

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): August 17, 2011

NETAPP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

0-27130
(Commission
File Number)

77-0307520
(IRS Employer
Identification Number)

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

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On August 17, 2011, NetApp, Inc. (“NetApp” or the “Company”) issued a press release and supplemental commentary reporting financial results for the first quarter ended July 29, 2011. The press release and supplemental commentary are furnished herewith as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein by reference.

These exhibits shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Non-GAAP Financial Measures

To supplement NetApp’s condensed consolidated financial statement information presented on a GAAP basis, the press release and supplemental commentary furnished herewith as Exhibit 99.1 and Exhibit 99.2, respectively, provide investors with certain non-GAAP measures, including, but not limited to, historical non-GAAP operating results and net income and historical and future non-GAAP net income per diluted share. For purposes of internal planning, performance measurement and resource allocation, NetApp’s management uses non-GAAP measures of net income that exclude: (a) amortization of intangible assets, (b) stock-based compensation expenses, (c) acquisition related income and expenses, (d) restructuring and other charges, (e) asset impairments, (f) non-cash interest expense associated with our convertible debt, (g) net losses or gains on investments, and (h) our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. NetApp’s management uses these non-GAAP measures in making operating decisions because it believes the measurements provide meaningful supplemental information regarding NetApp’s ongoing operational performance. These non-GAAP financial measures are used to: (1) measure company performance against historical results, (2) facilitate comparisons to our competitors’ operating results, and (3) allow greater transparency with respect to information used by management in financial and operational decision making. In addition, these non-GAAP financial measures are used to measure company performance for the purposes of determining employee incentive plan compensation.

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

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

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

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

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

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

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

G. *Net losses or gains.* These include realized gains and losses on and other-than-temporary impairments of our investments related to significant investment impairments or liquidation events. Management believes that these gains and losses do not reflect the results of our underlying, on-going businesses and, therefore, finds it useful to exclude them in assessing our performance.

H. *Income tax effects.* NetApp excludes its GAAP tax provision, including discrete items, from its non-GAAP measure of net income, but includes a non-GAAP tax provision based upon its projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. Management believes the use of a non-GAAP tax provision provides a more meaningful measure of the company's operational performance in any given period.

There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. In addition, the non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. Management compensates for these limitations by analyzing current and future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP measures in our earnings release and prepared remarks. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with generally accepted accounting principles in the United States. The non-GAAP financial measures are meant to supplement, and be viewed in conjunction with, GAAP financial measures. Investors should review the information regarding non-GAAP financial measures provided in our press release and prepared remarks.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit	Description
99.1	Press release, dated August 17, 2011, reporting earnings for the fiscal quarter ended July 29, 2011.
99.2	Supplemental Commentary, dated August 17, 2011.

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)

August 17, 2011

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

Index to Exhibits

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99.2	Supplemental Commentary, dated August 17, 2011.

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NETAPP ANNOUNCES RESULTS FOR FIRST QUARTER FISCAL YEAR 2012
Company Reports Q1 FY'12 Revenues of \$1.458 Billion; Up 26% Year Over Year

Sunnyvale, Calif.—August 17, 2011—NetApp (NASDAQ: NTAP) today reported results for the first quarter of fiscal year 2012, which ended July 29, 2011. Revenues for the first quarter of fiscal year 2012 totaled \$1.458 billion compared to revenues of \$1.154 billion for the same period one year ago.

For the first quarter of fiscal year 2012, GAAP net income was \$139.5 million, or \$0.34 per share¹, compared to GAAP net income of \$150.7 million, or \$0.40 per share, for the same period a year ago. Non-GAAP net income for the first quarter of fiscal year 2012 was \$222.3 million, or \$0.55 per share², compared to non-GAAP net income of \$190.9 million, or \$0.51 per share, for the same period a year ago.

“Despite the challenging macroeconomic environment modestly impacting our revenue growth, NetApp still produced earnings per share slightly above the midpoint of our targeted range. The company achieved record levels of FAS6000 systems sales, near record numbers of new enterprise customer wins, and our new E-series sales exceeded our forecast,” said Tom Georgens, president and CEO. “Our gross margin performance demonstrates the strength of our competitive position in the market, helping us to achieve healthy operating results and earnings per share.”

