
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): February 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))
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Item 2.02 Results of Operations and Financial Condition.

On February 15, 2012, NetApp, Inc. (“NetApp” or the “Company”) issued a press release and supplemental commentary reporting financial results for the third quarter ended January 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 expense. 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, on-going 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 February 15, 2012, reporting earnings for the fiscal quarter ended January 27, 2012.
99.2	Supplemental Commentary, dated February 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)

February 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 THIRD QUARTER FISCAL YEAR 2012

Company Reports Q3 FY'12 Revenue of \$1.566 Billion, Delivering Ninth Consecutive Quarter of over 20% Year over Year Revenue Growth

Sunnyvale, Calif.—February 15, 2012—NetApp (NASDAQ: NTAP) today reported results for the third quarter of fiscal year 2012, which ended January 27, 2012. Revenues for the third quarter of fiscal year 2012 totaled \$1.566 billion compared to revenues of \$1.290 billion for the same period one year ago.

For the third quarter of fiscal year 2012, GAAP net income was \$120 million, or \$0.32 per share¹, compared to GAAP net income of \$186 million, or \$0.46 per share, for the same period a year ago. Non-GAAP net income for the third quarter of fiscal year 2012 was \$216 million, or \$0.58 per share², compared to non-GAAP net income of \$226 million, or \$0.56 per share, for the same period a year ago.

Revenues for the first nine months of fiscal year 2012 totaled \$4.531 billion compared to revenues of \$3.694 billion for the first nine months of the prior fiscal year, an increase of 23% year over year. GAAP net income for the first nine months of fiscal year 2012 totaled \$425 million, or \$1.10 per share, compared to GAAP net income of \$513 million, or \$1.31 per share for the first nine months of the prior fiscal year. Non-GAAP net income for the first nine months of fiscal year 2012 totaled \$674 million, or \$1.75 per share, compared to non-GAAP net income of \$629 million, or \$1.61 per share for the first nine months of the prior fiscal year.

"More and more customers are leveraging storage virtualization to re-architect their data centers in order to gain efficiency, flexibility and cost savings, and NetApp provides the most compelling value proposition in the industry for both private and public cloud deployments," said Tom Georgens, president and CEO. "Our success is evident in our results, as NetApp won a record number of new customers, significantly increased our units shipped -- including a record number of high-end systems, and saw solid revenue growth across almost all geographies in our third quarter."

Outlook

- NetApp estimates revenue for the fourth quarter of fiscal year 2012 to be in the range of \$1.645 billion to \$1.725 billion, which equates to approximately 5% to 10% sequential revenue growth and approximately 15% to 21% year-over-year revenue growth.
- NetApp estimates that fourth quarter fiscal year 2012 GAAP earnings per share will be approximately \$0.38 to \$0.43 per share. NetApp estimates that fourth quarter fiscal year 2012 non-GAAP earnings per share will be approximately \$0.60 to \$0.65 per share.
- NetApp estimates that share count for the fourth quarter of fiscal year 2012 will increase to approximately 378 million shares, including an estimated 8 million shares from the Company's outstanding convertible notes³. 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

During the third quarter of fiscal year 2012, NetApp continued to demonstrate the innovation and commitment needed to help its customers and partners address today's expanding data requirements to drive business success. NetApp unveiled its "Smart Decisions" initiative aimed at helping midsize business customers start right, keep it simple, and grow smart, while at the same time enabling its partners to offer the best technologies and solutions to grow their own businesses, increase profits, and help their customers succeed. Highlights for the quarter include the following:

Midsize Business Customers Build on NetApp to Address Growing Business Demands and the Need to Do More with Less

- NetApp unveiled the new NetApp® FAS2000 entry product line which enables customers to start right and grow with the needs of their business. The enhanced portfolio also allows partners to offer their customers the best technologies and solutions to increase their own business, increase profits, and help their customers succeed. The powerful new FAS2240 delivers a two to three times of performance improvement and greater flexibility, allowing customers to maximize their storage investments, support demanding workloads, and add capabilities as their business needs change. NetApp OnCommand™ System Manager 2.0 software helps customers simplify, control, and automate setup and management of NetApp storage. With more than 10,000 midsize business customers already turning to NetApp each year for their storage needs, the enhanced portfolio will help NetApp continue to build on its position as an industry leader.

