
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): May 26, 2010

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 May 26, 2010, NetApp, Inc. (“NetApp” or the “Company”) issued a press release and supplemental commentary reporting financial results for the fourth quarter and year ended April 30, 2010. 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 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 operating results and net income that exclude: (a) the GSA settlement, (b) amortization of intangible assets, (c) stock-based compensation expenses, (d) acquisition related income and expenses, (e) restructuring and other charges, (f) asset impairments, (g) non-cash interest expense associated with our convertible debt, (h) net losses or gains on investments, and (i) our GAAP tax provision, including discrete items, 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. *GSA Settlement.* NetApp excludes from its revenue as well from its budgeting, planning and forecasting of future periods the impact of the settlement with the GSA because management believes that the settlement related to certain past business practices, and is not representative of NetApp’s ongoing business and future revenue generating potential.

B. *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.

C. *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, it does 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.

D. *Acquisition related (income) expenses, net.* NetApp excludes acquisition related income and expenses, including merger termination proceeds, from its non-GAAP measures primarily because they are not related to our on-going business and, therefore, cannot be relied upon for future planning and forecasting.

E. *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.

F. *Asset impairment.* 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.

G. *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.

H. *(Gain) loss on investments, net.* 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.

I. *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.

<u>Exhibit</u>	<u>Description</u>
99.1	Press release, dated May 26, 2010, reporting earnings for the fiscal quarter ended April 30, 2010.
99.2	Supplemental Commentary, dated May 26, 2010.

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)

May 26, 2010

By: /s/ Andrew Kryder
Andrew Kryder
Secretary, General Counsel, and
Senior Vice President, Legal

Index to Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	Press release, dated May 26, 2010, reporting earnings for the fiscal quarter ended April 30, 2010.
99.2	Prepared remarks, dated May 26, 2010.

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NETAPP ANNOUNCES RESULTS FOR FOURTH QUARTER AND FISCAL YEAR 2010

Annual and Quarterly Records Reported for Revenue, Earnings and Free Cash Flow

Sunnyvale, Calif.—May 26, 2010—NetApp (NASDAQ: NTAP) today reported results for the fourth fiscal quarter and fiscal year 2010, which ended April 30, 2010. Revenues for the fourth fiscal quarter of 2010 totaled \$1.17 billion compared to revenues of \$880 million for the same period one year ago.

For the fourth fiscal quarter, GAAP net income was \$145 million, or \$.40 per share¹ compared to GAAP net income of \$68 million, or \$0.21 per share for the same period in the prior year. Non-GAAP net income for the fourth fiscal quarter was \$183 million, or \$0.50 per share², compared to non-GAAP net income of \$103 million, or \$0.31 per share for the same period a year ago.

For fiscal year 2010, GAAP and non-GAAP revenues totaled \$3.93 billion, an increase of 15% compared to GAAP revenues of \$3.41 billion and an increase of 11% compared to non-GAAP revenue of \$3.54 billion for fiscal year 2009. For fiscal year 2010, GAAP net income was \$400 million, or \$1.13 per share, compared to GAAP net income of \$65 million, or \$0.19 per share for fiscal year 2009. Non-GAAP net income for fiscal year 2010 was \$533 million, or \$1.51 per share, compared to non-GAAP net income of \$364 million, or \$1.09 per share for fiscal year 2009.

“With 50% growth in product revenue this quarter, NetApp significantly outperformed the competition. With accelerating revenue growth every quarter, we culminated our fiscal year with record levels of revenue, earnings per share, and free cash flow,” said Tom Georgens, president & CEO. “The server virtualization and cloud computing trends are driving significant business for us, as our competitive advantages in those areas lead more customers to choose NetApp storage efficiency solutions for larger and larger data center projects.”

Outlook

- NetApp estimates revenue for the first quarter of fiscal year 2011 to be in the range of \$1.10 billion to \$1.14 billion.
- NetApp estimates share count for the first quarter of fiscal year 2011 to increase by about 6 million shares.
- NetApp estimates that the first quarter of fiscal year 2011 GAAP earnings per share will be approximately \$0.31 to \$0.35 per share. NetApp estimates that the first quarter fiscal year 2011 non-GAAP earnings per share will be approximately \$0.43 to \$0.47 per share.

Business Highlights

In the fourth quarter of fiscal year 2010, NetApp expanded key partnerships and introduced new solutions to enable customers' virtualization and cloud-based infrastructures, as well as help service providers deliver compelling cloud services for enterprise information technology. NetApp also reached several significant milestones during the quarter related to the adoption and deployment of its storage solutions. In addition, several new customer deployments demonstrated how NetApp storage efficiency technologies can help customers reach never-before-seen levels of efficiency. Key business highlights included the following.

