
**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): May 20, 2009

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
(I.R.S. 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)

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 May 20, 2009, NetApp, Inc. (the “**Company**”) issued a press release announcing its earnings for the fourth quarter and fiscal year ended April 24, 2009. The press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K. The information set forth on Exhibit 99.1 shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the “**Securities Act**”), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

The Company’s Condensed Consolidated Statements of Income for the fourth quarter and fiscal year ended April 24, 2009, Condensed Consolidated Balance Sheets as of April 24, 2009, and Condensed Consolidated Statements of Cash Flow for the fourth quarter and fiscal year ended April 24, 2009, which are contained in the press release in Exhibit 99.1 and are attached as Exhibit 99.2, are filed herewith for purposes of Section 18 of the Exchange Act and therefore may be incorporated by reference into filings under the Securities Act and the Exchange Act.

Item 8.01 Other Information

The disclosure in Item 2.02 of this Current Report on Form 8-K is incorporated hereby by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

The following exhibits are being filed or furnished herewith:

<u>Exhibit</u>	<u>Description</u>
99.1	Press release of NetApp, Inc. issued on May 20, 2009 (furnished herewith).
99.2	Condensed Consolidated Statements of Income, Condensed Consolidated Balance Sheet, and Condensed Consolidated Statements of Cash Flow (filed herewith).

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)

May 20, 2009

By: /s/ Andrew Kryder
Andrew Kryder
Secretary, General Counsel, and
Senior Vice President, Legal and Tax

Index to Exhibits

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**NETAPP ANNOUNCES RESULTS FOR FOURTH
QUARTER AND FISCAL YEAR 2009**

SUNNYVALE, Calif. – May 20, 2009 — NetApp (NASDAQ: NTAP) today reported results for the fourth fiscal quarter and fiscal year 2009. Revenues for the fourth fiscal quarter of 2009 totaled \$880 million compared to revenues of \$938 million for the same period a year ago.

For the fourth fiscal quarter, GAAP net income was \$75 million, or \$0.23 per share¹ compared to GAAP net income of \$90 million, or \$0.26 per share for the same period in the prior year. Non-GAAP² net income for the fourth fiscal quarter was \$103 million, or \$0.31 per share, compared to non-GAAP net income of \$131 million, or \$0.38 per share for the same period a year ago.

For fiscal year 2009, GAAP revenues totaled \$3.4 billion, an increase of 3% compared to GAAP revenues of \$3.3 billion for fiscal year 2008. Non-GAAP revenues for fiscal year 2009, excluding the impact of the \$129 million GSA settlement, were \$3.5 billion. For fiscal year 2009, GAAP net income was \$87 million, or \$0.26 per share, compared to GAAP net income of \$310 million, or \$0.86 per share for fiscal year 2008. Non-GAAP net income for fiscal year 2009 was \$364 million, or \$1.09 per share, compared to non-GAAP net income of \$455 million, or \$1.26 per share for fiscal year 2008.

“The NetApp team performed admirably to close a challenging fiscal year 2009,” said Dan Warmenhoven, chairman and CEO. “With revenues up and expenses well contained, NetApp has delivered three consecutive quarters of increasing operating margins. Storage efficiency and storage for virtual server environments continue to be the primary demand drivers during this difficult economic period. Customers are increasingly turning to NetApp for help solving their storage and data management challenges in the face of shrinking budgets.”

Outlook

Given the reduced visibility caused by the recent changes in the macroeconomic environment, NetApp will not be providing revenue guidance for the first quarter of fiscal year 2010.

- NetApp estimates non-GAAP gross margins for the first quarter of fiscal year 2010 to be around 61%.
- NetApp estimates non-GAAP operating expenses for the first quarter of fiscal year 2010 to increase by about \$10 million to \$15 million from the \$426 million reported in the fourth quarter of fiscal year 2009.
- NetApp estimates non-GAAP operating expense levels for the second and third quarters of fiscal year 2010 to average approximately \$405 to \$410 million.

Quarterly Highlights

In the fourth quarter of fiscal year 2009, NetApp introduced several new solutions to help customers transform their data center architectures through greater storage efficiency, greater power and space savings, and innovative data management techniques. The company also received industry recognition for its market leadership, product performance, and channel success.

This quarter, NetApp and Cisco announced that they are teaming up to provide customers with unified, dynamic data center solutions that are based on the Cisco Unified Computing System and NetApp® unified storage architecture.