Be The Match Leverages NetApp to Turn Its IT Environment into a Catalyst for Life-Saving Speed and Flexibility

- Be The Match, which operates the world's largest listing of potential marrow donors and donated cord blood units, depends on its IT infrastructure to allow the organization to facilitate thousands of potentially life-saving transplants each year. To help accelerate the flow of data and enhance its ability to match donors with patients, Be The Match recently chose NetApp as its storage foundation. By transforming its IT infrastructure, utilizing NetApp as one of its vendors, the organization expects to reduce the time to transplant by 15%, double its annual donor registrations, and facilitate 50% more transplants around the world.
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NetApp Helps Customers Control Explosive Data Growth and Gain Greater Insight

- **New NetApp solution helps customers maximize enterprise Hadoop implementations.** The NetApp Open Solution for Hadoop provides customers with improved flexibility and performance along with lower total cost of ownership, enabling customers to gain greater insight into and a competitive advantage from their data. Additionally, NetApp teamed with Cloudera to distribute Cloudera's Distribution, including Apache Hadoop and Cloudera Enterprise with the NetApp Open Solution for Hadoop, to help speed enterprise deployment and production use of Apache Hadoop.
- **NetApp unveils new solutions based on the E-Series platform to address big data requirements.** The NetApp High-Performance Computing Solution for Lustre is purpose-built to help customers efficiently scale bandwidth and density, with proven reliability to solve difficult research, modeling, and simulation problems. The NetApp Seismic Processing Solution provides efficient access to big data generated by seismic processing operations to help exploration teams make optimal decisions.

Awards and Milestones

- **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 #6 on *FORTUNE* magazine's "100 Best Companies to Work For" list for 2012. The honor marks the fourth consecutive year that NetApp was ranked in the top 10 and the sixth consecutive year it was ranked in the top 15. Additionally, NetApp was ranked #6 on the *Crain's New York Business* annual "Best Places to Work in New York City" list for 2011.
- **NetApp is One of Six Companies Named "Partner of the Year" by CDW.** NetApp was among only six companies named a winner of CDW's fifth annual "Partner of the Year" awards which recognized companies that have consistently provided exemplary support to CDW and its customers, as well as delivered strong growth and financial performance over the previous 12 months. NetApp was honored not only for its outstanding performance, but also the value it delivers which has greatly contributed to both CDW and its customers' success.
- **NetApp positioned in Leaders quadrant.** Gartner, Inc. placed NetApp in the Leaders quadrant for midrange and high-end modular disk arrays. Gartner asserted that vendors in the Leaders quadrant "have the highest scores in their ability to execute and completeness of vision."⁴

Webcast and Conference Call Information

The NetApp third quarter fiscal year 2012 results conference call will be broadcast live on the Internet at investors.netapp.com on Wednesday, February 15, 2012, at 2 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 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 fourth quarter of fiscal year 2012, expected benefits our customers may realize from our products and partnerships, and our expectations regarding future competitive positions, all of which involve risk and uncertainty. Actual results may differ materially for a variety of reasons, including general economic and market conditions, such as the flooding in Thailand; 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, and OnCommand are trademarks or registered trademarks of NetApp, Inc. All other marks are the property of their respective owners and should be treated as such.

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

² 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. Non-GAAP earnings per share is calculated using the diluted number of shares for all periods presented.

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

⁴ “Magic Quadrant for Midrange and High-End Modular Disk Arrays” by Roger W. Cox, Pushan Rinnen, Stanley Zaffos, and Jimmie Chang, November 17, 2011.

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>January 27, 2012</u>	<u>April 29, 2011</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 4,866.1	\$ 5,174.7
Accounts receivable, net	685.4	742.6
Inventories	153.8	108.5
Other current assets	462.4	339.4
Total current assets	<u>6,167.7</u>	<u>6,365.2</u>
Property and equipment, net	1,081.8	911.6
Goodwill and other intangible assets, net	1,162.7	813.3
Other non-current assets	409.4	408.7
Total assets	<u>\$ 8,821.6</u>	<u>\$ 8,498.8</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 220.2	\$ 232.8
Accrued compensation and other current liabilities	628.0	763.0
1.75% Convertible Senior Notes due 2013	-	1,150.4
Short-term deferred revenue	1,309.3	1,226.6
Total current liabilities	<u>2,157.5</u>	<u>3,372.8</u>
1.75% Convertible Senior Notes due 2013	1,188.8	-
Other long-term liabilities	197.3	192.9
Long-term deferred revenue	1,236.5	1,088.3
Total liabilities	<u>4,780.1</u>	<u>4,654.0</u>
1.75% Convertible Senior Notes due 2013	-	114.6
Stockholders' equity	4,041.5	3,730.2
Total liabilities and stockholders' equity	<u>\$ 8,821.6</u>	<u>\$ 8,498.8</u>