New Solutions and Expanded Partnerships

- **New service provider solutions.** NetApp unveiled new design guides and capabilities geared specifically for service providers that will help them deliver greater value to their cloud customers. NetApp® service-oriented infrastructure, data protection as a service, backup and recovery as a service, and NetApp Open Management will help service providers differentiate their cloud services, accelerate their services' time to market, and achieve industry-leading cost and service-level benefits.
 - **CA, Inc. and NetApp build solutions for cloud infrastructures.** CA and NetApp extended their multiyear solutions partnership to develop management solutions for public and private cloud environments. The companies will integrate CA Spectrum® Automation Manager, CA Spectrum Service Assurance, CA Spectrum Infrastructure Manager, and CA eHealth® Performance Manager with NetApp's storage management solutions, including NetApp Provisioning Manager and NetApp SANscreen®.
 - **NetApp, Brocade, Emulex, and VMware expand options for FCoE and DCB customers.** NetApp will resell a new Converged Network Adapter from Emulex, and is among the first storage vendors to support VMware® vSphere™ 4 in a Fibre Channel over Ethernet (FCoE) host environment. NetApp also augmented its FCoE portfolio from Brocade and introduced a DCB-only version of the Brocade 8000. Now customers have even more options to build complete end-to-end FCoE infrastructures and unify their Ethernet and Fibre Channel architectures.
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Milestones and Awards

- **NetApp reaches milestone of 150,000 unified storage systems deployed.** This historic milestone underscores NetApp's long standing commitment and significant industry innovation in making unified storage a reality for customers. Customers worldwide are leveraging NetApp's unified storage solutions to simplify operations, achieve business breakthroughs, increase productivity, and recognize significant cost savings.
- **NetApp gains leadership in SAN market and reaches significant milestone with more than 30,000 deployments worldwide.** NetApp has more than doubled its SAN business in just two years by providing customers with an impressive list of technologies and maximizing strong solution partnerships with companies such as Brocade, Cisco, Microsoft, and VMware. According to IDC's Worldwide Quarterly Disk Storage Systems Tracker, Q3 2009, NetApp grew faster than the FC SAN market year over year.
- **Customers help NetApp pass milestone of 5,000 V-Series units shipped.** Customers made V-Series one of NetApp's fastest growing products, with 70% year-over-year growth and more than 5,000 units shipped. More customers are turning to NetApp V-Series to unify their non NetApp storage environments and increase efficiency, reduce costs, and improve data protection.
- **NetApp positioned in Leaders Quadrant in top analyst firm's Magic Quadrant.** Gartner, Inc. positioned NetApp in the Leaders Quadrant for Midrange and High-End NAS Solutions³. NetApp NAS solutions are built on a unified storage platform, providing customers of all sizes with increased flexibility and performance along with industry-leading storage efficiency capabilities.
- **NetApp ranked #2 on "Best Workplaces in Canada" list.** NetApp was ranked #2 on the "Best Workplaces in Canada" list for 2010 and was also recognized as the top workplace in Canada in the Respect category. NetApp now ranks in the top 20 places to work in 9 different regions, including #7 in the United States.

Mergers and Acquisitions

- **NetApp acquires Bycast.** On May 13, 2010, NetApp completed its acquisition of Bycast Inc., a privately held company headquartered in Vancouver, British Columbia, Canada, in an all-cash transaction. Bycast extends NetApp's leadership position in unified storage by adding an object-based storage software offering.

Businesses Built on NetApp

- Weta Digital, a world leader in visual effects, relied on NetApp storage in the production of the record-breaking film *Avatar*. NetApp helped reduce Weta's data management overhead by 95% and increase its storage price-to-performance ratio by 40%.
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- J&B Group turned to NetApp for its storage to support its perishable foods production and distribution business. NetApp's storage efficiency technology helped increase utilization to 67%, and storage requirements for VMware virtual servers dropped from 4.5TB to 1.5TB, a 66% reduction.
- The College of Saint Rose implemented NetApp and VMware virtualization solutions to tackle the challenges of data growth, availability, and reliability. NetApp thin provisioning and deduplication technologies helped improve the college's storage efficiency, increasing utilization rates by up to 85% and deferring \$134,000 in hardware costs each year.

Webcast and Conference Call Information

The NetApp fourth quarter and fiscal year 2010 results conference call will be broadcast live on the Internet at <http://investors.netapp.com> on Wednesday, May 26, 2010, at 2:00 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 also be available after 4:00 p.m. Pacific Time on our web site at <http://investors.netapp.com>.

NetApp is now using a new hybrid format for disclosing key financial information associated with our quarterly results. Concurrent with the press release, NetApp will post and distribute a separate document with financial commentary and statistics that were previously disclosed during our earnings calls. These prepared remarks will be available prior to the conference call in order to provide the investment community with additional time to analyze our results. This commentary will not be read during the earnings call.

