
**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 17, 2016

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 No.)

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 17, 2016, NetApp, Inc. ("NetApp" or the "Company") issued a press release reporting financial results for the third quarter ended January 29, 2016. The press release is furnished herewith as Exhibit 99.1, and is incorporated herein by reference.

The information contained herein and in the accompanying exhibits shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing. The information in this report, including the exhibits hereto, shall not be deemed "filed" for 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 or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

Non-GAAP Financial Measures

To supplement NetApp's condensed consolidated financial statement information presented on a GAAP basis, the attached exhibits provide investors with certain non-GAAP measures, including, but not limited to, historical non-GAAP operating results and non-GAAP net income, non-GAAP effective tax rate, non-GAAP inventory turns, and free cash flow; and historical and projected non-GAAP net income per diluted share.

NetApp believes that the presentation of non-GAAP net income, non-GAAP effective tax rates, and non-GAAP net income per share data when shown in conjunction with the corresponding GAAP measures, provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operations. In addition, NetApp believes that the presentation of non-GAAP inventory turns provides useful information to investors and management regarding financial and business trends relating to inventory management based on the operating activities of the periods presented. NetApp believes that the presentation of free cash flow, which it defines as the net cash provided by operating activities less cash used to acquire property and equipment, to be a liquidity measure that provides useful information to management and investors because it reflects cash that can be used to, among other things, invest in its business, make strategic acquisitions, repurchase common stock, and pay dividends on its common stock, after deducting capital expenditures. As free cash flow is not a measure of liquidity calculated in accordance with GAAP, free cash flow should be considered in addition to, but not as a substitute for the analysis provided in the statement of cash flows.

For purposes of internal planning, performance measurement and resource allocation, NetApp's management uses non-GAAP measures of net income that exclude, as applicable: (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 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 makes additional adjustments to the non-GAAP tax provision for certain tax matters as described below. 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 when applicable:

A. Amortization of intangible assets. NetApp records amortization of intangible assets that were acquired in connection with its business combinations. The amortization of intangible assets varies depending on the level of acquisition activity. Management finds it useful to exclude these charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods and in measuring operational performance.

B. Stock-based compensation expenses. NetApp excludes stock-based compensation expenses from its non-GAAP measures primarily because 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, on-going business and, therefore, finds it useful to exclude them in assessing our performance.

H. Income tax adjustments. NetApp's non-GAAP tax provision is based upon a projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. The non-GAAP tax provision also excludes, when applicable, (a) tax charges or benefits in the current period that relate to one or more prior fiscal periods that are a result of events such as changes in tax legislation, authoritative guidance, income tax audit settlements and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-reoccurring book and/or tax accounting method changes, (c) tax charges that are a result of a non-routine foreign cash repatriation, (d) tax charges or benefits that are a result of infrequent restructuring of the Company's tax structure, (e) tax charges or benefits that are a result of a change in valuation allowance, and (f) the impact of a temporary lapse of tax law, such as the federal R&D credit, if such extensions have routinely been granted based on past legislative history and are expected to be reinstated in the near future. Management believes that the use of non-GAAP tax provisions provides a more meaningful measure of the company's operational performance.

These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with generally accepted accounting principles, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. NetApp believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. NetApp management compensates for these limitations by analyzing current and projected results on a GAAP basis as well as a non-GAAP basis. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with generally accepted accounting principles in the United States. The non-GAAP financial measures are meant to supplement, and be viewed in conjunction with, GAAP financial measures.

Item 2.05 Costs Associated with Exit or Disposal Activities

On February 17, 2016, NetApp, Inc. (the "Company") committed to a restructuring and reduction in workforce to streamline its core business and reduce operating expenses. In connection with these actions, the Company expects to reduce its worldwide headcount by approximately 12%. The reduction in workforce will be implemented through the end of the first quarter of fiscal 2017.