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>January 27, 2012</u>	<u>January 28, 2011</u>	<u>January 27, 2012</u>	<u>January 28, 2011</u>
Revenues:				
Product	\$ 1,062.7	\$ 844.3	\$ 3,044.6	\$ 2,406.6
Software entitlements and maintenance	203.5	182.7	599.7	533.6
Service	299.3	262.6	886.4	754.1
Net revenues	<u>1,565.5</u>	<u>1,289.6</u>	<u>4,530.7</u>	<u>3,694.3</u>
Cost of revenues:				
Cost of product	517.8	328.4	1,415.9	962.9
Cost of software entitlements and maintenance	6.2	4.0	17.1	10.9
Cost of service	133.0	111.0	379.3	320.0
Total cost of revenues	<u>657.0</u>	<u>443.4</u>	<u>1,812.3</u>	<u>1,293.8</u>
Gross profit	<u>908.5</u>	<u>846.2</u>	<u>2,718.4</u>	<u>2,400.5</u>
Operating expenses:				
Sales and marketing	477.0	397.4	1,385.9	1,134.4
Research and development	208.3	166.0	606.6	472.1
General and administrative	63.2	61.9	193.4	182.3
Restructuring and other charges	-	(0.7)	-	(0.6)
Acquisition-related expense	3.5	0.6	7.4	0.9
Total operating expenses	<u>752.0</u>	<u>625.2</u>	<u>2,193.3</u>	<u>1,789.1</u>
Income from operations	156.5	221.0	525.1	611.4
Other expense, net				
Interest income	8.7	10.3	27.6	29.6
Interest expense	(18.9)	(19.0)	(54.7)	(56.2)
Other income (expense), net	0.6	0.4	(0.1)	1.2
Total other expense, net	<u>(9.6)</u>	<u>(8.3)</u>	<u>(27.2)</u>	<u>(25.4)</u>
Income before income taxes	146.9	212.7	497.9	586.0
Provision for income taxes	<u>27.3</u>	<u>26.3</u>	<u>73.2</u>	<u>73.5</u>
Net income	<u>\$ 119.6</u>	<u>\$ 186.4</u>	<u>\$ 424.7</u>	<u>\$ 512.5</u>
Net income per share:				
Basic	<u>\$ 0.33</u>	<u>\$ 0.51</u>	<u>\$ 1.17</u>	<u>\$ 1.43</u>
Diluted	<u>\$ 0.32</u>	<u>\$ 0.46</u>	<u>\$ 1.10</u>	<u>\$ 1.31</u>
Shares used in net income per share calculations:				
Basic	<u>360.3</u>	<u>364.8</u>	<u>364.0</u>	<u>358.8</u>
Diluted	<u>373.7</u>	<u>406.2</u>	<u>385.1</u>	<u>390.7</u>

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

	Three Months Ended		Nine Months Ended	
	January 27, 2012	January 28, 2011	January 27, 2012	January 28, 2011
Cash Flows from Operating Activities:				
Net income	\$ 119.6	\$ 186.4	\$ 424.7	\$ 512.5
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	73.6	41.0	210.5	123.3
Stock-based compensation	76.7	45.0	197.8	127.0
Accretion of discount and issuance costs on notes	13.5	13.3	38.7	39.2
Tax benefit (charges) from stock-based compensation	(4.4)	25.1	74.7	74.9
Shortfall (excess tax benefit) from stock-based compensation	4.0	(21.7)	(80.7)	(63.3)
Other, net	2.5	(6.8)	(71.9)	(26.2)
Changes in assets and liabilities, net of acquisition of businesses:				
Accounts receivable	(59.8)	(98.9)	55.8	(77.5)
Inventories	9.5	(12.2)	(8.8)	18.8
Accounts payable	(56.0)	16.3	(10.4)	(2.3)
Accrued compensation and other current liabilities	12.6	55.5	(160.5)	(40.6)
Deferred revenue	107.6	123.3	234.5	151.5
Changes in other operating assets and liabilities, net	(30.2)	(11.9)	(24.4)	50.2
Net cash provided by operating activities	<u>269.2</u>	<u>354.4</u>	<u>880.0</u>	<u>887.5</u>
Cash Flows from Investing Activities:				
Purchases of investments, net	(61.6)	(240.7)	(21.2)	(835.5)
Purchases of property and equipment	(91.3)	(66.3)	(282.9)	(149.8)
Acquisition of businesses, net of cash acquired	-	-	(480.0)	(74.9)
Other investing activities, net	(2.0)	0.8	-	0.8
Net cash used in investing activities	<u>(154.9)</u>	<u>(306.2)</u>	<u>(784.1)</u>	<u>(1,059.4)</u>
Cash Flows from Financing Activities:				
Issuance of common stock	49.1	75.9	101.0	312.0
Repurchase and retirement of common stock	-	-	(600.0)	-
Excess tax benefit (shortfall) from stock-based compensation	(4.0)	21.7	80.7	63.3
Other financing activities, net	1.5	2.4	3.1	0.4
Net cash provided by (used in) financing activities	<u>46.6</u>	<u>100.0</u>	<u>(415.2)</u>	<u>375.7</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(9.0)	0.1	(17.1)	10.6
Net Increase (Decrease) in Cash and Cash Equivalents	151.9	148.3	(336.4)	214.4
Cash and Cash Equivalents:				
Beginning of period	2,269.0	1,771.1	2,757.3	1,705.0
End of period	<u>\$ 2,420.9</u>	<u>\$ 1,919.4</u>	<u>\$ 2,420.9</u>	<u>\$ 1,919.4</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)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>January 27, 2012</u>	<u>January 28, 2011</u>	<u>January 27, 2012</u>	<u>January 28, 2011</u>
<u>SUMMARY RECONCILIATION OF NET INCOME</u>				
NET INCOME	\$ 119.6	\$ 186.4	\$ 424.7	\$ 512.5
Adjustments:				
Amortization of intangible assets	21.6	3.4	67.6	13.3
Stock-based compensation	76.7	44.8	197.8	126.8
Restructuring and other charges	-	(0.7)	-	(0.6)
Acquisition-related expense	3.5	0.6	15.4	0.9
Non-cash interest expense	13.5	13.2	38.7	39.1
Gain on investments	(0.7)	-	(0.7)	(2.5)
Income tax effect of non-GAAP adjustments	(18.2)	(21.9)	(69.7)	(60.6)
NON-GAAP NET INCOME	<u>\$ 216.0</u>	<u>\$ 225.8</u>	<u>\$ 673.8</u>	<u>\$ 628.9</u>
NET INCOME PER SHARE				
	\$ 0.320	\$ 0.459	\$ 1.103	\$ 1.312
Adjustments:				
Amortization of intangible assets	0.058	0.008	0.175	0.034
Stock-based compensation	0.205	0.110	0.514	0.325
Restructuring and other charges	-	(0.002)	-	(0.002)
Acquisition-related expense	0.010	0.002	0.040	0.002
Non-cash interest expense	0.036	0.033	0.101	0.100
Gain on investments	(0.002)	-	(0.002)	(0.006)
Income tax effect of non-GAAP adjustments	(0.049)	(0.054)	(0.181)	(0.155)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.578</u>	<u>\$ 0.556</u>	<u>\$ 1.750</u>	<u>\$ 1.610</u>

