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, free cash flow, billings, and historical and projected non-GAAP earnings per diluted share. NetApp also presents the hardware and software components of our GAAP product revenues. Because our revenue recognition policy under GAAP defines a configured storage system, inclusive of the operating system software essential to its functionality, as a single performance obligation, hardware and software components of our product revenues are considered non-GAAP measures. The hardware and software components of our product revenues are derived from an estimated fair value allocation of the transaction price of our contracts with customers, down to the level of the product hardware and software components. This allocation is primarily based on the contractual prices at which NetApp has historically billed customers for such respective components.

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 believes that the presentation of the software and hardware components of our product revenues is meaningful to investors and management as it illustrates the significance of the Company's software and provides improved visibility into the value created by our software innovation and R&D investment.

NetApp approximates billings by adding net revenues as reported on our Condensed Consolidated Statements of Operations for the period to the change in total deferred revenue and financed unearned services revenue as reported on our Condensed Consolidated Statements of Cash Flows for the same period. Billings is a performance measure that NetApp believes provides useful information to management and investors because it approximates the amounts under purchase orders received by us during a given period that have been billed.

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 the amount can fluctuate based on variables unrelated to the performance of the underlying business. 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, are less useful 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, are less useful for future planning and forecasting.

H. *Gains/losses on the sale of investments in equity securities*. These are gains/losses from the sale of our investment in certain equity securities. Typically, such investments are sold as a result of a change in control of the underlying businesses. Management believes that these transactions do not reflect the results of our underlying, on-going business and, therefore, are less useful for future planning and forecasting.

I. *Debt extinguishment costs*. NetApp excludes certain non-recurring expenses incurred as a result of the early extinguishment of debt. Management believes such nonrecurring costs do not reflect the results of its underlying, on-going business and, therefore, are less useful for future planning and forecasting.

J. *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 and benefits 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 per share amounts)

	FY2022	Q1'FY23	Q2 FY'23	Q3'FY23	Q4'FY23	FY2023	Q1 FY'24
NET INCOME	$ 937	$ 214	$ 750	$ 65	$ 245	$ 1,274	$ 149
Adjustments:							
Amortization of intangible assets	46	17	17	17	17	68	15
Stock-based compensation	245	67	78	93	74	312	87
Litigation settlements	2	-	-	-	-	-	-
Restructuring charges	33	11	11	87	11	120	26
Acquisition-related expense	13	10	5	3	3	21	3
Gain on sale of equity investment	-	(32)	-	-	-	(32)	-
Income tax effects	(68)	(18)	(11)	(33)	11	(51)	(31)
Income tax (benefits) expenses from integration of acquired companies	1	-	-	-	(27)	(27)	-
Resolution of income tax matters	-	-	-	69	-	69	-
Income tax benefit from intra-entity intellectual property transfer	-	-	(524)	-	-	(524)	-
NON-GAAP NET INCOME	$ 1,209	$ 269	$ 326	$ 301	$ 334	$ 1,230	$ 249
COST OF REVENUES	$ 2,098	$ 546	$ 576	$ 525	$ 506	$ 2,153	$ 436
Adjustments:							
Amortization of intangible assets	(33)	(11)	(10)	(11)	(10)	(42)	(9)
Stock-based compensation	(17)	(5)	(5)	(8)	(6)	(24)	(7)
NON-GAAP COST OF REVENUES	$ 2,048	$ 530	$ 561	$ 506	$ 490	$ 2,087	$ 420
COST OF PRODUCT REVENUES	$ 1,554	$ 397	$ 418	$ 367	$ 335	$ 1,517	$ 265
Adjustments:							
Amortization of intangible assets	(9)	(1)	-	-	-	(1)	-
Stock-based compensation	(4)	(1)	(1)	(2)	(1)	(5)	(1)
NON-GAAP COST OF PRODUCT REVENUES	$ 1,541	$ 395	$ 417	$ 365	$ 334	$ 1,511	$ 264
COST OF SERVICES REVENUES	$ 544	$ 149	$ 158	$ 158	$ 171	$ 636	$ 171
Adjustments:							
Amortization of intangible assets	(24)	(10)	(10)	(11)	(10)	(41)	(9)
Stock-based compensation	(13)	(4)	(4)	(6)	(5)	(19)	(6)
NON-GAAP COST OF SERVICES REVENUES	$ 507	$ 135	$ 144	$ 141	$ 156	$ 576	$ 156