The Company expects to incur aggregate charges of approximately \$60 to \$70 million for employee terminations and other costs associated with the restructuring. The Company expects that most of these charges will be cash expenditures and that it will recognize the majority of these charges in the fourth quarter of fiscal 2016.

This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include expectations regarding the restructuring and reduction in workforce, the number of employees impacted by the reduction in workforce, the aggregate charges for employee terminations and other costs associated with the restructuring, the related cash expenditures and the timing to recognize these charges. All of these forward-looking statements involve risk and uncertainty. Actual results may differ materially from these statements for a variety of reasons, including, without limitation, the timing and execution of the restructuring. These and other equally important factors are described in reports and documents we file from time to time with the Securities and Exchange Commission, 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.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press release, dated February 17, 2016, reporting earnings for the fiscal quarter ended January 29, 2016.

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 hereunto duly authorized.

**NETAPP,
INC.
(Registrant)**

February 17, 2016

By: /s/ Matthew K. Fawcett
Matthew K. Fawcett
Senior Vice President, General Counsel and Corporate Secretary

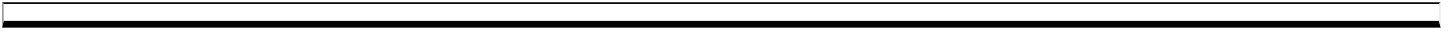
Exhibit Index

Exhibit No.

[99.1](#)

Description

Press release, dated February 17, 2016, reporting earnings for the fiscal quarter ended January 29, 2016



Press Contact:

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NETAPP REPORTS THIRD QUARTER FISCAL YEAR 2016 RESULTS

Net Revenues of \$1.39 Billion; GAAP EPS of \$0.52 and Non-GAAP EPS of \$0.70

- Announced acquisition of SolidFire™
- NetApp™ clustered Data ONTAP™ node shipments increased 69% year over year
- Free cash flow of \$314 million dollars; 23% of net revenues
- Initiated transformation program to reduce cost structure of the company

Sunnyvale, Calif.—February 17, 2016—NetApp (NASDAQ: NTAP) today reported financial results for the third quarter of fiscal year 2016, ended January 29, 2016.

Third Quarter Financial Results

Net revenues for the third quarter of fiscal year 2016 were \$1.39 billion. GAAP net income for the third quarter of fiscal year 2016 was \$153 million, or \$0.52 income per share¹, compared to GAAP net income of \$177 million, or \$0.56 income per share, for the comparable period of the prior year. Non-GAAP net income for the third quarter of fiscal year 2016 was \$206 million, or \$0.70 income per share,² compared to non-GAAP net income of \$238 million, or \$0.75 income per share, for the comparable period of the prior year.

Cash, Cash Equivalents and Investments

NetApp ended the third quarter of fiscal year 2016 with \$5.0 billion in total cash, cash equivalents and investments and generated \$355 million in cash from operations. During the third quarter of fiscal year 2016, the Company returned \$137 million to shareholders through share repurchases and a cash dividend.

The next dividend in the amount of \$0.18 per common share will be paid on April 27, 2016, to shareholders of record as of the close of business on April 8, 2016.

"NetApp's third quarter results demonstrate good progress in advancing our strategy and strong operational execution despite the challenging macroeconomic environment," said George Kurian, CEO. "To position NetApp for long-term success, we launched a transformation program designed to streamline the business and reduce our cost structure, while at the same time, maintaining our ability to invest in strategic opportunities. We are confident that we have the right strategy to further pivot the company toward the growth areas of the market and deliver long-term value."

Q4 Fiscal Year 2016 Outlook

The Company provided the following financial guidance for the fourth quarter of fiscal year 2016:

- Net revenues are expected to be in the range of \$1.35 billion to \$1.50 billion.
- GAAP earnings per share is expected to be in the range of \$0.12 to \$0.21 per share.
- Non-GAAP earnings per share is expected to be in the range of \$0.55 to \$0.60 per share.