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

Three Months Ended January 27, 2012

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</u>	<u>Restructuring and Other Charges</u>	<u>Acquisition- related Expense</u>	<u>Non-cash Interest Expense</u>	<u>Gain on Investments</u>	<u>Total</u>
Cost of product revenues	\$ 13.9	\$ 1.6	\$ -	\$ -	\$ -	\$ -	\$ 15.5
Cost of service revenues	-	5.7	-	-	-	-	5.7
Sales and marketing expense	7.6	37.5	-	-	-	-	45.1
Research and development expense	0.1	22.8	-	-	-	-	22.9
General and administrative expense	-	9.1	-	-	-	-	9.1
Acquisition-related expense	-	-	-	3.5	-	-	3.5
Interest expense	-	-	-	-	13.5	-	13.5
Other income (expense), net	-	-	-	-	-	(0.7)	(0.7)
Effect on income before income taxes	<u>\$ 21.6</u>	<u>\$ 76.7</u>	<u>\$ -</u>	<u>\$ 3.5</u>	<u>\$ 13.5</u>	<u>\$ (0.7)</u>	<u>\$ 114.6</u>

Three Months Ended January 28, 2011

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</u>	<u>Restructuring and Other Charges</u>	<u>Acquisition- related Expense</u>	<u>Non-cash Interest Expense</u>	<u>Gain on Investments</u>	<u>Total</u>
Cost of product revenues	\$ 2.5	\$ 0.9	\$ -	\$ -	\$ -	\$ -	\$ 3.4
Cost of service revenues	-	3.6	-	-	-	-	3.6
Sales and marketing expense	0.9	21.2	-	-	-	-	22.1
Research and development expense	-	11.3	-	-	-	-	11.3
General and administrative expense	-	7.8	-	-	-	-	7.8
Restructuring and other charges	-	-	(0.7)	-	-	-	(0.7)
Acquisition-related expense	-	-	-	0.6	-	-	0.6
Interest expense	-	-	-	-	13.2	-	13.2
Effect on income before income taxes	<u>\$ 3.4</u>	<u>\$ 44.8</u>	<u>\$ (0.7)</u>	<u>\$ 0.6</u>	<u>\$ 13.2</u>	<u>\$ -</u>	<u>\$ 61.3</u>

Nine Months Ended January 27, 2012

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</u>	<u>Restructuring and Other Charges</u>	<u>Acquisition- related Expense</u>	<u>Non-cash Interest Expense</u>	<u>Gain on Investments</u>	<u>Total</u>
Cost of product revenues	\$ 41.8	\$ 4.1	\$ -	\$ 5.4	\$ -	\$ -	\$ 51.3
Cost of service revenues	-	13.8	-	-	-	-	13.8