Outlook

- NetApp estimates revenue for the second quarter of fiscal year 2012 to be in the range of \$1.500 billion to \$1.600 billion, which equates to approximately 3% to 10% sequential revenue growth and approximately 20% to 28% year-over-year revenue growth.
 - NetApp estimates that second quarter fiscal year 2012 GAAP earnings per share will be approximately \$0.38 to \$0.42 per share. NetApp estimates that second quarter fiscal year 2012 non-GAAP earnings per share will be approximately \$0.58 to \$0.62 per share.
 - NetApp estimates that share count for the second quarter of fiscal year 2012 will decrease to approximately 392 million shares, including an estimated 10 million shares from the company's outstanding convertible notes³ and 2 million shares from outstanding warrants. Share count does not include the company's outstanding note hedges which are expected to offset 80% of the dilution from the convertible notes at maturity or conversion.
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Business Highlights

In the first quarter of fiscal year 2012, NetApp innovation continued to help customers and partners more effectively manage significant data growth and capitalize on tomorrow's business opportunities. During the quarter, NetApp completed its purchase of the Engenio external storage systems business from LSI Corporation and unveiled new solutions to address growing customer requirements in the areas of big bandwidth and analytics. Additionally, NetApp continued to be a partner of choice for customers in their transition to the cloud. NetApp again received several awards honoring its innovation leadership, channel excellence, and culture, most recently being named one of the world's most innovative companies by *Forbes* magazine. Highlights for the quarter included the following:

NetApp Builds on E-Series Platform, Delivers Solutions to Help Customers and OEMs Address Big Data Requirements

- The new NetApp® E5400 storage system delivers compelling performance for big-bandwidth applications, extreme storage density, and exceptional uptime, enabling OEMs to address their customers' growing high-performance workload requirements. NetApp also introduced two new solutions built on the E-Series platform. The Full-Motion Video Storage Solution enables government agencies to take advantage of full-motion video technology to make better decisions in the field. The Hadoop Storage Solution gives customers the ability to speed deployment and simplify management of Hadoop infrastructures for improved analytics.

NetApp Accelerates Customers' Path to the Cloud

- **NetApp bolsters management capabilities to provide common foundation for enterprise clouds.** New technologies in NetApp OnCommand™ management software enable customers to accelerate and simplify their transition to public, private, and hybrid cloud models. The NetApp Alliance Technology Partner Program also now includes cloud management leaders, delivering integration between industry-leading cloud management solutions and NetApp to provide customers with end-to-end management of the entire cloud infrastructure.
 - **NetApp collaborates with Microsoft and Cisco to help customers transition to a private cloud.** The NetApp Hyper-V Cloud Fast Track with Cisco data center architecture design offers customers advanced management and service automation capabilities to accelerate private cloud deployment and improve operations. With this new solution NetApp is also now part of Microsoft's Hyper-V Cloud Fast Track program, further strengthening the relationship between the two companies.
 - **NetApp and Cisco FlexPod data center solution shows strong market momentum.** NetApp and Cisco now have more than 150 customers who have implemented data center solutions based on the FlexPod™ design architecture. The pretested architectural design guide combines networking, computing, and storage in a shared infrastructure and helps channel partners accelerate and simplify customers' transition to the cloud.
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Milestones and Awards

- **NetApp named one of world's most innovative companies by *Forbes* magazine.** NetApp, the only major storage vendor to make the list of 100 companies, was recognized for building a culture of innovation that has transformed the foundation of its customers' business and has been a catalyst to their success. This innovation has been a major driver behind NetApp's growth and continued success.
- **NetApp continues to rank as one of the best places to work.** NetApp was once again named a "best place to work," ranking #4 in Minnesota in the small employer category, #5 in Washington, D.C. in the large company category, and #14 in Boston in the medium-size category. The honors are a testament to NetApp's model company approach, strong culture, and talented employees.
- **NetApp recognized for continued channel leadership.** NetApp was named to Everything Channel's *CRN* Virtualization 100 list due to its success in helping resellers grow their business and support their customers.

Webcast and Conference Call Information

The NetApp first quarter fiscal year 2012 results conference call will be broadcast live on the Internet at investors.netapp.com on Wednesday, August 17, at 2 p.m. Pacific time. This press release and any other information related to the call will also be posted on the Web site at that location. An audio replay Webcast will be available after 4 p.m. Pacific time on the Web site.

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

About NetApp

NetApp creates innovative storage and data management solutions that deliver outstanding cost efficiency and accelerate business breakthroughs. Discover our passion for helping companies around the world go further, faster at www.netapp.com.

“Safe Harbor” Statement Under U.S. Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include all of the statements under the Outlook section relating to our forecasted operating results, share count, and metrics for the second quarter of fiscal year 2012, as well as expectations regarding our partnerships and strategic alliances and the benefits that we expect our customers to realize from using our products and from our strategic alliances and partnerships. These forward-looking statements involve risks and uncertainties, and actual results could vary. Important factors that could cause actual results to differ include, but are not limited to, customer demand for our products and services and our ability to accurately forecast this demand; our ability to effectively integrate the recently acquired Engenio external storage systems business and achieve our anticipated results for such business; our ability to increase revenue and manage our operating costs; increased competition risks in the markets in which we compete; our reliance on a limited number of suppliers; general economic and market conditions, particularly U.S. budget and debt considerations and the continuing fiscal challenges in the Euro zone; our ability to deliver new product architectures and enterprise service offerings; our ability to design products and services that compete effectively from a price and performance perspective; and other important factors as described in NetApp reports and documents filed from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections 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, Engenio, FlexPod, and OnCommand are trademarks or registered trademarks of NetApp, Inc. All other marks are the property of their respective owners and should be treated as such.