NetApp announced new storage and data management advances for VMware® View™ to help customers deploy and operate virtual desktop environments faster and more efficiently, including NetApp's new Rapid Cloning Utility 2.0, which simplifies the way administrators clone VMware virtual machines and datastores. NetApp also announced the integration and certification of its storage platforms with VMware vSphere™ 4, which provides a path to virtualized data centers and cloud computing.

During the quarter, NetApp extended its virtualization guarantee to include EMC, IBM, HP, and HDS storage systems by offering a guarantee³ that customers will decrease their non-NetApp primary storage capacity for virtual server environments by 35% using NetApp V-Series

and deduplication technology. NetApp deduplication has been delivered to more than 5,000 customers worldwide, comprising more than 30,000 systems containing 385PB of storage capacity.

NetApp unveiled V-Series support for Texas Memory Systems' RamSan-500 solid-state disk (SSD) array. NetApp V-Series and Texas Memory Systems combine the full benefits of the NetApp Data ONTAP® operating system with SSD storage to improve application performance and offer advanced features such as thin provisioning, Snapshot™ copies, and deduplication to improve storage efficiency and management.

Also this quarter, NetApp introduced new functionalities for NetApp MetroCluster that offer customers continuous data availability in virtualized environments, the ability to perform nondisruptive software and hardware upgrades, and integration with NetApp deduplication technology for enhanced storage efficiency.

During the quarter, NetApp received the following third party recognitions:

- “Magic Quadrant for Midrange and High-End NAS Solutions⁴” – Gartner, Inc. positioned NetApp in the Leaders quadrant for Midrange and High-End NAS Solutions.
 - *Network World's* 2009 Best of the Tests Awards – Citing consistently higher performance, a mix of NAS and SAN features, high availability, and NetApp Snapshot™ capabilities, *Network World's* Lab Alliance members named the FAS2050 the best of the 12 systems they tested during year-long trials.
 - 2009 *Everything Channel* Five-Star Partner Program Guide Certification – NetApp was recognized as one of North America's top information technology (IT) vendors for its VIP Partner Program and US Public Sector VIP Partner Program.
 - 2009 *CRN* Channel Champion – NetApp was named a 2009 *CRN* Channel Champion in the category of Network Storage.
 - 2009 Channel Chiefs by the *Everything Channel's CRN* – NetApp executives Julie Parrish, vice president of Worldwide Channel Sales, and Todd Palmer, vice president of Americas Channel Sales, were named 2009 Channel Chiefs by the *Everything Channel's CRN*.
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- Best Workplaces in France – NetApp ranked number 14 on a list of the Best Workplaces in France published by *Réussir/L'EXPRESS*, based on a survey by the Great Place to Work® Institute France.

Webcast and Conference Call Information

The NetApp quarterly results conference call will be broadcast live on the Internet at <http://investors.netapp.com> on Wednesday, May 20, 2009, at 2:00 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. The conference call will also be available live in a listen-only format at (800) 638-4930 in the United States and (617) 614-3944 outside the United States. The pass code for both numbers is 57400475. A replay will be available for 72 hours following the completion of the live call by dialing (888) 286-8010 in the United States and (617) 801-6888 outside the United States, using replay code 92143343. The Webcast replay will be posted on our Web site for at least one year.

About NetApp

NetApp creates innovative storage and data management solutions that accelerate business breakthroughs and deliver outstanding cost efficiency. Discover NetApp's 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 forecasted operating results and metrics for the first quarter of fiscal year 2010 and the benefits that we expect our customers to realize from using our products. These forward-looking statements involve risks and uncertainties, and actual results could vary. Important factors that could cause actual results to differ materially from those in the forward-looking statements include the material and adverse global economic and market conditions that currently exist and that are expected to persist throughout calendar 2009; our ability to build

nondeferred backlog to levels consistent with our past results and to increase our revenue over the next several quarters; risks associated with the anticipated growth in network storage and content delivery markets; our ability to deliver new product architectures and enterprise service offerings; competition risks, including our ability to design products and services that compete effectively from a price and performance perspective; risks with new product introductions; our reliance on a limited number of suppliers; our ability to accurately forecast demand for our products and successfully manage our relationships with our contract manufacturers; our ability to expand our direct sales operations and reseller distribution channels; our ability to develop, maintain, and strengthen our relationships and product offerings with strategic partners; risks associated with international operations; our ability to successfully acquire and integrate complementary businesses and technologies, including our ability to consummate our acquisition of Data Domain and integrate its operations into ours; foreign currency exchange rate fluctuations; and other important factors as described in NetApp reports and documents filed from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections captioned “Risk Factors” in our most recently submitted 10-K and 10-Q. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

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

² Non-GAAP results of operations exclude the GSA settlement, amortization of intangible assets, stock-based compensation expenses, asset impairment, acquisition related costs, prior acquisition related costs, restructuring and other charges, net gain or loss on investments, and the related effects on income taxes, as well as certain discrete GAAP tax provision items and the tax effect on sale of investments.

