
**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 12, 2014

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))

Item 2.02 Results of Operations and Financial Condition.

On February 12, 2014, NetApp, Inc. (“NetApp” or the “Company”) issued a press release reporting financial results for the third quarter 2014 ended January 24, 2014. The press release is furnished herewith as Exhibit 99.1, and is incorporated herein by reference.

This exhibit 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 furnished herewith as Exhibit 99.1, provides 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.

Exhibit No.	Description
99.1	Press release, dated February 12, 2014, reporting earnings for the fiscal quarter ended January 24, 2014.

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 12, 2014

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

Exhibit Index

Exhibit No.

Description

[99.1](#) Press release, dated February 12, 2014, reporting earnings for the fiscal quarter ended January 24, 2014

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NETAPP REPORTS THIRD QUARTER FISCAL YEAR 2014 RESULTS

Non-GAAP Earnings Per Share of \$0.75, Up 12% Year over Year

- Net revenues of \$1.610 billion
- Cash from operations of \$332 million; free cash flow 17% of revenue
- Clustered Data ONTAP® node shipments up almost 300% year over year

Sunnyvale, CA—February 12, 2014—NetApp (NASDAQ: NTAP) today reported financial results for the third quarter of fiscal year 2014, ended January 24, 2014.

Third Quarter Financial Results

Net revenues for the third quarter of fiscal year 2014 were \$1.610 billion. GAAP net income for the third quarter of fiscal year 2014 was \$192 million, or \$0.55 per share,¹ compared to GAAP net income of \$158 million, or \$0.43 per share, for the comparable period of the prior year. Non-GAAP net income for the third quarter of fiscal year 2014 was \$261 million, or \$0.75 per share,² compared to non-GAAP net income of \$243 million, or \$0.67 per share, for the comparable period of the prior year.

Cash, Cash Equivalents, and Investments

NetApp ended the third quarter of 2014 with \$5.069 billion of total cash, cash equivalents, and investments and during the quarter generated approximately \$332 million in cash from operations. The Company returned \$557 million to shareholders during the quarter through share repurchases and a cash dividend. The next dividend in the amount of \$0.15 per share will be paid on April 22, 2014 to shareholders of record as of the close of business on April 10, 2014.

“We are pleased with our strong operational execution again this quarter,” said Tom Georgens, president and CEO. “With our strategy of delivering best-of-breed cloud-integrated and flash-accelerated solutions and our unique ability to manage data seamlessly across on- and off-premise environments, we are well positioned to create ongoing opportunity in the evolving IT landscape.”

Q4 Fiscal Year 2014 Outlook

The Company is providing the following financial guidance for the fourth quarter of fiscal year 2014:

- Total revenue is expected to be in the range of \$1.620 billion to \$1.720 billion
- GAAP earnings per share is expected to be in the range of \$0.57 to \$0.62 per share
- Non-GAAP earnings per share is expected to be in the range of \$0.77 to \$0.82 per share

Business Highlights

In its third quarter of fiscal year 2014, NetApp continued to execute one of the industry's most innovative roadmaps with a focus on delivering cloud-integrated and flash-accelerated storage and data-management solutions that address customers' shared and dedicated infrastructure requirements. Highlights include:

