.3</u>	<u>\$ 1,001.7</u>	<u>\$ 1,061.6</u>	<u>\$ 3,917.6</u>	<u>\$ 3,998.5</u>
SALES AND MARKETING EXPENSES	\$ 470.2	\$ 474.8	\$ 475.0	\$ 1,913.2	\$ 1,898.2
Adjustments:					
Amortization of intangible assets	(0.3)	(0.3)	(0.3)	(1.1)	(2.0)
Stock-based compensation	(29.5)	(29.6)	(30.4)	(116.5)	(125.0)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 440.4</u>	<u>\$ 444.9</u>	<u>\$ 444.3</u>	<u>\$ 1,795.6</u>	<u>\$ 1,771.2</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 232.4	\$ 229.9	\$ 230.7	\$ 919.3	\$ 917.3
Adjustment:					
Stock-based compensation	(19.5)	(21.9)	(21.1)	(84.1)	(87.7)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 212.9</u>	<u>\$ 208.0</u>	<u>\$ 209.6</u>	<u>\$ 835.2</u>	<u>\$ 829.6</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 71.0	\$ 70.2	\$ 73.7	\$ 284.2	\$ 281.0
Adjustment:					
Stock-based compensation	(9.3)	(9.1)	(10.4)	(36.9)	(38.0)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 61.7</u>	<u>\$ 61.1</u>	<u>\$ 63.3</u>	<u>\$ 247.3</u>	<u>\$ 243.0</u>

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

	<u>Q4'FY15</u>	<u>Q3'FY15</u>	<u>Q4'FY14</u>	<u>FY2015</u>	<u>FY2014</u>
RESTRUCTURING AND OTHER CHARGES	\$ -	\$ -	\$ 38.8	\$ -	\$ 88.3
Adjustment:					
Restructuring and other charges	-	-	(38.8)	-	(88.3)
NON-GAAP RESTRUCTURING AND OTHER CHARGES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES	\$ 773.6	\$ 774.9	\$ 818.2	\$ 3,116.7	\$ 3,184.8
Adjustments:					
Amortization of intangible assets	(0.3)	(0.3)	(0.3)	(1.1)	(2.0)
Stock-based compensation	(58.3)	(60.6)	(61.9)	(237.5)	(250.7)
Restructuring and other charges	-	-	(38.8)	-	(88.3)
NON-GAAP OPERATING EXPENSES	<u>\$ 715.0</u>	<u>\$ 714.0</u>	<u>\$ 717.2</u>	<u>\$ 2,878.1</u>	<u>\$ 2,843.8</u>
INCOME FROM OPERATIONS	\$ 161.6	\$ 202.5	\$ 223.8	\$ 716.5	\$ 734.3
Adjustments:					
Amortization of intangible assets	15.5	19.2	14.6	63.7	59.1
Stock-based compensation	63.2	66.0	67.2	259.3	273.0
Restructuring and other charges	-	-	38.8	-	88.3
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 240.3</u>	<u>\$ 287.7</u>	<u>\$ 344.4</u>	<u>\$ 1,039.5</u>	<u>\$ 1,154.7</u>
OTHER INCOME (EXPENSE), NET	\$ 2.5	\$ (2.4)	\$ 2.8	\$ (3.7)	\$ 6.4
Adjustment:					
Non-cash interest expense	-	-	-	-	8.2
NON-GAAP OTHER INCOME (EXPENSE), NET	<u>\$ 2.5</u>	<u>\$ (2.4)</u>	<u>\$ 2.8</u>	<u>\$ (3.7)</u>	<u>\$ 14.6</u>
INCOME BEFORE INCOME TAXES	\$ 164.1	\$ 200.1	\$ 226.6	\$ 712.8	\$ 740.7
Adjustments:					
Amortization of intangible assets	15.5	19.2	14.6	63.7	59.1
Stock-based compensation	63.2	66.0	67.2	259.3	273.0
Restructuring and other charges	-	-	38.8	-	88.3
Non-cash interest expense	-	-	-	-	8.2
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 242.8</u>	<u>\$ 285.3</u>	<u>\$ 347.2</u>	<u>\$ 1,035.8</u>	<u>\$ 1,169.3</u>
PROVISION FOR INCOME TAXES	\$ 29.2	\$ 23.3	\$ 29.6	\$ 152.9	\$ 103.2
Adjustments:					
Income tax effect of non-GAAP adjustments	11.3	23.7	33.4	65.8	97.9
Settlement of income tax audit	-	-	-	(47.4)	-
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 40.5</u>	<u>\$ 47.0</u>	<u>\$ 63.0</u>	<u>\$ 171.3</u>	<u>\$ 201.1</u>
NET INCOME PER SHARE	\$ 0.43	\$ 0.56	\$ 0.59	\$ 1.75	\$ 1.83
Adjustments:					
Amortization of intangible assets	0.05	0.06	0.04	0.20	0.17
Stock-based compensation	0.20	0.21	0.20	0.81	0.79
Restructuring and other charges	-	-	0.11	-	0.25
Non-cash interest expense	-	-	-	-	0.02
Income tax effect of non-GAAP adjustments	(0.04)	(0.07)	(0.10)	(0.21)	(0.28)
Settlement of income tax audit	-	-	-	0.15	-
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.65</u>	<u>\$ 0.75</u>	<u>\$ 0.84</u>	<u>\$ 2.70</u>	<u>\$ 2.78</u>