³ This guarantee and related program are limited to the terms set forth in www.netapp.com/guarantee applicable only to prospective orders placed after the program effective date and are dependent upon your compliance with the terms and conditions set forth in this document and any of the instruction sets and specifications set forth in the referenced documents. NetApp’s sole and exclusive liability and your sole and exclusive remedy associated with the terms of this guarantee and related program is the provision by NetApp of the additional storage capacity as set forth in this guarantee and related Program.

⁴ Gartner “Magic Quadrant for Midrange and High-End NAS Solutions” by Pushan Rinnen, Robert E. Passmore, and Roger W. Cox, March 2, 2009.

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registered trademarks of NetApp, Inc. in the United States and/or other countries. All other brands or products are trademarks or registered trademarks of their respective holders and should be treated as such.

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 operational performance. Non-GAAP revenues exclude the GSA settlement. Non-GAAP results of operations exclude the GSA settlement, amortization of intangible assets, stock-based compensation expenses, asset impairment, acquisition related costs, prior acquisition related costs, restructuring and other charges, net gain or loss on investments, and the related effects on income taxes, as well as certain discrete GAAP tax provision items and the tax effect on sale of investments. 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 facilitate management's internal comparisons to the Company's historical operating results and comparisons to competitors' operating results. We include these non-GAAP financial measures in our earnings announcement because we believe they are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making, such as employee compensation planning. In addition, 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 Use of Corporate Web Site

In accordance with SEC guidance published on August 22, 2008 (*Release No. 34-58288*), NetApp will begin to disseminate material information about the company through its corporate Web site within the next several fiscal quarters. NetApp intends to designate a separate portion of its corporate Web site for purposes of these disclosures and will include a prominent link on its Web site to allow visitors to locate this material information, which will be routinely updated. The Web site will supplement, rather than replace, NetApp's current existing channels of information distribution.

Additional Information and Where to Find It

NetApp plans to file with the SEC a Registration Statement on Form S-4 in connection with the transaction and Data Domain plans to file with the SEC and mail to its stockholders a Proxy Statement/Prospectus in connection with the transaction. The Registration Statement and the Proxy Statement/Prospectus will contain important information about NetApp, Data Domain, the

transaction and related matters. Investors and security holders are urged to read the Registration Statement and the Proxy Statement/Prospectus carefully when they are available. Investors and security holders will be able to obtain free copies of the Registration Statement and the Proxy Statement/Prospectus and other documents filed with the SEC by NetApp and Data Domain through the web site maintained by the SEC at www.sec.gov and by contacting NetApp Investor Relations at (408) 822-7098 or Data Domain Investor Relations at (408) 980-4909. In addition, investors and security holders will be able to obtain free copies of the documents filed with the SEC on NetApp's website at www.NetApp.com and on Data Domain's website at www.datadomain.com.

Participants in the Acquisition of Data Domain

NetApp, Data Domain and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding these persons who may, under the rules of the SEC, be considered participants in the solicitation of Data Domain stockholders in connection with the proposed transaction will be set forth in the Proxy Statement/Prospectus described above when it is filed with the SEC. Additional information regarding NetApp's executive officers and directors is included in NetApp's definitive proxy statement, which was filed with the SEC on July 14, 2008, and additional information regarding Data Domain's executive officers and directors is included in Data Domain's Annual Report on Form 10-K/A for fiscal year ended December 31, 2008, which was filed with the SEC on April 30, 2009. You can obtain free copies of these documents from NetApp or Data Domain using the contact information above.