- **Continued Adoption of Clustered Data ONTAP.** The attach rate of clustered ONTAP increased across every product line, with the FAS3000 family showing the largest increase. Clustered node shipments in the quarter increased by almost 300% year over year.
- **NetApp Introduces New All-Flash Array.** The new NetApp® EF550 all-flash array delivers high performance and consistent low latency for business-critical applications that require responsiveness and enterprise reliability. NetApp continues to execute its flash technology roadmap, solidifying its position as one of the established leaders in flash technology innovation.
- **NetApp Unveils Performance-Optimized Enterprise Storage Systems.** The new NetApp E2700 offers simple and flexible management for small remote/branch offices requiring optimal price/performance. The updated NetApp E5500 delivers enhanced performance, density, and modular flexibility for the widest range of data-intensive workloads.
- **NetApp Simplifies and Accelerates Deployment of OpenStack Cloud Services.** NetApp announced new contributions to OpenStack that include solutions for OpenStack Havana, incubation of a service for OpenStack Icehouse, and expanded support for partners and customers, including options that provide lower cost, faster innovation, flexibility, and no vendor lock-in.
- **Leading Analyst Firm Ranks NetApp #1 in Storage System Capacity Shipped for Public Cloud Infrastructure.** Recently, IDC ranked NetApp as having the #1 storage solution shipped for 2012 for public cloud infrastructure from the perspective of external system capacity. The ranking was conducted as part of IDC's biannual Storage User Demand Study,³ which analyzes current and future deployments of enterprise storage systems for particular data uses.
- **NetApp Once Again Recognized as a Best Company to Work for in America.** The recognition marks the 12th consecutive year that NetApp was named to this list of 100 elite companies by *FORTUNE* magazine.

Webcast and Conference Call Information

NetApp will host a conference call to discuss these results today at 2:30 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 and other information related to the call will be posted on the Investor Relations website. An audio replay will also be available after 4:30 p.m. Pacific Time today on the website.

Historical supplemental data tables, providing historical multi-period financial information, are available on our investor relations website at 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.

“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 Q4 Fiscal Year 2014 Outlook section relating to the financial guidance for the fourth quarter of fiscal year 2014, the benefits to us and our customers of our products and services, including our cloud and flash storage solutions and the ability of our products to address data management demands across integrated on-premise and off-premise IT environments. 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 customer demand for and acceptance of our products and services. These and other equally important factors are described in reports and documents we file from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections titled “Risk Factors” in our most recently submitted Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

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

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

²Non-GAAP net income excludes the amortization of intangible assets, stock-based compensation, acquisition-related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our 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>.

³IDC Storage Users Demand Study 2013–Spring Edition, IDC #244209, November 2013

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 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 limitations and they should not solely be used to evaluate our Company without reference to their corresponding GAAP financial measures. As such, we provide both 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)

	January 24, 2014	April 26, 2013
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 5,069.3	\$ 6,952.6
Accounts receivable, net	584.3	800.9
Inventories	118.2	139.5
Other current assets	457.6	525.2
Total current assets	6,229.4	8,418.2
Property and equipment, net	1,128.6	1,170.9
Goodwill and purchased intangible assets, net	1,124.2	1,168.7
Other non-current assets	518.4	484.6
Total assets	\$ 9,000.6	\$ 11,242.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 186.6	\$ 259.7
Accrued compensation and other current liabilities	670.9	749.8
Current portion of long-term debt	-	1,257.8
Short-term deferred revenue	1,566.3	1,563.3
Total current liabilities	2,423.8	3,830.6
Long-term debt	995.2	994.6
Other long-term liabilities	272.7	253.5
Long-term deferred revenue	1,393.0	1,446.2
Total liabilities	5,084.7	6,524.9
Stockholders' equity	3,915.9	4,717.5
Total liabilities and stockholders' equity	\$ 9,000.6	\$ 11,242.4

