
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM 8-K
CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): August 15, 2012

NETAPP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

0-27130
(Commission
File Number)

77-0307520
(IRS Employer
Identification Number)

495 East Java Drive
Sunnyvale, CA 94089
(Address of principal executive offices) (Zip Code)

(408) 822-6000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On August 15, 2012, NetApp, Inc. (“NetApp” or the “Company”) issued a press release and supplemental commentary reporting financial results for the first quarter ended July 27, 2012. The press release and supplemental commentary are furnished herewith as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein by reference.

These exhibits shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Non-GAAP Financial Measures

To supplement NetApp’s condensed consolidated financial statement information presented on a GAAP basis, the press release and supplemental commentary furnished herewith as Exhibit 99.1 and Exhibit 99.2, respectively, provide investors with certain non-GAAP measures, including, but not limited to, historical non-GAAP operating results and net income and historical and future non-GAAP net income per diluted share. For purposes of internal planning, performance measurement and resource allocation, NetApp’s management uses non-GAAP measures of net income that exclude: (a) amortization of intangible assets, (b) stock-based compensation expenses, (c) acquisition related income and expenses, (d) restructuring and other charges, (e) asset impairments, (f) non-cash interest expense associated with our convertible debt, (g) net losses or gains on investments, and (h) our GAAP tax provision, but includes a non-GAAP tax provision based upon our 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. 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. In addition, these non-GAAP financial measures are used to measure company performance for the purposes of determining employee incentive plan compensation.

As described above, NetApp excludes the following items from its non-GAAP measures:

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. In addition, the valuation of stock-based awards and associated expense are based on factors and assumptions that management believes are, in large part, outside of management’s control.

C. Acquisition related income and expenses. NetApp excludes acquisition related income and expenses, including (a) merger termination proceeds, (b) due diligence, legal and other one-time integration charges, (c) the impact of inventory step-ups, and (d) 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 on-going business or cost base and, therefore, cannot be relied upon for future planning and forecasting.

D. Restructuring and other charges. These charges include 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. These items are not ordinarily included in our annual operating plan and related budget due to the unpredictability of the timing and size of these events. We therefore exclude them in our assessment of operational performance.

E. *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.

F. *Non-cash interest expense*. These are non-cash charges from the amortization of debt discount and issuance costs. Management does not believe that these charges reflect the underlying performance of our business.

G. *Net losses or gains*. These include realized gains and losses on and other-than-temporary impairments of our investments related to significant investment impairments or liquidation events. Management believes that these gains and losses do not reflect the results of our underlying, ongoing businesses and, therefore, finds it useful to exclude them in assessing our performance.

H. *Income tax effects*. NetApp excludes its GAAP tax provision, including discrete items, from its non-GAAP measure of net income, but includes a non-GAAP tax provision based upon its 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. Management believes the use of a non-GAAP tax provision provides a more meaningful measure of the company's operational performance in any given period.

There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. In addition, the non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. Management compensates for these limitations by analyzing current and future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP measures in our earnings release and prepared remarks. 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. Investors should review the information regarding non-GAAP financial measures provided in our press release and prepared remarks.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit	Description
99.1	Press release, dated August 15, 2012, reporting earnings for the fiscal quarter ended July 27, 2012.
99.2	Supplemental Commentary, dated August 15, 2012.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETAPP, INC.
(Registrant)

August 15, 2012

By:

/s/ Matthew K. Fawcett

Matthew K. Fawcett
Secretary, General Counsel, and
Senior Vice President, Legal

Index to Exhibits

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NETAPP ANNOUNCES RESULTS FOR FIRST QUARTER FISCAL YEAR 2013

Company Reports Q1 FY'13 Revenues of \$1.445 billion; Non-GAAP Earnings per Share of \$0.42

Sunnyvale, Calif.—August 15, 2012—NetApp (NASDAQ: NTAP) today reported results for the first quarter of fiscal year 2013, which ended July 27, 2012. Revenues for the first quarter of fiscal year 2013 were in line with our prior guidance and totaled \$1.445 billion, compared to revenues of \$1.458 billion for the same period one year ago.

For the first quarter of fiscal year 2013, GAAP net income was \$64 million, or \$0.17 per share,¹ compared to GAAP net income of \$140 million, or \$0.34 per share for the same period a year ago. Non-GAAP net income for the first quarter of fiscal year 2013 was \$156 million, or \$0.42 per share,² compared to non-GAAP net income of \$222 million, or \$0.55 per share for the same period a year ago.

“NetApp produced non-GAAP earnings per share above and revenue in line with our prior guidance. In Q1, we announced further innovations in Data ONTAP® 8.1 that will enable customers to achieve an agile data infrastructure environment to cope with their dynamic business requirements,” said Tom Georgens, president and CEO. “We continue to deliver on multiple fronts, advancing our technology and partnerships. With our best-of-breed partnering strategy and ongoing innovation-led solutions, we enable our customers to scale their business without limits.”

Outlook

NetApp’s outlook for the second quarter of fiscal year 2013 is based on current business expectations, market conditions, and continued uncertainty in the macroeconomic environment.