Sales and marketing expense	25.6	96.5	-	-	-	-	122.1
Research and development expense	0.2	57.0	-	2.6	-	-	59.8
General and administrative expense	-	26.4	-	-	-	-	26.4
Acquisition-related expense	-	-	-	7.4	-	-	7.4
Interest expense	-	-	-	-	38.7	-	38.7
Other income (expense), net	-	-	-	-	-	(0.7)	(0.7)
Effect on income before income taxes	<u>\$ 67.6</u>	<u>\$ 197.8</u>	<u>\$ -</u>	<u>\$ 15.4</u>	<u>\$ 38.7</u>	<u>\$ (0.7)</u>	<u>\$ 318.8</u>

Nine Months Ended January 28, 2011

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</u>	<u>Restructuring and Other Charges</u>	<u>Acquisition-related Expense</u>	<u>Non-cash Interest Expense</u>	<u>Gain on Investments</u>	<u>Total</u>
Cost of product revenues	\$ 10.2	\$ 2.6	\$ -	\$ -	\$ -	\$ -	\$ 12.8
Cost of service revenues	-	10.6	-	-	-	-	10.6
Sales and marketing expense	3.1	59.1	-	-	-	-	62.2
Research and development expense	-	31.6	-	-	-	-	31.6
General and administrative expense	-	22.9	-	-	-	-	22.9
Restructuring and other charges	-	-	(0.6)	-	-	-	(0.6)
Acquisition-related expense	-	-	-	0.9	-	-	0.9
Interest expense	-	-	-	-	39.1	-	39.1
Other income (expense), net	-	-	-	-	-	(2.5)	(2.5)
Effect on income before income taxes	<u>\$ 13.3</u>	<u>\$ 126.8</u>	<u>\$ (0.6)</u>	<u>\$ 0.9</u>	<u>\$ 39.1</u>	<u>\$ (2.5)</u>	<u>\$ 177.0</u>

NETAPP, INC.
RECONCILIATION OF NON GAAP
GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FOURTH QUARTER 2012
(Unaudited)

Fourth Quarter
2012

Non-GAAP Guidance	\$0.60 - \$0.65
Adjustments of Specific Items to Net Income Per Share for the Fourth Quarter 2012:	
Amortization of intangible assets	(0.06)
Stock-based compensation	(0.19)
Acquisition-related expense	(0.01)
Non-cash interest expense	(0.03)
Income tax effect	0.07
Total Adjustments	(0.22)
GAAP Guidance -Net Income Per Share	\$0.38 - \$0.43



NetApp Q3 2012 Earnings Results

Supplemental Commentary
February 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 Q4 FY12 outlook section regarding our forecasts for the fourth quarter of fiscal year 2012. Actual results may differ materially from our statements and projections for a variety of reasons, including general economic and market conditions such as the flooding in Thailand, 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 our 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.

Q3 Fiscal Year 2012

Revenue

	Q3 FY12 Revenue	% of Q3 FY12 Net Revenue	Sequential Growth ¹	Year/Year Growth
Product Revenue	\$ 1,063M	68%	5%	26%
Software Entitlements & Maintenance	\$ 204M	13%	3%	11%
Service	\$ 299M	19%	2%	14%
Net Revenue	\$ 1,566M	100%	4%	21%

Net revenue for the third quarter was \$1.566 billion, an increase of 4% sequentially and 21% year over year. Foreign currency fluctuations² had a less than half percent unfavorable impact on our sequential results while increasing year over year results by approximately one percentage point.

Product revenue grew to \$1.063 billion, an increase of 5% sequentially and 26% year over year. Product revenue was 68% of net revenue in Q3, up from 67% of net revenue in Q2.

Revenue from software entitlements and maintenance (SEM), which is a deferred revenue element and recognized over the related contract period, was \$204 million or 13% of net revenue. SEM revenue grew 3% sequentially and 11% year over year.

In Q3 service revenue was \$299 million, an increase of 2% sequentially and 14% year over year. Service revenue was 19% of total revenue, remaining flat from the prior quarter.

- Revenue from hardware maintenance support contracts, which is also a deferred revenue element, constituted approximately 71% of our service revenue this quarter, and increased 2% sequentially and 21% year over year.
- Professional services revenue grew 2% from the prior quarter and declined 2% year over year.

¹ Sequential growth calculations are based upon Q2 FY12 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 comparative prior periods (or, in the case of deferred revenue, the exchange rate in effect when the transaction was invoiced), less current period actual net gains or losses on revenue hedging activities.