Business Highlights

• NetApp Is the Clear Technology Leader in the All-Flash-Array Market

- **Accelerates customer adoption of all-flash data centers with SolidFire.** With the acquisition of SolidFire, NetApp now has all-flash offerings that address each of the three largest all-flash-array market segments. SolidFire combines the performance and economics of all-flash storage with a webscale architecture that radically simplifies data center operations and enables rapid deployments of new applications. SolidFire products will be incorporated into the strategy for the Data Fabric enabled by NetApp, delivering seamless management across flash, disk and cloud resources.
- **NetApp flash storage improves student and faculty experience.** With NetApp solutions, Western Oregon University (WOU) speeds educational, operational and financial decisions, while enhancing online collaboration benefits.
- **Performance of flash at the price of disk.** NetApp's new software efficiency technology and higher capacity drives within the NetApp All Flash FAS array series make it now possible for customers to reduce capacity requirements by as much as 30:1.

• The Data Fabric Vision Is Extended with New Solutions, Services and Partnerships

NetApp provides customers with the enterprise data protection that they need to confidently embrace the hybrid cloud. With NetApp SnapCenter™, StorageGRID™ Webscale, NetApp Private Storage, NetApp MetroCluster™ and NetApp SnapMirror™ disaster recovery solutions; as well as Commvault IntelliSnap, NetApp customers can now build a new generation of hybrid cloud services designed to move, manage, and protect data.

Webcast and Conference Call Information

NetApp will host a conference call to discuss these results today at 2 p.m. Pacific Time. To access the live webcast of this event, visit the NetApp Investor Relations website at investors.netapp.com. In addition, this press release, historical supplemental data tables and other information related to the call will be posted on the Investor Relations website. An audio replay will also be available on the website after 4 p.m. Pacific Time today.

About NetApp

Leading organizations worldwide count on NetApp for software, systems and services to manage and store their data. Customers value our teamwork, expertise and passion for helping them succeed now and into the future. To learn more, visit <http://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, but are not limited to, all of the statements made under the Q4 Fiscal Year 2016 Outlook section, statements made about our strategy, reducing our cost structure, our ability to invest in strategic opportunities, our future growth, and our ability to deliver long-term value, and statements made about the benefits to us and our customers of our products and partnerships, including those statements under the Business Highlights section. All of these forward-looking statements involve risk and uncertainty. Actual results may differ materially from these statements for a variety of reasons, including, without limitation, general economic and market conditions, changes in U.S. government spending, revenue seasonality and matters specific to our business, such as changes in storage consumption models, customer demand for and acceptance of our products and services, our ability to effectively integrate the SolidFire acquisition, our ability to successfully execute our transformation program, reduce our costs and pivot to the growth areas of the market and our ability to continue to generate healthy operating cash flow. These and other equally important factors are described in reports and documents we file from time to time with the Securities and Exchange Commission, including the factors described under the section titled "Risk Factors" in our most recently submitted Annual Report on Form 10-K. We disclaim any obligation to update information contained in this press release whether as a result of new information, future events, or otherwise.

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NetApp and the NetApp logo are trademarks of NetApp, Inc. All other marks are the property of their respective owners.

¹Net income per share is calculated using the diluted number of shares.

²Non-GAAP net income excludes, when applicable, 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 debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon a projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. The non-GAAP tax provision also excludes, when applicable, (a) tax charges or benefits in the current period that relate to one or more prior fiscal periods that are a result of events such as changes in tax legislation, authoritative guidance, income tax audit settlements and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-reoccurring book and/or tax accounting method changes, (c) tax charges that are a result of a non-routine foreign cash repatriation, (d) tax charges or benefits that are a result of infrequent restructuring of the Company's tax structure, (e) tax charges or benefits that are a result of a change in valuation allowance, and (f) the impact of a temporary lapse of tax law, such as the federal research credit, if such extensions have routinely been granted based on past legislative history and are expected to be reinstated in the near future. Non-GAAP earnings per share is calculated using the diluted number of shares for all periods presented. A detailed reconciliation of our non-GAAP to GAAP results can be found at <http://investors.netapp.com>.