- NetApp estimates revenue for the second quarter of fiscal year 2013 to be in the range of \$1.5 billion to \$1.6 billion.

- NetApp estimates GAAP earnings per share for the second quarter of fiscal year 2013 to be approximately \$0.23 to \$0.28 per share. NetApp estimates non-GAAP earnings per share for the second quarter fiscal year 2013 to be approximately \$0.45 to \$0.50 per share.
- NetApp estimates that the share count for the second quarter of fiscal year 2013 will decrease to approximately 370 million shares, and will include an estimated 700 thousand shares from the Company's outstanding convertible notes.³ Share count does not include the Company's outstanding note hedges which are expected to offset 80% of the dilution from the convertible notes at maturity or conversion.

Business Highlights

Fundamental to NetApp's growth strategy is a commitment to innovation leadership across all facets of the storage industry with a goal to help propel its customers' and partners' business success.

In its first quarter of fiscal year 2013, this focus on innovation spanned across NetApp® products, solutions, technologies, and its culture. NetApp strengthened its reputation as an innovation leader with the latest offering of Data ONTAP, the #1 storage operating system. Data ONTAP provides the foundation for customers who require an agile data infrastructure to thrive in today's always-on global economy. Additionally, NetApp unveiled innovative new products, technologies, and programs that enable further penetration into the data center, help customers of all sizes capitalize on data growth to fuel their success and help channel partners expand their businesses. NetApp also continued to strengthen its relationship with industry leaders like Cisco and Microsoft. Finally, NetApp once again was recognized around the world for its culture, which continues to provide competitive differentiation that makes NetApp a preferred company to do business with for both customers and partners.

Highlights for the quarter include the following:

Agile Data Infrastructure Makes IT Intelligent, Immortal, and Infinite

- NetApp, in collaboration with its partners, is transforming how customers architect and manage their data storage infrastructures differently to be more agile in order to fuel business success. With the latest release of Data ONTAP, NetApp is helping IT departments more effectively respond to changing business requirements, maintain nondisruptive operations, and grow their businesses. Data ONTAP 8.1.1 is another milestone in NetApp's innovation agenda that is the basis for delivering new approaches to managing data for business impact.

Midsized Business Customers Accelerate Growth and Leverage the Cloud with NetApp

- NetApp unveiled the new FAS2220, the latest member of its entry-level product portfolio which will provide midsized customers with innovative new technologies and increased value, enabling customers to start right, keep it simple, and grow smart. The FAS2220 builds on the momentum and success of the recently introduced FAS2240. Additionally, NetApp introduced an expanding ecosystem of value-added reseller partners to provide midsized businesses with cloud backup and disaster recovery services built on NetApp solutions, along with new channel enablement programs designed to help partners grow their businesses.

FlexPod Momentum Continues with Premium Partner Framework

- Cisco and NetApp launched a global channel initiative to accelerate market momentum of the FlexPod converged infrastructure solution that to date has almost 1,300 customers. The new FlexPod Premium Partner Framework will reward FlexPod channel partners for investing in sales capabilities and services practices. The new framework is a testament to NetApp's continued focus on enabling its partners' success as it will deliver increased differentiation, streamline multi-vendor interactions, and enhance profitability.

Customers Gain Greater Business Value from Big Data with NetApp Solutions

- NetApp and Hortonworks announced a joint development project to make Apache Hadoop solutions more enterprise ready, helping customers simplify access to their data and gain deeper business insights to make the right decisions. NetApp also unveiled the NetApp Open Solution for Hadoop Rack, offering customers greater choice and flexibility to deploy Hadoop in the enterprise. Finally, NetApp introduced enhanced data protection and simplified management capabilities to help customers accelerate their big data innovation on the NetApp E-Series platform.

Awards and Milestones

- **Serving customer needs earns NetApp the Microsoft Private Cloud Partner of the Year Award for 2012.** NetApp is focused on delivering innovative solutions that address customer challenges and help partners fuel their businesses. This recognition from Microsoft reinforces NetApp's long-standing commitment to storage and storage management solutions for Microsoft environments that enable organizations to reduce costs, increase agility, improve efficiency, and utilize proven platforms.
- **NetApp continues to earn recognition as a great place to work.** Built on a culture of innovation committed to partner and customer success, NetApp was ranked on several different "Best Places to Work" lists around the world. Rankings included #2 in Australia, #2 in Europe, #3 in Canada, #5 in the United Kingdom, #19 in India, and several local awards within the United States.
- **NetApp positioned in Leaders quadrant.** Gartner, Inc. placed NetApp in the Leaders quadrant for storage resource management and SAN management software. Gartner asserted that vendors in the Leaders quadrant "have the highest combined measures of ability to execute and completeness of vision."⁴

Webcast and Conference Call Information

The NetApp first quarter of fiscal year 2013 results conference call will be broadcast live on the Internet at investors.netapp.com on Wednesday, August 15, 2012, at 2:30 p.m. Pacific Time. This press release and any other information related to the call will also be posted on the Web site at that location. An audio replay Webcast will be available after 4:30 p.m. Pacific Time on the Web site.

NetApp uses a hybrid format for disclosing key financial information associated with our quarterly results. Concurrent with the press release, NetApp posts a supplemental commentary with financial information and statistics to our Web site at investors.netapp.com.