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 expenses, acquisition related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our convertible debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. Non-GAAP earnings per share is calculated using the diluted number of shares for all periods presented.

³80% hedged on maturity or conversion of the convertible notes.

NetApp Usage of Non-GAAP Financials

The Company refers to the non-GAAP financial measures cited above in making operating decisions because they provide meaningful supplemental information regarding the Company's ongoing operational performance. Non-GAAP net income excludes the amortization of intangible assets, stock-based compensation expenses, acquisition related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our convertible debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. We have excluded these items in order to enhance investors' understanding of our ongoing operations. The use of these non-GAAP financial measures has material limitations because they should not be used to evaluate our company without reference to their corresponding GAAP financial measures. As such, we compensate for these material limitations by using these non-GAAP financial measures in conjunction with GAAP financial measures.

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

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

	<u>July 29, 2011</u>	<u>April 29, 2011</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 4,714.1	\$ 5,174.7
Accounts receivable, net	597.0	742.6
Inventories	138.2	108.5
Other current assets	388.3	339.4
Total current assets	5,837.6	6,365.2
Property and equipment, net	993.3	911.6
Goodwill and other intangible assets, net	1,204.8	813.3
Long-term investments and restricted cash	60.1	69.2
Other non-current assets	350.0	339.5
Total assets	\$ 8,445.8	\$ 8,498.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 250.8	\$ 232.8
Accrued compensation and other current liabilities	516.5	763.0
1.75% Convertible Senior Notes due 2013	1,163.1	1,150.4
Short-term deferred revenue	1,240.8	1,226.6
Total current liabilities	3,171.2	3,372.8
Other long-term liabilities	206.1	192.9
Long-term deferred revenue	1,141.7	1,088.3
Total liabilities	4,519.0	4,654.0
1.75% Convertible Senior Notes due 2013	101.9	114.6
Stockholders' equity	3,824.9	3,730.2
Total liabilities and stockholders' equity	\$ 8,445.8	\$ 8,498.8

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

	Three Months Ended	
	July 29, 2011	July 30, 2010
Revenues:		
Product	\$ 965.7	\$ 737.5
Software entitlements and maintenance	198.2	174.2
Service	294.3	242.0
Net revenues	<u>1,458.2</u>	<u>1,153.7</u>
Cost of revenues:		
Cost of product	437.4	310.2
Cost of software entitlements and maintenance	5.3	3.4
Cost of service	118.6	102.3
Total cost of revenues	<u>561.3</u>	<u>415.9</u>
Gross profit	<u>896.9</u>	<u>737.8</u>
Operating expenses:		
Sales and marketing	454.8	354.2
Research and development	198.6	149.5
General and administrative	65.1	56.2
Acquisition related expense	2.2	0.3
Total operating expenses	<u>720.7</u>	<u>560.2</u>
Income from operations	176.2	177.6
Other expense, net		
Interest income	10.6	9.8
Interest expense	(19.4)	(18.6)
Other income (expense), net	(0.3)	2.2
Total other expense, net	<u>(9.1)</u>	<u>(6.6)</u>
Income before income taxes	167.1	171.0
Provision for income taxes	<u>27.6</u>	<u>20.3</u>
Net income	<u>\$ 139.5</u>	<u>\$ 150.7</u>
Net income per share:		
Basic	<u>\$ 0.38</u>	<u>\$ 0.43</u>
Diluted	<u>\$ 0.34</u>	<u>\$ 0.40</u>
Shares used in net income per share calculations:		
Basic	<u>370.3</u>	<u>352.4</u>
Diluted	<u>405.5</u>	<u>374.3</u>

