

---

**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 13, 2013

**NETAPP, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation)

**0-27130**  
(Commission  
File Number)

**77-0307520**  
(IRS Employer  
Identification Number)

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

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

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

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

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

## Item 2.02 Results of Operations and Financial Condition.

On February 13, 2013, NetApp, Inc. (“NetApp” or the “Company”) issued a press release and supplemental commentary reporting financial results for the third quarter ended January 25, 2013. 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 debt, (g) net losses or gains on investments, and (h) our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. NetApp’s management uses these non-GAAP measures in making operating decisions because it believes the measurements provide meaningful supplemental information regarding NetApp’s ongoing operational performance. These non-GAAP financial measures are used to: (1) measure company performance against historical results, (2) facilitate comparisons to our competitors’ operating results, and (3) allow greater transparency with respect to information used by management in financial and operational decision making. In addition, these non-GAAP financial measures are used to measure company performance for the purposes of determining employee incentive plan compensation.

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

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

*B. Stock-based compensation expenses.* NetApp excludes stock-based compensation expenses from its non-GAAP measures primarily because they are non-cash expenses. While management views stock-based compensation as a key element of our employee retention and long-term incentives, we do not view it as an expense to be used in evaluating operational performance in any given period. In addition, the valuation of stock-based awards and associated expense are based on factors and assumptions that management believes are, in large part, outside of management’s control.

*C. Acquisition related income and expenses.* NetApp excludes acquisition related income and expenses, including (a) merger termination proceeds, (b) due diligence, legal and other one-time integration charges, (c) the impact of inventory step-ups, and (d) write down of assets acquired that NetApp does not intend to use in its ongoing business, from its non-GAAP measures primarily because they are not related to our on-going business or cost base and, therefore, cannot be relied upon for future planning and forecasting.

*D. Restructuring and other charges.* These charges include restructuring charges that are incurred based on the particular facts and circumstances of restructuring decisions, including employment and contractual settlement terms, and other related charges, and can vary in size and frequency. These items are not ordinarily included in our annual operating plan and related budget due to the unpredictability of the timing and size of these events. We therefore exclude them in our assessment of operational performance.

*E. Asset impairments.* These are non-cash charges to write down assets when there is an indication that the asset has become impaired. Management finds it useful to exclude these non-cash charges due to the unpredictability of these events in its assessment of operational performance.

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

G. *Net losses or gains.* These include realized gains and losses on and other-than-temporary impairments of our investments related to significant investment impairments or liquidation events. Management believes that these gains and losses do not reflect the results of our underlying, 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.**

<b>Exhibit</b>	<b>Description</b>
<a href="#">99.1</a>	Press release, dated February 13, 2013, reporting earnings for the fiscal quarter ended January 25, 2013.
<a href="#">99.2</a>	Supplemental Commentary, dated February 13, 2013.

**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 13, 2013

By:

/s/ Matthew K. Fawcett

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

## Index to Exhibits

<b>Exhibit</b>	<b>Description</b>
<a href="#">99.1</a>	Press release, dated February 13, 2013, reporting earnings for the fiscal quarter ended January 25, 2013.
<a href="#">99.2</a>	Supplemental Commentary, dated February 13, 2013.

**Press Contact:**

Ryan Lowry  
NetApp  
(408) 822-7544  
[ryanl@netapp.com](mailto:ryanl@netapp.com)

**Investor Contact:**

Kris Newton  
NetApp  
(408) 822-3312  
[kris.newton@netapp.com](mailto:kris.newton@netapp.com)

**NETAPP ANNOUNCES RESULTS FOR THIRD  
QUARTER FISCAL YEAR 2013**

*Reports Q3 FY'13 Revenues of \$1.630 Billion; Non-GAAP  
Earnings per Share of \$0.67*

**Sunnyvale, Calif.—February 13, 2013**—NetApp (NASDAQ: NTAP) today reported results for the third quarter of fiscal year 2013, which ended January 25, 2013. Revenues for the third quarter of fiscal year 2013 totaled \$1.630 billion and were in line with prior guidance. Revenues for the same period a year ago totaled \$1.566 billion.

For the third quarter of fiscal year 2013, GAAP net income was \$158 million, or \$0.43 per share,<sup>1</sup> compared to GAAP net income of \$120 million, or \$0.32 per share for the same period a year ago. Non-GAAP net income for the third quarter of fiscal year 2013 was \$243 million, or \$0.67 per share,<sup>2</sup> compared to non-GAAP net income of \$216 million, or \$0.58 per share for the same period a year ago.

Revenues for the first nine months of fiscal year 2013 totaled \$4.616 billion compared to revenues of \$4.531 billion for the first nine months of the prior fiscal year. GAAP net income for the first nine months of fiscal year 2013 totaled \$332 million, or \$0.90 per share, compared to GAAP net income of \$425 million, or \$1.10 per share for the first nine months of the prior fiscal year. Non-GAAP net income for the first nine months of fiscal year 2013 totaled \$588 million, or \$1.60 per share, compared to non-GAAP net income of \$674 million, or \$1.75 per share for the first nine months of the prior fiscal year.