NetApp Usage of Non-GAAP Financials

The Company refers to the non-GAAP financial measures in making operating decisions because they provide meaningful supplemental information regarding the Company's ongoing operational performance. Non-GAAP net income excludes, when applicable, 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 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. The non-GAAP tax provision also excludes, when applicable, (a) tax charges or benefits in the current period that relate to one or more prior fiscal periods that are a result of events such as changes in tax legislation, authoritative guidance, income tax audit settlements, and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-reoccurring book and/or tax accounting method changes, (c) tax charges that are a result of a non-routine foreign cash repatriation, (d) tax charges or benefits that are a result of infrequent restructuring of the Company's tax structure, (e) tax charges or benefits that are a result of a change in valuation allowance, and (f) the impact of a temporary lapse of tax law, such as the federal research credit, if such extensions have routinely been granted based on past legislative history and are expected to be reinstated in the near future. Non-GAAP earnings per share is calculated using the diluted number of shares for all periods.

We have excluded these items in order to enhance investors' understanding of our ongoing operations. The use of these non-GAAP financial measures has limitations and they should not solely be used to evaluate our Company without reference to their corresponding GAAP financial measures. As such, we provide 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.

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

	<u>January 29, 2016</u>	<u>April 24, 2015</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 5,023	\$ 5,326
Accounts receivable	585	779
Inventories	102	146
Other current assets	354	522
Total current assets	<u>6,064</u>	<u>6,773</u>
Property and equipment, net	873	1,030
Goodwill and purchased intangible assets, net	1,064	1,117
Other non-current assets	784	481
Total assets	<u>\$ 8,785</u>	<u>\$ 9,401</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 175	\$ 284
Accrued expenses	617	701
Short-term deferred revenue and financed unearned services revenue	1,684	1,724
Total current liabilities	<u>2,476</u>	<u>2,709</u>
Long-term debt	1,490	1,487
Other long-term liabilities	268	318
Long-term deferred revenue and financed unearned services revenue	1,442	1,473
Total liabilities	<u>5,676</u>	<u>5,987</u>
Stockholders' equity	3,109	3,414
Total liabilities and stockholders' equity	<u>\$ 8,785</u>	<u>\$ 9,401</u>

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

	Three Months Ended		Nine Months Ended	
	January 29, 2016	January 23, 2015	January 29, 2016	January 23, 2015
Revenues:				
Product	\$ 750	\$ 929	\$ 2,229	\$ 2,741
Software maintenance	234	226	715	672
Hardware maintenance and other services	402	396	1,222	1,170
Net revenues	<u>1,386</u>	<u>1,551</u>	<u>4,166</u>	<u>4,583</u>
Cost of revenues:				
Cost of product	381	420	1,134	1,216
Cost of software maintenance	9	9	28	26
Cost of hardware maintenance and other services	141	145	449	443
Total cost of revenues	<u>531</u>	<u>574</u>	<u>1,611</u>	<u>1,685</u>
Gross profit	<u>855</u>	<u>977</u>	<u>2,555</u>	<u>2,898</u>
Operating expenses:				
Sales and marketing	418	475	1,358	1,443
Research and development	200	230	660	687
General and administrative	70	70	223	213
Restructuring and other charges	-	-	28	-
Acquisition-related expense	2	-	2	-
Total operating expenses	<u>690</u>	<u>775</u>	<u>2,271</u>	<u>2,343</u>
Income from operations	165	202	284	555
Other income (expense), net	(2)	(2)	1	(6)
Income before income taxes	163	200	285	549
Provision for income taxes	10	23	48	124
Net income	<u>\$ 153</u>	<u>\$ 177</u>	<u>\$ 237</u>	<u>\$ 425</u>
Net income per share:				
Basic	<u>\$ 0.52</u>	<u>\$ 0.57</u>	<u>\$ 0.80</u>	<u>\$ 1.34</u>
Diluted	<u>\$ 0.52</u>	<u>\$ 0.56</u>	<u>\$ 0.79</u>	<u>\$ 1.31</u>
Shares used in net income per share calculations:				
Basic	<u>293</u>	<u>312</u>	<u>297</u>	<u>318</u>
Diluted	<u>296</u>	<u>317</u>	<u>300</u>	<u>323</u>
Cash dividends declared per share	<u>\$ 0.180</u>	<u>\$ 0.165</u>	<u>\$ 0.540</u>	<u>\$ 0.495</u>