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

	Three Months Ended	
	July 29, 2011	July 30, 2010
Cash Flows from Operating Activities:		
Net income	\$ 139.5	\$ 150.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68.5	40.7
Stock-based compensation	58.1	44.3
Accretion of discount and issue costs on notes	13.7	12.9
Unrealized losses (gains) on derivative activities	(6.7)	10.8
Tax benefit (charges) from stock-based compensation	28.7	(12.0)
Excess tax benefit from stock-based compensation	(32.1)	-
Other, net	(23.9)	11.8
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	145.0	91.6
Inventories	6.8	25.0
Accounts payable	22.8	(34.4)
Accrued compensation and other current liabilities	(248.3)	(221.6)
Deferred revenue	66.7	25.7
Changes in other operating assets and liabilities, net	1.8	31.8
Net cash provided by operating activities	<u>240.6</u>	<u>177.3</u>
Cash Flows from Investing Activities:		
Redemptions (purchases) of investments, net	245.8	(293.9)
Purchases of property and equipment	(98.3)	(40.2)
Acquisition of businesses, net of cash acquired	(480.0)	(74.9)
Other investing activities, net	1.7	0.1
Net cash used in investing activities	<u>(330.8)</u>	<u>(408.9)</u>
Cash Flows from Financing Activities:		
Issuance of common stock	46.6	139.9
Repurchase and retirement of common stock	(200.0)	-
Excess tax benefit from stock-based compensation	32.1	-
Other financing activities	0.3	-
Net cash provided by (used in) financing activities	<u>(121.0)</u>	<u>139.9</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2.9)	(1.3)
Net Decrease in Cash and Cash Equivalents	(214.1)	(93.0)
Cash and Cash Equivalents:		
Beginning of period	2,757.3	1,705.0
End of period	<u>\$ 2,543.2</u>	<u>\$ 1,612.0</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>July 29, 2011</u>	<u>July 30, 2010</u>
<u>SUMMARY RECONCILIATION OF NET INCOME</u>		
NET INCOME	\$ 139.5	\$ 150.7
Adjustments:		
Amortization of intangible assets	24.3	5.5
Stock-based compensation expenses	58.1	44.3
Acquisition related expense	10.2	0.3
Non-cash interest expense	13.7	12.9
Gain on investments	-	(2.5)
Income tax effect of non-GAAP adjustments	(23.5)	(20.3)
NON-GAAP NET INCOME	<u>\$ 222.3</u>	<u>\$ 190.9</u>
<u>NET INCOME PER SHARE</u>		
	\$ 0.344	\$ 0.403
Adjustments:		
Amortization of intangible assets	0.060	0.015
Stock-based compensation expenses	0.143	0.118
Acquisition related expense	0.025	0.001
Non-cash interest expense	0.034	0.034
Gain on investments	-	(0.007)
Income tax effect of non-GAAP adjustments	(0.058)	(0.054)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.548</u>	<u>\$ 0.510</u>

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

Three Months Ended July 29, 2011

	Amortization of Intangible Assets	Stock-based Compensation Expenses	Acquisition Related Expense	Non-Cash Interest Expense	Gain on Investments	Total
Cost of product revenues	\$ 13.9	\$ 1.1	\$ 5.4	\$ -	\$ -	\$ 20.4
Cost of service revenues	-	3.9	-	-	-	3.9
Sales and marketing expense	10.3	28.6	-	-	-	38.9
Research and development expense	0.1	16.0	2.6	-	-	18.7
General and administrative expense	-	8.5	-	-	-	8.5
Acquisition related expense	-	-	2.2	-	-	2.2
Interest expense	-	-	-	13.7	-	13.7
Other income (expense), net	-	-	-	-	-	-
Effect on income before income taxes	\$ 24.3	\$ 58.1	\$ 10.2	\$ 13.7	\$ -	\$ 106.3

Three Months Ended July 30, 2010

	Amortization of Intangible Assets	Stock-based Compensation Expenses	Acquisition Related Expense	Non-Cash Interest Expense	Gain on Investments	Total
Cost of product revenues	\$ 4.4	\$ 0.9	\$ -	\$ -	\$ -	\$ 5.3
Cost of service revenues	-	3.9	-	-	-	3.9
Sales and marketing expense	1.1	20.6	-	-	-	21.7
Research and development expense	-	11.1	-	-	-	11.1
General and administrative expense	-	7.8	-	-	-	7.8
Acquisition related expense	-	-	0.3	-	-	0.3
Interest expense	-	-	-	12.9	-	12.9
Other income (expense), net	-	-	-	-	(2.5)	(2.5)
Effect on income before income taxes	\$ 5.5	\$ 44.3	\$ 0.3	\$ 12.9	\$ (2.5)	\$ 60.5

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

	Second Quarter 2012
Non-GAAP Guidance	\$0.58 - \$0.62
Adjustments of Specific Items to Net Income Per Share for the Second Quarter 2012:	
Amortization of intangible assets	(0.06)
Stock based compensation expense	(0.15)
Acquisition-related expense	(0.01)
Non cash interest expense	(0.04)
Income tax effect	0.06
Total Adjustments	(0.20)
GAAP Guidance -Net Income Per Share	\$0.38 - \$0.42

NetApp Q1 2012 Earnings Results

Supplemental Commentary

August 17, 2011

This supplemental commentary is provided concurrently with our earnings press release to allow for additional time to review and analyze supplemental data prior to the company's earnings call. This information will not be read during the live call.