About NetApp

NetApp creates innovative storage and data management solutions that accelerate business breakthroughs and deliver outstanding cost efficiency. 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 first quarter of fiscal year 2011, our expectations regarding our current and new partnerships and strategic alliances and the benefits that we expect our customers to realize from using our products and those 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 materially from those in the forward-looking statements include customer demand for our products and services; our ability to increase revenue and manage our operating costs; increased competition risks associated with the anticipated growth in network storage market; 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; our reliance on a limited number of suppliers; our ability to accurately forecast demand for our products; 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 captioned “Risk Factors” in our most recently submitted 10-K and 10-Q. 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 SANscreen are trademarks or registered trademarks of NetApp, Inc. in the United States and/or other countries. VMware is a registered trademark and vSphere is a trademark of VMware, Inc. All other brands or products are trademarks or registered trademarks of their respective holders and should be treated as such.

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

²Non-GAAP results of operations exclude the GSA settlement, 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, including discrete items, 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.

³Gartner, Inc. Magic Quadrant for Midrange and High-End NAS Solutions, Pushan Rinnen, Robert E. Passmore, Roger W. Cox, March 15, 2010.

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 results of operations exclude the GSA settlement, 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, including discrete items, 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. In addition, 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>April 30, 2010</u>	<u>April 24, 2009</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 3,724.0	\$ 2,604.2
Accounts receivable, net	471.5	446.5
Inventories	112.9	61.1
Other current assets	228.7	327.0
Total current assets	4,537.1	3,438.8
Property and equipment, net	804.4	807.9
Goodwill and other intangible assets, net	706.1	726.7
Long-term investments and restricted cash	72.8	127.3
Other non-current assets	374.0	283.7
	\$ 6,494.4	\$ 5,384.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 184.6	\$ 137.8
Accrued compensation and other current liabilities	591.3	527.9
Deferred revenue	1,135.1	1,013.6
Total current liabilities	1,911.0	1,679.3
Long-term debt and other obligations	1,273.4	1,219.3
Long-term deferred revenue	779.5	701.6
	3,963.9	3,600.2
Stockholders' equity	2,530.5	1,784.2
	\$ 6,494.4	\$ 5,384.4

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

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>April 30, 2010</u>	<u>April 24, 2009</u>	<u>April 30, 2010</u>	<u>April 24, 2009</u>
Revenues:				
Product	\$ 758.8	\$ 506.2	\$ 2,381.1	\$ 2,152.7
Software entitlements and maintenance	173.8	164.6	679.8	618.3
Service	239.2	209.5	870.5	764.1
GSA settlement	-	(0.7)	-	(128.7)
Net revenues	<u>1,171.8</u>	<u>879.6</u>	<u>3,931.4</u>	<u>3,406.4</u>
Cost of revenues:				
Cost of product	310.9	245.2	976.4	1,007.6
Cost of software entitlements and maintenance	3.1	2.4	12.3	9.2
Cost of service	109.3	98.1	423.5	399.7
Total cost of revenues	<u>423.3</u>	<u>345.7</u>	<u>1,412.2</u>	<u>1,416.5</u>
Gross profit	<u>748.5</u>	<u>533.9</u>	<u>2,519.2</u>	<u>1,989.9</u>
Operating expenses:				
Sales and marketing	366.7	287.3	1,293.7	1,186.1
Research and development	143.7	125.0	535.7	498.5
General and administrative	64.2	52.2	238.8	203.7
Restructuring and other charges	(0.2)	35.5	2.5	54.4
Acquisition related (income) expense, net	1.2	-	(39.9)	-
Total operating expenses	<u>575.6</u>	<u>500.0</u>	<u>2,030.8</u>	<u>1,942.7</u>
Income from operations	172.9	33.9	488.4	47.2
Other income (expenses), net				
Interest income	8.1	11.7	31.2	57.6
Interest expense	(18.8)	(18.5)	(74.1)	(63.4)
Other income (expenses), net	1.7	(2.4)	1.5	(33.1)
Total other expenses, net	<u>(9.0)</u>	<u>(9.2)</u>	<u>(41.4)</u>	<u>(38.9)</u>
Income before income taxes	163.9	24.7	447.0	8.3
Provision for (benefit from) income taxes	18.8	(43.7)	46.6	(56.3)
Net income	<u>\$ 145.1</u>	<u>\$ 68.4</u>	<u>\$ 400.4</u>	<u>\$ 64.6</u>
Net income per share:				
Basic	<u>\$ 0.42</u>	<u>\$ 0.21</u>	<u>\$ 1.18</u>	<u>\$ 0.20</u>
Diluted	<u>\$ 0.40</u>	<u>\$ 0.21</u>	<u>\$ 1.13</u>	<u>\$ 0.19</u>
Shares used in per share computation:				
Basic	<u>346.1</u>	<u>330.9</u>	<u>339.6</u>	<u>330.3</u>
Diluted	<u>364.5</u>	<u>333.1</u>	<u>353.2</u>	<u>334.6</u>