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

	Three Months Ended		Nine Months Ended	
	January 29, 2016	January 23, 2015	January 29, 2016	January 23, 2015
Cash flows from operating activities:				
Net income	\$ 153	\$ 177	\$ 237	\$ 425
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	66	80	202	235
Stock-based compensation	63	66	199	196
Excess tax benefit from stock-based compensation	(1)	(5)	(5)	(54)
Other, net	(21)	(20)	(69)	30
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	1	(35)	190	187
Inventories	23	(10)	44	5
Accounts payable	(53)	(14)	(113)	(46)
Accrued expenses	10	(26)	(78)	(162)
Deferred revenue and financed unearned services revenue	85	79	(52)	34
Changes in other operating assets and liabilities, net	29	(17)	74	22
Net cash provided by operating activities	<u>355</u>	<u>275</u>	<u>629</u>	<u>872</u>
Cash flows from investing activities:				
Redemptions (purchases) of investments, net	91	(320)	879	41
Purchases of property and equipment	(41)	(29)	(125)	(138)
Acquisitions of businesses	-	(85)	-	(85)
Other investing activities, net	(1)	4	(1)	3
Net cash provided by (used in) investing activities	<u>49</u>	<u>(430)</u>	<u>753</u>	<u>(179)</u>
Cash flows from financing activities:				
Issuance of common stock	45	75	70	146
Repurchase of common stock	(85)	(200)	(698)	(919)
Excess tax benefit from stock-based compensation	1	5	5	54
Issuance of long-term debt, net	-	-	-	495
Dividends paid	(52)	(52)	(159)	(157)
Other financing activities, net	(5)	(4)	(8)	(8)
Net cash used in financing activities	<u>(96)</u>	<u>(176)</u>	<u>(790)</u>	<u>(389)</u>
Effect of exchange rate changes on cash and cash equivalents	(11)	(34)	(19)	(55)
Net increase (decrease) in cash and cash equivalents	297	(365)	573	249
Cash and cash equivalents:				
Beginning of period	2,198	2,905	1,922	2,291
End of period	<u>\$ 2,495</u>	<u>\$ 2,540</u>	<u>\$ 2,495</u>	<u>\$ 2,540</u>

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

	<u>Q3 FY'16</u>	<u>Q2 FY'16</u>	<u>Q3 FY'15</u>
Revenues			
Product	\$ 750	\$ 815	\$ 929
Software Maintenance	\$ 234	\$ 233	\$ 226
Hardware Maintenance & Other Services:	\$ 402	\$ 397	\$ 396
<i>Hardware Maintenance Support Contracts</i>	\$ 326	\$ 326	\$ 316
<i>Professional and Other Services</i>	\$ 76	\$ 71	\$ 80
Net Revenues	\$ 1,386	\$ 1,445	\$ 1,551

	<u>% of Q3 FY'16 Revenue</u>	<u>% of Q2 FY'16 Revenue</u>	<u>% of Q3 FY'15 Revenue</u>
Geographic Mix			
Americas	54%	57%	54%
<i>Americas Commercial</i>	44%	42%	44%
<i>U.S. Public Sector</i>	10%	14%	10%
EMEA	33%	30%	33%
Asia Pacific	13%	14%	13%

	<u>% of Q3 FY'16 Revenue</u>	<u>% of Q2 FY'16 Revenue</u>	<u>% of Q3 FY'15 Revenue</u>
Pathways Mix			
Direct	22%	23%	21%
Indirect	78%	77%	79%

Direct revenues are those sold through our direct sales force and, effective Q1 FY'16, include those sold to service providers. Indirect revenues include those sold through value-added resellers, system integrators, OEMs and distributors. Indirect revenue reflects order fulfillment and is not reflective of who is responsible for the customer relationship.