“NetApp delivered solid financial results again this quarter. The value proposition of Data ONTAP® for shared storage infrastructures and the price performance characteristics of the E-series for dedicated storage infrastructures helped drive strong growth in our branded business,” said Tom Georgens, president and CEO. “The robust adoption of clustered Data ONTAP, our industry-leading flash portfolio, and our best-of-breed partnerships position us well for continued growth.”

**Outlook**

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

- NetApp estimates revenue for the fourth quarter of fiscal year 2013 to be in the range of \$1.700 billion to \$1.800 billion.

- NetApp estimates GAAP earnings per share for the fourth quarter of fiscal year 2013 to be approximately \$0.43 to \$0.48 per share. NetApp estimates non-GAAP earnings per share for the fourth quarter of fiscal year 2013 to be approximately \$0.65 to \$0.70 per share.
- NetApp estimates that the share count for the fourth quarter of fiscal year 2013 will increase to approximately 372 million shares.

### **Business Highlights**

During the third quarter of fiscal year 2013, NetApp extended its product and technology innovation leadership, strengthened its alliance ecosystem of strategic best-of-breed partnerships, and continued to be recognized as one of the world's best places to work. On the product front, NetApp announced enhancements to its FAS3000 storage systems and its E-Series platform to address customers' varied workload environments. NetApp also deepened its partnerships with industry leaders Cisco and Citrix, and announced a new integration with Amazon Web Services (AWS). Finally, NetApp became the official data storage provider of the NFL.

Highlights include:

#### **NetApp Acquires ionGrid**

- NetApp has completed the acquisition of ionGrid, a privately-held software company based in Mountain View, Calif. The acquisition provides NetApp customers with a secure, simple to use solution for accessing enterprise file shares from mobile devices. Financial terms of the acquisition are not being disclosed at this time.

#### **FAS and E-Series Innovation Helps Customers Fuel Growth**

- **New FAS midrange storage systems provide foundation for agile data infrastructure.** The new FAS3220 and FAS3250 systems are flash-enabled and leverage clustered Data ONTAP to address customer requirements for performance and nonstop operations. Both systems help enterprises and midsize businesses that are consolidating operations onto a shared storage platform improve performance by up to 80% and increase storage capacity up to 100% over existing midrange products.
- **Customers accelerate big data innovation and analysis with enhanced E-Series storage platform.** The updated E-Series platform includes the addition of SSD cache for improved performance, a broadening of network interface support for the E5400 storage system for increased connectivity and network flexibility, and new mirroring and replication services for greater data protection. The enhanced platform provides customers with the foundation to build innovative storage systems that deliver superior performance for the most challenging big data workloads.

#### **Deeper Integration with Partners Enables Customers to Innovate in the Cloud**

- **NetApp and Cisco expand partnership to unify branch office, data center, and public cloud environments with FlexPod® architecture.** The partnership expansion includes efforts in technology integration, solution development, and continued go-to-market collaboration to make it easier for customers to deploy and access next-generation cloud infrastructure solutions. The announcement builds on the already strong momentum FlexPod is experiencing with more than 2,100 customers across more than 35 countries and over 700 channel partners.

- **NetApp teams with Amazon Web Services to help customers connect their existing infrastructure to the AWS cloud.** NetApp unveiled NetApp® Private Storage for AWS, an enterprise storage solution that allows customers to replicate data from on-premise NetApp storage environments to NetApp Private Storage, and through AWS Direct Connect they can leverage on-demand cloud services. With this solution customers can build an agile cloud infrastructure that balances internal data center resources along with AWS cloud resources to best meet their business needs.
- **NetApp and Citrix collaborate on secure file sharing and on-premise storage solution for enterprise customers.** Citrix ShareFile customers now have access to NetApp FAS and V-Series storage systems running clustered Data ONTAP. The new solution will allow customers who store their data on premise to leverage NetApp Data ONTAP software to access data, scale performance and capacity, reduce data center footprint, and reduce costs.

#### **Customers Build on NetApp to Accelerate Business Operations**

- **NetApp data storage delivers and protects NFL and Super Bowl XLVII game-day data.** Starting with Super Bowl XLVII in New Orleans on February 3, 2013, NetApp kicked off a two-year relationship with the NFL, making NetApp the official data storage provider of the NFL. The NFL will leverage the FAS2220 and FAS2240 storage systems to enable its support of league-wide mission-critical activities.
- **Sauber F1 Team relies on NetApp to thrive in Formula 1 racing.** Data is one of the Sauber F1 Teams greatest competitive advantages and as a result the team has built its IT infrastructure on a NetApp storage foundation. The Sauber F1 Team leverages a FlexPod architecture and NetApp MetroCluster™ solution for the reliability, simplicity, efficiency, and high availability required to help drive the team's success.

#### **NetApp Reinforces Its Standing as a Great Place to Work**

- For the second consecutive year, NetApp was ranked #6 on *FORTUNE* magazine's "100 Best Companies to Work For" list for 2013. This is the fifth consecutive year that NetApp has ranked in the top 10 and seventh consecutive year it has ranked in the top 15.

#### **Webcast and Conference Call Information**

The NetApp third quarter fiscal year 2013 conference call will be broadcast live on the Internet at [investors.netapp.com](http://investors.netapp.com) on Wednesday, February 13, 2013, at 2:30 p.m. Pacific Time. This press release and any other information related to the call will be posted on the Web site at that location. An audio replay Webcast will be available after 4:30 p.m. Pacific Time on the Web site.