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

	Three Months Ended		Year Ended	
	<u>April 30, 2010</u>	<u>April 24, 2009</u>	<u>April 30, 2010</u>	<u>April 24, 2009</u>
Cash Flows from Operating Activities:				
Net income	\$ 145.1	\$ 68.4	\$ 400.4	\$ 64.6
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	40.0	40.7	166.0	170.5
Stock-based compensation	37.8	42.2	159.8	140.8
Accretion of discount and issue costs on notes	13.1	12.2	50.8	41.0
Other, net	4.1	(35.3)	(1.6)	(66.8)
Tax benefit from stock-based compensation	1.8	4.5	(0.9)	45.4
Excess tax benefit from stock-based compensation	(7.6)	(1.8)	(8.6)	(36.7)
Changes in assets and liabilities:				
Accounts receivable	(13.4)	(101.6)	(21.3)	128.7
Inventories	(41.2)	21.1	(52.1)	9.1
Accounts payable	43.1	15.2	42.7	(27.0)
Accrued compensation and other current liabilities	112.4	49.7	53.2	190.5
Deferred revenue	116.6	81.3	176.7	219.3
Changes in other operating assets and liabilities, net	22.8	(1.0)	9.9	9.8
Net cash provided by operating activities	<u>474.6</u>	<u>195.6</u>	<u>975.0</u>	<u>889.2</u>
Cash Flows from Investing Activities:				
Purchases and redemptions of investments, net	(768.9)	(291.9)	(860.3)	(116.8)
Reclassification from cash and cash equivalents to short-term investments	-	-	-	(598.0)
Purchases of property and equipment	(38.4)	(134.7)	(135.6)	(289.6)
Other investing activities, net	4.1	0.7	8.2	1.1
Net cash used in investing activities	<u>(803.2)</u>	<u>(425.9)</u>	<u>(987.7)</u>	<u>(1,003.3)</u>
Cash Flows from Financing Activities:				
Issuance of common stock	40.4	16.6	197.1	85.9
Repurchases of common stock	-	-	-	(400.0)
Excess tax benefit from stock-based compensation	7.6	1.8	8.6	36.7
Issuance of debt	-	-	-	1,238.4
Sale of common stock warrants	-	-	-	163.1
Settlement (purchase) of note hedge	14.2	-	14.2	(254.9)
Repayment of long-term debt	-	-	-	(172.6)
Net cash provided by financing activities	<u>62.2</u>	<u>18.4</u>	<u>219.9</u>	<u>696.6</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4.4)	(2.1)	3.6	(24.8)
Net Increase (Decrease) in Cash and Cash Equivalents	(270.8)	(214.0)	210.8	557.7
Cash and Cash Equivalents:				
Beginning of period	1,975.8	1,708.2	1,494.2	936.5
End of period	<u>\$ 1,705.0</u>	<u>\$ 1,494.2</u>	<u>\$ 1,705.0</u>	<u>\$ 1,494.2</u>

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

Three Months Ended April 30, 2010

	<u>GSA Settlement</u>	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation Expenses</u>	<u>Asset Impairment</u>	<u>Restructuring and Other Charges</u>	<u>Acquisitions related (income) expense, net</u>	<u>Non-Cash Interest Expense</u>	<u>(Gain) Loss on Investments, Net</u>	<u>Total</u>
Cost of product revenues	-	\$ 4.1	\$ 1.3	-	-	-	-	-	\$ 5.4
Cost of service revenues	-	-	3.5	-	-	-	-	-	3.5
Sales and marketing expense	-	0.8	16.9	-	-	-	-	-	17.7
Research and development expense	-	-	9.0	-	-	-	-	-	9.0
General and administrative expense	-	-	7.1	-	-	-	-	-	7.1
Restructuring and other charges	-	-	-	-	(0.2)	-	-	-	(0.2)
Acquisitions related (income) expense, net	-	-	-	-	-	1.2	-	-	1.2
Interest expense	-	-	-	-	-	-	13.1	-	13.1
(Gain) loss on investments, net	-	-	-	-	-	-	-	(1.2)	(1.2)
Effect on income before income taxes	-	\$ 4.9	\$ 37.8	-	\$ (0.2)	\$ 1.2	\$ 13.1	\$ (1.2)	\$ 55.6