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

	<u>April 24, 2009</u>	<u>April 25, 2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,494,153	\$ 936,479
Short-term investments	1,110,053	227,911
Accounts receivable, net	426,384	582,110
Inventories	61,104	70,222
Prepaid expenses and other assets	119,887	123,514
Short-term deferred income taxes	207,050	127,197
Total current assets	<u>3,418,631</u>	<u>2,067,433</u>
PROPERTY AND EQUIPMENT, net	807,923	693,792
GOODWILL	680,986	680,054
INTANGIBLE ASSETS, net	45,744	90,075
LONG-TERM INVESTMENTS AND RESTRICTED CASH	127,317	331,105
LONG-TERM DEFERRED INCOME TAXES AND OTHER ASSETS	372,065	208,529
	<u>\$ 5,452,666</u>	<u>\$ 4,070,988</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 137,826	\$ 178,233
Accrued compensation and related benefits	204,168	202,929
Other accrued liabilities	170,159	154,331
Accrual for GSA settlement	128,715	—
Income taxes payable	4,735	6,245
Deferred revenue	1,013,569	872,364
Total current liabilities	<u>1,659,172</u>	<u>1,414,102</u>
LONG-TERM DEBT AND OTHER OBLIGATIONS	1,429,499	318,658
LONG-TERM DEFERRED REVENUE	701,649	637,889
	<u>3,790,320</u>	<u>2,370,649</u>
STOCKHOLDERS' EQUITY	1,662,346	1,700,339
	<u>\$ 5,452,666</u>	<u>\$ 4,070,988</u>

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

	Quarter Ended		Year Ended	
	April 24, 2009	April 25, 2008	April 24, 2009	April 25, 2008
REVENUES:				
Product	\$ 506,168	\$ 629,610	\$ 2,152,657	\$ 2,242,474
Software entitlements and maintenance	164,672	136,268	618,352	486,896
Service	209,518	171,854	764,099	573,797
GSA settlement	(715)	—	(128,715)	—
Net revenues	<u>879,643</u>	<u>937,732</u>	<u>3,406,393</u>	<u>3,303,167</u>
COST OF REVENUES:				
Cost of product	245,205	269,804	1,007,642	942,924
Cost of software entitlements and maintenance	2,415	2,014	9,179	8,572
Cost of service	98,129	93,042	399,657	338,295
Total cost of revenues	<u>345,749</u>	<u>364,860</u>	<u>1,416,478</u>	<u>1,289,791</u>
GROSS MARGIN	<u>533,894</u>	<u>572,872</u>	<u>1,989,915</u>	<u>2,013,376</u>
OPERATING EXPENSES:				
Sales and marketing	287,355	296,457	1,186,141	1,075,588
Research and development	124,985	124,968	498,495	452,205
General and administrative	52,175	47,793	203,698	171,536
Restructuring and other charges	35,451	447	54,406	447
Total operating expenses	<u>499,966</u>	<u>469,665</u>	<u>1,942,740</u>	<u>1,699,776</u>
INCOME FROM OPERATIONS	33,928	103,207	47,175	313,600
OTHER INCOME (EXPENSES), net:				
Interest income	11,716	14,316	57,610	64,610
Interest expense	(7,510)	(1,860)	(26,865)	(7,990)
Gain (loss) on investments, net	(2,646)	—	(29,571)	12,614
Other income (expenses), net	197	(578)	(3,520)	(135)
Total other income (expenses), net	<u>1,757</u>	<u>11,878</u>	<u>(2,346)</u>	<u>69,099</u>
INCOME BEFORE INCOME TAXES	35,685	115,085	44,829	382,699
PROVISION (BENEFIT) FOR INCOME TAXES	<u>(39,398)</u>	<u>25,264</u>	<u>(41,716)</u>	<u>72,961</u>
NET INCOME	<u>\$ 75,083</u>	<u>\$ 89,821</u>	<u>\$ 86,545</u>	<u>\$ 309,738</u>
NET INCOME PER SHARE:				
BASIC	<u>\$ 0.23</u>	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.88</u>
DILUTED	<u>\$ 0.23</u>	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.86</u>
SHARES USED IN PER SHARE CALCULATION:				
BASIC	<u>330,918</u>	<u>342,308</u>	<u>330,279</u>	<u>351,676</u>
DILUTED	<u>333,088</u>	<u>348,492</u>	<u>334,575</u>	<u>361,090</u>

