
**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): November 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 November 12, 2014, NetApp, Inc. (“NetApp” or the “Company”) issued a press release reporting financial results for the second quarter of fiscal year 2015, ended October 24, 2014. The press release is furnished herewith as Exhibit 99.1, and is incorporated herein by reference.

The information contained herein and in the accompanying exhibits shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing. The information in this report, including the exhibits hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

Non-GAAP Financial Measures

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

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

For purposes of internal planning, performance measurement and resource allocation, NetApp’s management uses non-GAAP measures of net income that exclude, as applicable: (a) amortization of intangible assets, (b) stock-based compensation expenses, (c) acquisition-related income and expenses, (d) restructuring and other charges, (e) asset impairments, (f) non-cash interest expense associated with our debt, (g) net losses or gains on investments, and (h) our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. Effective the first quarter of fiscal 2015, NetApp makes additional adjustments to the non-GAAP tax provision for certain tax matters as described below. NetApp’s management uses these non-GAAP measures in making operating decisions because it believes the measurements provide meaningful supplemental information regarding NetApp’s ongoing operational performance. These non-GAAP financial measures are used to: (1) measure company performance against historical results, (2) facilitate comparisons to our competitors’ operating results and (3) allow greater transparency with respect to information used by management in financial and operational decision making. In addition, these non-GAAP financial measures are used to measure company performance for the purposes of determining employee incentive plan compensation.

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

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

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

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

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

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

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

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

H. Income tax adjustments. NetApp's non-GAAP tax provision is based upon a projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. Effective the first quarter of fiscal 2015, the non-GAAP tax provision also excludes, when applicable, (a) tax charges or benefits in the current period that relate to one or more prior fiscal periods that are a result of events such as changes in tax legislation, authoritative guidance, income tax audit settlements and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-reoccurring book and/or tax accounting method changes, (c) tax charges that are a result of a non-routine foreign cash repatriation, (d) tax charges or benefits that are a result of infrequent restructuring of the Company's tax structure, (e) tax charges or benefits that are a result of a change in valuation allowance, and (f) the impact of a temporary lapse of tax law, such as the federal R&D credit, if such extensions have routinely been granted based on past legislative history and are expected to be reinstated in the near future. Management believes that the use of non-GAAP tax provisions provides a more meaningful measure of the company's operational performance.

In the first quarter of fiscal 2015, the Internal Revenue Service completed the audit of NetApp's fiscal 2005 to fiscal 2007 federal income tax returns. Excluded from the non-GAAP income tax expense in Q1 FY15 is a \$47.4 million income tax expense attributable to fiscal 2005 to fiscal 2007 income tax settlement as well as the related re-measurement of uncertain tax positions for fiscal 2008 to fiscal 2014. In addition, the projected annual non-GAAP effective tax rate for fiscal 2015 includes an estimated annual federal research credit of \$9.7 million because management believes that the lapse of federal statute is temporary.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press release, dated November 12, 2014, reporting earnings for the fiscal quarter ended October 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)

November 12, 2014

By:

/s/ Matthew K. Fawcett

Matthew K. Fawcett

Senior Vice President, General Counsel and Corporate
Secretary

Exhibit Index

Exhibit No.

[99.1](#)

Description

Press release, dated November 12, 2014, reporting earnings for the fiscal quarter ended October 24, 2014

Press Contact:	Investor Contact:
Meghan Fintland	Kris Newton
NetApp	NetApp
408-822-1389	408-822-3312
Meghan.Fintland@netapp.com	Kris.Newton@netapp.com

NETAPP REPORTS SECOND QUARTER FISCAL YEAR 2015 RESULTS

Net Revenues of \$1.54 Billion; Non-GAAP EPS of \$0.70

- Clustered Data ONTAP® nodes shipped more than tripled year-over-year
- Flash capacity shipped more than doubled year-over-year
- \$652 million returned to shareholders in share repurchases and cash dividends

Sunnyvale, Calif.—November 12, 2014—NetApp (NASDAQ: NTAP) today reported financial results for the second quarter of fiscal year 2015, ended October 24, 2014.