GROSS PROFIT	$ 4,220	$ 1,046	$ 1,087	$ 1,001	$ 1,075	$ 4,209	$ 996
Adjustments:							
Amortization of intangible assets	33	11	10	11	10	42	9
Stock-based compensation	17	5	5	8	6	24	7
NON-GAAP GROSS PROFIT	$ 4,270	$ 1,062	$ 1,102	$ 1,020	$ 1,091	$ 4,275	$ 1,012
SALES AND MARKETING EXPENSES	$ 1,857	$ 458	$ 479	$ 450	$ 442	$ 1,829	$ 468
Adjustments:							
Amortization of intangible assets	(13)	(6)	(7)	(6)	(7)	(26)	(6)
Stock-based compensation	(115)	(28)	(35)	(40)	(32)	(135)	(36)
NON-GAAP SALES AND MARKETING EXPENSES	$ 1,729	$ 424	$ 437	$ 404	$ 403	$ 1,668	$ 426
RESEARCH AND DEVELOPMENT EXPENSES	$ 881	$ 240	$ 243	$ 230	$ 243	$ 956	$ 247
Adjustments:							
Stock-based compensation	(75)	(24)	(26)	(32)	(29)	(111)	(32)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	$ 806	$ 216	$ 217	$ 198	$ 214	$ 845	$ 215
GENERAL AND ADMINISTRATIVE EXPENSES	$ 279	$ 72	$ 67	$ 59	$ 67	$ 265	$ 74
Adjustments:							
Stock-based compensation	(38)	(10)	(12)	(13)	(7)	(42)	(12)
Litigation settlements	(2)	-	-	-	-	-	-
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	$ 239	$ 62	$ 55	$ 46	$ 60	$ 223	$ 62

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

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	FY 2023	Q1 FY'24
RESTRUCTURING CHARGES	$ 33	$ 11	$ 11	$ 87	$ 11	$ 120	$ 26
Adjustments:							
Restructuring charges	(33)	(11)	(11)	(87)	(11)	(120)	(26)
NON-GAAP RESTRUCTURING CHARGES	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACQUISITION-RELATED EXPENSE	$ 13	$ 10	$ 5	$ 3	$ 3	$ 21	$ 3
Adjustments:							
Acquisition-related expense	(13)	(10)	(5)	(3)	(3)	(21)	(3)
NON-GAAP ACQUISITION-RELATED EXPENSE	$ -	$ -	$ -	$ -	$ -	$ -	$ -

OPERATING EXPENSES	$ 3,063	$ 791	$ 805	$ 829	$ 766	$ 3,191	$ 818
Adjustments:							
Amortization of intangible assets	(13)	(6)	(7)	(6)	(7)	(26)	(6)
Stock-based compensation	(228)	(62)	(73)	(85)	(68)	(288)	(80)
Litigation settlements	(2)	-	-	-	-	-	-
Restructuring charges	(33)	(11)	(11)	(87)	(11)	(120)	(26)
Acquisition-related expense	(13)	(10)	(5)	(3)	(3)	(21)	(3)
Gain on sale or derecognition of assets	-	-	-	-	-	-	-
NON-GAAP OPERATING EXPENSES	$ 2,774	$ 702	$ 709	$ 648	$ 677	$ 2,736	$ 703
INCOME FROM OPERATIONS	$ 1,157	$ 255	$ 282	$ 172	$ 309	$ 1,018	$ 178
Adjustments:							
Amortization of intangible assets	46	17	17	17	17	68	15
Stock-based compensation	245	67	78	93	74	312	87
Litigation settlements	2	-	-	-	-	-	-
Restructuring charges	33	11	11	87	11	120	26
Acquisition-related expense	13	10	5	3	3	21	3
NON-GAAP INCOME FROM OPERATIONS	$ 1,496	$ 360	$ 393	$ 372	$ 414	$ 1,539	$ 309
OTHER INCOME (EXPENSE), NET	$ (62)	$ 15	$ 23	$ 5	$ 5	$ 48	$ 8
Adjustments:							
Gain on sale of equity investment	-	(32)	-	-	-	(32)	-
NON-GAAP OTHER INCOME (EXPENSE), NET	$ (62)	$ (17)	$ 23	$ 5	$ 5	$ 16	$ 8
INCOME BEFORE INCOME TAXES	$ 1,095	$ 270	$ 305	$ 177	$ 314	$ 1,066	$ 186
Adjustments:							
Amortization of intangible assets	46	17	17	17	17	68	15
Stock-based compensation	245	67	78	93	74	312	87
Litigation settlements	2	-	-	-	-	-	-
Restructuring charges	33	11	11	87	11	120	26
Acquisition-related expense	13	10	5	3	3	21	3
Gain on sale of equity investment	-	(32)	-	-	-	(32)	-
NON-GAAP INCOME BEFORE INCOME TAXES	$ 1,434	$ 343	$ 416	$ 377	$ 419	$ 1,555	$ 317
PROVISION (BENEFIT) FOR INCOME TAXES	$ 158	$ 56	$ (445)	$ 112	$ 69	$ (208)	$ 37
Adjustments:							
Income tax effects	68	18	11	33	(11)	51	31
Income tax benefits (expenses) from integration of acquired companies	(1)	-	-	-	27	27	-
Resolution of income tax matters	-	-	-	(69)	-	(69)	-
Income tax benefit from intra-entity intellectual property transfer	-	-	524	-	-	524	-
NON-GAAP PROVISION FOR INCOME TAXES	$ 225	$ 74	$ 90	$ 76	$ 85	$ 325	$ 68