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



## **About NetApp**

NetApp creates innovative storage and data management solutions that deliver outstanding cost efficiency and accelerate business breakthroughs. Our commitment to living our core values and consistently being recognized as a great place to work around the world are fundamental to our long-term growth and success, as well as the success of our pathway partners and customers. Discover our passion for helping companies around the world go further, faster at [www.netapp.com](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 all of the statements under the Outlook section relating to our forecasts for the fourth quarter of fiscal year 2013, the benefits to us and our customers of our products and services, the expected benefits of partnerships, alliances and acquisitions, and our statements regarding future repurchases of our common stock, all of which involve risk and uncertainty. Actual results may differ materially from our statements and projections for a variety of reasons, including general economic and market conditions; and matters specific to our business, such as customer demand for and acceptance of our products and services. These and other equally important factors are described in reports and documents we file from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections titled “Risk Factors” in our most recently submitted Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

###

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

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

<sup>2</sup>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 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. 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 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 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 25, 2013</u>	<u>April 27, 2012</u>
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and investments	\$ 6,723.9	\$ 5,398.5
Accounts receivable, net	633.8	830.9
Inventories	172.9	161.5
Other current assets	518.0	435.6
Total current assets	<u>8,048.6</u>	<u>6,826.5</u>
Property and equipment, net	1,189.2	1,137.2
Goodwill and other intangible assets, net	1,171.9	1,141.2
Other non-current assets	456.2	427.4
Total assets	<u>\$ 10,865.9</u>	<u>\$ 9,532.3</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 221.2	\$ 233.1
Accrued compensation and other current liabilities	679.2	717.9
Current portion of long-term debt	1,243.3	1,202.3
Short-term deferred revenue	1,477.3	1,366.5
Total current liabilities	<u>3,621.0</u>	<u>3,519.8</u>
Long-term debt	994.3	-
Other long-term liabilities	226.9	206.9
Long-term deferred revenue	1,398.7	1,449.4
Total liabilities	<u>6,240.9</u>	<u>5,176.1</u>
Convertible Notes	-	62.6
Stockholders' equity	4,625.0	4,293.6
Total liabilities and stockholders' equity	<u>\$ 10,865.9</u>	<u>\$ 9,532.3</u>

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>January 25, 2013</b>	<b>January 27, 2012</b>	<b>January 25, 2013</b>	<b>January 27, 2012</b>
<b>Revenues:</b>				
Product	\$ 1,060.7	\$ 1,062.7	\$ 2,954.5	\$ 3,044.6
Software entitlements and maintenance	228.6	203.5	666.5	599.7
Service	340.8	299.3	994.9	886.4
Net revenues	<u>1,630.1</u>	<u>1,565.5</u>	<u>4,615.9</u>	<u>4,530.7</u>
<b>Cost of revenues:</b>				
Cost of product	512.5	517.8	1,442.0	1,415.9
Cost of software entitlements and maintenance	7.3	6.2	20.9	17.1
Cost of service	145.4	133.0	424.1	379.3
Total cost of revenues	<u>665.2</u>	<u>657.0</u>	<u>1,887.0</u>	<u>1,812.3</u>
Gross profit	<u>964.9</u>	<u>908.5</u>	<u>2,728.9</u>	<u>2,718.4</u>
<b>Operating expenses:</b>				
Sales and marketing	493.5	477.0	1,464.6	1,385.9
Research and development	215.6	208.3	660.8	606.6
General and administrative	66.2	63.2	198.4	193.4
Acquisition-related expense	1.7	3.5	1.7	7.4
Total operating expenses	<u>777.0</u>	<u>752.0</u>	<u>2,325.5</u>	<u>2,193.3</u>
Income from operations	187.9	156.5	403.4	525.1
<b>Other expense, net:</b>				
Interest income	10.3	8.7	32.1	27.6
Interest expense	(24.0)	(18.9)	(63.7)	(54.7)
Other income (expense), net	1.6	0.6	5.9	(0.1)
Total other expense, net	<u>(12.1)</u>	<u>(9.6)</u>	<u>(25.7)</u>	<u>(27.2)</u>
Income before income taxes	175.8	146.9	377.7	497.9
Provision for income taxes	<u>17.7</u>	<u>27.3</u>	<u>46.2</u>	<u>73.2</u>
Net income	<u>\$ 158.1</u>	<u>\$ 119.6</u>	<u>\$ 331.5</u>	<u>\$ 424.7</u>
<b>Net income per share:</b>				
Basic	<u>\$ 0.44</u>	<u>\$ 0.33</u>	<u>\$ 0.91</u>	<u>\$ 1.17</u>
Diluted	<u>\$ 0.43</u>	<u>\$ 0.32</u>	<u>\$ 0.90</u>	<u>\$ 1.10</u>
<b>Shares used in net income per share calculations:</b>				
Basic	<u>359.5</u>	<u>360.3</u>	<u>362.5</u>	<u>364.0</u>
Diluted	<u>364.7</u>	<u>373.7</u>	<u>368.1</u>	<u>385.1</u>