About NetApp

NetApp creates innovative storage and data management solutions that deliver outstanding cost efficiency and accelerate business breakthroughs. Discover our passion for helping companies around the world go further, faster at www.netapp.com.

“Safe Harbor” Statement Under U.S. Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include all of the statements under the Outlook section relating to our forecasts for the second quarter of fiscal year 2013 and expected benefits our customers may realize from our products and partnerships, all of which involve risk and uncertainty. Actual results may differ materially from our statements and projections for a variety of reasons, including general economic and market conditions and matters specific to our business, such as customer demand for and acceptance of our products and services. These and other equally important factors are described in reports and documents we file from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections titled “Risk Factors” in our most recently submitted Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

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NetApp, the NetApp logo, Go further, faster, Data ONTAP, and FlexPod are trademarks of NetApp, Inc. All other marks are the property of their respective owners.

¹GAAP earnings per share is calculated using the diluted number of shares for all periods presented.

²Non-GAAP net income excludes the amortization of intangible assets, stock-based compensation, acquisition-related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our convertible debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our 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. Non-GAAP earnings per share is calculated using the diluted number of shares for all periods presented.

³80% hedged on maturity or conversion of the convertible notes.

⁴Gartner, Inc., Magic Quadrant for Storage Resource Management and SAN Management Software, Valdis Filks, Gene Ruth, March 27, 2012.

NetApp Usage of Non-GAAP Financials

The Company refers to the non-GAAP financial measures cited above in making operating decisions because they provide meaningful supplemental information regarding the Company's ongoing operational performance. Non-GAAP net income excludes the amortization of intangible assets, stock-based compensation, acquisition-related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our convertible debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our 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. We have excluded these items in order to enhance investors' understanding of our ongoing operations. The use of these non-GAAP financial measures has material limitations because they should not be used to evaluate our Company without reference to their corresponding GAAP financial measures. As such, we compensate for these material limitations by using these non-GAAP financial measures in conjunction with GAAP financial measures.

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. In addition, these non-GAAP financial measures are used to measure Company performance for the purposes of determining employee incentive plan compensation. We have historically reported similar non-GAAP financial measures to our investors and believe that the inclusion of comparative numbers provides consistency in our financial reporting at this time.

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

	<u>July 27, 2012</u>	<u>April 27, 2012</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 5,441.1	\$ 5,398.5
Accounts receivable, net	584.2	830.9
Inventories	203.7	161.5
Other current assets	511.8	435.6
Total current assets	6,740.8	6,826.5
Property and equipment, net	1,139.1	1,137.2
Goodwill and other intangible assets, net	1,119.8	1,141.2
Other non-current assets	406.3	427.4
Total assets	\$ 9,406.0	\$ 9,532.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 275.6	\$ 233.1
Accrued compensation and other current liabilities	564.1	717.9
1.75% Convertible Senior Notes due 2013	1,215.8	1,202.3
Short-term deferred revenue	1,404.4	1,366.5
Total current liabilities	3,459.9	3,519.8
Other long-term liabilities	207.3	206.9
Long-term deferred revenue	1,363.1	1,449.4
Total liabilities	5,030.3	5,176.1
1.75% Convertible Senior Notes due 2013	-	62.6
Stockholders' equity	4,375.7	4,293.6
Total liabilities and stockholders' equity	\$ 9,406.0	\$ 9,532.3

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

	Three Months Ended	
	July 27, 2012	July 29, 2011
Revenues:		
Product	\$ 898.0	\$ 965.7
Software entitlements and maintenance	218.5	198.2
Service	328.1	294.3
Net revenues	<u>1,444.6</u>	<u>1,458.2</u>
Cost of revenues:		
Cost of product	452.2	437.4
Cost of software entitlements and maintenance	6.6	5.3
Cost of service	135.7	118.6
Total cost of revenues	<u>594.5</u>	<u>561.3</u>
Gross profit	<u>850.1</u>	<u>896.9</u>
Operating expenses:		
Sales and marketing	482.9	454.8
Research and development	221.4	198.6
General and administrative	65.6	65.1
Acquisition-related expense	-	2.2
Total operating expenses	<u>769.9</u>	<u>720.7</u>
Income from operations	80.2	176.2
Other expense, net		
Interest income	10.8	10.6
Interest expense	(19.9)	(19.4)
Other income (expense), net	3.1	(0.3)
Total other expense, net	<u>(6.0)</u>	<u>(9.1)</u>
Income before income taxes	74.2	167.1
Provision for income taxes	10.4	27.6
Net income	<u>\$ 63.8</u>	<u>\$ 139.5</u>
Net income per share:		
Basic	<u>\$ 0.17</u>	<u>\$ 0.38</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.34</u>
Shares used in net income per share calculations:		
Basic	<u>366.1</u>	<u>370.3</u>
Diluted	<u>371.2</u>	<u>405.5</u>