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

	Quarter Ended		Year Ended	
	April 24, 2009	April 25, 2008	April 24, 2009	April 25, 2008
Cash Flows from Operating Activities:				
Net income	\$ 75,083	\$ 89,821	\$ 86,545	\$ 309,738
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	40,704	39,832	170,538	144,184
Stock-based compensation	42,157	34,886	140,754	147,964
Impairment of investments	2,646	—	20,273	(12,614)
Asset impairment and write-offs	3,308	1,013	31,573	1,841
Allowance for doubtful accounts	(757)	463	1,146	818
Deferred income taxes	(52,696)	26,673	(124,176)	(53,031)
Deferred rent	1,752	3,280	4,789	3,912
Income tax benefit from stock-based compensation	19,256	(37,161)	59,660	48,195
Excess tax benefit from stock-based compensation	(17,579)	1,716	(52,507)	(45,391)
Changes in assets and liabilities:				
Accounts receivable	(81,421)	(114,249)	148,845	(27,741)
Inventories	21,085	(10,198)	9,126	(15,382)
Prepaid expenses and other assets	928	(27,025)	3,596	(7,549)
Accounts payable	15,187	53,896	(26,969)	20,031
Accrued compensation and related benefits	18,968	23,776	12,874	18,754
Other accrued liabilities	11,423	(855)	30,139	3,974
Accrual for GSA settlement	715	—	128,715	—
Income taxes payable	(1,767)	(6,286)	(1,440)	(47,300)
Other liabilities	(505)	49,722	10,643	117,469
Deferred revenue	81,303	163,998	219,301	401,014
Net cash provided by operating activities	<u>179,790</u>	<u>293,302</u>	<u>873,425</u>	<u>1,008,886</u>
Cash Flows from Investing Activities:				
Net redemptions (purchases) of investments	(291,866)	167,731	(116,783)	376,449
Reclassification from cash and cash equivalents to short-term investments	—	—	(597,974)	—
Change in restricted cash	780	607	336	(793)
Net proceeds (purchases) of nonmarketable and marketable securities	(50)	—	757	14,919
Purchases of property and equipment	(134,756)	(63,433)	(289,657)	(188,280)
Purchase of business net of cash acquired	—	(99,601)	—	(99,390)
Net cash provided by (used in) investing activities	<u>(425,892)</u>	<u>5,304</u>	<u>(1,003,321)</u>	<u>102,905</u>
Cash Flows from Financing Activities:				
Proceeds from sale of common stock related to employee stock transactions	17,596	14,510	91,014	114,697
Tax withholding payments reimbursed by restricted stock	(930)	(169)	(5,115)	(6,020)
Excess tax benefit from stock-based compensation	17,579	(1,716)	52,507	45,391
Proceeds from revolving credit facility	—	56,000	—	318,754
Proceeds from issuance of convertible notes	—	—	1,265,000	—
Payment of financing costs	—	—	(26,581)	—
Sale of common stock warrants	—	—	163,059	—
Purchase of note hedge	—	—	(254,898)	—
Repayment of debt	—	(28,790)	—	(85,110)
Repayment of revolving credit facility	—	(133,400)	(172,600)	(146,400)
Repurchases of common stock	—	(59,453)	(399,981)	(903,704)
Net cash provided by (used in) financing activities	<u>34,245</u>	<u>(153,018)</u>	<u>712,405</u>	<u>(662,392)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,190)	14,532	(24,835)	(1,999)
Net Increase (Decrease) in Cash and Cash Equivalents	(214,047)	160,120	557,674	447,400
Cash and Cash Equivalents:				
Beginning of period	1,708,200	776,359	936,479	489,079
End of period	<u>\$ 1,494,153</u>	<u>\$ 936,479</u>	<u>\$ 1,494,153</u>	<u>\$ 936,479</u>

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

QUARTER ENDED APRIL 24, 2009

	GSA Settlement	Amortization of Intangible Assets	Stock-based Compensation Expenses	Asset Impairment	Acquisition- Related Retention Cost	Prior Acquisition- related Costs	Restructuring and Other Charges	Loss (Gain) on Investments, Net	Total
Total revenues	\$ 715	—	—	—	—	—	—	—	\$ 715
Cost of product revenues	—	4,858	980	—	—	—	—	—	5,838
Cost of service revenues	—	—	3,940	—	—	—	—	—	3,940
Sales and marketing expense	—	848	20,107	—	—	—	—	—	20,955
Research and development expense	—	—	11,251	—	—	—	—	—	11,251
General and administrative expense	—	—	5,879	—	—	—	—	—	5,879
Restructuring and other charges	—	—	—	—	—	—	35,451	—	35,451
Loss (gain) on investments, net	—	—	—	—	—	—	—	2,646	2,646
Effect on pre-tax income	\$ 715	\$ 5,706	\$ 42,157	—	—	—	\$ 35,451	\$ 2,646	\$ 86,675