Year Ended April 30, 2010

	<u>GSA Settlement</u>	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation Expenses</u>	<u>Asset Impairment</u>	<u>Restructuring and Other Charges</u>	<u>Acquisitions related (income) expense, net</u>	<u>Non-Cash Interest Expense</u>	<u>(Gain) Loss on Investments, Net</u>	<u>Total</u>
Cost of product revenues	-	\$ 17.1	\$ 4.0	-	-	-	-	-	\$ 21.1
Cost of service revenues	-	-	14.3	-	-	-	-	-	14.3
Sales and marketing expense	-	3.4	73.7	-	-	-	-	-	77.1
Research and development expense	-	-	38.5	-	-	-	-	-	38.5
General and administrative expense	-	-	29.3	-	-	-	-	-	29.3
Restructuring and other charges	-	-	-	-	2.5	-	-	-	2.5

Acquisitions related (income) expense, net	-	-	-	-	-	(39.9)	-	-	(39.9)
Interest expense	-	-	-	-	-	-	50.8	-	50.8
(Gain) loss on investments, net	-	-	-	-	-	-	-	(4.7)	(4.7)
Effect on pre-tax income	-	\$ 20.5	\$ 159.8	-	\$ 2.5	\$ (39.9)	\$ 50.8	\$ (4.7)	\$ 189.0

Three Months Ended April 24, 2009

	<u>GSA Settlement</u>	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation Expenses</u>	<u>Asset Impairment</u>	<u>Restructuring and Other Charges</u>	<u>Acquisitions related (income) expense, net</u>	<u>Non-Cash Interest Expense</u>	<u>(Gain) Loss on Investments, Net</u>	<u>Total</u>
Total revenues	\$ 0.7	-	-	-	-	-	-	-	\$ 0.7
Cost of product revenues	-	4.9	1.0	-	-	-	-	-	5.9
Cost of service revenues	-	-	3.9	-	-	-	-	-	3.9
Sales and marketing expense	-	0.8	20.1	-	-	-	-	-	20.9
Research and development expense	-	-	11.3	-	-	-	-	-	11.3
General and administrative expense	-	-	5.9	-	-	-	-	-	5.9
Restructuring and other charges	-	-	-	-	35.5	-	-	-	35.5
Interest expense	-	-	-	-	-	-	11.0	-	11.0
(Gain) loss on investments, net	-	-	-	-	-	-	-	2.6	2.6
Effect on income before income taxes	\$ 0.7	\$ 5.7	\$ 42.2	-	\$ 35.5	-	\$ 11.0	\$ 2.6	\$ 97.7

Year Ended April 24, 2009

	<u>GSA Settlement</u>	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation Expenses</u>	<u>Asset Impairment</u>	<u>Restructuring and Other Charges</u>	<u>Acquisitions related (income) expense, net</u>	<u>Non-Cash Interest Expense</u>	<u>(Gain) Loss on Investments, Net</u>	<u>Total</u>
Total revenues	\$ 128.7	-	-	-	-	-	-	-	\$ 128.7
Cost of product revenues	-	24.5	3.3	-	-	-	-	-	27.8
Cost of service revenues	-	-	12.3	-	-	-	-	-	12.3
Sales and marketing expense	-	4.4	65.1	9.4	-	-	-	-	78.9
Research and development expense	-	-	37.9	-	-	-	-	-	37.9
General and administrative expense	-	-	22.2	-	-	-	-	-	22.2

Restructuring and other charges	-	-	-	-	54.4	-	-	-	54.4
Interest expense	-	-	-	-	-	-	36.6	-	36.6
(Gain) loss on investments, net	-	-	-	-	-	-	-	29.6	29.6
Effect on pre-tax income	\$ 128.7	\$ 28.9	\$ 140.8	\$ 9.4	\$ 54.4	-	\$ 36.6	\$ 29.6	\$ 428.4