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>January 24, 2014</u>	<u>January 25, 2013</u>	<u>January 24, 2014</u>	<u>January 25, 2013</u>
Revenues:				
Product	\$ 1,015.0	\$ 1,060.7	\$ 2,901.1	\$ 2,954.5
Software entitlements and maintenance	227.0	228.6	687.3	666.5
Service	368.0	340.8	1,087.7	994.9
Net revenues	<u>1,610.0</u>	<u>1,630.1</u>	<u>4,676.1</u>	<u>4,615.9</u>
Cost of revenues:				
Cost of product	450.7	512.5	1,323.9	1,442.0
Cost of software entitlements and maintenance	7.7	7.3	22.7	20.9
Cost of service	149.3	145.4	452.4	424.1
Total cost of revenues	<u>607.7</u>	<u>665.2</u>	<u>1,799.0</u>	<u>1,887.0</u>
Gross profit	<u>1,002.3</u>	<u>964.9</u>	<u>2,877.1</u>	<u>2,728.9</u>
Operating expenses:				
Sales and marketing	475.9	493.5	1,423.2	1,464.6
Research and development	230.3	215.6	686.6	660.8
General and administrative	69.4	66.2	207.3	198.4
Restructuring and other charges	-	-	49.5	-
Acquisition-related expense	-	1.7	-	1.7
Total operating expenses	<u>775.6</u>	<u>777.0</u>	<u>2,366.6</u>	<u>2,325.5</u>
Income from operations	226.7	187.9	510.5	403.4
Other income/(expense), net:				
Interest income	7.9	10.3	26.4	32.1
Interest expense	(6.7)	(24.0)	(29.7)	(63.7)
Other income, net	1.7	1.6	6.9	5.9
Total other income/(expense), net	<u>2.9</u>	<u>(12.1)</u>	<u>3.6</u>	<u>(25.7)</u>
Income before income taxes	229.6	175.8	514.1	377.7
Provision for income taxes	<u>37.5</u>	<u>17.7</u>	<u>73.6</u>	<u>46.2</u>
Net income	<u>\$ 192.1</u>	<u>\$ 158.1</u>	<u>\$ 440.5</u>	<u>\$ 331.5</u>
Net income per share:				
Basic	<u>\$ 0.57</u>	<u>\$ 0.44</u>	<u>\$ 1.28</u>	<u>\$ 0.91</u>
Diluted	<u>\$ 0.55</u>	<u>\$ 0.43</u>	<u>\$ 1.25</u>	<u>\$ 0.90</u>
Shares used in net income per share calculations:				
Basic	<u>339.4</u>	<u>359.5</u>	<u>343.7</u>	<u>362.5</u>
Diluted	<u>346.2</u>	<u>364.7</u>	<u>351.7</u>	<u>368.1</u>
Cash dividends declared per share	<u>\$ 0.15</u>	<u>\$ -</u>	<u>\$ 0.45</u>	<u>\$ -</u>

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

	Three Months Ended		Nine Months Ended	
	January 24, 2014	January 25, 2013	January 24, 2014	January 25, 2013
Cash flows from operating activities:				
Net income	\$ 192.1	\$ 158.1	\$ 440.5	\$ 331.5
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	83.6	86.4	252.0	255.5
Stock-based compensation	71.9	67.3	205.8	211.5
Accretion of discount and issuance costs on debt	0.4	15.3	9.2	44.0
Excess tax benefit from stock-based compensation	(23.9)	(9.4)	(33.4)	(53.0)
Other, net	(6.7)	3.4	(31.6)	(8.3)
Changes in assets and liabilities, net of acquired business				
Accounts receivable	4.1	(19.8)	213.4	193.1
Inventories	(2.3)	40.3	21.3	(11.4)
Accounts payable	(29.0)	(29.9)	(69.8)	(16.0)
Accrued compensation and other current liabilities	7.9	(19.2)	(94.5)	(35.1)
Deferred revenue	40.6	105.3	(27.0)	62.7
Changes in other operating assets and liabilities, net	(6.9)	(32.7)	94.2	(43.8)
Net cash provided by operating activities	<u>331.8</u>	<u>365.1</u>	<u>980.1</u>	<u>930.7</u>
Cash flows from investing activities:				
Redemptions of investments, net	90.6	110.7	762.7	204.1
Purchases of property and equipment	(57.9)	(110.7)	(165.4)	(239.7)
Acquisition of business, net of cash acquired	-	(89.4)	-	(89.4)
Other investing activities, net	(0.8)	0.2	2.6	3.0
Net cash provided by (used in) investing activities	<u>31.9</u>	<u>(89.2)</u>	<u>599.9</u>	<u>(122.0)</u>
Cash flows from financing activities:				
Issuance of common stock under employee stock plans	67.9	50.4	191.8	95.5
Repurchase of common stock and forward contract	(507.0)	(61.7)	(1,507.0)	(410.0)
Excess tax benefit from stock-based compensation	23.9	9.4	33.4	53.0
Repayment of debt	-	-	(1,264.9)	-
Issuance of long-term debt, net	-	987.3	-	987.3
Dividends paid	(50.4)	-	(153.1)	-
Other financing activities, net	(1.8)	(0.4)	(7.5)	(0.7)
Net cash provided by (used in) financing activities	<u>(467.4)</u>	<u>985.0</u>	<u>(2,707.3)</u>	<u>725.1</u>
Effect of exchange rate changes on cash and cash equivalents	(4.1)	4.0	2.9	(1.9)
Net increase (decrease) in cash and cash equivalents	(107.8)	1,264.9	(1,124.4)	1,531.9
Cash and cash equivalents:				
Beginning of period	2,260.5	1,816.8	3,277.1	1,549.8
End of period	<u>\$ 2,152.7</u>	<u>\$ 3,081.7</u>	<u>\$ 2,152.7</u>	<u>\$ 3,081.7</u>