Safe Harbor Statement

These prepared remarks contain forward-looking statements and projections that involve risk and uncertainty, including the statements under the Q2 FY12 outlook section regarding our forecasted financial performance and share count for the second quarter of fiscal year 2012. Actual results may differ materially from our statements or projections. Factors that could cause actual results to differ include, but are not limited to, customer demand for our products and services; our ability to effectively integrate the recently acquired Engenio external storage systems business and achieve our anticipated results for such business; our ability to increase revenue and manage our operating costs; our ability to accurately forecast demand for our products and services; increased competition risks; our reliance on a limited number of suppliers; general economic and market conditions, particularly U.S. budget and debt considerations and the continuing fiscal challenges in the Euro zone; our ability to deliver new product architectures and enterprise service offerings; and our ability to design products and services that compete effectively from a price and performance perspective. Other equally important factors are detailed in our accompanying press release as well as in our Annual and Quarterly reports on Forms 10-K and 10-Q, respectively, on file with the SEC and also available on our website, all of which are incorporated by reference into today's commentary.

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

Q1 Fiscal Year 2012

Revenue

	Q1 FY12 Revenue	% of Q1 FY12 Net Revenue	Sequential Growth ¹	Year/Year Growth
Product Revenue	\$ 966M	66%	1%	31%
Software Entitlements & Maintenance	\$ 198M	14%	6%	14%
Service	\$ 294M	20%	5%	22%
Net Revenue	\$ 1,458M		2%	26%

Net revenue for the first quarter was \$1.458 billion, an increase of 2% sequentially and 26% year over year. Foreign currency fluctuations² had a positive effect on revenue this quarter, increasing sequential results by approximately one percentage point and year over year results by approximately three percentage points.

Product revenue was \$966 million, an increase of 1% sequentially and 31% year over year. Product revenue accounted for 66% of net revenue, down from 67% of net revenue in the prior quarter.

Revenue from software entitlements and maintenance (SEM), which is a deferred revenue element and is recognized over the related contract period, was \$198 million or 14% of revenue. SEM revenue grew 6% sequentially and 14% year over year.

Service revenue was \$294 million, an increase of 5% sequentially and 22% year over year. Service revenue represented 20% of net revenue.

- Revenue from hardware maintenance support contracts, which is also a deferred revenue element, comprised approximately 70% of our service revenue this quarter, an increase of 9% sequentially and 31% year over year.
- Professional services revenue declined 3% sequentially while growing 1% on a year over year basis.

¹ Sequential growth calculations are based upon Q4 FY11 results which can be found at investors.netapp.com

² Foreign currency effects represent the changes in the average foreign exchange rates between the current period and the comparative prior periods (or, in the case of deferred revenue, the exchange rate in effect when the transaction was invoiced), less current period actual net gains or losses on revenue hedging activities.

Gross Margin

	Q1 FY12	Q4 FY11	Q1 FY11
Non-GAAP Gross Margin	63.2%	65.5%	64.7%
Product	56.8%	61.0%	58.7%
S/W Entitlements & Maintenance	97.3%	97.4%	98.0%
Services	61.0%	60.0%	59.3%

Operating Expenses

	Q1 FY12	Q4 FY11	Q1 FY11
Non-GAAP Operating Expenses	\$ 652M	\$ 663M	\$ 519M

Non-GAAP operating expenses were \$652 million, a decrease of 2% from the prior quarter and an increase of 26% year over year. Q1 operating expenses were 45% of net revenue, compared to 46% of net revenue in the fourth quarter.

Our global headcount grew to 11,488 employees in the first quarter, adding 1,276 net new employees, including those related to the Engenio acquisition.

On a GAAP basis, Q1 operating expenses included stock compensation expense of \$53 million, an increase from \$44 million in Q4, as well as \$10 million in amortization of intangible assets and \$5 million in acquisition related expenses.

Income from Operations, Other Income & Effective Tax Rate

	Q1FY12	Q4 FY11	Q1 FY11
Non-GAAP Income from Operations	\$ 269M	\$ 273M	\$ 228M
% of Net Revenue	18.4%	19.1%	19.7%
Non-GAAP Other Income, Net	\$ 5M	\$ 8M	\$ 4M
Non-GAAP Income Before Income Taxes	\$ 273M	\$ 281M	\$ 232M
Non-GAAP Effective Tax Rate	18.7%	15.8%	17.5%

Non-GAAP income from operations was \$269 million or 18.4% of revenue in Q1. This represents a 1% decline sequentially and an 18% increase year over year.

In Q1, non-GAAP other income, net was \$5 million. GAAP other expense, net includes approximately \$14 million of non-cash interest expense associated with our convertible notes.