NET INCOME PER SHARE	$ 4.09	$ 0.96	$ 3.41	$ 0.30	$ 1.13	$ 5.79	$ 0.69
Adjustments:							
Amortization of intangible assets	0.20	0.08	0.08	0.08	0.08	0.31	0.07
Stock-based compensation	1.07	0.30	0.35	0.42	0.34	1.42	0.40
Litigation settlements	0.01	-	-	-	-	-	-
Restructuring charges	0.14	0.05	0.05	0.40	0.05	0.55	0.12
Acquisition-related expense	0.06	0.04	0.02	0.01	0.01	0.10	0.01
Gain on sale of equity investment	-	(0.14)	-	-	-	(0.15)	-
Income tax effects	(0.30)	(0.08)	(0.05)	(0.15)	0.05	(0.23)	(0.14)
Income tax (benefits) expenses from integration of acquired companies	0.00	-	-	-	(0.12)	(0.12)	-
Resolution of income tax matters	-	-	-	0.32	-	0.31	-
Income tax benefit from intra-entity intellectual property transfer	-	-	(2.38)	-	-	(2.38)	-
NON-GAAP NET INCOME PER SHARE	$ 5.28	$ 1.20	$ 1.48	$ 1.37	$ 1.54	$ 5.59	$ 1.15

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

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	FY 2023	Q1 FY'24
Gross margin-GAAP	66.8%	65.7%	65.4%	65.6%	68.0%	66.2%	69.6%
Cost of revenues adjustments	0.8%	1.0%	0.9%	1.2%	1.0%	1.0%	1.1%
Gross margin-Non-GAAP	67.6%	66.7%	66.3%	66.8%	69.0%	67.2%	70.7%
GAAP cost of revenues	$ 2,098	$ 546	$ 576	$ 525	$ 506	$ 2,153	$ 436
Cost of revenues adjustments:							
Amortization of intangible assets	(33)	(11)	(10)	(11)	(10)	(42)	(9)
Stock-based compensation	(17)	(5)	(5)	(8)	(6)	(24)	(7)
Non-GAAP cost of revenues	$ 2,048	$ 530	$ 561	$ 506	$ 490	$ 2,087	$ 420
Net revenues	$ 6,318	$ 1,592	$ 1,663	$ 1,526	$ 1,581	$ 6,362	$ 1,432

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

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	FY 2023	Q1 FY'24
Product gross margin-GAAP	52.7%	49.5%	50.1%	46.2%	55.0%	50.2%	55.1%
Cost of product revenues adjustments	0.4%	0.3%	0.1%	0.3%	0.1%	0.2%	0.2%
Product gross margin-Non-GAAP	53.1%	49.7%	50.2%	46.5%	55.1%	50.4%	55.3%

GAAP cost of product revenues	$ 1,554	$ 397	$ 418	$ 367	$ 335	$ 1,517	$ 265
Cost of product revenues adjustments:							
Amortization of intangible assets	(9)	(1)	-	-	-	(1)	-
Stock-based compensation	(4)	(1)	(1)	(2)	(1)	(5)	(1)
Non-GAAP cost of product revenues	$ 1,541	$ 395	$ 417	$ 365	$ 334	$ 1,511	$ 264
Product revenues	$ 3,284	$ 786	$ 837	$ 682	$ 744	$ 3,049	$ 590