Second Quarter Financial Results

Net revenues for the second quarter of fiscal year 2015 were \$1.54 billion. GAAP net income for the second quarter of fiscal year 2015 was \$160 million, or \$0.49 per share,¹ compared to GAAP net income of \$167 million, or \$0.48 per share, for the comparable period of the prior year. Non-GAAP net income for the second quarter of fiscal year 2015 was \$226 million, or \$0.70 per share,² compared to non-GAAP net income of \$232 million, or \$0.66 per share, for the comparable period of the prior year.

Cash, Cash Equivalents and Investments

NetApp ended the second quarter of fiscal year 2015 with \$5.27 billion of total cash, cash equivalents and investments and during the quarter generated \$381 million in cash from operations. The company returned \$652 million to shareholders during the quarter through share repurchases and a cash dividend. The next dividend in the amount of \$0.165 per share will be paid on January 22, 2015, to shareholders of record as of the close of business on January 9, 2015.

“We are pleased with our performance in the second quarter with revenue and non-GAAP EPS coming in above the mid-point of our guidance range,” said Tom Georgens, chairman and CEO. “We have dramatically expanded the NetApp portfolio at an unprecedented pace. Our best of breed solutions not only solve the challenges enterprises face today, but ensure a seamless path to the hybrid cloud that enables customers to effectively manage their data across multiple cloud resources.”

Q3 Fiscal Year 2015 Outlook

The Company provided the following financial guidance for the third quarter of fiscal year 2015:

- Net revenues are expected to be in the range of \$1.56 billion to \$1.66 billion
- GAAP earnings per share is expected to be in the range of \$0.52 to \$0.57 per share
- Non-GAAP earnings per share is expected to be in the range of \$0.74 to \$0.79 per share

Business Highlights

• NetApp® Delivers New Products:

- **First Shipments of FlashRay Systems.** FlashRay™, the purpose-built all-flash storage array, is now shipping with the NetApp Mars™ operating system which improves the performance, efficiency and manageability of all-flash storage architectures used in enterprise application environments.
- **Object Storage for the Hybrid Cloud.** StorageGRID® Webscale object storage software helps organizations leverage the hybrid cloud and manage massive data-sets with reduced cost and secure data management.
- **Software Defined Storage Accelerates and Improves Cloud Performance.** New OnCommand® software enables improved monitoring of data center trends across environments. Flash-optimized FlexPod with VMware Horizon View for end-user computing helps reduce implementation risk and accelerate desktop deployments with a validated architecture.

• NetApp Strengthens Partnerships:

- **Extends Alignment with VMware.** NetApp and VMware continue their commitment to work together to accelerate hybrid cloud deployment and enables customers to better manage data across any cloud.

• NetApp Recognition and Awards:

- **#3 World's Best Multinational Workplace.** Innovation and teamwork give NetApp a competitive differentiator that enables the company to meet customers' most challenging storage and data management needs.
- **Best of Show for Flash Innovation.** NetApp was awarded Best of Show Most Innovative Flash Memory Customer Implementation for its EF-Series all-flash-array deployment at Diamond Light Source. NetApp was also selected by IT pros in the annual SSD survey as the Market Leader favorite for all-flash NAS SSD.

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, historical supplemental data tables and other information related to the call will be posted on the Investor Relations website. An audio replay will also be available on the website after 4:30 p.m. Pacific Time today.

About NetApp

Leading organizations worldwide count on NetApp for software, systems and services to manage and store their data. Customers value our teamwork, expertise and passion for helping them succeed now and into the future.

“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 Q3 Fiscal Year 2015 Outlook section relating to the financial guidance for the third quarter of fiscal year 2015 and statements regarding the benefits to us and our customers of our products and partnerships, including those statements under the Business Highlights section. All of these forward-looking statements involve risk and uncertainty. Actual results may differ materially from these statements for a variety of reasons, including, without limitation, general economic and market conditions, changes in U.S. government spending, revenue seasonality, and matters specific to our business, such as customer demand for and acceptance of our products and services and changes in storage consumption models. 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, Data ONTAP, FlashRay, FlexPod, Mars, OnCommand and StorageGRID are trademarks or registered trademarks of NetApp, Inc. in the United States and/or other countries. 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, when applicable, the amortization of intangible assets, stock-based compensation, acquisition-related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon a projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. Effective the first quarter of fiscal 2015, the non-GAAP tax provision also excludes, when applicable, (a) tax charges or benefits in the current period that relate to one or more prior fiscal periods that are a result of events such as changes in tax legislation, authoritative guidance, income tax audit settlements and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-recurring book and/or tax accounting method changes, (c) tax charges that are a result of a non-routine foreign cash repatriation, (d) tax charges or benefits that are a result of infrequent restructuring of the Company’s tax structure, (e) tax charges or benefits that are a result of a change in valuation allowance, and (f) the impact of a temporary lapse of tax law, such as the federal research credit, if such extensions have routinely been granted based on past legislative history and are expected to be reinstated in the near future. Non-GAAP earnings per share is calculated using the diluted number of share for all periods presented. A detailed reconciliation of our non-GAAP to GAAP results can be found at <http://investors.netapp.com>.