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

	<u>Q4'FY15</u>	<u>Q3'FY15</u>	<u>Q4'FY14</u>	<u>FY2015</u>	<u>FY2014</u>
Gross margin-GAAP	60.7%	63.0%	63.2%	62.6%	62.0%
Cost of revenues adjustments	1.3%	1.6%	1.2%	1.4%	1.3%
Gross margin-Non-GAAP	62.0%	64.6%	64.4%	64.0%	63.2%
GAAP cost of revenues	\$ 604.5	\$ 573.9	\$ 607.0	\$ 2,289.5	\$ 2,406.0
Cost of revenues adjustments:					
Amortization of intangible assets	(15.2)	(18.9)	(14.3)	(62.6)	(57.1)
Stock-based compensation	(4.9)	(5.4)	(5.3)	(21.8)	(22.3)
Non-GAAP cost of revenues	\$ 584.4	\$ 549.6	\$ 587.4	\$ 2,205.1	\$ 2,326.6
Net revenues	\$ 1,539.7	\$ 1,551.3	\$ 1,649.0	\$ 6,122.7	\$ 6,325.1

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

	<u>Q4'FY15</u>	<u>Q3'FY15</u>	<u>Q4'FY14</u>	<u>FY2015</u>	<u>FY2014</u>
Product gross margin-GAAP	51.7%	54.9%	56.5%	54.7%	54.9%
Cost of product revenues adjustments	1.8%	2.1%	1.4%	1.8%	1.5%
Product gross margin-Non-GAAP	53.4%	57.0%	58.0%	56.5%	56.5%
GAAP cost of product revenues	\$ 441.3	\$ 419.6	\$ 453.2	\$ 1,656.9	\$ 1,777.1
Cost of product revenues adjustments:					
Amortization of intangible assets	(14.7)	(18.3)	(13.7)	(60.4)	(54.8)
Stock-based compensation	(1.3)	(1.4)	(1.4)	(5.8)	(5.6)
Non-GAAP cost of product revenues	\$ 425.3	\$ 399.9	\$ 438.1	\$ 1,590.7	\$ 1,716.7
Product revenues	\$ 913.4	\$ 929.5	\$ 1,042.8	\$ 3,654.6	\$ 3,943.9