	<u>Q3 FY'16</u>	<u>Q2 FY'16</u>	<u>Q3 FY'15</u>
Non-GAAP Gross Margins			
Non-GAAP Gross Margin	63.1%	62.5%	64.6%
Product	51.1%	51.8%	57.0%
Software Maintenance	96.2%	96.1%	95.9%
Hardware Maintenance & Other Services	66.2%	64.7%	64.5%

	<u>Q3 FY'16</u>	<u>Q2 FY'16</u>	<u>Q3 FY'15</u>
Non-GAAP Income from Operations, Income before Income Taxes & Effective Tax Rate			
Non-GAAP Income from Operations	\$ 244	\$ 219	\$ 288
% of Net Revenues	17.6%	15.2%	18.5%
Non-GAAP Income before Income Taxes	\$ 242	\$ 218	\$ 285
Non-GAAP Effective Tax Rate	14.9%	17.0%	16.5%

Non-GAAP Net Income

	<u>Q3 FY'16</u>	<u>Q2 FY'16</u>	<u>Q3 FY'15</u>
Non-GAAP Net Income	\$ 206	\$ 181	\$ 238
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	296	296	317
Non-GAAP Net Income per Share, Diluted	\$ 0.70	\$ 0.61	\$ 0.75

Select Balance Sheet Items

	<u>Q3 FY'16</u>	<u>Q2 FY'16</u>	<u>Q3 FY'15</u>
Deferred Revenue and Financed Unearned Services Revenue	\$ 3,126	\$ 3,046	\$ 3,110
DSO (days)	38	37	39
Inventory Turns	20	17	19

Days sales outstanding (DSO) is defined as accounts receivable divided by net revenues, multiplied by the number of days in the quarter.

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

Select Cash Flow Statement Items

	<u>Q3 FY'16</u>	<u>Q2 FY'16</u>	<u>Q3 FY'15</u>
Net Cash Provided by Operating Activities	\$ 355	\$ 145	\$ 275
Purchases of Property and Equipment	\$ 41	\$ 46	\$ 29
Free Cash Flow	\$ 314	\$ 99	\$ 246
Free Cash Flow as % of Net Revenues	22.7%	6.9%	15.9%

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

Some items may not add or recalculate due to rounding.

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

	<u>Q3'FY16</u>	<u>Q2'FY16</u>	<u>Q3'FY15</u>
NET INCOME	\$ 153	\$ 114	\$ 177
Adjustments:			
Amortization of intangible assets	14	14	19
Stock-based compensation	63	59	66
Restructuring and other charges	-	1	-
Acquisition-related expense	2	-	-
Income tax effect of non-GAAP adjustments	(26)	(17)	(24)
Settlement of income tax audit	-	10	-
NON-GAAP NET INCOME	<u>\$ 206</u>	<u>\$ 181</u>	<u>\$ 238</u>
COST OF REVENUES	\$ 531	\$ 561	\$ 574
Adjustments:			
Amortization of intangible assets	(13)	(14)	(18)
Stock-based compensation	(6)	(5)	(6)
NON-GAAP COST OF REVENUES	<u>\$ 512</u>	<u>\$ 542</u>	<u>\$ 550</u>
COST OF PRODUCT REVENUES	\$ 381	\$ 408	\$ 420
Adjustments:			
Amortization of intangible assets	(13)	(14)	(18)
Stock-based compensation	(1)	(1)	(2)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 367</u>	<u>\$ 393</u>	<u>\$ 400</u>
COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	\$ 141	\$ 144	\$ 145
Adjustment:			
Stock-based compensation	(5)	(4)	(4)
NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES	<u>\$ 136</u>	<u>\$ 140</u>	<u>\$ 140</u>
GROSS PROFIT	\$ 855	\$ 884	\$ 977
Adjustments:			
Amortization of intangible assets	13	14	18
Stock-based compensation	6	5	6
NON-GAAP GROSS PROFIT	<u>\$ 874</u>	<u>\$ 903</u>	<u>\$ 1,002</u>
SALES AND MARKETING EXPENSES	\$ 418	\$ 448	\$ 475
Adjustments:			
Amortization of intangible assets	(1)	-	(1)
Stock-based compensation	(27)	(26)	(30)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 390</u>	<u>\$ 422</u>	<u>\$ 445</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 200	\$ 216	\$ 230
Adjustment:			
Stock-based compensation	(20)	(18)	(21)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 180</u>	<u>\$ 198</u>	<u>\$ 208</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 70	\$ 74	\$ 70
Adjustment:			
Stock-based compensation	(10)	(10)	(9)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 60</u>	<u>\$ 64</u>	<u>\$ 61</u>