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

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	FY 2023	Q1 FY'24
Services gross margin-GAAP	82.1%	81.5%	80.9%	81.3%	79.6%	80.8%	79.7%
Cost of services revenues adjustments	1.2%	1.7%	1.7%	2.0%	1.8%	1.8%	1.8%
Services gross margin-Non-GAAP	83.3%	83.3%	82.6%	83.3%	81.4%	82.6%	81.5%
GAAP cost of services revenues	$ 544	$ 149	$ 158	$ 158	$ 171	$ 636	$ 171
Cost of services revenues adjustments:							
Amortization of intangible assets	(24)	(10)	(10)	(11)	(10)	(41)	(9)
Stock-based compensation	(13)	(4)	(4)	(6)	(5)	(19)	(6)
Non-GAAP cost of services revenues	$ 507	$ 135	$ 144	$ 141	$ 156	$ 576	$ 156
Services revenues	$ 3,034	$ 806	$ 826	$ 844	$ 837	$ 3,313	$ 842

RECONCILIATION OF NON-GAAP TO GAAP
EFFECTIVE TAX RATE

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	FY 2023	Q1 FY'24
GAAP effective tax rate	14.4%	20.7%	(145.9%)	63.3%	22.0%	(19.5%)	19.9%
Adjustments:							
Income tax effects	1.4%	0.8%	41.6%	(4.1%)	(10.3%)	(4.8%)	1.6%
Income tax benefits (expenses) from integration of acquired companies	(0.1%)	- %	- %	- %	8.6%	2.5%	- %
Resolution of income tax matters	- %	- %	- %	(39.0%)	- %	(6.5%)	- %
Income tax benefit from intra-entity intellectual property transfer	- %	- %	126%	- %	- %	49.2%	- %
Non-GAAP effective tax rate	15.7%	21.6%	21.6%	20.2%	20.3%	20.9%	21.5%

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

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	FY 2023	Q1 FY'24
Net cash provided by operating activities	$ 1,211	$ 281	$ 214	$ 377	$ 235	$ 1,107	$ 453
Purchases of property and equipment	(226)	(65)	(77)	(58)	(39)	(239)	(35)
Free cash flow	$ 985	$ 216	$ 137	$ 319	$ 196	$ 868	$ 418

RECONCILIATION OF NET REVENUES
TO BILLINGS (NON-GAAP)
(In millions)

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	FY 2023	Q1 FY'24
Net revenues	$ 6,318	$ 1,592	$ 1,663	$ 1,526	$ 1,581	$ 6,362	$ 1,432
Change in deferred revenue and financed unearned services revenue*	384	(32)	(61)	46	93	46	(133)
Billings	$ 6,702	$ 1,560	$ 1,602	$ 1,572	$ 1,674	$ 6,408	$ 1,299

* As reported on our Condensed Consolidated Statements of Cash Flows

Some items may not add or recalculate due to rounding

DOLLAR-BASED NET REVENUE RETENTION RATE (NON-GAAP) DEFINITION

Dollar-based net revenue retention rate (DBNRR) for Public Cloud is a Non-GAAP metric calculated by dividing the approximate total revenue from our Public Cloud customer base at the end of a period ("Cloud Current Period revenue") by the approximate revenue of the same group of customers at the beginning of that 12-month period. Cloud Current Period revenue includes existing customer renewals and expansion, is net of existing customer contraction and churn, and excludes new customers. Amounts used in the calculation of DBNRR differ from revenues recognized in accordance with US GAAP as they are derived from contract values prior to the reallocation of total contract value across all performance obligations based on relative standalone selling price, as required by ASC 606.

RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS
TO NET CASH (NON-GAAP)
(In millions)

	Q1 FY'24
Cash, cash equivalents and investments	$ 2,975
Long-term debt	(2,390)
Net Cash	$ 585

Net cash is a non-GAAP measure and is defined as cash, cash equivalents and investments less long-term debt.