NetApp Usage of Non-GAAP Financials

The Company refers to the non-GAAP financial measures in making operating decisions because they provide meaningful supplemental information regarding the Company's ongoing operational performance. Non-GAAP net income excludes, when applicable, the amortization of intangible assets, stock-based compensation, acquisition-related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. Effective the first quarter of fiscal 2015, the non-GAAP tax provision also excludes, when applicable, (a) tax charges or benefits in the current period that relate to one or more prior fiscal periods that are a result of events such as changes in tax legislation, authoritative guidance, income tax audit settlements, and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-recurring book and/or tax accounting method changes, (c) tax charges that are a result of a non-routine foreign cash repatriation, (d) tax charges or benefits that are a result of infrequent restructuring of the Company's tax structure, (e) tax charges or benefits that are a result of a change in valuation allowance, and (f) the impact of a temporary lapse of tax law, such as the federal research credit, if such extensions have routinely been granted based on past legislative history and are expected to be reinstated in the near future.

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.

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

October 24, 2014 April 25, 2014

ASSETS

Current assets:

Cash, cash equivalents and investments	\$ 5,269.4	\$ 5,003.3
Accounts receivable, net	632.7	855.9
Inventories	107.6	122.4
Other current assets	479.4	489.7
Total current assets	<u>6,489.1</u>	<u>6,471.3</u>

Property and equipment, net	1,081.7	1,108.8
Goodwill and purchased intangible assets, net	1,080.6	1,109.6
Other non-current assets	526.1	529.5
Total assets	<u>\$ 9,177.5</u>	<u>\$ 9,219.2</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 210.3	\$ 247.0
Accrued compensation and other current liabilities	648.6	793.8
Short-term deferred revenue	1,632.1	1,653.8
Total current liabilities	<u>2,491.0</u>	<u>2,694.6</u>

Long-term debt	1,494.4	995.5
Other long-term liabilities	315.9	296.2
Long-term deferred revenue	1,414.9	1,446.4
Total liabilities	<u>5,716.2</u>	<u>5,432.7</u>

Stockholders' equity	3,461.3	3,786.5
Total liabilities and stockholders' equity	<u>\$ 9,177.5</u>	<u>\$ 9,219.2</u>

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

	Three Months Ended		Six Months Ended	
	October 24, 2014	October 25, 2013	October 24, 2014	October 25, 2013
Revenues:				
Product	\$ 929.1	\$ 955.3	\$ 1,811.7	\$ 1,886.1
Software entitlements and maintenance	224.2	231.8	445.5	460.3
Service	389.2	362.8	774.5	719.7
Net revenues	<u>1,542.5</u>	<u>1,549.9</u>	<u>3,031.7</u>	<u>3,066.1</u>
Cost of revenues:				
Cost of product	401.8	423.3	796.0	873.2
Cost of software entitlements and maintenance	8.6	7.5	16.8	15.0
Cost of service	149.6	153.9	298.3	303.1
Total cost of revenues	<u>560.0</u>	<u>584.7</u>	<u>1,111.1</u>	<u>1,191.3</u>
Gross profit	<u>982.5</u>	<u>965.2</u>	<u>1,920.6</u>	<u>1,874.8</u>
Operating expenses:				
Sales and marketing	488.0	479.5	968.2	947.3
Research and development	229.0	228.2	457.0	456.3
General and administrative	73.0	69.5	143.0	137.9
Restructuring and other charges	-	1.1	-	49.5
Total operating expenses	<u>790.0</u>	<u>778.3</u>	<u>1,568.2</u>	<u>1,591.0</u>
Income from operations	192.5	186.9	352.4	283.8
Other income/(expense), net:				
Interest income	8.1	8.5	16.4	18.5
Interest expense	(10.9)	(6.5)	(19.9)	(23.0)
Other income (expense), net	(0.8)	3.3	(0.3)	5.2
Total other income/(expense), net	<u>(3.6)</u>	<u>5.3</u>	<u>(3.8)</u>	<u>0.7</u>
Income before income taxes	188.9	192.2	348.6	284.5
Provision for income taxes	<u>29.1</u>	<u>25.4</u>	<u>100.4</u>	<u>36.1</u>
Net income	<u>\$ 159.8</u>	<u>\$ 166.8</u>	<u>\$ 248.2</u>	<u>\$ 248.4</u>
Net income per share:				
Basic	<u>\$ 0.50</u>	<u>\$ 0.49</u>	<u>\$ 0.77</u>	<u>\$ 0.72</u>
Diluted	<u>\$ 0.49</u>	<u>\$ 0.48</u>	<u>\$ 0.76</u>	<u>\$ 0.70</u>
Shares used in net income per share calculations:				
Basic	<u>318.1</u>	<u>340.7</u>	<u>320.8</u>	<u>345.8</u>
Diluted	<u>323.5</u>	<u>349.1</u>	<u>326.3</u>	<u>354.5</u>
Cash dividends declared per share	<u>\$ 0.165</u>	<u>\$ 0.150</u>	<u>\$ 0.330</u>	<u>\$ 0.300</u>