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

	Three Months Ended	
	July 27, 2012	July 29, 2011
Cash flows from operating activities:		
Net income	\$ 63.8	\$ 139.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	82.4	68.5
Stock-based compensation	79.2	58.1
Accretion of discount and issuance costs on notes	14.3	13.7
Tax benefit (charge) from stock-based compensation	(8.8)	28.7
Excess tax benefit from stock-based compensation	(4.9)	(32.1)
Other, net	(24.0)	(30.6)
Changes in assets and liabilities, net of acquisition of business:		
Accounts receivable	244.2	145.0
Inventories	(42.2)	6.8
Accounts payable	41.9	22.8
Accrued compensation and other current liabilities	(146.7)	(248.3)
Deferred revenue	(47.0)	66.7
Changes in other operating assets and liabilities, net	(23.0)	1.8
Net cash provided by operating activities	<u>229.2</u>	<u>240.6</u>
Cash flows from investing activities:		
Redemptions (purchases) of investments, net	(66.1)	245.8
Purchases of property and equipment	(61.9)	(98.3)
Acquisition of business	-	(480.0)
Other investing activities, net	1.3	1.7
Net cash used in investing activities	<u>(126.7)</u>	<u>(330.8)</u>
Cash flows from financing activities:		
Issuance of common stock	35.0	46.6
Repurchase and retirement of common stock	(150.0)	(200.0)
Excess tax benefit from stock-based compensation	4.9	32.1
Other financing activities, net	(2.0)	0.3
Net cash used in financing activities	<u>(112.1)</u>	<u>(121.0)</u>
Effect of exchange rate changes on cash and cash equivalents	(10.8)	(2.9)
Net decrease in cash and cash equivalents	(20.4)	(214.1)
Cash and cash equivalents:		
Beginning of period	1,549.8	2,757.3
End of period	<u>\$ 1,529.4</u>	<u>\$ 2,543.2</u>

NETAPP, INC.
RECONCILIATION OF NON-GAAP AND GAAP
IN THE CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except net income per share amounts)
(Unaudited)

	Three Months Ended	
	<u>July 27, 2012</u>	<u>July 29, 2011</u>
SUMMARY RECONCILIATION OF NET INCOME		
NET INCOME	\$ 63.8	\$ 139.5
Adjustments:		
Amortization of intangible assets	21.4	24.3
Stock-based compensation	79.2	58.1
Acquisition-related expense	-	10.2
Non-cash interest expense	14.3	13.7
Income tax effect of non-GAAP adjustments	(22.3)	(23.5)
NON-GAAP NET INCOME	<u>\$ 156.4</u>	<u>\$ 222.3</u>
NET INCOME PER SHARE	\$ 0.172	\$ 0.344
Adjustments:		
Amortization of intangible assets	0.058	0.060
Stock-based compensation	0.213	0.143
Acquisition-related expense	-	0.025
Non-cash interest expense	0.038	0.034
Income tax effect of non-GAAP adjustments	(0.060)	(0.058)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.421</u>	<u>\$ 0.548</u>

NETAPP, INC.
SUPPLEMENTAL INFORMATION
(In millions)
(Unaudited)

Three Months Ended July 27, 2012

	Amortization of Intangible Assets	Stock-based Compensation	Acquisition- related Expense	Non-cash Interest Expense	Total
Cost of product revenues	\$ 14.0	\$ 1.8	\$ -	\$ -	\$ 15.8
Cost of service revenues	-	5.6	-	-	5.6
Sales and marketing expenses	7.4	39.0	-	-	46.4
Research and development expenses	-	23.7	-	-	23.7
General and administrative expenses	-	9.1	-	-	9.1
Interest expense	-	-	-	14.3	14.3
Effect on income before income taxes	<u>\$ 21.4</u>	<u>\$ 79.2</u>	<u>\$ -</u>	<u>\$ 14.3</u>	<u>\$ 114.9</u>

Three Months Ended July 29, 2011

	Amortization of Intangible Assets	Stock-based Compensation	Acquisition- related Expense	Non-cash Interest Expense	Total
Cost of product revenues	\$ 13.9	\$ 1.1	\$ 5.4	\$ -	\$ 20.4
Cost of service revenues	-	3.9	-	-	3.9
Sales and marketing expenses	10.3	28.6	-	-	38.9
Research and development expenses	0.1	16.0	2.6	-	18.7
General and administrative expenses	-	8.5	-	-	8.5
Acquisition-related expense	-	-	2.2	-	2.2
Interest expense	-	-	-	13.7	13.7
Effect on income before income taxes	<u>\$ 24.3</u>	<u>\$ 58.1</u>	<u>\$ 10.2</u>	<u>\$ 13.7</u>	<u>\$ 106.3</u>

NETAPP, INC.
RECONCILIATION OF NON GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
SECOND QUARTER 2013
(Unaudited)

	<u>Second Quarter 2013</u>
Non-GAAP Guidance - Net Income Per Share	\$ 0.45 - \$0.50
Adjustments of Specific Items to Net Income Per Share for the Second Quarter 2013:	
Amortization of intangible assets	(0.06)
Stock-based compensation expense	(0.18)
Non-cash interest expense	(0.04)
Income tax effect	0.06
Total Adjustments	<u>(0.22)</u>
GAAP Guidance - Net Income Per Share	\$ 0.23 - \$0.28



NetApp Q1 2013 Earnings Results

Supplemental Commentary

August 15, 2012

This supplemental commentary is provided concurrently with our earnings press release to allow for additional time to review and analyze supplemental data prior to the company's earnings call. This information will not be read during the live call.