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>January 25, 2013</u>	<u>January 27, 2012</u>	<u>January 25, 2013</u>	<u>January 27, 2012</u>
<b>Cash flows from operating activities:</b>				
Net income	\$ 158.1	\$ 119.6	\$ 331.5	\$ 424.7
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	86.4	73.6	255.5	210.5
Stock-based compensation	67.3	76.7	211.5	197.8
Accretion of discount and issuance costs on debt	15.3	13.5	44.0	38.7
Shortfall (excess tax benefit) from stock-based compensation	(9.4)	4.0	(53.0)	(80.7)
Other, net	3.4	(1.9)	(8.3)	2.8
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(19.8)	(59.8)	193.1	55.8
Inventories	40.3	9.5	(11.4)	(8.8)
Accounts payable	(29.9)	(56.0)	(16.0)	(10.4)
Accrued compensation and other current liabilities	(19.2)	12.6	(35.1)	(160.5)
Deferred revenue	105.3	107.6	62.7	234.5
Changes in other operating assets and liabilities, net	(32.7)	(30.2)	(43.8)	(24.4)
Net cash provided by operating activities	<u>365.1</u>	<u>269.2</u>	<u>930.7</u>	<u>880.0</u>
<b>Cash flows from investing activities:</b>				
Redemptions (purchases) of investments, net	110.7	(61.6)	204.1	(21.2)
Purchases of property and equipment	(110.7)	(91.3)	(239.7)	(282.9)
Acquisitions of businesses, net of cash acquired	(89.4)	-	(89.4)	(480.0)
Other investing activities, net	0.2	(2.0)	3.0	-
Net cash used in investing activities	<u>(89.2)</u>	<u>(154.9)</u>	<u>(122.0)</u>	<u>(784.1)</u>
<b>Cash flows from financing activities:</b>				
Issuance of common stock	50.4	49.1	95.5	101.0
Repurchase and retirement of common stock	(61.7)	-	(410.0)	(600.0)
Excess tax benefit (shortfall) from stock-based compensation	9.4	(4.0)	53.0	80.7
Issuance of long-term debt, net	987.3	-	987.3	-
Other financing activities, net	(0.4)	1.5	(0.7)	3.1
Net cash provided by (used in) financing activities	<u>985.0</u>	<u>46.6</u>	<u>725.1</u>	<u>(415.2)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	4.0	(9.0)	(1.9)	(17.1)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,264.9	151.9	1,531.9	(336.4)
<b>Cash and cash equivalents:</b>				
Beginning of period	1,816.8	2,269.0	1,549.8	2,757.3
End of period	<u>\$ 3,081.7</u>	<u>\$ 2,420.9</u>	<u>\$ 3,081.7</u>	<u>\$ 2,420.9</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 25, 2013</u>	<u>January 27, 2012</u>	<u>January 25, 2013</u>	<u>January 27, 2012</u>
<b><u>SUMMARY RECONCILIATION OF NET INCOME</u></b>				
<b>NET INCOME</b>	\$ 158.1	\$ 119.6	331.5	424.7
Adjustments:				
Amortization of intangible assets	21.4	21.6	64.3	67.6
Stock-based compensation	67.3	76.7	211.5	197.8
Acquisition-related expense	1.7	3.5	1.7	15.4
Non-cash interest expense	15.3	13.5	44.0	38.7
Gain on investments	(0.7)	(0.7)	(0.7)	(0.7)
Income tax effect of non-GAAP adjustments	(20.4)	(18.2)	(64.2)	(69.7)
<b>NON-GAAP NET INCOME</b>	<u>\$ 242.7</u>	<u>\$ 216.0</u>	<u>\$ 588.1</u>	<u>\$ 673.8</u>
<b><u>NET INCOME PER SHARE</u></b>				
	\$ 0.434	\$ 0.320	0.901	1.103
Adjustments:				
Amortization of intangible assets	0.059	0.058	0.175	0.175
Stock-based compensation	0.184	0.205	0.574	0.514
Acquisition-related expense	0.005	0.010	0.005	0.040
Non-cash interest expense	0.042	0.036	0.119	0.101
Gain on investments	(0.002)	(0.002)	(0.002)	(0.002)
Income tax effect of non-GAAP adjustments	(0.057)	(0.049)	(0.174)	(0.181)
<b>NON-GAAP NET INCOME PER SHARE</b>	<u>\$ 0.665</u>	<u>\$ 0.578</u>	<u>\$ 1.598</u>	<u>\$ 1.750</u>

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

**Three Months Ended January 25, 2013**

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</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	\$ 1.4	\$ -	\$ -	\$ -	\$ 15.3
Cost of service revenues	-	4.8	-	-	-	4.8
Sales and marketing expenses	7.5	31.9	-	-	-	39.4
Research and development expenses	-	20.8	-	-	-	20.8
General and administrative expenses	-	8.4	-	-	-	8.4
Acquisition-related expense	-	-	1.7	-	-	1.7
Interest expense	-	-	-	15.3	-	15.3
Other income (expense), net	-	-	-	-	(0.7)	(0.7)
Effect on income before income taxes	<u>\$ 21.4</u>	<u>\$ 67.3</u>	<u>\$ 1.7</u>	<u>\$ 15.3</u>	<u>\$ (0.7)</u>	<u>\$ 105.0</u>