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

	Three Months Ended		Six Months Ended	
	October 24, 2014	October 25, 2013	October 24, 2014	October 25, 2013
Cash flows from operating activities:				
Net income	\$ 159.8	\$ 166.8	\$ 248.2	\$ 248.4
Adjustments to reconcile net income to net cash provided				
by operating activities:				
Depreciation and amortization	77.6	82.5	155.1	168.4
Stock-based compensation	67.8	67.6	130.1	133.9
Excess tax benefit from stock-based compensation	(6.8)	(9.4)	(49.4)	(9.5)
Other, net	4.2	11.1	49.9	(16.1)
Changes in assets and liabilities, net of acquired businesses:				
Accounts receivable	(49.1)	(55.9)	222.4	209.3
Inventories	(3.2)	0.7	14.9	23.6
Accounts payable	30.2	(2.9)	(32.1)	(40.8)
Accrued compensation and other current liabilities	90.6	73.0	(136.5)	(102.4)
Deferred revenue	(18.3)	(13.3)	(44.8)	(67.6)
Changes in other operating assets and liabilities, net	28.6	42.3	39.1	101.1
Net cash provided by operating activities	<u>381.4</u>	<u>362.5</u>	<u>596.9</u>	<u>648.3</u>
Cash flows from investing activities:				
Redemptions of investments, net	169.9	282.1	361.1	672.1
Purchases of property and equipment	(51.1)	(42.2)	(109.5)	(107.5)
Other investing activities, net	(1.1)	2.2	(0.9)	3.4
Net cash provided by investing activities	<u>117.7</u>	<u>242.1</u>	<u>250.7</u>	<u>568.0</u>
Cash flows from financing activities:				
Issuance of common stock	42.8	52.4	71.2	123.9
Repurchase of common stock and forward contract	(600.0)	(150.5)	(718.9)	(1,000.0)
Excess tax benefit from stock-based compensation	6.8	9.4	49.4	9.5
Repayment of debt	-	-	-	(1,264.9)
Issuance of long-term debt, net	-	-	494.7	-
Dividends paid	(52.1)	(51.3)	(105.5)	(102.7)
Other financing activities, net	(1.7)	(15.2)	(3.5)	(5.7)
Net cash used in financing activities	<u>(604.2)</u>	<u>(155.2)</u>	<u>(212.6)</u>	<u>(2,239.9)</u>
Effect of exchange rate changes on cash and cash equivalents	(21.3)	14.3	(20.8)	7.0
Net increase (decrease) in cash and cash equivalents	(126.4)	463.7	614.2	(1,016.6)
Cash and cash equivalents:				
Beginning of period	3,031.6	1,796.8	2,291.0	3,277.1
End of period	<u>\$ 2,905.2</u>	<u>\$ 2,260.5</u>	<u>\$ 2,905.2</u>	<u>\$ 2,260.5</u>