Safe Harbor Statement

These prepared remarks contain forward-looking statements and projections that involve risk and uncertainty, including the statements under the Q2 FY13 Outlook section regarding our forecasts for the second quarter of fiscal year 2013. Actual results may differ materially from our statements and projections for a variety of reasons, including general economic and market conditions, and matters specific to our business such as customer demand for and acceptance of our products and services. These and other equally important factors are described in reports and documents we file from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections titled "Risk Factors" in our most recently submitted Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

All numbers herein are stated in accordance with U.S. Generally Accepted Accounting Principles (GAAP) unless indicated otherwise. To see the reconciling items between the non-GAAP and GAAP financial information, refer to the tables at the end of this document, as well as in our press release and on our website.

Q1 Fiscal Year 2013

Revenue

	Q1 FY13 Revenue	% of Q1 FY13 Net Revenue	Sequential Change ¹	Year/Year Change ¹
Product Revenue	\$ 898M	62%	-23%	-7%
Software Entitlements & Maintenance	\$ 219M	15%	3%	10%
Service	\$ 328M	23%	1%	11%
Net Revenue	\$ 1,445M	100%	-15%	-1%

Net revenue for the first quarter was \$1,445 million, a decrease of 15% sequentially and 1% year over year. Foreign currency fluctuations² had an unfavorable impact of half a percentage point sequentially and one and a half percentage points on a year over year basis.

Product revenue was \$898 million, a decline of 23% sequentially and 7% year over year. Product revenue was 62% of net revenue in Q1, down from 68% in the prior quarter.

Revenue from software entitlements and maintenance (SEM), which is a deferred revenue element and recognized over the related contract period, was \$219 million or 15% of revenue. SEM revenue grew 3% sequentially and 10% year over year.

Service revenue was \$328 million, an increase of 1% sequentially and 11% year over year. Service revenue was 23% of net revenue in the first quarter, up from 19% in the fourth quarter.

- Revenue from hardware maintenance support contracts, which is also a deferred revenue element, comprised 71% of our service revenue this quarter and increased 4% sequentially and 14% year over year.
- Professional services revenue declined 4% from the prior quarter while growing 5% year over year.

¹ Sequential and year over year calculations are based upon prior results which can be found at investors.netapp.com

² Foreign currency effects represent the changes in the average foreign exchange rates between the current period and the respective comparable period (or, in the case of deferred revenue, the exchange rate in effect when the transaction was invoiced), less current period net gains or losses on revenue hedging activities.

Branded and OEM Revenue

	Q1 FY13 Revenue	% of Q1 FY13 Net Revenue	Sequential Change ¹	Year/Year Change ¹
Branded Revenue	\$ 1,236M	86%	-18%	-1%
OEM Revenue	\$ 209M	14%	3%	-2%
Net Revenue	\$ 1,445M	100%	-15%	-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. Our 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.

Gross Margin

	Q1 FY13	Q4 FY12	Q1 FY12
Non-GAAP Gross Margin	60.3%	59.6%	63.2%
Product	51.4%	52.9%	56.8%
S/W Entitlements & Maintenance	97.0%	96.8%	97.3%
Services	60.3%	59.2%	61.0%

Operating Expenses

	Q1 FY13	Q4 FY12	Q1 FY12
Non-GAAP Operating Expenses	\$ 691M	\$ 709M	\$ 652M

Non-GAAP operating expenses of \$691 million declined 3% from Q4 and grew 6% year over year. Q1 non-GAAP operating expenses were 48% of net revenue, compared to 42% in Q4.

Our global headcount increased to approximately 12,450 at the end of Q1.

GAAP operating expenses included \$72 million in stock-based compensation, up from \$55 million in Q4, and \$7 million in amortization of intangible assets.

Income from Operations, Other Income & Effective Tax Rate

	Q1 FY13	Q4 FY12	Q1 FY12
Non-GAAP Income from Operations	\$ 181M	\$ 305M	\$ 269M
% of Net Revenue	12.5%	17.9%	18.4%
Non-GAAP Other Income, Net	\$ 8M	\$ 7M	\$ 5M
Non-GAAP Income Before Income Taxes	\$ 189M	\$ 312M	\$ 273M
Non-GAAP Effective Tax Rate	17.3%	19.0%	18.7%

Non-GAAP income from operations was \$181 million, a decrease of 41% sequentially and 33% year over year. Non-GAAP operating margin was 12.5% of Q1 net revenue.

Non-GAAP other income, net was \$8 million. GAAP other expenses, net includes approximately \$14 million of non-cash interest expense associated with our convertible notes.

Non-GAAP income before income taxes was \$189 million, or 13.1% of net revenue in Q1, compared to 18.3% of net revenue in the prior quarter and 18.7% of net revenue in Q1 last year. Our non-GAAP effective tax rate was 17.3%.