Gross Margin

	Q3 FY12	Q2 FY12	Q3 FY11
Non-GAAP Gross Margin	59.4%	61.9%	66.2%
Product	52.7%	56.2%	61.5%
S/W Entitlements & Maintenance	97.0%	97.2%	97.8%
Services	57.5%	57.8%	59.1%

Operating Expenses

	Q3 FY12	Q2 FY12	Q3 FY11
Non-GAAP Operating Expenses	\$ 671M	\$ 654M	\$ 584M

Non-GAAP operating expenses were \$671 million, an increase of 3% sequentially and 15% year over year. Q3 operating expenses were 43% of net revenue, essentially flat to the prior quarter.

In the third quarter, our headcount increased by 268 net new employees for a total global headcount of 12,102.

GAAP operating expenses included \$69 million in non-cash stock-based compensation of which \$11 million was related to the reset of the employee stock purchase plan (ESPP) offerings triggered by the decline in our stock price below the grant date price. Additional GAAP operating items were \$8 million in amortization of intangible assets and \$4 million in acquisition-related expenses for Engenio integration activities.

Income from Operations, Other Income & Effective Tax Rate

	Q3 FY12	Q2 FY12	Q3 FY11
Non-GAAP Income from Operations	\$ 258M	\$ 279M	\$ 269M
% of Net Revenue	16.5%	18.5%	20.9%
Non-GAAP Other Income, Net	\$ 3M	\$ 3M	\$ 5M
Non-GAAP Income Before Income Taxes	\$ 262M	\$ 282M	\$ 274M
Non-GAAP Effective Tax Rate	17.4%	16.4%	17.6%

Non-GAAP income from operations was \$258 million, a decrease of 7% sequentially and 4% year over year. Operating margin was 16.5% of Q3 net revenue.

Non-GAAP other income, net was \$3 million. GAAP other expenses, net includes approximately \$14 million of non-cash interest expense associated with our convertible debt.

Non-GAAP income before income taxes was \$262 million, or 16.7% of net revenue in Q3, compared to 18.7% of net revenue in the prior quarter and 21.2% of net revenue in Q3 last year. Our non-GAAP effective tax rate was 17.4%.

Net Income

	Q3 FY12	Q2 FY12	Q3 FY11
Non-GAAP Net Income	\$ 216M	\$ 236M	\$ 226M
Weighted Average Common Shares Outstanding, diluted	374M	376M	406M
Non-GAAP Net Income per Share, diluted	\$ 0.58	\$ 0.63	\$ 0.56

Non-GAAP net income totaled \$216 million, or \$0.58 per share. GAAP net income was \$120 million or \$0.32 per share and was negatively impacted by the reset of the ESPP grants. Q3 diluted share count was 374 million, a decrease of approximately 2 million shares from the prior quarter.

Impact of Convertible Note Transaction on Share Count

	Q3 FY12	Q2 FY12	Q3 FY11
Convertible Notes ³	6M	7M	17M
Warrants	--	--	10M

For Q3, our diluted share count was approximately 374 million, lower than our guidance of approximately 380 million. Our average stock price was \$37.31 during the third quarter. Since the average stock price was below the \$41.28 conversion price of the warrants, there was no 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 Q3, the hedge would have reduced our share count by approximately 5 million shares.

Select Balance Sheet Items

	Q3 FY12	Q2 FY12	Q3 FY11
Cash, Cash Equivalents & Investments	\$ 4.866B	\$ 4.642B	\$ 4.756B
Deferred Revenue	\$ 2.546B	\$ 2.439B	\$ 2.072B
DSO (days) ⁴	40	38	39
Inventory Turns ⁵	16.5	14.1	18.6

Cash, cash equivalents and short term investments ended the quarter with a balance of \$4.866 billion, an increase of \$225 million from Q2. This growth represents an increase of 5% sequentially and 2% year over year.

Similar to last quarter, 49% of our Q3 cash balance was held in the US. Our balance sheet reflects a total deferred revenue balance of \$2.546 billion, an increase of 4% sequentially and 23% 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 inventory.

Select Cash Flow Statement Items

	Q3 FY12	Q2 FY12	Q3 FY11
Net Cash Provided by Operating Activities	\$ 269M	\$ 370M	\$ 354M
Purchases of Property and Equipment	\$ 91M	\$ 93M	\$ 66M
Free Cash Flow ⁶	\$ 178M	\$ 277M	\$ 288M
Free Cash Flow as % of Total Revenue	11%	18%	22%

Net cash provided by operating activities was \$269 million, a decrease of 27% sequentially and 24% year over year. Capital expenditures were \$91 million, a decrease of \$2 million from last quarter. Free cash flow totaled \$178 million or 11% of revenue. Free cash flow declined 36% from Q2 levels and 38% year over year.