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

	Q2 FY'15	Q1 FY'15	Q2 FY'14
Revenues			
Product Revenue	\$ 929.1	\$ 882.6	\$ 955.3
Software Entitlements & Maintenance Revenue (SEM)	224.2	221.3	231.8
Service Revenue:	389.2	385.3	362.8
Hardware Maintenance Support Contracts Revenue	311.0	302.8	276.4
Professional & Other Services Revenue	78.2	82.5	86.4
Net Revenues	\$ 1,542.5	\$ 1,489.2	\$ 1,549.9

	Q2 FY'15	Q1 FY'15	Q2 FY'14
Branded and OEM Revenues			
Branded Revenue	\$ 1,423.9	\$ 1,360.5	\$ 1,398.8
OEM Revenue	118.6	128.7	151.1
Net Revenues	\$ 1,542.5	\$ 1,489.2	\$ 1,549.9

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 Q2 FY'15 Revenue	% of Q1 FY'15 Revenue	% of Q2 FY'14 Revenue
Geographic Mix			
Americas	59%	56%	58%
Americas Commercial	42%	44%	42%
U.S. Public Sector	17%	12%	16%
EMEA	28%	30%	29%
Asia Pacific	13%	14%	13%

	% of Q2 FY'15 Revenue	% of Q1 FY'15 Revenue	% of Q2 FY'14 Revenue
Pathways Mix			
Direct	20%	21%	17%
Indirect	80%	79%	83%

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

	Q2 FY'15	Q1 FY'15	Q2 FY'14
Non-GAAP Gross Margins			
Non-GAAP Gross Margin	65.0%	64.3%	63.6%
Product	58.4%	57.1%	57.3%
Software Entitlements & Maintenance (SEM)	96.2%	96.3%	96.8%
Service	62.7%	62.7%	58.9%

Non-GAAP Income from Operations, Income before Income Taxes & Effective Tax Rate

	<u>Q2 FY'15</u>	<u>Q1 FY'15</u>	<u>Q2 FY'14</u>
Non-GAAP Income from Operations	\$ 274.8	\$ 236.7	\$ 270.5
% of Net Revenue	17.8%	15.9%	17.5%
Non-GAAP Income before Income Taxes	\$ 271.2	\$ 236.5	\$ 275.8
Non-GAAP Effective Tax Rate	16.5%	16.5%	16.1%

Non-GAAP Net Income

	<u>Q2 FY'15</u>	<u>Q1 FY'15</u>	<u>Q2 FY'14</u>
Non-GAAP Net Income	\$ 226.4	\$ 197.5	\$ 231.5
Weighted Average Common Shares Outstanding, Diluted	323.5	329.1	349.1
Non-GAAP Net Income per Share, Diluted	\$ 0.70	\$ 0.60	\$ 0.66

Select Balance Sheet Items

	<u>Q2 FY'15</u>	<u>Q1 FY'15</u>	<u>Q2 FY'14</u>
Deferred Revenue	\$ 3,047.0	\$ 3,076.3	\$ 2,931.9
DSO (days)	37	36	35
Inventory Turns	20	20	20

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>Q2 FY'15</u>	<u>Q1 FY'15</u>	<u>Q2 FY'14</u>
Net Cash Provided by Operating Activities	\$ 381.4	\$ 215.5	\$ 362.5
Purchases of Property and Equipment	\$ 51.1	\$ 58.4	\$ 42.2
Free Cash Flow	\$ 330.3	\$ 157.1	\$ 320.3
Free Cash Flow as % of Total Revenue	21.4%	10.5%	20.7%

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

Some items may not add or recalculate due to rounding.