Net Income

	Q1 FY13	Q4 FY12	Q1 FY12
Non-GAAP Net Income	\$ 156M	\$ 252M	\$ 222M
Weighted Average Common Shares Outstanding, diluted	371M	382M	406M
Non-GAAP Net Income per Share, diluted	\$ 0.42	\$ 0.66	\$ 0.55

Non-GAAP net income was \$156 million, or \$0.42 per share. GAAP net income was \$64 million, or \$0.17 per share. Our diluted share count was 371 million shares, a decrease of 11 million shares from the prior quarter.

Impact of Convertible Note Transaction on Share Count

	Q1 FY13	Q4 FY12	Q1 FY12
Convertible Notes ³	0.2M	10M	15M
Warrants	--	1M	8M

For Q1, diluted share count was approximately 371 million, lower than our previous guidance of approximately 380 million. With an average share price of \$31.97 during our first quarter, the convertible notes had a less dilutive impact on our share count than expected. Since the average stock price was below the \$41.28 conversion price of the warrants, there was no share count impact from warrants this quarter.

Whenever the average quarterly share price is above the notes' \$31.85 conversion price, our convertible notes will have a dilutive impact on our net income per share. We expect the dilutive effect from the notes will ultimately be 80% hedged, although the hedge will not be reflected in our share count until the notes are converted or mature in June 2013, as the hedge is considered anti-dilutive under GAAP. If the notes had been converted in Q1, the hedge would have reduced our share count by approximately 160 thousand shares. Unlike the notes, the warrants are not hedged and are dilutive whenever the average quarterly stock price is above \$41.28.

Select Balance Sheet Items

	Q1 FY13	Q4 FY12	Q1 FY12
Cash, Cash Equivalents & Investments	\$ 5.44B	\$ 5.40B	\$ 4.71B
Deferred Revenue	\$ 2.77B	\$ 2.82B	\$ 2.38B
DSO (days) ⁴	37	44	37
Inventory Turns ⁵	11.3	17.0	15.5

Cash, cash equivalents and short-term investments was \$5.44 billion at the end of Q1, an increase of \$43 million from Q4. This growth represents an increase of 1% sequentially and 15% year over year. Of our cash, cash equivalents and investment balance, 47% was held in the U.S. Our balance sheet reflects a total deferred revenue balance of \$2.77 billion, a decrease of 2% sequentially and an increase of 16% year over year.

³ 80% hedged on maturity or conversion of the convertible notes.

⁴ Days sales outstanding are defined as accounts receivable net divided by net revenue, multiplied by the number of days in the quarter.

⁵ Inventory turns are defined as annualized non-GAAP cost of revenues divided by net inventories.

Select Cash Flow Statement Items

	Q1 FY13	Q4 FY12	Q1 FY12
Net Cash Provided by Operating Activities	\$ 229M	\$ 583M	\$ 241M
Purchases of Property and Equipment	\$ 62M	\$ 124M	\$ 98M
Free Cash Flow ⁶	\$ 167M	\$ 458M	\$ 142M
Free Cash Flow as % of Total Revenue	12%	27%	10%

Net cash provided by operating activities was \$229 million, down 61% sequentially and 5% year over year. Capital expenditures were \$62 million, a decline of 50% from last quarter. Free cash flow totaled \$167 million or 12% of revenue.

Q2 FY13 Outlook

	Q2 FY13 Outlook
Revenue	\$1.5 - \$1.6B 4% to 11% sequential growth 0% to 6% year over year growth
Share Count	Approximately 370M
Non-GAAP Net Income per Share, Diluted	\$ 0.45 - \$0.50
GAAP Net Income per Share, Diluted	\$ 0.23 - \$0.28

This forecast is based on current business expectations and market conditions and continued uncertainty in the macroeconomic environment. Dilutive share count includes the impact of our convertible notes and warrants, calculated based upon our average stock price of \$32.44 for the first 10 days of our second quarter. We estimate share count for the second quarter of fiscal year 2013 will decrease to approximately 370 million shares, including an estimated 700 thousand shares from the Company's outstanding convertible notes. Share count does not include the Company's outstanding note hedge that is expected to offset 80% of the dilution from the convertible notes at maturity or conversion, which would offset approximately 560 thousand shares if the conversion or maturity were to occur in the second quarter.

⁶ Free cash flow is a non-GAAP financial measure, and is defined as net cash provided by operating activities less purchases of property and equipment.

Other Business Metrics

Geographic Mix

	% of Q1 FY13 Revenue	Q1 FY13 Revenue	Year/Year Change
Americas	55%	\$ 801M	-2%
<i>Americas Commercial</i>	42%	\$ 600M	-3%
<i>U.S. Public Sector</i>	14%	\$ 201M	3%
EMEA	30%	\$ 439M	-4%
Asia Pacific	14%	\$ 204M	9%

Americas contributed \$801 million or 55% of revenue, a decline of 17% sequentially and 2% year over year. The Americas includes U.S. commercial sector and U.S. public sector. The U.S. commercial sector contributed \$600 million or 42% of revenue, a decrease of 16% sequentially and 3% year over year. The U.S. public sector generated \$201 million or 14% of revenue, a decrease of 20% sequentially and an increase of 3% year over year. EMEA contributed \$439 million or 30% of total revenue, down 16% sequentially and 4% year over year. Asia Pacific generated \$204 million or 14% of revenue, decreasing 3% from the prior quarter while growing 9% year over year.