**Three Months Ended January 27, 2012**

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</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 expenses	7.6	37.5	-	-	-	45.1
Research and development expenses	0.1	22.8	-	-	-	22.9
General and administrative expenses	-	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>\$ 3.5</u>	<u>\$ 13.5</u>	<u>\$ (0.7)</u>	<u>\$ 114.6</u>

**Nine Months Ended January 25, 2013**

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</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	\$ 4.7	\$ -	\$ -	\$ -	\$ 46.5
Cost of service revenues	-	15.0	-	-	-	15.0
Sales and marketing expense	22.4	101.8	-	-	-	124.2
Research and development expense	0.1	63.8	-	-	-	63.9
General and administrative expense	-	26.2	-	-	-	26.2
Acquisition-related expense	-	-	1.7	-	-	1.7
Interest expense	-	-	-	44.0	-	44.0
Other income (expense), net	-	-	-	-	(0.7)	(0.7)
Effect on income before income taxes	<u>\$ 64.3</u>	<u>\$ 211.5</u>	<u>\$ 1.7</u>	<u>\$ 44.0</u>	<u>\$ (0.7)</u>	<u>\$ 320.8</u>

**Nine Months Ended January 27, 2012**

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</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>\$ 15.4</u>	<u>\$ 38.7</u>	<u>\$ (0.7)</u>	<u>\$ 318.8</u>





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

**Fourth Quarter**  
**2013**

---

Non-GAAP Guidance - Net Income Per Share	\$0.65 - \$0.70
Adjustments of Specific Items to Net Income Per Share for the Fourth Quarter 2013:	
Amortization of intangible assets	(0.06)
Stock-based compensation expense	(0.18)
Non-cash interest expense	(0.04)
Income tax effect	0.06
Total Adjustments	(0.22)
GAAP Guidance - Net Income Per Share	\$0.43 - \$0.48



## NetApp Q3 Fiscal Year 2013 Earnings Results

Supplemental Commentary  
February 13, 2013

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 (a) the Q4 FY13 Outlook section regarding our forecasts for the fourth quarter of fiscal year 2013, and (b) the expected dilutive effect from our outstanding convertible notes. Actual results may differ materially from our statements and projections for a variety of reasons, including general economic and market conditions, such as the global macroeconomic environment and the continuing deliberations regarding future tax and fiscal policy in the U.S., and matters specific to our business such as customer demand for and acceptance of our products and services. These and other equally important factors are described in reports and documents we file from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections titled "Risk Factors" in our most recently submitted Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

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

Q3 Fiscal Year 2013

Revenue

	Q3 FY13 Revenue	% of Q3 FY13 Net Revenue	Sequential Change <sup>1</sup>	Year/Year Change <sup>1</sup>
Product Revenue	\$ 1,061M	65%	7%	0%
Software Entitlements & Maintenance	\$ 229M	14%	4%	12%
Service	\$ 341M	21%	5%	14%
Net Revenue	\$ 1,630M	100%	6%	4%

Net revenue for the third quarter was \$1,630 million, an increase of 6% sequentially and 4% year over year. Foreign currency fluctuations<sup>2</sup> were immaterial both sequentially and year over year.

Product revenue was \$1,061 million, an increase of 7% sequentially and flat year over year. Product revenue was 65% of net revenue in Q3, about the same as the prior quarter.

Revenue from software entitlements and maintenance (SEM), which is a deferred revenue element and recognized over the related contract period, was \$229 million or 14% of revenue. SEM revenue increased 4% sequentially and 12% year over year.

Service revenue was \$341 million, an increase of 5% sequentially and 14% year over year. Service revenue was 21% of net revenue in the third quarter, about the same as the prior quarter.

- Revenue from hardware maintenance support contracts, which is also a deferred revenue element, comprised 75% of our service revenue this quarter and increased 6% sequentially and 21% year over year.
- Professional services revenue increased 1% from the prior quarter and decreased 3% year over year.

<sup>1</sup> Sequential and year over year calculations are based upon prior results which can be found at [investors.netapp.com](http://investors.netapp.com)

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

Branded and OEM Revenue

	Q3 FY13 Revenue	% of Q3 FY13 Net Revenue	Sequential Change <sup>1</sup>	Year/Year Change <sup>1</sup>
Branded Revenue	\$ 1,427M	88%	7%	8%
OEM Revenue	\$ 203M	12%	-3%	-17%
Net Revenue	\$ 1,630M	100%	6%	4%

Branded revenue includes revenue from all products and services sold directly by us or our partners under the NetApp brand, including NetApp branded E-Series products and solutions. Our OEM revenue comprises revenue from the sale of our products by other companies under their brands and includes revenue from IBM, Fujitsu, and other E-Series OEM relationships.

Gross Margin

	Q3 FY13	Q2 FY13	Q3 FY12
Non-GAAP Gross Margin	60.4%	60.6%	59.4%
Product	53.1%	53.6%	52.7%
S/W Entitlements & Maintenance	96.8%	96.8%	97.0%
Services	58.7%	57.5%	57.5%

Operating Expenses

	Q3 FY13	Q2 FY13	Q3 FY12
Non-GAAP Operating Expenses	\$ 707M	\$ 712M	\$ 671M

Non-GAAP operating expenses of \$707 million decreased 1% sequentially and increased 5% year over year. Q3 non-GAAP operating expenses were 43% of net revenue, compared to 46% in Q2.