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

	<u>Q2'FY15</u>	<u>Q1'FY15</u>	<u>Q2'FY14</u>
NET INCOME	\$ 159.8	\$ 88.4	\$ 166.8
Adjustments:			
Amortization of intangible assets	14.5	14.5	14.9
Stock-based compensation	67.8	62.3	67.6
Restructuring and other charges	-	-	1.1
Income tax effect of non-GAAP adjustments	(15.7)	(15.1)	(18.9)
Settlement of income tax audit	-	47.4	-
NON-GAAP NET INCOME	<u>\$ 226.4</u>	<u>\$ 197.5</u>	<u>\$ 231.5</u>
COST OF REVENUES	\$ 560.0	\$ 551.1	\$ 584.7
Adjustments:			
Amortization of intangible assets	(14.2)	(14.3)	(14.3)
Stock-based compensation	(5.6)	(5.9)	(5.6)
NON-GAAP COST OF REVENUES	<u>\$ 540.2</u>	<u>\$ 530.9</u>	<u>\$ 564.8</u>
COST OF PRODUCT REVENUES	\$ 401.8	\$ 394.2	\$ 423.3
Adjustments:			
Amortization of intangible assets	(13.7)	(13.7)	(13.8)
Stock-based compensation	(1.6)	(1.5)	(1.4)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 386.5</u>	<u>\$ 379.0</u>	<u>\$ 408.1</u>
COST OF SERVICE REVENUES	\$ 149.6	\$ 148.7	\$ 153.9
Adjustments:			
Amortization of intangible assets	(0.5)	(0.6)	(0.5)
Stock-based compensation	(4.0)	(4.4)	(4.2)
NON-GAAP COST OF SERVICE REVENUES	<u>\$ 145.1</u>	<u>\$ 143.7</u>	<u>\$ 149.2</u>
GROSS PROFIT	\$ 982.5	\$ 938.1	\$ 965.2
Adjustments:			
Amortization of intangible assets	14.2	14.3	14.3
Stock-based compensation	5.6	5.9	5.6
NON-GAAP GROSS PROFIT	<u>\$ 1,002.3</u>	<u>\$ 958.3</u>	<u>\$ 985.1</u>
SALES AND MARKETING EXPENSES	\$ 488.0	\$ 480.2	\$ 479.5
Adjustments:			
Amortization of intangible assets	(0.3)	(0.2)	(0.6)
Stock-based compensation	(30.4)	(27.0)	(31.1)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 457.3</u>	<u>\$ 453.0</u>	<u>\$ 447.8</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 229.0	\$ 228.0	\$ 228.2
Adjustment:			
Stock-based compensation	(21.2)	(21.5)	(21.6)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 207.8</u>	<u>\$ 206.5</u>	<u>\$ 206.6</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 73.0	\$ 70.0	\$ 69.5
Adjustment:			
Stock-based compensation	(10.6)	(7.9)	(9.3)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 62.4</u>	<u>\$ 62.1</u>	<u>\$ 60.2</u>

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

	<u>Q2'FY15</u>	<u>Q1'FY15</u>	<u>Q2'FY14</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>
OPERATING EXPENSES	\$ 790.0	\$ 778.2	\$ 778.3
Adjustments:			
Amortization of intangible assets	(0.3)	(0.2)	(0.6)
Stock-based compensation	(62.2)	(56.4)	(62.0)
Restructuring and other charges	-	-	(1.1)
NON-GAAP OPERATING EXPENSES	<u>\$ 727.5</u>	<u>\$ 721.6</u>	<u>\$ 714.6</u>
INCOME FROM OPERATIONS	\$ 192.5	\$ 159.9	\$ 186.9
Adjustments:			
Amortization of intangible assets	14.5	14.5	14.9
Stock-based compensation	67.8	62.3	67.6
Restructuring and other charges	-	-	1.1
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 274.8</u>	<u>\$ 236.7</u>	<u>\$ 270.5</u>
INCOME BEFORE INCOME TAXES	\$ 188.9	\$ 159.7	\$ 192.2
Adjustments:			
Amortization of intangible assets	14.5	14.5	14.9
Stock-based compensation	67.8	62.3	67.6
Restructuring and other charges	-	-	1.1
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 271.2</u>	<u>\$ 236.5</u>	<u>\$ 275.8</u>
PROVISION FOR INCOME TAXES	\$ 29.1	\$ 71.3	\$ 25.4
Adjustment:			
Income tax effect of non-GAAP adjustments	15.7	15.1	18.9
Settlement of income tax audit	-	(47.4)	-
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 44.8</u>	<u>\$ 39.0</u>	<u>\$ 44.3</u>
NET INCOME PER SHARE	\$ 0.49	\$ 0.27	\$ 0.48
Adjustments:			
Amortization of intangible assets	0.04	0.04	0.04
Stock-based compensation	0.21	0.19	0.19
Restructuring and other charges	-	-	-
Income tax effect of non-GAAP adjustments	(0.05)	(0.04)	(0.05)
Settlement of income tax audit	-	0.14	-
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.70</u>	<u>\$ 0.60</u>	<u>\$ 0.66</u>