Starting in fiscal 2013, we are now reporting our healthcare customer revenue in the U.S. public sector. Previously healthcare was reported as part of the U.S. commercial sector. The year over year growth numbers in the above table include the recast numbers for comparable periods of the prior year. See the table below for the detailed information on the fiscal 2012 Americas revenue recast.

Fiscal 2012 Americas Revenue Recast

	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	FY12
Americas	\$ 813M	\$ 897M	\$ 854M	\$ 966M	\$ 3,530M
Americas Commercial as Reported	\$ 645M	\$ 635M	\$ 705M	\$ 751M	\$ 2,736M
Healthcare	\$ (27M)	\$ (29M)	\$ (27M)	\$ (38M)	\$ (121M)
Americas Commercial As Recast	\$ 618M	\$ 606M	\$ 678M	\$ 713M	\$ 2,615M
U.S. Public Sector as Reported	\$ 168M	\$ 262M	\$ 149M	\$ 215M	\$ 794M
Healthcare	\$ 27M	\$ 29M	\$ 27M	\$ 38M	\$ 121M
U.S. Public Sector as Recast	\$ 195M	\$ 291M	\$ 176M	\$ 253M	\$ 915M

Pathways Mix

	% of Q1 FY13 Revenue	% of Q4 FY12 Revenue	% of Q1 FY12 Revenue
Direct	22%	21%	24%
Indirect Pathways	78%	79%	76%
Arrow	16%	18%	15%
Avnet	14%	13%	11%
OEM Customers	14%	12%	15%

Direct revenue was 22% of Q1 revenue, a decrease of 14% sequentially and 12% year over year. Indirect pathways represented 78% of this quarter's revenue, a decrease of 16% sequentially and an increase of 3% year over year.

Within the indirect pathways, Arrow accounted for 16% of Q1 revenues and Avnet contributed 14% of this quarter's revenue. Revenue from OEM customers, including IBM, Fujitsu, and other E-Series OEM customers, was 14% of net revenue.

Capacity Trends (in Petabytes)	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13
Fibre Channel	76	61	69	54	29
ATA	493	543	622	626	484
SAS	190	262	315	481	277
Total	759	866	1,006	1,161	790

For the first quarter, we shipped 790 petabytes of storage, a decrease of 32% over Q4 levels and an increase of 4% year over year.

Additional Information

For more detailed information about our solutions, corporate strategy and our go-to-market initiatives, please visit our website at <http://investors.netapp.com>

NetApp Usage of Non-GAAP Financials

The Company refers to the non-GAAP financial measures cited above in making operating decisions because they provide meaningful supplemental information regarding the Company's ongoing operational performance. Non-GAAP net income excludes the amortization of intangible assets, stock-based compensation expenses, acquisition related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our convertible debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our 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. We have excluded these items in order to enhance investors' understanding of our ongoing operations. The use of these non-GAAP financial measures has material limitations because they should not be used to evaluate our company without reference to their corresponding GAAP financial measures. As such, we compensate for these material limitations by using these non-GAAP financial measures in conjunction with GAAP financial measures.

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. In addition, these non-GAAP financial measures are used to measure company performance for the purposes of determining employee incentive plan compensation. We have historically reported similar non-GAAP financial measures to our investors and believe that the inclusion of comparative numbers provides consistency in our financial reporting at this time.

NETAPP, INC.
RECONCILIATION OF NON-GAAP AND GAAP
IN THE CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except net income per share amounts)
(Unaudited)

	Three Months Ended		
	July 27, 2012	April 27, 2012	July 29, 2011
SUMMARY RECONCILIATION OF NET INCOME			
NET INCOME	\$ 63.8	\$ 180.7	\$ 139.5
Adjustments:			
Amortization of intangible assets	21.4	21.4	24.3
Stock-based compensation	79.2	59.8	58.1
Acquisition-related expense	-	2.4	10.2
Non-cash interest expense	14.3	14.2	13.7
Gain on investments	-	(0.6)	-
Income tax effect of non-GAAP adjustments	(22.3)	(25.5)	(23.5)
NON-GAAP NET INCOME	<u>\$ 156.4</u>	<u>\$ 252.4</u>	<u>\$ 222.3</u>
DETAILED RECONCILIATION OF SPECIFIC ITEMS:			
COST OF REVENUES	\$ 594.5	\$ 707.5	\$ 561.3
Adjustments:			
Amortization of intangible assets	(14.0)	(14.0)	(13.9)
Stock-based compensation	(7.4)	(5.3)	(5.0)
Acquisition-related expense	-	-	(5.4)
NON-GAAP COST OF REVENUES	<u>\$ 573.1</u>	<u>\$ 688.2</u>	<u>\$ 537.0</u>
COST OF PRODUCT REVENUES	\$ 452.2	\$ 564.0	\$ 437.4
Adjustments:			
Amortization of intangible assets	(14.0)	(14.0)	(13.9)
Stock-based compensation	(1.8)	(1.3)	(1.1)
Acquisition-related expense	-	-	(5.4)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 436.4</u>	<u>\$ 548.7</u>	<u>\$ 417.0</u>
COST OF SERVICE REVENUES	\$ 135.7	\$ 136.7	\$ 118.6
Adjustment:			
Stock-based compensation	(5.6)	(4.0)	(3.9)
NON-GAAP COST OF SERVICE REVENUES	<u>\$ 130.1</u>	<u>\$ 132.7</u>	<u>\$ 114.7</u>
GROSS PROFIT	\$ 850.1	\$ 995.0	\$ 896.9
Adjustments:			
Amortization of intangible assets	14.0	14.0	13.9
Stock-based compensation	7.4	5.3	5.0
Acquisition-related expense	-	-	5.4
NON-GAAP GROSS PROFIT	<u>\$ 871.5</u>	<u>\$ 1,014.3</u>	<u>\$ 921.2</u>
SALES AND MARKETING EXPENSES	\$ 482.9	\$ 478.1	\$ 454.8
Adjustments:			
Amortization of intangible assets	(7.4)	(7.4)	(10.3)
Stock-based compensation	(39.0)	(29.5)	(28.6)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 436.5</u>	<u>\$ 441.2</u>	<u>\$ 415.9</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 221.4	\$ 221.6	\$ 198.6
Adjustments:			
Amortization of intangible assets	-	-	(0.1)
Stock-based compensation	(23.7)	(17.1)	(16.0)
Acquisition-related expense	-	-	(2.6)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 197.7</u>	<u>\$ 204.5</u>	<u>\$ 179.9</u>