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>Year Ended</u>	
	<u>April 30, 2010</u>	<u>April 24, 2009</u>	<u>April 30, 2010</u>	<u>April 24, 2009</u>
<u>SUMMARY RECONCILIATION OF NET INCOME</u>				
NET INCOME	\$ 145.1	\$ 68.4	\$ 400.4	\$ 64.6
Adjustments:				
GSA settlement	-	0.7	-	128.7
Amortization of intangible assets	4.9	5.7	20.5	28.9
Stock-based compensation expenses	37.8	42.2	159.8	140.8
Asset impairment	-	-	-	9.4
Restructuring and other charges	(0.2)	35.5	2.5	54.4
Acquisitions related (income) expense, net	1.2	-	(39.9)	-
Non-cash interest expense	13.1	11.0	50.8	36.6
(Gain) loss on investments, net	(1.2)	2.6	(4.7)	29.6
Discrete GAAP tax provision items	(13.1)	6.5	(20.4)	6.9
Income tax effect	(4.5)	(69.8)	(36.0)	(135.6)
NON-GAAP NET INCOME	<u>\$ 183.1</u>	<u>\$ 102.8</u>	<u>\$ 533.0</u>	<u>\$ 364.3</u>
<u>NET INCOME PER SHARE</u>				
NET INCOME PER SHARE	\$ 0.398	\$ 0.205	\$ 1.134	\$ 0.193
Adjustments:				
GSA settlement	-	0.002	-	0.385
Amortization of intangible assets	0.013	0.017	0.058	0.086
Stock-based compensation expenses	0.104	0.127	0.452	0.421
Asset impairment	-	-	-	0.028
Restructuring and other charges	(0.001)	0.106	0.007	0.163
Acquisitions related (income) expense, net	0.003	-	(0.113)	-
Non-cash interest expense	0.036	0.033	0.144	0.109
(Gain) loss on investments, net	(0.003)	0.008	(0.013)	0.088
Discrete GAAP tax provision items	(0.036)	0.020	(0.058)	0.021
Income tax effect	(0.012)	(0.210)	(0.102)	(0.405)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.502</u>	<u>\$ 0.308</u>	<u>\$ 1.509</u>	<u>\$ 1.089</u>

NETAPP, INC.
RECONCILIATION OF NON GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FIRST QUARTER 2011
(Unaudited)

	First Quarter 2011
Non-GAAP Guidance	\$0.43 - \$0.47
Adjustments of Specific Items to Net Income Per Share for the First Quarter 2011:	
Stock based compensation expense	(0.11)
Amortization of intangible assets	(0.01)
Non cash interest expense	(0.03)
Income tax effect	0.03
Total Adjustments	(0.12)
GAAP Guidance -Net Income Per Share	\$0.31 - \$0.35



NetApp Q4 and FY10 Earnings Results

Supplemental Commentary
May 26, 2010

The information in this written commentary, which was historically presented during our live conference call, is now being provided to the investment community concurrently with our press release to allow for additional time for review and analysis prior to commencement of the live call. Please note that these prepared remarks will not be read during the call. The live call will focus on strategic commentary from the CEO and CFO, followed by Q&A.

Safe Harbor Statement

These prepared remarks contain forward-looking statements and projections that involve risk and uncertainty, including statements regarding our financial performance for the fourth quarter of fiscal 2010. Actual results may differ materially from our statements or projections. Factors that could cause actual results to differ from our projections include, but are not limited to, customer demand for our products and services; our ability to increase revenue and manage our operating costs; increased competition risks associated with the anticipated growth in the networked storage market; 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; our reliance on a limited number of suppliers; and our ability to accurately forecast demand for our products. Other equally important factors are detailed in our accompanying press release as well as in our 10-K and 10-Q reports on file with the SEC and also available on our website, all of which are incorporated by reference into today's commentary.

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

Fiscal 2010 Highlights

In fiscal 2010, NetApp achieved company records in several categories, including revenue, income from operations, and net income per share.

Year over Year Overview

	FY2010	FY2009¹	Year/Year Growth
Non-GAAP Net Revenue	\$3,931M	\$3,535M	11%
Non-GAAP Gross Margin	65.0%	61.1%	
Non-GAAP Operating Expenses	\$1,923M	\$1,749M	10%
Non-GAAP Income from Operations	\$631M	\$409M	54%
Non-GAAP Operating Margin	16.1%	11.6%	
Non-GAAP Net Income per Share, Diluted	\$1.51	\$1.09	39%

Fiscal year 2010 revenue was \$3.93 billion, an 11% increase over FY2009 net revenue. Non-GAAP gross margins were 65%, up from 61.1% in FY 2009, due to a favorable revenue mix as well as favorable trends in materials cost for low-end and mid-range systems. Non-GAAP operating expenses were up 10% year over year. We returned to our targeted non-GAAP operating margin of approximately 16%, up from our FY2009 operating margin of 11.6%. These improvements in profitability are reflected in our non-GAAP net income per share, which rose 39% from \$1.09 in FY 2009 to \$1.51 in FY2010.

¹ GAAP revenue in FY2009 was \$3,406 million, Non-GAAP revenue in FY2009 excludes the impact of the \$129 million GSA settlement

Q4 Fiscal 2010 Overview

In the fourth quarter, NetApp achieved record performance in revenue, income from operations, net income per share, deferred revenue, cash flow from operations, and units shipped. As customers increasingly turn to server virtualization and the benefits of cloud computing to reduce IT costs, they are choosing NetApp for the storage efficiency and flexibility we provide as they begin to re-architect their data centers for a virtual future.