Our global headcount increased to approximately 13,020 at the end of Q3, up from approximately 12,650 at the end of Q2.

GAAP operating expenses included \$61 million in stock-based compensation and \$8 million in amortization of intangible assets.

Income from Operations, Other Income & Effective Tax Rate

	Q3 FY13	Q2 FY13	Q3 FY12
Non-GAAP Income from Operations	\$ 278M	\$ 222M	\$ 258M
% of Net Revenue	17.1%	14.4%	16.5%
Non-GAAP Other Income, Net	\$ 3M	\$ 7M	\$ 3M
Non-GAAP Income Before Income Taxes	\$ 281M	\$ 229M	\$ 262M
Non-GAAP Effective Tax Rate	13.6%	17.3%	17.4%

Non-GAAP income from operations was \$278 million, an increase of 25% sequentially and 8% year over year. Non-GAAP operating margin was 17.1% of Q3 net revenue.

Non-GAAP other income, net was \$3 million, and reflects higher interest expense associated with the December issuance of our senior notes. GAAP other expenses, net includes non-cash interest expense of approximately \$15 million associated with our convertible notes.

Non-GAAP income before income taxes was \$281 million, or 17.2% of net revenue in Q3, compared to 14.8% of net revenue in the prior quarter and 16.7% of net revenue in Q3 last year. Our non-GAAP effective tax rate was 13.6%, which reflects a prior year discrete item and a current year cumulative benefit related to the R&D tax credit approved by Congress in January 2013.

Net Income

	Q3 FY13	Q2 FY13	Q3 FY12
Non-GAAP Net Income	\$ 243M	\$ 189M	\$ 216M
Weighted Average Common Shares Outstanding, diluted	365M	368M	374M
Non-GAAP Net Income per Share, diluted	\$ 0.67	\$ 0.51	\$ 0.58

Non-GAAP net income was \$243 million, or \$0.67 per share. GAAP net income was \$158 million, or \$0.43 per share. Our diluted share count was approximately 365 million shares, a decrease of approximately 3 million shares from the prior quarter.

Impact of Convertible Note Transaction on Share Count

	Q3 FY13	Q2 FY13	Q3 FY12
Convertible Notes <sup>3</sup>	--M	1M	6M
Warrants	--	--	--

For Q3, diluted share count was approximately 365 million, in line with our guidance. With an average share price of \$31.97 during our third quarter, the convertible notes had an impact of 150 thousand shares on our share count. Since the average stock price was below the \$41.28 conversion price of the warrants, there was no share count impact from the 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 100 thousand shares. Unlike the notes, the warrants are not hedged and are dilutive whenever the average quarterly stock price is above \$41.28.

Select Balance Sheet Items

	Q3 FY13	Q2 FY13	Q3 FY12
Cash, Cash Equivalents & Investments	\$ 6,724M	\$ 5,571M	\$ 4,866M
Deferred Revenue	\$ 2,876M	\$ 2,770M	\$ 2,546M
DSO (days) <sup>4</sup>	35	36	40
Inventory Turns <sup>5</sup>	14.9	11.4	16.5

Cash, cash equivalents and short-term investments totaled \$6,724 million at the end of Q3, an increase of \$1,153 million from Q2 and \$1,858 million from Q3 last year. The increase reflects net proceeds of \$994 million from our December 2012 issuance of senior notes. Of our cash, cash equivalents and investment balance, 50% was held in the U.S. At the end of Q3, total deferred revenue balance was \$2,876 million, up \$106 million from Q2 and up \$330 million from Q3 last year.

<sup>3</sup> 80% hedged on maturity or conversion of the convertible notes.

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

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

Select Cash Flow Statement Items

	Q3 FY13	Q2 FY13	Q3 FY12
Net Cash Provided by Operating Activities	\$ 365M	\$ 336M	\$ 269M
Purchases of Property and Equipment	\$ 111M	\$ 67M	\$ 91M
Free Cash Flow <sup>6</sup>	\$ 254M	\$ 269M	\$ 178M
Free Cash Flow as % of Total Revenue	16%	17%	11%

Net cash provided by operating activities was \$365 million, an increase of 9% sequentially and 36% year over year. Capital expenditures were \$111 million, including \$70 million related to the buy-out of our remaining synthetic leases. Free cash flow totaled \$254 million or 16% of revenue.

Q4 FY13 Outlook

	Q4 FY13 Outlook
Revenue	\$1,700 - \$1,800M 4% to 10% sequential growth 0% to 6% year over year growth
Share Count	Approximately 372M
Non-GAAP Net Income per Share, Diluted	\$ 0.65 - \$0.70
GAAP Net Income per Share, Diluted	\$ 0.43 - \$0.48

This outlook is based on current business expectations and market conditions and continued uncertainty in the macroeconomic environment. Dilutive share count includes the estimated impact of our convertible notes and warrants, calculated based upon our average stock price of \$36.02 for the first 10 trading days of our fourth quarter. We estimate share count for the fourth quarter of fiscal year 2013 will increase to approximately 372 million shares, including an estimated 5 million shares from our outstanding convertible notes. Share count does not include our outstanding note hedge conversion, which would offset approximately 4 million shares if the conversion or maturity were to occur in the fourth quarter.