GENERAL AND ADMINISTRATIVE EXPENSES	\$ 65.6	\$ 71.5	\$ 65.1
Adjustment:			
Stock-based compensation	(9.1)	(7.9)	(8.5)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 56.5</u>	<u>\$ 63.6</u>	<u>\$ 56.6</u>

NETAPP, INC.
RECONCILIATION OF NON-GAAP AND GAAP
IN THE CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except net income per share amounts)
(Unaudited)

	Three Months Ended		
	July 27, 2012	April 27, 2012	July 29, 2011
OPERATING EXPENSES	\$ 769.9	\$ 773.6	\$ 720.7
Adjustments:			
Amortization of intangible assets	(7.4)	(7.4)	(10.4)
Stock-based compensation	(71.8)	(54.5)	(53.1)
Acquisition-related expense	-	(2.4)	(4.8)
NON-GAAP OPERATING EXPENSES	<u>\$ 690.7</u>	<u>\$ 709.3</u>	<u>\$ 652.4</u>
INCOME FROM OPERATIONS	\$ 80.2	\$ 221.4	\$ 176.2
Adjustments:			
Amortization of intangible assets	21.4	21.4	24.3
Stock-based compensation	79.2	59.8	58.1
Acquisition-related expense	-	2.4	10.2
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 180.8</u>	<u>\$ 305.0</u>	<u>\$ 268.8</u>
TOTAL OTHER EXPENSE, NET	\$ (6.0)	\$ (6.9)	\$ (9.1)
Adjustment:			
Non-cash interest expense	14.3	14.2	13.7
Gain on investments	-	(0.6)	-
NON-GAAP TOTAL OTHER INCOME, NET	<u>\$ 8.3</u>	<u>\$ 6.7</u>	<u>\$ 4.6</u>
INCOME BEFORE INCOME TAXES	\$ 74.2	\$ 214.5	\$ 167.1
Adjustments:			
Amortization of intangible assets	21.4	21.4	24.3
Stock-based compensation	79.2	59.8	58.1
Acquisition-related expense	-	2.4	10.2
Non-cash interest expense	14.3	14.2	13.7
Gain on investments	-	(0.6)	-
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 189.1</u>	<u>\$ 311.7</u>	<u>\$ 273.4</u>
PROVISION FOR INCOME TAXES	\$ 10.4	\$ 33.8	\$ 27.6
Adjustment:			
Income tax effect of non-GAAP adjustments	22.3	25.5	23.5
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 32.7</u>	<u>\$ 59.3</u>	<u>\$ 51.1</u>
NET INCOME PER SHARE	\$ 0.172	\$ 0.473	\$ 0.344
Adjustments:			
Amortization of intangible assets	0.058	0.056	0.060
Stock-based compensation	0.213	0.157	0.143
Acquisition-related expense	-	0.006	0.025
Non-cash interest expense	0.038	0.037	0.034
Gain on investments	-	(0.001)	-
Income tax effect of non-GAAP adjustments	(0.060)	(0.067)	(0.058)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.421</u>	<u>\$ 0.661</u>	<u>\$ 0.548</u>

NETAPP, INC.
RECONCILIATION OF NON GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
SECOND QUARTER 2013
(Unaudited)

	Second Quarter 2013
Non-GAAP Guidance - Net Income Per Share	\$ 0.45 - \$0.50
Adjustments of Specific Items to Net Income Per Share for the Second Quarter 2013:	
Amortization of intangible assets	(0.06)
Stock-based compensation expense	(0.18)
Non-cash interest expense	(0.04)
Income tax effect	0.06
Total Adjustments	(0.22)
GAAP Guidance - Net Income Per Share	\$ 0.23 - \$0.28