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

	<u>Q2'FY15</u>	<u>Q1'FY15</u>	<u>Q2'FY14</u>
Gross margin-GAAP	63.7%	63.0%	62.3%
Cost of revenues adjustments	1.3%	1.4%	1.3%
Gross margin-Non-GAAP	65.0%	64.3%	63.6%
GAAP cost of revenues	\$ 560.0	\$ 551.1	\$ 584.7
Cost of revenues adjustments:			
Amortization of intangible assets	(14.2)	(14.3)	(14.3)
Stock-based compensation	(5.6)	(5.9)	(5.6)
Non-GAAP cost of revenues	\$ 540.2	\$ 530.9	\$ 564.8
Revenues	\$ 1,542.5	\$ 1,489.2	\$ 1,549.9

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

	<u>Q2'FY15</u>	<u>Q1'FY15</u>	<u>Q2'FY14</u>
Product gross margin-GAAP	56.8%	55.3%	55.7%
Cost of product revenues adjustments	1.6%	1.7%	1.6%
Product gross margin-Non-GAAP	58.4%	57.1%	57.3%
GAAP cost of product revenues	\$ 401.8	\$ 394.2	\$ 423.3
Cost of product revenues adjustments:			
Amortization of intangible assets	(13.7)	(13.7)	(13.8)
Stock-based compensation	(1.6)	(1.5)	(1.4)
Non-GAAP cost of product revenues	\$ 386.5	\$ 379.0	\$ 408.1
Product revenues	\$ 929.1	\$ 882.6	\$ 955.3

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

	<u>Q2'FY15</u>	<u>Q1'FY15</u>	<u>Q2'FY14</u>
Services gross margin-GAAP	61.6%	61.4%	57.6%
Cost of service revenues adjustments	1.2%	1.3%	1.3%
Services gross margin-Non-GAAP	62.7%	62.7%	58.9%
GAAP cost of service revenues	\$ 149.6	\$ 148.7	\$ 153.9
Cost of service revenues adjustments:			
Amortization of intangible assets	(0.5)	(0.6)	(0.5)
Stock-based compensation	(4.0)	(4.4)	(4.2)
Non-GAAP cost of service revenues	\$ 145.1	\$ 143.7	\$ 149.2
Service revenues	\$ 389.2	\$ 385.3	\$ 362.8

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

	<u>Q2'FY15</u>	<u>Q1'FY15</u>	<u>Q2'FY14</u>
GAAP effective tax rate	15.4%	44.6%	13.2%
Adjustments:			
Tax effect of non-GAAP adjustments	1.1%	(8.1%)	2.8%
Settlement of income tax audit	-	(20.0%)	-
Non-GAAP effective tax rate	16.5%	16.5%	16.1%

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

	<u>Q2'FY15</u>	<u>Q1'FY15</u>	<u>Q2'FY14</u>
Net cash provided by operating activities	\$ 381.4	\$ 215.5	\$ 362.5
Purchases of property and equipment	(51.1)	(58.4)	(42.2)
Free cash flow	\$ 330.3	\$ 157.1	\$ 320.3

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

	<u>Q2'FY15</u>	<u>Q1'FY15</u>	<u>Q2'FY14</u>
Annualized inventory turns- GAAP	21	21	20
Cost of revenues adjustments	(1)	(1)	-
Annualized inventory turns-Non-GAAP	20	20	20
GAAP cost of revenues	\$ 560.0	\$ 551.1	\$ 584.7
Cost of revenues adjustments:			
Amortization of intangible assets	(14.2)	(14.3)	(14.3)
Stock-based compensation	(5.6)	(5.9)	(5.6)
Non-GAAP cost of revenues	\$ 540.2	\$ 530.9	\$ 564.8
Inventory	\$ 107.6	\$ 104.2	\$ 115.9

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
THIRD QUARTER FISCAL 2015

	Third Quarter Fiscal 2015
Non-GAAP Guidance - Net Income Per Share	\$ 0.74 - \$0.79
Adjustments of Specific Items to Net Income Per Share for the Third Quarter Fiscal 2015:	
Amortization of intangible assets	(0.05)
Stock-based compensation expense	(0.22)
Income tax effect of non-GAAP adjustments	0.05
Total Adjustments	(0.22)
GAAP Guidance - Net Income Per Share	\$ 0.52 - \$0.57