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

	<u>Q4'FY15</u>	<u>Q3'FY15</u>	<u>Q4'FY14</u>	<u>FY2015</u>	<u>FY2014</u>
Hardware maintenance and other services gross margin-GAAP	61.6%	63.3%	61.5%	62.0%	59.2%
Cost of hardware maintenance and other services revenues adjustments	1.0%	1.2%	1.2%	1.2%	1.3%
Hardware maintenance and other services gross margin-Non-GAAP	62.6%	64.5%	62.7%	63.1%	60.5%
GAAP cost of hardware maintenance and other services revenues	\$ 153.7	\$ 144.9	\$ 145.8	\$ 596.9	\$ 598.2
Cost of hardware maintenance and other services revenues adjustments:					
Amortization of intangible assets	(0.5)	(0.6)	(0.6)	(2.2)	(2.3)
Stock-based compensation	(3.6)	(4.0)	(3.9)	(16.0)	(16.7)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 149.6	\$ 140.3	\$ 141.3	\$ 578.7	\$ 579.2
Hardware maintenance and other services revenues	\$ 399.8	\$ 395.2	\$ 378.7	\$ 1,569.5	\$ 1,466.4

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

	<u>Q4'FY15</u>	<u>Q3'FY15</u>	<u>Q4'FY14</u>	<u>FY2015</u>	<u>FY2014</u>
GAAP effective tax rate	17.8%	11.6%	13.1%	21.5%	13.9%
Adjustments:					
Tax effect of non-GAAP adjustments	(1.1%)	4.9%	5.1%	(0.3%)	3.3%
Settlement of income tax audit	- %	- %	- %	(4.6%)	- %
Non-GAAP effective tax rate	<u>16.7%</u>	<u>16.5%</u>	<u>18.1%</u>	<u>16.5%</u>	<u>17.2%</u>

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

	<u>Q4'FY15</u>	<u>Q3'FY15</u>	<u>Q4'FY14</u>	<u>FY2015</u>	<u>FY2014</u>
Net cash provided by operating activities	\$ 396.6	\$ 274.6	\$ 369.5	\$ 1,268.1	\$ 1,349.6
Purchases of property and equipment	<u>(37.2)</u>	<u>(28.6)</u>	<u>(56.0)</u>	<u>(175.3)</u>	<u>(221.4)</u>
Free cash flow	\$ <u>359.4</u>	\$ <u>246.0</u>	\$ <u>313.5</u>	\$ <u>1,092.8</u>	\$ <u>1,128.2</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'FY15</u>	<u>Q3'FY15</u>	<u>Q4'FY14</u>
Annualized inventory turns-GAAP	17	19	20
Cost of revenues adjustments	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Annualized inventory turns-Non-GAAP	16	19	19
GAAP cost of revenues	\$ 604.5	\$ 573.9	\$ 607.0
Cost of revenues adjustments:			
Amortization of intangible assets	(15.2)	(18.9)	(14.3)
Stock-based compensation	<u>(4.9)</u>	<u>(5.4)</u>	<u>(5.3)</u>
Non-GAAP cost of revenues	\$ <u>584.4</u>	\$ <u>549.6</u>	\$ <u>587.4</u>
Inventory	\$ 146.5	\$ 117.8	\$ 122.4

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 2016

	First Quarter Fiscal 2016
Non-GAAP Guidance - Net Income Per Share*	\$0.20 - \$0.25
Adjustments of Specific Items to Net Income Per Share for the First Quarter Fiscal 2016:	
Amortization of intangible assets	(0.05)
Stock-based compensation expense	(0.24)
Restructuring charges	(0.09)
Income tax effect of non-GAAP adjustments	0.07
Total Adjustments	(0.31)
GAAP Guidance - Net Loss Per Share**	\$(0.11) - \$(0.06)

*Non-GAAP net income per share was computed using forecasted diluted shares of 315 million.

**GAAP net loss per share was computed using forecasted basic shares of 309 million.