YEAR ENDED APRIL 24, 2009

	GSA Settlement	Amortization of Intangible Assets	Stock-based Compensation Expenses	Asset Impairment	Acquisition- Related Retention Cost	Prior Acquisition- related Costs	Restructuring and Other Charges	Loss (Gain) on Investments, Net	Total
Total revenues	\$128,715	—	—	—	—	—	—	—	\$128,715
Cost of product revenues	—	24,515	3,327	—	—	—	—	—	\$ 27,842
Cost of service revenues	—	—	12,289	—	—	—	—	—	12,289
Sales and marketing expense	—	4,420	65,085	9,431	—	—	—	—	78,936
Research and development expense	—	—	37,902	—	—	—	—	—	37,902
General and administrative expense	—	—	22,151	—	—	—	—	—	22,151
Restructuring and other charges	—	—	—	—	—	—	54,406	—	54,406
Loss (gain) on investments, net	—	—	—	—	—	—	—	29,571	29,571
Effect on pre-tax income	\$128,715	\$ 28,935	\$ 140,754	\$ 9,431	—	—	\$ 54,406	\$ 29,571	\$391,812

QUARTER ENDED APRIL 25, 2008

	GSA Settlement	Amortization of Intangible Assets	Stock-based Compensation Expenses	Asset Impairment	Acquisition- Related Retention Cost	Prior Acquisition- related Costs	Restructuring and Other Charges	Loss (Gain) on Investments, Net	Total
Cost of product revenues	—	\$ 6,748	\$ 870	—	—	—	—	—	\$ 7,618
Cost of service revenues	—	—	2,653	—	—	—	—	—	2,653
Sales and marketing expense	—	1,259	15,971	—	—	—	—	—	17,230
Research and development expense	—	—	10,309	—	—	—	—	—	10,309
General and administrative expense	—	—	5,083	—	—	—	—	—	5,083
Restructuring and other charges	—	—	—	—	—	—	447	—	447
Loss (gain) on investments, net	—	—	—	—	—	—	—	—	—
Effect on pre-tax income	—	\$ 8,007	\$ 34,886	—	—	—	\$ 447	—	\$ 43,340

YEAR ENDED APRIL 25, 2008

	GSA Settlement	Amortization of Intangible Assets	Stock-based Compensation Expenses	Asset Impairment	Acquisition- Related Retention Cost	Prior Acquisition- related Costs	Restructuring and Other Charges	Loss (Gain) on Investments, Net	Total
Cost of product revenues	—	\$ 22,582	\$ 3,384	—	—	—	—	—	\$ 25,966
Cost of service revenues	—	—	10,442	—	—	—	—	—	10,442
Sales and marketing expense	—	4,170	65,399	—	3,086	—	—	—	72,655

Research and development expense	—	—	46,632	—	—	—	—	—	46,632
General and administrative expense	—	200	22,107	—	—	2,800	—	—	25,107
Restructuring and other charges	—	—	—	—	—	—	447	—	447
Loss (gain) on investments, net	—	—	—	—	—	—	—	(12,614)	(12,614)
Effect on pre-tax income	—	\$ 26,952	\$ 147,964	—	\$ 3,086	\$ 2,800	\$ 447	(\$12,614)	\$168,635

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

	Quarter Ended		Year Ended	
	April 24, 2009	April 25, 2008	April 24, 2009	April 25, 2008
SUMMARY RECONCILIATION OF NET INCOME				
NET INCOME	\$ 75,083	\$ 89,821	\$ 86,545	\$ 309,738
Adjustments:				
GSA settlement	715	—	128,715	—
Amortization of intangible assets	5,706	8,007	28,935	26,952
Stock-based compensation expenses	42,157	34,886	140,754	147,964
Asset impairment	—	—	9,431	—
Acquisition-related retention cost	—	—	—	3,086
Prior acquisition-related costs	—	—	—	2,800
Restructuring and other charges	35,451	447	54,406	447
(Gain) loss on investments, net	2,646	—	29,571	(12,614)
Tax effect on sale of investments	—	—	—	5,477
Discrete GAAP tax provision items	6,521	17,669	6,949	17,044
Income tax effect	(65,497)	(20,129)	(121,016)	(46,044)
NON-GAAP NET INCOME	<u>\$ 102,782</u>	<u>\$ 130,701</u>	<u>\$ 364,290</u>	<u>\$ 454,850</u>
NET INCOME PER SHARE	\$ 0.225	\$ 0.258	\$ 0.259	\$ 0.858
Adjustments:				
GSA settlement	0.002	—	0.385	—
Amortization of intangible assets	0.017	0.023	0.086	0.075
Stock-based compensation expenses	0.127	0.100	0.421	0.410
Asset impairment	—	—	0.028	—
Acquisition-related retention cost	—	—	—	0.009
Prior acquisition-related costs	—	—	—	0.008
Restructuring and other charges	0.106	0.001	0.163	0.001
(Gain) loss on investments, net	0.008	—	0.088	(0.035)
Tax effect on sale of investments	—	—	—	0.015
Discrete GAAP tax provision items	0.020	0.051	0.021	0.047
Income tax effect	(0.197)	(0.058)	(0.362)	(0.128)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.308</u>	<u>\$ 0.375</u>	<u>\$ 1.089</u>	<u>\$ 1.260</u>