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

	Q3 FY'14	Q2 FY'14	Q3 FY'13
Revenues			
Product Revenue	\$ 1,015.0	\$ 955.3	\$ 1,060.7
Software Entitlements & Maintenance Revenue (SEM)	227.0	231.8	228.6
Service Revenue:	368.0	362.8	340.8
Hardware Maintenance Support Contracts Revenue	285.9	276.4	254.8
Professional & Other Services Revenue	82.1	86.4	86.0
Net Revenues	\$ 1,610.0	\$ 1,549.9	\$ 1,630.1

	Q3 FY'14	Q2 FY'14	Q3 FY'13
Branded and OEM Revenues			
Branded Revenue	\$ 1,452.7	\$ 1,398.8	\$ 1,426.9
OEM Revenue	157.3	151.1	203.2
Net Revenues	\$ 1,610.0	\$ 1,549.9	\$ 1,630.1

Branded revenue includes revenue from all products and services sold directly by us or our partners under the NetApp brand, including NetApp branded E-Series products and solutions.

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.

	% of Q3 FY'14 Revenue	% of Q2 FY'14 Revenue	% of Q3 FY'13 Revenue
Geographic Mix			
Americas*	52%	58%	54%
Americas Commercial	43%	42%	44%
U.S. Public Sector	9%	16%	10%
EMEA	34%	29%	32%
Asia Pacific	14%	13%	13%

* Americas Commercial and USPS revenue for Q3FY'13 is recast as a result of reporting certain healthcare revenue in Americas Commercial revenue that was previously included in U.S. Public Sector revenue. A reconciliation of this change is posted to our website at investors.netapp.com.

	% of Q3 FY'14 Revenue	% of Q2 FY'14 Revenue	% of Q3 FY'13 Revenue
Pathways Mix			
Direct	17%	17%	19%
Indirect	83%	83%	81%

Indirect revenues include those sold through value-added resellers, system integrators, OEMs and distributors.

Direct revenues are those sold through our direct sales force. Direct / Indirect revenue mix reflects order fulfillment and not reflective of who is responsible for the customer relationship.

	Q3 FY'14	Q2 FY'14	Q3 FY'13
Non-GAAP Gross Margins			
Non-GAAP Gross Margin	63.5%	63.6%	60.4%
Product	57.1%	57.3%	53.1%
Software Entitlements & Maintenance (SEM)	96.6%	96.8%	96.8%
Service	60.8%	58.9%	58.7%

	Q3 FY'14	Q2 FY'14	Q3 FY'13
Non-GAAP Income from Operations, Income before Income Taxes & Effective Tax Rate			
Non-GAAP Income from Operations	\$ 313.3	\$ 270.5	\$ 278.3
% of Net Revenue	19.5%	17.5%	17.1%
Non-GAAP Income before Income Taxes	\$ 316.2	\$ 275.8	\$ 280.8
Non-GAAP Effective Tax Rate	17.6%	16.1%	13.6%

	Q3 FY'14	Q2 FY'14	Q3 FY'13
Non-GAAP Net Income			
Non-GAAP Net Income	\$ 260.6	\$ 231.5	\$ 242.7
Weighted Average Common Shares Outstanding, Diluted	346.2	349.1	364.7
Non-GAAP Net Income per Share, Diluted	\$ 0.75	\$ 0.66	\$ 0.67

Included in the diluted weighted average common shares outstanding are 0.1 million shares in Q3 FY'13 related to the impact of our convertible notes. The convertible notes matured in Q1 FY'14, and thus had no impact on any other period presented.