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

	<u>Q3'FY16</u>	<u>Q2'FY16</u>	<u>Q3'FY15</u>
RESTRUCTURING AND OTHER CHARGES	\$ -	\$ 1	\$ -
Adjustment:			
Restructuring and other charges	-	(1)	-
NON-GAAP RESTRUCTURING AND OTHER CHARGES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ACQUISITION-RELATED EXPENSE	\$ 2	\$ -	\$ -
Adjustment:			
Acquisition-related expense	(2)	-	-
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES	\$ 690	\$ 739	\$ 775
Adjustments:			
Amortization of intangible assets	(1)	-	(1)
Stock-based compensation	(57)	(54)	(60)
Restructuring and other charges	-	(1)	-
Acquisition-related expense	(2)	-	-
NON-GAAP OPERATING EXPENSES	<u>\$ 630</u>	<u>\$ 684</u>	<u>\$ 714</u>
INCOME FROM OPERATIONS	\$ 165	\$ 145	\$ 202
Adjustments:			
Amortization of intangible assets	14	14	19
Stock-based compensation	63	59	66
Restructuring and other charges	-	1	-
Acquisition-related expense	2	-	-
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 244</u>	<u>\$ 219</u>	<u>\$ 288</u>
INCOME BEFORE INCOME TAXES	\$ 163	\$ 144	\$ 200
Adjustments:			
Amortization of intangible assets	14	14	19
Stock-based compensation	63	59	66
Restructuring and other charges	-	1	-
Acquisition-related expense	2	-	-
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 242</u>	<u>\$ 218</u>	<u>\$ 285</u>
PROVISION FOR INCOME TAXES	\$ 10	\$ 30	\$ 23
Adjustments:			
Income tax effect of non-GAAP adjustments	26	17	24
Settlement of income tax audit	-	(10)	-
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 36</u>	<u>\$ 37</u>	<u>\$ 47</u>
NET INCOME PER SHARE	\$ 0.52	\$ 0.39	\$ 0.56
Adjustments:			
Amortization of intangible assets	0.05	0.05	0.06
Stock-based compensation	0.21	0.20	0.21
Restructuring and other charges	-	-	-
Acquisition-related expense	0.01	-	-
Income tax effect of non-GAAP adjustments	(0.09)	(0.06)	(0.07)
Settlement of income tax audit	-	0.03	-
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.70</u>	<u>\$ 0.61</u>	<u>\$ 0.75</u>

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

	<u>Q3'FY16</u>	<u>Q2'FY16</u>	<u>Q3'FY15</u>
Gross margin-GAAP	61.7%	61.2%	63.0%
Cost of revenues adjustments	1.4%	1.3%	1.6%
Gross margin-Non-GAAP	63.1%	62.5%	64.6%
GAAP cost of revenues	\$ 531	\$ 561	\$ 574
Cost of revenues adjustments:			
Amortization of intangible assets	(13)	(14)	(18)
Stock-based compensation	(6)	(5)	(6)
Non-GAAP cost of revenues	\$ 512	\$ 542	\$ 550
Net revenues	\$ 1,386	\$ 1,445	\$ 1,551