NETAPP, INC.
SUPPLEMENTAL DATA
(In millions except net income per share, percentages, DSO, DPO and Inventory Turns)
RECONCILIATION OF SEGMENTS GROSS PROFIT TO TOTAL GROSS PROFIT*

	FY2022	Q1'FY23	Q2 FY'23	Q3'FY23	Q4'FY23	FY2023	Q1 FY'24
Revenues by Segment							
Product	$ 3,284	$ 786	$ 837	$ 682	$ 744	$ 3,049	$ 590
Support	2,344	598	607	616	598	2,419	611
Professional and Other Services	294	76	77	78	88	319	77
Hybrid Cloud Segment Net Revenues	**5,922**	**1,460**	**1,521**	**1,376**	**1,430**	**5,787**	**1,278**
Public Cloud Segment Net Revenues	**396**	**132**	**142**	**150**	**151**	**575**	**154**
Net Revenues	**$ 6,318**	**$ 1,592**	**$ 1,663**	**$ 1,526**	**$ 1,581**	**$ 6,362**	**$ 1,432**
Gross Profit by Segment							
Product	$ 1,743	$ 391	$ 420	$ 317	$ 410	$ 1,538	$ 326
Support	2,160	555	562	572	549	2,238	564
Professional and Other Services	89	24	23	28	33	108	19
Hybrid Cloud Segment Gross Profit	**3,992**	**970**	**1,005**	**917**	**992**	**3,884**	**909**
Public Cloud Segment Gross Profit	**278**	**92**	**97**	**103**	**99**	**391**	**103**
Total Segments Gross Profit	**4,270**	**1,062**	**1,102**	**1,020**	**1,091**	**4,275**	**1,012**
Amortization of Intangible Assets	(33)	(11)	(10)	(11)	(10)	(42)	(9)
Stock-based Compensation	(17)	(5)	(5)	(8)	(6)	(24)	(7)
Unallocated Cost of Revenues	**(50)**	**(16)**	**(15)**	**(19)**	**(16)**	**(66)**	**(16)**
Gross Profit	**$ 4,220**	**$ 1,046**	**$ 1,087**	**$ 1,001**	**$ 1,075**	**$ 4,209**	**$ 996**
Gross Margin by Segment							
Product	53.1%	49.7%	50.2%	46.5%	55.1%	50.4%	55.3%
Support	92.2%	92.8%	92.6%	92.9%	91.8%	92.5%	92.3%
Professional and Other Services	30.3%	31.6%	29.9%	35.9%	37.5%	33.9%	24.7%
Hybrid Cloud Segment Gross Margin	**67.4%**	**66.4%**	**66.1%**	**66.6%**	**69.4%**	**67.1%**	**71.1%**
Public Cloud Segment Gross Margin	**70.2%**	**69.7%**	**68.3%**	**68.7%**	**65.6%**	**68.0%**	**66.9%**

*Effective July 30, 2021, our Chief Operating Decision Maker, who is our Chief Executive Officer, realigned internal reporting for the purposes of evaluating performance and allocating resources. This resulted in the creation of two reportable segments for financial reporting purposes: Public Cloud and Hybrid Cloud.

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4'FY23	FY2023	Q1 FY'24
Software and recurring Support and public cloud revenue							
Product - Software	$1,926	$476	$495	$390	$437	$1,798	$342
Support	$2,344	$598	$607	$616	$598	$2,419	$611
Public Cloud	$396	$132	$142	$150	$151	$575	$154
Software and recurring Support and public cloud revenue*	**$4,666**	**$1,206**	**$1,244**	**$1,156**	**$1,186**	**$4,792**	**$1,107**
Software and recurring support and public cloud revenue as a percentage of net revenues	74%	76%	75%	76%	75%	75%	77%

**Software and recurring Support and cloud revenue is a non-GAAP measure because it includes the software component of our product revenues, but not the hardware component.*

Geographic Mix**

	% FY 2022 Revenue	% of Q1 FY 2023 Revenue	% of Q2 FY 2023 Revenue	% of Q3 FY 2023 Revenue	% of Q4 FY 2023 Revenue	% of FY 2023 Revenue	% of Q1 FY 2024 Revenue
Americas	53%	52%	51%	52%	49%	51%	53%
Americas Commercial	43%	41%	37%	42%	39%	40%	41%
U.S. Public Sector	10%	11%	14%	10%	10%	11%	12%
EMEA	32%	32%	34%	33%	36%	34%	31%
Asia Pacific	15%	16%	15%	15%	15%	15%	16%

** Effective in Q1 FY'24, management began evaluating revenues by geographic region based on the location to which products and services are delivered, rather than based on the location from which the customer relationship is managed. Prior period percentages have been conformed to the current period presentation.