Select Balance Sheet Items

	<u>Q3 FY'14</u>	<u>Q2 FY'14</u>	<u>Q3 FY'13</u>
Deferred Revenue	\$ 2,959.3	\$ 2,931.9	\$ 2,876.0
DSO (days)	33	35	35
Inventory Turns	20	20	15

Days sales outstanding (DSO) is defined as accounts receivable, net 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'14</u>	<u>Q2 FY'14</u>	<u>Q3 FY'13</u>
Net Cash Provided by Operating Activities	\$ 331.8	\$ 362.5	\$ 365.1
Purchases of Property and Equipment	\$ 57.9	\$ 42.2	\$ 110.7
Free Cash Flow	\$ 273.9	\$ 320.3	\$ 254.4
<i>Free Cash Flow as % of Total Revenue</i>	17.0%	20.7%	15.6%

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
FINANCIAL STATEMENT INFORMATION
(In millions, except net income per share amounts)
(Unaudited)

	Three Months Ended		
	January 24, 2014	October 25, 2013	January 25, 2013
NET INCOME	\$ 192.1	\$ 166.8	\$ 158.1
Adjustments:			
Amortization of intangible assets	14.7	14.9	21.4
Stock-based compensation	71.9	67.6	67.3
Restructuring and other charges	-	1.1	-
Acquisition-related expense	-	-	1.7
Non-cash interest expense	-	-	15.3
Gain on investments	-	-	(0.7)
Income tax effect of Non-GAAP adjustments	(18.1)	(18.9)	(20.4)
NON-GAAP NET INCOME	<u>\$ 260.6</u>	<u>\$ 231.5</u>	<u>\$ 242.7</u>
COST OF REVENUES	\$ 607.7	\$ 584.7	\$ 665.2
Adjustments:			
Amortization of intangible assets	(14.2)	(14.3)	(13.9)
Stock-based compensation	(6.1)	(5.6)	(6.2)
NON-GAAP COST OF REVENUES	<u>\$ 587.4</u>	<u>\$ 564.8</u>	<u>\$ 645.1</u>
COST OF PRODUCT REVENUES	\$ 450.7	\$ 423.3	\$ 512.5
Adjustments:			
Amortization of intangible assets	(13.6)	(13.8)	(13.9)
Stock-based compensation	(1.5)	(1.4)	(1.4)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 435.6</u>	<u>\$ 408.1</u>	<u>\$ 497.2</u>
COST OF SERVICE REVENUES	\$ 149.3	\$ 153.9	\$ 145.4
Adjustments:			
Amortization of intangible assets	(0.6)	(0.5)	-
Stock-based compensation	(4.6)	(4.2)	(4.8)
NON-GAAP COST OF SERVICE REVENUES	<u>\$ 144.1</u>	<u>\$ 149.2</u>	<u>\$ 140.6</u>
GROSS PROFIT	\$ 1,002.3	\$ 965.2	\$ 964.9
Adjustments:			
Amortization of intangible assets	14.2	14.3	13.9
Stock-based compensation	6.1	5.6	6.2
NON-GAAP GROSS PROFIT	<u>\$ 1,022.6</u>	<u>\$ 985.1</u>	<u>\$ 985.0</u>
SALES AND MARKETING EXPENSES	\$ 475.9	\$ 479.5	\$ 493.5
Adjustments:			
Amortization of intangible assets	(0.5)	(0.6)	(7.5)
Stock-based compensation	(33.0)	(31.1)	(31.9)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 442.4</u>	<u>\$ 447.8</u>	<u>\$ 454.1</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 230.3	\$ 228.2	\$ 215.6
Adjustment:			
Stock-based compensation	(23.6)	(21.6)	(20.8)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 206.7</u>	<u>\$ 206.6</u>	<u>\$ 194.8</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 69.4	\$ 69.5	\$ 66.2
Adjustment:			
Stock-based compensation	(9.2)	(9.3)	(8.4)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 60.2</u>	<u>\$ 60.2</u>	<u>\$ 57.8</u>
RESTRUCTURING AND OTHER CHARGES	\$ -	\$ 1.1	\$ -
Adjustment:			
Restructuring and other charges	-	(1.1)	-
NON-GAAP RESTRUCTURING AND OTHER CHARGES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ACQUISITION-RELATED EXPENSE	\$ -	\$ -	\$ 1.7
Adjustment:			
Acquisition-related expense	-	-	(1.7)
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES	\$ 775.6	\$ 778.3	\$ 777.0
Adjustments:			
Amortization of intangible assets	(0.5)	(0.6)	(7.5)
Stock-based compensation	(65.8)	(62.0)	(61.1)
Restructuring and other charges	-	(1.1)	-
Acquisition-related expense	-	-	(1.7)