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

	<u>Q3'FY16</u>	<u>Q2'FY16</u>	<u>Q3'FY15</u>
Product gross margin-GAAP	49.2%	49.9%	54.9%
Cost of product revenues adjustments	1.9%	1.8%	2.1%
Product gross margin-Non-GAAP	51.1%	51.8%	57.0%
GAAP cost of product revenues	\$ 381	\$ 408	\$ 420
Cost of product revenues adjustments:			
Amortization of intangible assets	(13)	(14)	(18)
Stock-based compensation	(1)	(1)	(2)
Non-GAAP cost of product revenues	\$ 367	\$ 393	\$ 400
Product revenues	\$ 750	\$ 815	\$ 929

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

	<u>Q3'FY16</u>	<u>Q2'FY16</u>	<u>Q3'FY15</u>
Hardware maintenance and other services gross margin-GAAP	64.9%	63.7%	63.3%
Cost of hardware maintenance and other services revenues adjustment	1.2%	1.0%	1.2%
Hardware maintenance and other services gross margin-Non-GAAP	66.2%	64.7%	64.5%
GAAP cost of hardware maintenance and other services revenues	\$ 141	\$ 144	\$ 145
Cost of hardware maintenance and other services revenues adjustment:			
Stock-based compensation	(5)	(4)	(4)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 136	\$ 140	\$ 140
Hardware maintenance and other services revenues	\$ 402	\$ 397	\$ 396

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

	<u>Q3'FY16</u>	<u>Q2'FY16</u>	<u>Q3'FY15</u>
GAAP effective tax rate	6.1%	20.8%	11.6%
Adjustments:			
Tax effect of non-GAAP adjustments	8.8%	0.8%	4.9%
Settlement of income tax audit	-%	(4.6%)	-%
Non-GAAP effective tax rate	14.9%	17.0%	16.5%

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

	<u>Q3'FY16</u>	<u>Q2'FY16</u>	<u>Q3'FY15</u>
Net cash provided by operating activities	\$ 355	\$ 145	\$ 275
Purchases of property and equipment	(41)	(46)	(29)
Free cash flow	\$ 314	\$ 99	\$ 246

**INVENTORY TURNS AND RECONCILIATION OF NON-GAAP TO GAAP
COST OF REVENUES USED IN INVENTORY TURNS
(In millions, except annualized inventory turns)**

	<u>Q3'FY16</u>	<u>Q2'FY16</u>	<u>Q3'FY15</u>
Annualized inventory turns-GAAP	21	18	19
Cost of revenues adjustments	(1)	(1)	(1)
Annualized inventory turns-Non-GAAP	20	17	19
GAAP cost of revenues	\$ 531	\$ 561	\$ 574
Cost of revenues adjustments:			
Amortization of intangible assets	(13)	(14)	(18)
Stock-based compensation	(6)	(5)	(6)
Non-GAAP cost of revenues	\$ 512	\$ 542	\$ 550
Inventory	\$ 102	\$ 125	\$ 118

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FOURTH QUARTER FISCAL 2016

	Fourth Quarter Fiscal 2016
Non-GAAP Guidance - Net Income Per Share	\$0.55 - \$0.60
Adjustments of Specific Items to Net Income Per Share for the Fourth Quarter Fiscal 2016:	
Amortization of intangible assets	(0.08)
Stock-based compensation expense	(0.21)
Restructuring and other charges	(0.24) - (0.20)
Acquisition-related expense	(0.01)
Income tax effect of non-GAAP adjustments	0.11
Total Adjustments	(0.43) - (0.39)
GAAP Guidance - Net Income Per Share	\$0.12 - \$0.21