Non-GAAP income before income taxes was \$273 million or 18.7% of revenue in Q1, compared to 19.7% of revenue in Q4 and 20.1% of revenue in Q1 last year. Our non-GAAP effective tax rate was 18.7%.

Net Income

	Q1FY12	Q4 FY11	Q1 FY11
Non-GAAP Net Income	\$ 222M	\$ 237M	\$ 191M
Weighted Average Common Shares Outstanding, dilutive	406M	404M	374M
Non-GAAP Net Income per Share, diluted	\$ 0.55	\$ 0.59	\$ 0.51

Non-GAAP net income totaled \$222 million, or \$0.55 per share. GAAP net income was \$140 million, or \$0.34 per share. Diluted share count increased by approximately 2 million shares from the prior quarter to approximately 406 million shares in Q1.

Impact of Convertible Note Transaction on Share Count

	Q1 FY12	Q4 FY11	Q1 FY11
Convertible Notes ³	15M	15M	6M
Warrants	8M	8M	0

For Q1, our dilutive share count was approximately 406 million, lower than our guidance of approximately 410 million. With an average stock price of \$51.61 during Q1, both the convertible notes and the warrants continue to have a dilutive impact on our share count.

Whenever the average quarterly share price is above the notes' \$31.85 conversion price, our convertible notes will have a dilutive impact on our share count. 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 it is considered anti-dilutive under GAAP. If the notes had been converted in Q1, the hedge would have reduced our share count by approximately 12 million shares.

Unlike the notes, the warrants are not hedged and are dilutive whenever the average quarterly stock price is above \$41.28.

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

Select Balance Sheet Items

	Q1 FY12	Q4 FY11	Q1 FY11
Cash, Cash Equivalents & Investments	\$ 4.7B	\$ 5.2B	\$ 3.9B
Deferred Revenue	\$ 2.4B	\$ 2.3B	\$ 1.9B
DSO (days) ⁴	37	47	30
Inventory Turns ⁵	15.5	18.1	18.5

During Q1, our cash, cash equivalents and short term investments decreased by \$461 million, ending the quarter at \$4.7 billion, a decrease of 9% sequentially and an increase of 20% year over year. The decrease in cash balance was mainly due to the \$480 million cash purchase of Engenio assets from LSI, our stock repurchases and the payout of last year's variable and incentive compensation to our employees. Of this cash balance, 51% was held in the US. Our balance sheet reflects a total deferred revenue balance of \$2.4 billion, an increase of 3% sequentially and 23% year over year.

Select Cash Flow Statement Items

	Q1 FY12	Q4 FY11	Q1 FY11
Net Cash Provided by Operating Activities	\$ 241M	\$ 459M	\$ 177M
Purchases of Property and Equipment	\$ 98M	\$ 73M	\$ 40M
Free Cash Flow ⁶	\$ 142M	\$ 386M	\$ 137M
Free Cash Flow as % of Total Revenue	10%	27%	12%

Net cash provided by operating activities was \$241 million, a sequential decline of 48% and an increase of 36% from Q1 last year. Capital expenditures were \$98 million, an increase of \$25 million from last quarter. Free cash flow totaled \$142 million or 10% of revenue and represents a decrease of 63% sequentially and an increase of 4% year over year.

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

⁵ Inventory turns are defined as annualized non-GAAP cost of revenues divided by net inventory.

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

Q2 FY12 Outlook

	Q2 FY12 Outlook
Revenue	\$1,500 - \$1,600M 3% - 10% sequential growth 20% - 28% year over year growth
Share Count	Approximately 392M
Non-GAAP Net Income per Share, Diluted	\$0.58 - \$0.62
GAAP Net Income per Share, Diluted	\$0.38 - \$0.42

This forecast is based on current business expectations and market conditions. Dilutive share count includes the impact of our convertible notes and warrants, calculated based upon our average stock price of \$43.04 for the first 10 days of our second quarter. We estimate share count for the second quarter of fiscal year 2012 will decrease to approximately 392 million shares, including an estimated 10 million shares from the Company's outstanding convertible notes and 2 million shares from outstanding warrants. Share count does not include the Company's outstanding note hedge that is expected to offset 80% of the dilution from the convertible notes at maturity or conversion, which would offset approximately 8 million shares if the conversion or maturity were to occur in the second quarter.

Other Business Metrics

Please note that the addition of the E-Series revenue to our business impacts the results of many of our business metrics in Q1 and going forward, including the mix in geographies, channels, and disk drive capacity trends.