Revenue

	Q4 FY10 Revenue	% of Q4 FY10 Revenue	Sequential Growth²	Year/Year Growth
Product Revenue	\$759M	65%	23%	50%
Software Entitlements & Maintenance	\$174M	15%	2%	6%
Service	\$239M	20%	8%	14%
Net Revenue	\$1,172M	100%	16%	33%

Revenue for the fourth quarter was \$1.17 billion, increasing 16% sequentially and 33% year over year. Foreign currency effects³ decreased our sequential results by approximately one percentage point and increased our year over year growth rate by approximately two percentage points.

² Sequential growth calculation based upon Q3FY10 results, which can be found at www.investor.netapp.com

³ Foreign currency effects represent the translation effect of changes in 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.

Product revenue grew 23% sequentially and increased 50% year over year to \$759 million. The product component of our revenue mix increased to 65% of total revenue, up strongly from 61% last quarter.

Revenue from software entitlements and maintenance (SEM), which is a deferred revenue element and is recognized ratably over the related contract period, was \$174 million, or 15% of total revenue. SEM was up 2% sequentially and up 6% year over year, reflecting the slower business growth rates of prior periods. Product revenue growth can be viewed as a leading indicator for future SEM revenue growth. The average contract life on the balance sheet for SEM is approximately 32 months.

Service revenue was \$239 million, up 8% sequentially and up 14% over 2009 Q4 revenue. Service revenue represented 20% of total revenue and is comprised mainly of hardware maintenance support contracts and professional services.

- Revenue from hardware maintenance support contracts, which is also a deferred revenue element, comprised approximately 62% of our services revenue this quarter, increasing 5% sequentially and 19% year over year.
- The professional services component of service revenue increased 15% sequentially and was up 7% year over year.

Gross Margin

	Q4 FY10	Q3 FY10	Q4 FY09
Non-GAAP Gross Margin	64.6%	64.2%	61.8%
Product	59.7%	59.8%	52.7%
S/W Entitlements & Maintenance	98.2%	98.3%	98.5%
Services	55.8%	50.4%	55.0%

On a non-GAAP basis, consolidated gross margin was 64.6% of revenue this quarter, a slight increase from Q3 results. There were no significant changes in non-GAAP product or SEM gross margins from the prior quarter. Non-GAAP service margin increased five percentage points sequentially to 55.8%, due primarily to a seasonal increase in professional services work completed.

Operating Expenses

	Q4 FY10	Q3 FY10	Q4 FY09
Non-GAAP Operating Expenses	\$541M	\$479M	\$426M

Non-GAAP operating expenses increased 13% sequentially and were up 27% year over year, totaling \$541 million or 46% of revenue in Q4. Headcount increased by a net of 159 people to 8,333 at the end of the quarter, consistent with our plan to increase our sales and engineering staff worldwide.

On a GAAP basis, Q4 operating expenses include \$33 million of stock compensation compared to \$32 million in Q3, as well as amortization of intangible assets associated with prior acquisitions, current period impact of prior restructuring actions and acquisition related expenses.

Income from Operations & Other Income

	Q4 FY10	Q3 FY10	Q4 FY09
Non-GAAP Income from Operations	\$217M	\$171M	\$118M
Non-GAAP Other Income (Expense), Net	\$3M	\$0.33M	\$4.4M
Non-GAAP Income Before Income Taxes	\$220M	\$171M	\$122M
Non-GAAP Effective Tax Rate	16.6%	16.0%	16.0%
Non-GAAP Net Income	\$183M	\$144M	\$103M
Non-GAAP Net Income per Share, Diluted	\$0.50	\$0.40	\$0.31

Non-GAAP income from operations was up 27% sequentially and 84% year over year to \$217 million, or 18.5% of revenue, significantly outpacing our target operating margin of approximately 16%.

Non-GAAP other income and expense increased to \$3 million, primarily due to realized gains on investments as well as a shift toward longer-term investment vehicles. GAAP other income (expense) also includes \$13 million of non-cash interest expense associated with our convertible debt.

Non-GAAP income before income taxes was \$220 million or 18.7% of revenue, up from 16.9% in Q3. Our non-GAAP provision for income tax was \$36 million, up from \$27 million in Q3, and our effective tax rate increased to 16.6% from our average of 16% in prior quarters due to a year-end true-up. As a result, our non-GAAP effective tax rate for FY2010 was 16.2%. Our diluted share count increased sequentially by 4.2 million shares to 365 million shares outstanding.

Non-GAAP net income totaled \$183 million, or \$0.50 per share, another record for NetApp.

Select Balance Sheet Items

	Q4 FY10	Q3 FY10	Q4FY09
Cash, Cash Equivalents & Investments	\$3.7B	\$3.2B	\$2.6B
Deferred Revenue	\$1.9B	\$1.8B	\$1.7B
DSO (days) ⁴	37	41	46
Inventory Turns ⁵	14.7	20.2	22.1

During Q4, our cash and short term investments grew by \$491 million, ending the quarter at \$3.7 billion, up 15% sequentially and up 43% year over year. Of this Q4 FY10 balance, 56% was in the United States.