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

	<u>April 24, 2009</u>	<u>April 25, 2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,494,153	\$ 936,479
Short-term investments	1,110,053	227,911
Accounts receivable, net	426,384	582,110
Inventories	61,104	70,222
Prepaid expenses and other assets	119,887	123,514
Short-term deferred income taxes	<u>207,050</u>	<u>127,197</u>
Total current assets	3,418,631	2,067,433
PROPERTY AND EQUIPMENT, net	807,923	693,792
GOODWILL	680,986	680,054
INTANGIBLE ASSETS, net	45,744	90,075
LONG-TERM INVESTMENTS AND RESTRICTED CASH	127,317	331,105
LONG-TERM DEFERRED INCOME TAXES AND OTHER ASSETS	<u>372,065</u>	<u>208,529</u>
	<u>\$ 5,452,666</u>	<u>\$ 4,070,988</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 137,826	\$ 178,233
Accrued compensation and related benefits	204,168	202,929
Other accrued liabilities	170,159	154,331
Accrual for GSA settlement	128,715	—
Income taxes payable	4,735	6,245
Deferred revenue	<u>1,013,569</u>	<u>872,364</u>
Total current liabilities	1,659,172	1,414,102
LONG-TERM DEBT AND OTHER OBLIGATIONS	1,429,499	318,658
LONG-TERM DEFERRED REVENUE	<u>701,649</u>	<u>637,889</u>
	3,790,320	2,370,649
STOCKHOLDERS' EQUITY	<u>1,662,346</u>	<u>1,700,339</u>
	<u>\$ 5,452,666</u>	<u>\$ 4,070,988</u>

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

	Quarter Ended		Year Ended	
	April 24, 2009	April 25, 2008	April 24, 2009	April 25, 2008
REVENUES:				
Product	\$ 506,168	\$ 629,610	\$ 2,152,657	\$ 2,242,474
Software entitlements and maintenance	164,672	136,268	618,352	486,896
Service	209,518	171,854	764,099	573,797
GSA settlement	(715)	—	(128,715)	—
Net revenues	<u>879,643</u>	<u>937,732</u>	<u>3,406,393</u>	<u>3,303,167</u>
COST OF REVENUES:				
Cost of product	245,205	269,804	1,007,642	942,924
Cost of software entitlements and maintenance	2,415	2,014	9,179	8,572
Cost of service	98,129	93,042	399,657	338,295
Total cost of revenues	<u>345,749</u>	<u>364,860</u>	<u>1,416,478</u>	<u>1,289,791</u>
GROSS MARGIN	<u>533,894</u>	<u>572,872</u>	<u>1,989,915</u>	<u>2,013,376</u>
OPERATING EXPENSES:				
Sales and marketing	287,355	296,457	1,186,141	1,075,588
Research and development	124,985	124,968	498,495	452,205
General and administrative	52,175	47,793	203,698	171,536
Restructuring and other charges	35,451	447	54,406	447
Total operating expenses	<u>499,966</u>	<u>469,665</u>	<u>1,942,740</u>	<u>1,699,776</u>
INCOME FROM OPERATIONS	33,928	103,207	47,175	313,600
OTHER INCOME (EXPENSES), net:				
Interest income	11,716	14,316	57,610	64,610
Interest expense	(7,510)	(1,860)	(26,865)	(7,990)
Gain (loss) on investments, net	(2,646)	—	(29,571)	12,614
Other income (expenses), net	197	(578)	(3,520)	(135)
Total other income (expenses), net	<u>1,757</u>	<u>11,878</u>	<u>(2,346)</u>	<u>69,099</u>
INCOME BEFORE INCOME TAXES	35,685	115,085	44,829	382,699
PROVISION (BENEFIT) FOR INCOME TAXES	<u>(39,398)</u>	<u>25,264</u>	<u>(41,716)</u>	<u>72,961</u>
NET INCOME	<u>\$ 75,083</u>	<u>\$ 89,821</u>	<u>\$ 86,545</u>	<u>\$ 309,738</u>
NET INCOME PER SHARE:				
BASIC	<u>\$ 0.23</u>	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.88</u>
DILUTED	<u>\$ 0.23</u>	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.86</u>
SHARES USED IN PER SHARE CALCULATION:				
BASIC	<u>330,918</u>	<u>342,308</u>	<u>330,279</u>	<u>351,676</u>
DILUTED	<u>333,088</u>	<u>348,492</u>	<u>334,575</u>	<u>361,090</u>