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

Other Business Metrics

Geographic Mix

	<b>% of Q3 FY13 Revenue</b>	<b>Q3 FY13 Revenue</b>	<b>Year/Year Change</b>
Americas	54%	\$ 883M	3%
<i>Americas Commercial</i>	42%	\$ 682M	1%
<i>U.S. Public Sector</i>	12%	\$ 201M	14%
EMEA	32%	\$ 529M	1%
Asia Pacific	13%	\$ 219M	17%

Americas contributed \$883 million or 54% of revenue, a decrease of 2% sequentially and an increase of 3% year over year. The Americas includes U.S. commercial sector and U.S. public sector. The U.S. commercial sector contributed \$682 million or 42% of revenue, an increase of 13% sequentially and 1% year over year. The U.S. public sector generated \$201 million or 12% of revenue, a decrease of 31% from the prior quarter and an increase of 14% year over year. EMEA contributed \$529 million or 32% of total revenue, an increase of 21% sequentially and 1% year over year. Asia Pacific generated \$219 million or 13% of revenue, an increase of 6% from the prior quarter and 17% year over year.

Pathways Mix

	<b>% of Q3 FY13 Revenue</b>	<b>% of Q2 FY13 Revenue</b>	<b>% of Q3 FY12 Revenue</b>
Direct	19%	18%	21%
Indirect Pathways	81%	82%	79%
Arrow	18%	20%	15%
Avnet	14%	15%	11%
OEM Customers	12%	14%	16%

Direct revenue was 19% of Q3 revenue, an increase of 9% sequentially and a decrease of 8% year over year. Indirect pathways represented 81% of this quarter's revenue, an increase of 5% sequentially and an increase of 7% year over year.



Within the indirect pathways, Arrow accounted for 18% of Q3 revenues and Avnet contributed 14% of this quarter's revenue. Revenue from OEM customers was 12% of net revenue.

Capacity Trends (in Petabytes)	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13
Fibre Channel	69	43	47	30	27
ATA	659	751	646	692	731
SAS	279	391	256	283	339
Total	1,007	1,185	949	1,005	1,097

For Q3, we shipped over an exabyte of storage, an increase of 9% sequentially and 9% 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 debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. We have excluded these items in order to enhance investors' understanding of our ongoing operations. The use of these non-GAAP financial measures has material limitations because they should not be used to evaluate our company without reference to their corresponding GAAP financial measures. As such, we compensate for these material limitations by using these non-GAAP financial measures in conjunction with GAAP financial measures.*

*These non-GAAP financial measures are used to: (1) measure company performance against historical results, (2) facilitate comparisons to our competitors' operating results, and (3) allow greater transparency with respect to information used by management in financial and operational decision making. In addition, these non-GAAP financial measures are used to measure company performance for the purposes of determining employee incentive plan compensation. We have historically reported similar non-GAAP financial measures to our investors and believe that the inclusion of comparative numbers provides consistency in our financial reporting at this time.*

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

	Three Months Ended		
	January 25, 2013	October 26, 2012	January 27, 2012
<b>SUMMARY RECONCILIATION OF NET INCOME</b>			
<b>NET INCOME</b>	\$ 158.1	\$ 109.6	\$ 119.6
Adjustments:			
Amortization of intangible assets	21.4	21.5	21.6
Stock-based compensation	67.3	65.0	76.7
Acquisition-related expense	1.7	-	3.5
Non-cash interest expense	15.3	14.4	13.5
Gain on investments	(0.7)	-	(0.7)
Income tax effect of non-GAAP adjustments	(20.4)	(21.5)	(18.2)
<b>NON-GAAP NET INCOME</b>	<u>\$ 242.7</u>	<u>\$ 189.0</u>	<u>\$ 216.0</u>
<b>DETAILED RECONCILIATION OF SPECIFIC ITEMS:</b>			
<b>COST OF REVENUES</b>	\$ 665.2	\$ 627.3	\$ 657.0
Adjustments:			
Amortization of intangible assets	(13.9)	(13.9)	(13.9)
Stock-based compensation	(6.2)	(6.1)	(7.3)
<b>NON-GAAP COST OF REVENUES</b>	<u>\$ 645.1</u>	<u>\$ 607.3</u>	<u>\$ 635.8</u>
<b>COST OF PRODUCT REVENUES</b>	\$ 512.5	\$ 477.3	\$ 517.8
Adjustments:			
Amortization of intangible assets	(13.9)	(13.9)	(13.9)
Stock-based compensation	(1.4)	(1.5)	(1.6)
<b>NON-GAAP COST OF PRODUCT REVENUES</b>	<u>\$ 497.2</u>	<u>\$ 461.9</u>	<u>\$ 502.3</u>
<b>COST OF SERVICE REVENUES</b>	\$ 145.4	\$ 143.0	\$ 133.0
Adjustment:			
Stock-based compensation	(4.8)	(4.6)	(5.7)
<b>NON-GAAP COST OF SERVICE REVENUES</b>	<u>\$ 140.6</u>	<u>\$ 138.4</u>	<u>\$ 127.3</u>
<b>GROSS PROFIT</b>	\$ 964.9	\$ 913.9	\$ 908.5
Adjustments:			
Amortization of intangible assets	13.9	13.9	13.9
Stock-based compensation	6.2	6.1	7.3
<b>NON-GAAP GROSS PROFIT</b>	<u>\$ 985.0</u>	<u>\$ 933.9</u>	<u>\$ 929.7</u>
<b>SALES AND MARKETING EXPENSES</b>	\$ 493.5	\$ 488.2	\$ 477.0
Adjustments:			
Amortization of intangible assets	(7.5)	(7.6)	(7.6)
Stock-based compensation	(31.9)	(30.9)	(37.5)
<b>NON-GAAP SALES AND MARKETING EXPENSES</b>	<u>\$ 454.1</u>	<u>\$ 449.7</u>	<u>\$ 431.9</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	\$ 215.6	\$ 223.8	\$ 208.3
Adjustments:			
Amortization of intangible assets	-	-	(0.1)
Stock-based compensation	(20.8)	(19.3)	(22.8)
<b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	<u>\$ 194.8</u>	<u>\$ 204.5</u>	<u>\$ 185.4</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)