NON-GAAP OPERATING EXPENSES	<u>\$ 709.3</u>	<u>\$ 714.6</u>	<u>\$ 706.7</u>
INCOME FROM OPERATIONS	\$ 226.7	\$ 186.9	\$ 187.9
Adjustments:			
Amortization of intangible assets	14.7	14.9	21.4
Stock-based compensation	71.9	67.6	67.3
Restructuring and other charges	-	1.1	-
Acquisition-related expense	-	-	1.7
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 313.3</u>	<u>\$ 270.5</u>	<u>\$ 278.3</u>
TOTAL OTHER INCOME (EXPENSE), NET	\$ 2.9	\$ 5.3	\$ (12.1)
Adjustments:			
Non-cash interest expense	-	-	15.3
Gain on investments	-	-	(0.7)
NON-GAAP TOTAL OTHER INCOME, NET	<u>\$ 2.9</u>	<u>\$ 5.3</u>	<u>\$ 2.5</u>
INCOME BEFORE INCOME TAXES	\$ 229.6	\$ 192.2	\$ 175.8
Adjustments:			
Amortization of intangible assets	14.7	14.9	21.4
Stock-based compensation	71.9	67.6	67.3
Restructuring and other charges	-	1.1	-
Acquisition-related expense	-	-	1.7
Non-cash interest expense	-	-	15.3
Gain on investments	-	-	(0.7)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 316.2</u>	<u>\$ 275.8</u>	<u>\$ 280.8</u>
PROVISION FOR INCOME TAXES	\$ 37.5	\$ 25.4	\$ 17.7
Adjustment:			
Income tax effect of Non-GAAP adjustments	18.1	18.9	20.4
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 55.6</u>	<u>\$ 44.3</u>	<u>\$ 38.1</u>
NET INCOME PER SHARE	\$ 0.555	\$ 0.478	\$ 0.434
Adjustments:			
Amortization of intangible assets	0.042	0.043	0.059
Stock-based compensation	0.208	0.194	0.184
Restructuring and other charges	-	0.002	-
Acquisition-related expense	-	-	0.005
Non-cash interest expense	-	-	0.042
Gain on investments	-	-	(0.002)
Income tax effect of Non-GAAP adjustments	(0.052)	(0.054)	(0.057)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.753</u>	<u>\$ 0.663</u>	<u>\$ 0.665</u>

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO
GAAP
EXPRESSED AS EARNINGS PER SHARE
FOURTH QUARTER 2014
(Unaudited)

	Fourth Quarter 2014
Non-GAAP Guidance - Net Income Per Share	\$0.77 - \$0.82
Adjustments of Specific Items to Net Income Per Share for the Fourth Quarter 2014:	
Amortization of intangible assets	(0.04)
Stock-based compensation expense	(0.22)
Income tax effect	0.06
Total Adjustments	(0.20)
GAAP Guidance - Net Income Per Share	\$0.57 - \$0.62