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

	Quarter Ended		Year Ended	
	April 24, 2009	April 25, 2008	April 24, 2009	April 25, 2008
Cash Flows from Operating Activities:				
Net income	\$ 75,083	\$ 89,821	\$ 86,545	\$ 309,738
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	40,704	39,832	170,538	144,184
Stock-based compensation	42,157	34,886	140,754	147,964
Impairment of investments	2,646	—	20,273	(12,614)
Asset impairment and write-offs	3,308	1,013	31,573	1,841
Allowance for doubtful accounts	(757)	463	1,146	818
Deferred income taxes	(52,696)	26,673	(124,176)	(53,031)
Deferred rent	1,752	3,280	4,789	3,912
Income tax benefit from stock-based compensation	19,256	(37,161)	59,660	48,195
Excess tax benefit from stock-based compensation	(17,579)	1,716	(52,507)	(45,391)
Changes in assets and liabilities:				
Accounts receivable	(81,421)	(114,249)	148,845	(27,741)
Inventories	21,085	(10,198)	9,126	(15,382)
Prepaid expenses and other assets	928	(27,025)	3,596	(7,549)
Accounts payable	15,187	53,896	(26,969)	20,031
Accrued compensation and related benefits	18,968	23,776	12,874	18,754
Other accrued liabilities	11,423	(855)	30,139	3,974
Accrual for GSA settlement	715	—	128,715	—
Income taxes payable	(1,767)	(6,286)	(1,440)	(47,300)
Other liabilities	(505)	49,722	10,643	117,469
Deferred revenue	81,303	163,998	219,301	401,014
Net cash provided by operating activities	<u>179,790</u>	<u>293,302</u>	<u>873,425</u>	<u>1,008,886</u>
Cash Flows from Investing Activities:				
Net redemptions (purchases) of investments	(291,866)	167,731	(116,783)	376,449
Reclassification from cash and cash equivalents to short-term investments	—	—	(597,974)	—
Change in restricted cash	780	607	336	(793)
Net proceeds (purchases) of nonmarketable and marketable securities	(50)	—	757	14,919
Purchases of property and equipment	(134,756)	(63,433)	(289,657)	(188,280)
Purchase of business net of cash acquired	—	(99,601)	—	(99,390)
Net cash provided by (used in) investing activities	<u>(425,892)</u>	<u>5,304</u>	<u>(1,003,321)</u>	<u>102,905</u>
Cash Flows from Financing Activities:				
Proceeds from sale of common stock related to employee stock transactions	17,596	14,510	91,014	114,697
Tax withholding payments reimbursed by restricted stock	(930)	(169)	(5,115)	(6,020)
Excess tax benefit from stock-based compensation	17,579	(1,716)	52,507	45,391
Proceeds from revolving credit facility	—	56,000	—	318,754
Proceeds from issuance of convertible notes	—	—	1,265,000	—
Payment of financing costs	—	—	(26,581)	—
Sale of common stock warrants	—	—	163,059	—
Purchase of note hedge	—	—	(254,898)	—
Repayment of debt	—	(28,790)	—	(85,110)
Repayment of revolving credit facility	—	(133,400)	(172,600)	(146,400)
Repurchases of common stock	—	(59,453)	(399,981)	(903,704)
Net cash provided by (used in) financing activities	<u>34,245</u>	<u>(153,018)</u>	<u>712,405</u>	<u>(662,392)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,190)	14,532	(24,835)	(1,999)
Net Increase (Decrease) in Cash and Cash Equivalents	(214,047)	160,120	557,674	447,400
Cash and Cash Equivalents:				
Beginning of period	1,708,200	776,359	936,479	489,079
End of period	<u>\$ 1,494,153</u>	<u>\$ 936,479</u>	<u>\$ 1,494,153</u>	<u>\$ 936,479</u>