	Three Months Ended		
	January 25, 2013	October 26, 2012	January 27, 2012
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 66.2	\$ 66.6	\$ 63.2
Adjustment:			
Stock-based compensation	(8.4)	(8.7)	(9.1)
<b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>\$ 57.8</u>	<u>\$ 57.9</u>	<u>\$ 54.1</u>
<b>ACQUISITION-RELATED EXPENSE</b>	1.7	-	3.5
Adjustment:			
Acquisition-related expense	(1.7)	-	(3.5)
<b>NON-GAAP ACQUISITION-RELATED EXPENSE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>OPERATING EXPENSES</b>	\$ 777.0	\$ 778.6	\$ 752.0
Adjustments:			
Amortization of intangible assets	(7.5)	(7.6)	(7.7)
Stock-based compensation	(61.1)	(58.9)	(69.4)
Acquisition-related expense	(1.7)	-	(3.5)
<b>NON-GAAP OPERATING EXPENSES</b>	<u>\$ 706.7</u>	<u>\$ 712.1</u>	<u>\$ 671.4</u>
<b>INCOME FROM OPERATIONS</b>	\$ 187.9	\$ 135.3	\$ 156.5
Adjustments:			
Amortization of intangible assets	21.4	21.5	21.6
Stock-based compensation	67.3	65.0	76.7
Acquisition-related expense	1.7	-	3.5
<b>NON-GAAP INCOME FROM OPERATIONS</b>	<u>\$ 278.3</u>	<u>\$ 221.8</u>	<u>\$ 258.3</u>
<b>TOTAL OTHER EXPENSE, NET</b>	\$ (12.1)	\$ (7.6)	\$ (9.6)
Adjustment:			
Non-cash interest expense	15.3	14.4	13.5
Gain on investments	(0.7)	-	(0.7)
<b>NON-GAAP TOTAL OTHER INCOME, NET</b>	<u>\$ 2.5</u>	<u>\$ 6.8</u>	<u>\$ 3.2</u>
<b>INCOME BEFORE INCOME TAXES</b>	\$ 175.8	\$ 127.7	\$ 146.9
Adjustments:			
Amortization of intangible assets	21.4	21.5	21.6
Stock-based compensation	67.3	65.0	76.7
Acquisition-related expense	1.7	-	3.5
Non-cash interest expense	15.3	14.4	13.5
Gain on investments	(0.7)	-	(0.7)
<b>NON-GAAP INCOME BEFORE INCOME TAXES</b>	<u>\$ 280.8</u>	<u>\$ 228.6</u>	<u>\$ 261.5</u>
<b>PROVISION FOR INCOME TAXES</b>	\$ 17.7	\$ 18.1	\$ 27.3
Adjustment:			
Income tax effect of non-GAAP adjustments	20.4	21.5	18.2
<b>NON-GAAP PROVISION FOR INCOME TAXES</b>	<u>\$ 38.1</u>	<u>\$ 39.6</u>	<u>\$ 45.5</u>
<b>NET INCOME PER SHARE</b>	\$ 0.434	\$ 0.298	\$ 0.320
Adjustments:			
Amortization of intangible assets	0.059	0.058	0.058
Stock-based compensation	0.184	0.176	0.205
Acquisition-related expense	0.005	-	0.010
Non-cash interest expense	0.042	0.039	0.036
Gain on investments	(0.002)	-	(0.002)

Income tax effect of non-GAAP adjustments	(0.057)	(0.058)	(0.049)
<b>NON-GAAP NET INCOME PER SHARE</b>	<u>\$ 0.665</u>	<u>\$ 0.513</u>	<u>\$ 0.578</u>

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

Fourth Quarter  
2013

---

Non-GAAP Guidance - Net Income Per Share	\$0.65 - \$0.70
Adjustments of Specific Items to Net Income Per Share for the Fourth Quarter 2013:	
Amortization of intangible assets	(0.06)
Stock-based compensation expense	(0.18)
Non-cash interest expense	(0.04)
Income tax effect	0.06
Total Adjustments	(0.22)
GAAP Guidance - Net Income Per Share	\$0.43 - \$0.48