Geographic Mix

	% of Q1 FY12 Revenue	Q1 FY12 Revenue	Year/Year Growth
Americas	56%	\$ 813M	27%
<i>U.S. Commercial</i>	44%	\$ 645M	36%
<i>U.S. Public Sector</i>	12%	\$ 168M	3%
EMEA	31%	\$ 457M	16%
AsiaPacific	13%	\$ 188M	55%

Americas contributed \$813 million or 56% of revenue, an increase of 1% sequentially and 27% year over year. Included in the Americas number are the commercial sector and the public sector. The U.S. commercial sector contributed \$645 million or 44% of revenue, an increase of 12% sequentially and 36% year over year. The U.S. public sector generated \$168 million or 12% of revenue, a decrease of 27% sequentially and an increase of 3% year over year. EMEA contributed \$457 million or 31% of total revenue, down 6% sequentially and up 16% year over year. Asia Pacific generated \$188 million or 13% of revenue and grew 37% from the prior quarter while growing 55% year over year.

Channel Mix

	% of Q1 FY12 Revenue	% of Q4 FY11 Revenue	% of Q1 FY11 Revenue
Direct	24%	25%	31%
Indirect	76%	75%	69%
Arrow	15%	20%	16%
Avnet	11%	12%	11%
OEM Customers	15%	4%	5%

Direct revenue was 24% of Q1 revenue, flat sequentially and a 1% decrease year over year. Our indirect channel accounted for 76% of total revenue, an increase of 3% sequentially and 39% year over year.

Within the indirect channel, Arrow accounted for 15% of total revenue and Avnet contributed 11% of total revenue. Revenue from OEM customers, including IBM, Fujitsu and other OEM customers related to the Engenio acquisition was 15% of total revenue in Q1.

Capacity Trends

(in Petabytes)	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12
Fibre Channel	79	84	73	65	76
ATA	323	349	364	476	493
SAS	68	90	128	170	190
Total	470	523	565	711	759

In Q1, we shipped 759 petabytes of storage, representing a 7% increase over the prior quarter and growing 61% year over year.

Additional Information

For more detailed information about our solutions, corporate strategy and our go-to-market initiatives, please visit our website at <http://investors.netapp.com>

NetApp Usage of Non-GAAP Financials

The Company refers to the non-GAAP financial measures cited above in making operating decisions because they provide meaningful supplemental information regarding the Company's ongoing operational performance. Non-GAAP net income excludes the amortization of intangible assets, stock-based compensation expenses, acquisition related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our convertible debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. We have excluded these items in order to enhance investors' understanding of our ongoing operations. The use of these non-GAAP financial measures has material limitations because they should not be used to evaluate our company without reference to their corresponding GAAP financial measures. As such, we compensate for these material limitations by using these non-GAAP financial measures in conjunction with GAAP financial measures.

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

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

Non-GAAP to GAAP Reconciliation

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

	Three Months Ended		
	July 29, 2011	April 29, 2011	July 30, 2010
SUMMARY RECONCILIATION OF NET INCOME			
NET INCOME	\$ 139.5	\$ 160.6	\$ 150.7
Adjustments:			
Amortization of intangible assets	24.3	4.3	5.5
Stock-based compensation expenses	58.1	48.4	44.3
Restructuring and other charges	-	2.4	-
Acquisition related expense	10.2	4.8	0.3
Non-cash interest expense	13.7	13.9	12.9
Gain on investments	-	(0.9)	(2.5)
Income tax effect of non-GAAP adjustments	(23.5)	3.2	(20.3)
NON-GAAP NET INCOME	\$ 222.3	\$ 236.7	\$ 190.9
DETAILED RECONCILIATION OF SPECIFIC ITEMS:			
COST OF REVENUES	\$ 561.3	\$ 500.1	\$ 415.9
Adjustment:			
Amortization of intangible assets	(13.9)	(3.1)	(4.4)
Stock-based compensation expenses	(5.0)	(4.8)	(4.8)
Acquisition related expense	(5.4)	-	-
NON-GAAP COST OF REVENUES	\$ 537.0	\$ 492.2	\$ 406.7
COST OF PRODUCT REVENUES	\$ 437.4	\$ 379.1	\$ 310.2
Adjustment:			
Amortization of intangible assets	(13.9)	(3.1)	(4.4)
Stock-based compensation expenses	(1.1)	(1.0)	(0.9)
Acquisition related expense	(5.4)	-	-
NON-GAAP COST OF PRODUCT REVENUES	\$ 417.0	\$ 375.0	\$ 304.9
COST OF SERVICE REVENUES	\$ 118.6	\$ 116.2	\$ 102.3
Adjustment:			
Stock-based compensation expenses	(3.9)	(3.8)	(3.9)
NON-GAAP COST OF SERVICE REVENUES	\$ 114.7	\$ 112.4	\$ 98.4
GROSS PROFIT	\$ 896.9	\$ 928.2	\$ 737.8
Adjustment:			
Amortization of intangible assets	13.9	3.1	4.4
Stock-based compensation expenses	5.0	4.8	4.8
Acquisition related expense	5.4	-	-
NON-GAAP GROSS PROFIT	\$ 921.2	\$ 936.1	\$ 747.0
SALES AND MARKETING EXPENSES	\$ 454.8	\$ 462.6	\$ 354.2
Adjustments:			
Amortization of intangible assets	(10.3)	(1.1)	(1.1)
Stock-based compensation expenses	(28.6)	(22.4)	(20.6)
NON-GAAP SALES AND MARKETING EXPENSES	\$ 415.9	\$ 439.1	\$ 332.5
RESEARCH AND DEVELOPMENT EXPENSES	\$ 198.6	\$ 176.5	\$ 149.5
Adjustments:			
Amortization of intangible assets	(0.1)	(0.1)	-
Stock-based compensation expenses	(16.0)	(12.9)	(11.1)
Acquisition related expense	(2.6)	-	-

NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES\$ 179.9\$ 163.5\$ 138.4

GENERAL AND ADMINISTRATIVE EXPENSES	\$ 65.1	\$ 69.0	\$ 56.2
Adjustments:			
Stock-based compensation expenses	(8.5)	(8.3)	(7.8)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 56.6</u>	<u>\$ 60.7</u>	<u>\$ 48.4</u>
OPERATING EXPENSES	\$ 720.7	\$ 715.3	\$ 560.2
Adjustments:			
Amortization of intangible assets	(10.4)	(1.2)	(1.1)
Stock-based compensation expenses	(53.1)	(43.6)	(39.5)
Restructuring and other charges	-	(2.4)	-
Acquisition related expense	(4.8)	(4.8)	(0.3)
NON-GAAP OPERATING EXPENSES	<u>\$ 652.4</u>	<u>\$ 663.3</u>	<u>\$ 519.3</u>
INCOME FROM OPERATIONS	\$ 176.2	\$ 212.9	\$ 177.6
Adjustments:			
Amortization of intangible assets	24.3	4.3	5.5
Stock-based compensation expenses	58.1	48.4	44.3
Restructuring and other charges	-	2.4	-
Acquisition related expense	10.2	4.8	0.3
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 268.8</u>	<u>\$ 272.8</u>	<u>\$ 227.7</u>
TOTAL OTHER INCOME (EXPENSES), NET	\$ (9.1)	\$ (4.8)	\$ (6.6)
Adjustments:			
Non-cash interest expense	13.7	13.9	12.9
Gain on investments	-	(0.9)	(2.5)
NON-GAAP TOTAL OTHER INCOME (EXPENSES), NET	<u>\$ 4.6</u>	<u>\$ 8.2</u>	<u>\$ 3.8</u>
INCOME BEFORE INCOME TAXES	\$ 167.1	\$ 208.1	\$ 171.0
Adjustments:			
Amortization of intangible assets	24.3	4.3	5.5
Stock-based compensation expenses	58.1	48.4	44.3
Restructuring and other charges	-	2.4	-
Acquisition related expense	10.2	4.8	0.3
Non-cash interest expense	13.7	13.9	12.9
Gain on investments	-	(0.9)	(2.5)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 273.4</u>	<u>\$ 281.0</u>	<u>\$ 231.5</u>
PROVISION FOR (BENEFIT FROM) INCOME TAXES	\$ 27.6	\$ 47.5	\$ 20.3
Adjustments:			
Income tax effect of non-GAAP adjustments	23.5	(3.2)	20.3
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 51.1</u>	<u>\$ 44.3</u>	<u>\$ 40.6</u>
NET INCOME PER SHARE	\$ 0.344	\$ 0.398	\$ 0.403
Adjustments:			
Amortization of intangible assets	0.060	0.011	0.015
Stock-based compensation expenses	0.143	0.120	0.118
Restructuring and other charges	0.000	0.006	0.000
Acquisition related expense	0.025	0.012	0.001
Non-cash interest expense	0.034	0.034	0.034
Gain on investments	0.000	(0.002)	(0.007)
Income tax effect of non-GAAP adjustments	(0.058)	0.008	(0.054)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.548</u>	<u>\$ 0.586</u>	<u>\$ 0.510</u>

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

	Second Quarter 2012
Non-GAAP Guidance	\$0.58 - \$0.62
Adjustments of Specific Items to Net Income Per Share for the Second Quarter 2012:	
Amortization of intangible assets	(0.06)
Stock based compensation expense	(0.15)
Acquisition-related expense	(0.01)
Non cash interest expense	(0.04)
Income tax effect	0.06
Total Adjustments	(0.20)
GAAP Guidance -Net Income Per Share	\$0.38 - \$0.42