Pathways Mix

	% FY 2022 Revenue	% of Q1 FY 2023 Revenue	% of Q2 FY 2023 Revenue	% of Q3 FY 2023 Revenue	% of Q4 FY 2023 Revenue	% of FY 2023 Revenue	% of Q1 FY 2024 Revenue
Direct	23%	21%	23%	22%	22%	22%	24%
Indirect	77%	79%	77%	78%	78%	78%	76%

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

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4'FY23	FY2023	Q1 FY'24
Non-GAAP Income from Operations	$1,496	$360	$393	$372	$414	$1,539	$309
% of Net Revenues	23.7%	22.6%	23.6%	24.4%	26.2%	24.2%	21.6%
Non-GAAP Income Before Income Taxes	$1,434	$343	$416	$377	$419	$1,555	$317
Non-GAAP Effective Tax Rate	15.7%	21.6%	21.6%	20.2%	20.3%	20.9%	21.5%

Non-GAAP Net Income

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4'FY23	FY2023	Q1 FY'24
Non-GAAP Net Income	$1,209	$269	$326	$301	$334	$1,230	$249
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	229	224	220	219	217	220	216
Non-GAAP Net Income per Share, Diluted	$5.28	$1.20	$1.48	$1.37	$1.54	$5.59	$1.15

Select Balance Sheet Items

	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4'FY23	Q1 FY'24
Deferred Revenue and Financed Unearned Services Revenue	$4,170	$4,051	$4,216	$4,313	$4,182
DSO (days)	49	50	49	57	41
DPO (days)	86	92	75	70	72
Inventory Turns	9	9	12	12	13

Days sales outstanding (DSO) is defined as accounts receivable divided by net 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
Inventory turns is defined as annualized cost of revenues divided by net inventories

Select Cash Flow Statement Items

	FY 2022	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4'FY23	FY2023	Q1 FY'24
Net Cash Provided by Operating Activities	$1,211	$281	$214	$377	$235	$1,107	$453
Purchases of Property and Equipment	$226	$65	$77	$58	$39	$239	$35
Free Cash Flow	$985	$216	$137	$319	$196	$868	$418
Free Cash Flow as % of Net Revenues	15.6%	13.6%	8.2%	20.9%	12.4%	13.6%	29.2%

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 GUIDANCE TO GAAP
SECOND QUARTER FISCAL 2024
(Unaudited)

	Second Quarter Fiscal 2024
Gross Margin - Non-GAAP Guidance	~70%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~69%

	Second Quarter Fiscal 2024
Operating Margin - Non-GAAP Guidance	~24%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(6)%
Operating Margin - GAAP Guidance	~17%

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
SECOND QUARTER FISCAL 2024
(Unaudited)

	Second Quarter Fiscal 2024
Net Income Per Share - Non-GAAP Guidance	$1.35 - $1.45
Adjustments:	
Amortization of intangible assets	($0.07)
Stock-based compensation expense	($0.44)
Income tax effects	$0.06
Net Income Per Share - GAAP Guidance	$0.90 - $1.00

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2024
(Unaudited)

	Fiscal 2024
Gross Margin - Non-GAAP Guidance	~70%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~69%

	Fiscal 2024
Product Margin - Non-GAAP Guidance	~55%
Adjustments:	-
Product Margin - GAAP Guidance	~55%

	Fiscal 2024
Operating Margin - Non-GAAP Guidance	~25%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(6)%
Operating Margin - GAAP Guidance	~18%

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2024
(Unaudited)

	Fiscal 2024
Net Income Per Share - Non-GAAP Guidance	$5.65 - $5.85
Adjustments:	
Amortization of intangible assets	($0.27)
Stock-based compensation expense	($1.78)
Restructuring charges	($0.12)
Acquisition-related expenses	($0.01)
Income tax effects	$0.28
Net Income Per Share - GAAP Guidance	$3.75 - $3.95

Some items may not add or recalculate due to rounding

Public Cloud annualized revenue run rate (ARR) is calculated as the annualized value of all Public Cloud customer commitments with the assumption that any commitment expiring during the next 12 months will be renewed with its existing terms