Q4 FY12 Outlook

	Q4 FY12 Outlook
Revenue	\$1,645M - \$1,725M 5% - 10% sequential growth 15% - 21% year over year growth
Share Count	Approximately 378M
Non-GAAP Net Income per Share, Diluted	\$0.60 - \$0.65
GAAP Net Income per Share, Diluted	\$0.38 - \$0.43

This forecast is based on current business expectations and market conditions. Dilutive share count includes the impact of our convertible notes and warrants, calculated based upon our average stock price of \$39.43 for the first 10 days of our fourth quarter. We estimate share count for the fourth quarter of fiscal year 2012 will increase slightly to approximately 378 million shares, including an estimated 8 million 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 6 million shares if the conversion or maturity were to occur in the fourth quarter.

⁶ Free cash flow is defined as net cash provided by operating activities less purchases of property and equipment.

Other Business Metrics

Geographic Mix

	% of Q3 FY12 Revenue	Q3 FY12 Revenue	Year/Year Growth
Americas	55%	\$ 854M	21%
<i>Americas Commercial</i>	45%	\$ 705M	30%
<i>U.S. Public Sector</i>	10%	\$ 149M	-7%
EMEA	34%	\$ 526M	15%
Asia Pacific	12%	\$ 186M	44%

Together the Americas commercial and U.S. public sector contributed \$854 million or 55% of revenue, a decrease of 5% sequentially and an increase of 21% year over year. The Americas commercial accounted for \$705 million or 45% of revenue, an increase of 11% sequentially and 30% year over year. The U.S. public sector generated \$149 million or 10% of revenue, a decrease of 43% from the prior quarter and 7% year over year.

In the third quarter, EMEA accounted for \$526 million or 34% of revenue, growing 23% from Q2 and increasing 15% year over year. The Asia Pacific region contributed \$186 million or 12% of revenue, growing 3% sequentially and 44% year over year.

Pathways Mix

	% of Q3 FY12 Revenue	% of Q2 FY12 Revenue	% of Q3 FY11 Revenue
Direct	21%	20%	26%
Indirect Pathways	79%	80%	74%
Arrow	15%	18%	17%
Avnet	11%	13%	12%
OEM Customers	16%	15%	6%

In the third quarter, direct revenue was 21% of total revenue, an increase of 9% sequentially and remained constant on a year over year basis. Indirect pathways represented 79% of total revenue and grew 3% sequentially and 29% year over year.

Within the indirect pathway, Arrow accounted for 15% of total revenue and Avnet contributed 11% of total revenue. Revenue from our OEM customers, including IBM, Fujitsu, and other E-Series OEM customers, was 16% of total revenue.

Capacity Trends

(in Petabytes)	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Fibre Channel	73	65	76	61	69
ATA	364	476	493	543	622
SAS	128	170	190	262	315
Total	565	711	759	866	1,006

For the first time, our quarterly shipped capacity exceeded 1 exabyte of storage. Shipped capacity grew 16% from the prior quarter and 78% 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.

All fiscal year 2011 results reflect the adoption of the new accounting standards related to revenue recognition that we announced in the fourth quarter of fiscal year 2011. Previously reported quarterly results for fiscal 2011 have been adjusted to reflect the adoption of these new standards and may differ from the originally reported results.

Non-GAAP to GAAP Reconciliation

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		
	January 27, 2012	October 28, 2011	January 28, 2011
SUMMARY RECONCILIATION OF NET INCOME			
NET INCOME	\$ 119.6	\$ 165.6	\$ 186.4
Adjustments:			
Amortization of intangible assets	21.6	21.7	3.4
Stock-based compensation	76.7	63.0	44.8
Restructuring and other charges	-	-	(0.7)
Acquisition-related expense	3.5	1.7	0.6
Non-cash interest expense	13.5	11.5	13.2
Gain on investments	(0.7)	-	-
Income tax effect of non-GAAP adjustments	(18.2)	(28.0)	(21.9)
NON-GAAP NET INCOME	<u>\$ 216.0</u>	<u>\$ 235.5</u>	<u>\$ 225.8</u>
DETAILED RECONCILIATION OF SPECIFIC ITEMS:			
COST OF REVENUES	\$ 657.0	\$ 594.0	\$ 443.4
Adjustments:			
Amortization of intangible assets	(13.9)	(14.0)	(2.5)
Stock-based compensation	(7.3)	(5.6)	(4.5)
NON-GAAP COST OF REVENUES	<u>\$ 635.8</u>	<u>\$ 574.4</u>	<u>\$ 436.4</u>
COST OF PRODUCT REVENUES	\$ 517.8	\$ 460.7	\$ 328.4
Adjustments:			
Amortization of intangible assets	(13.9)	(14.0)	(2.5)
Stock-based compensation	(1.6)	(1.4)	(0.9)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 502.3</u>	<u>\$ 445.3</u>	<u>\$ 325.0</u>
COST OF SERVICE REVENUES	\$ 133.0	\$ 127.7	\$ 111.0
Adjustment:			
Stock-based compensation	(5.7)	(4.2)	(3.6)
NON-GAAP COST OF SERVICE REVENUES	<u>\$ 127.3</u>	<u>\$ 123.5</u>	<u>\$ 107.4</u>
GROSS PROFIT	\$ 908.5	\$ 913.0	\$ 846.2
Adjustments:			
Amortization of intangible assets	13.9	14.0	2.5
Stock-based compensation	7.3	5.6	4.5
NON-GAAP GROSS PROFIT	<u>\$ 929.7</u>	<u>\$ 932.6</u>	<u>\$ 853.2</u>
SALES AND MARKETING EXPENSES	\$ 477.0	\$ 454.1	\$ 397.4
Adjustments:			
Amortization of intangible assets	(7.6)	(7.7)	(0.9)
Stock-based compensation	(37.5)	(30.4)	(21.2)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 431.9</u>	<u>\$ 416.0</u>	<u>\$ 375.3</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 208.3	\$ 199.7	\$ 166.0
Adjustments:			
Amortization of intangible assets	(0.1)	-	-
Stock-based compensation	(22.8)	(18.2)	(11.3)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 185.4</u>	<u>\$ 181.5</u>	<u>\$ 154.7</u>

GENERAL AND ADMINISTRATIVE EXPENSES	\$ 63.2	\$ 65.1	\$ 61.9
Adjustment:			
Stock-based compensation	(9.1)	(8.8)	(7.8)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 54.1</u>	<u>\$ 56.3</u>	<u>\$ 54.1</u>
OPERATING EXPENSES	\$ 752.0	\$ 720.6	\$ 625.2
Adjustments:			
Amortization of intangible assets	(7.7)	(7.7)	(0.9)
Stock-based compensation	(69.4)	(57.4)	(40.3)
Restructuring and other charges	-	-	0.7
Acquisition-related expense	(3.5)	(1.7)	(0.6)
NON-GAAP OPERATING EXPENSES	<u>\$ 671.4</u>	<u>\$ 653.8</u>	<u>\$ 584.1</u>
INCOME FROM OPERATIONS	\$ 156.5	\$ 192.4	\$ 221.0
Adjustments:			
Amortization of intangible assets	21.6	21.7	3.4
Stock-based compensation	76.7	63.0	44.8
Restructuring and other charges	-	-	(0.7)
Acquisition-related expense	3.5	1.7	0.6
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 258.3</u>	<u>\$ 278.8</u>	<u>\$ 269.1</u>
TOTAL OTHER EXPENSE, NET	\$ (9.6)	\$ (8.5)	\$ (8.3)
Adjustment:			
Non-cash interest expense	13.5	11.5	13.2
Gain on investments	(0.7)	-	-
NON-GAAP TOTAL OTHER INCOME, NET	<u>\$ 3.2</u>	<u>\$ 3.0</u>	<u>\$ 4.9</u>
INCOME BEFORE INCOME TAXES	\$ 146.9	\$ 183.9	\$ 212.7
Adjustments:			
Amortization of intangible assets	21.6	21.7	3.4
Stock-based compensation	76.7	63.0	44.8
Restructuring and other charges	-	-	(0.7)
Acquisition-related expense	3.5	1.7	0.6
Non-cash interest expense	13.5	11.5	13.2
Gain on investments	(0.7)	-	-
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 261.5</u>	<u>\$ 281.8</u>	<u>\$ 274.0</u>
PROVISION FOR INCOME TAXES	\$ 27.3	\$ 18.3	\$ 26.3
Adjustment:			
Income tax effect of non-GAAP adjustments	18.2	28.0	21.9
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 45.5</u>	<u>\$ 46.3</u>	<u>\$ 48.2</u>
NET INCOME PER SHARE	\$ 0.320	\$ 0.440	\$ 0.459
Adjustments:			
Amortization of intangible assets	0.058	0.058	0.008
Stock-based compensation	0.205	0.168	0.110
Restructuring and other charges	-	-	(0.002)
Acquisition-related expense	0.010	0.004	0.002
Non-cash interest expense	0.036	0.031	0.033
Gain on investments	(0.002)	-	-
Income tax effect of non-GAAP adjustments	(0.049)	(0.075)	(0.054)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.578</u>	<u>\$ 0.626</u>	<u>\$ 0.556</u>

NETAPP, INC.
RECONCILIATION OF NON GAAP
GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FOURTH QUARTER 2012
(Unaudited)

Fourth Quarter
2012

Non-GAAP Guidance	\$0.60 - \$0.65
Adjustments of Specific Items to Net Income Per Share for the Fourth Quarter 2012:	
Amortization of intangible assets	(0.06)
Stock-based compensation	(0.19)
Acquisition-related expense	(0.01)
Non-cash interest expense	(0.03)
Income tax effect	0.07
Total Adjustments	(0.22)
GAAP Guidance -Net Income Per Share	\$0.38 - \$0.43