The total deferred revenue balance of \$1.9 billion reflects a sequential increase of approximately \$120 million this quarter and a 12% increase in the balance year over year.

With respect to DSO, accounts receivable days sales outstanding were 37 days this quarter, compared to 41 days last quarter and 46 days in Q4 last year. The strong DSO performance is attributable to record collection efforts on the part of our accounts receivables team. At the end of Q4, 93% of our receivables balance was current. Inventory turns were down from 20.2 turns in Q3 to 14.7 turns, a side effect of the rapid growth we are experiencing and the unpredictable spot shortages of some parts.

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

⁵ Inventory turns are defined as annualized non-GAAP COGS divided by net inventory

Select Cash Flow Statement Items

	Q4 FY10	Q3 FY10	Q4 FY09
Net Cash Provided by Operating Activities	\$475M	\$195M	\$196M
Purchases of Property and Equipment	\$38M	\$50M	\$135M
Free Cash Flow ⁶	\$436M	\$145M	\$61M
Free Cash Flow as % of Net Revenue	37%	14%	7%

Net cash provided by operating activities was \$475 million, more than doubling both sequentially and year over year, primarily due to strong growth in net income, increased deferred revenue, and well managed receivables. Capital expenditures were about \$38 million, down from \$50 million last quarter.

Free cash flow totaled \$436 million, over three times higher than Q3 levels. Expressed as a percent of revenue, Q4 free cash flow was 37% of net revenue, well above our average range.

Q1 FY11 Outlook

	Q1 FY11 Outlook
Revenue	\$1,100M – \$1,140M
Share Count	Approximately 370M
Non-GAAP Net Income per Share, Diluted	\$0.43 - \$0.47
GAAP Net Income per Share, Diluted	\$0.31 - \$0.35

This forecast is based on current business expectations and current market conditions.

Other Business Metrics

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

Geographic Mix

	% of Q4 FY10 Revenue	Q4 FY10 Revenue	Year/Year Growth
Americas	54%	\$639M	34%
U.S. Public Sector	11%	\$133M	30%
EMEA	36%	\$419M	32%
AsiaPacific	10%	\$113M	31%

The Americas generated revenue of \$639 million, up 11% sequentially and up 34% year over year, contributing 54% of total revenue. Included in the Americas numbers, the US Public Sector Team delivered 11% of total revenue, which was seasonally down by approximately 7% sequentially, though up 30% year over year.

EMEA revenue increased 24% sequentially and 32% year over year to \$419 million, comprising 36% of total revenue. AsiaPacific revenue was \$113 million, an increase of 14% sequentially and 31% year over year, for a total of 10% of revenue this quarter.

Channel Mix

Both our direct and indirect channels posted increases in revenue during the fourth quarter. Consistent with our strategy, our indirect channel continues to grow faster than our direct channel. Direct revenue was 29% of total revenue, increasing 10% sequentially and 19% year over year. Indirect revenues, generated by channel and OEM partners, contributed 71% of total revenues in the quarter. Indirect revenues increased 19% sequentially and 40% over Q4 last year. Within the indirect channel, Arrow continued last quarter's record pace of 16% of total revenue, while Avnet was down slightly to 11% of revenue from last quarter's record of 12% of revenue. Revenue from the IBM OEM partnership was 3% of total revenue, up 2% over their absolute dollar contribution in Q4 last year.

Customer Dynamics

This quarter's top 100 accounts contributed approximately 42% of total Q4 revenue, about the same level as in Q3FY10. In FY10 we added 121 net new Storage5000⁷ accounts, down modestly from the record high number added in FY09.

Protocol Trends

	Q4 FY09	Q1 FY10	Q2 FY10	Q3 FY10	Q4FY10
NAS	47%	51%	48%	42%	41%
SAN	14%	15%	19%	15%	16%
Unified	39%	35%	34%	42%	42%

For over eight years, NetApp has been shipping storage systems which support multiple protocols concurrently on every system—a capability called Unified Storage. We have shipped over 150,000 Unified Storage systems since we pioneered this innovation in 2002. This quarter the unified storage percentage of our configured system product revenue continued at record levels.

We continue to actively bundle and sell more of our systems in a Unified configuration. In addition, since all of our systems enable the use of multiple protocols for applications, we have found that our installed base usage profiles—especially for protocols— frequently changes after installation, while the system configuration sold does not. As a result, we have come to the conclusion that trying to partition our revenues across the traditional NAS and SAN categories at time of shipment it is no longer meaningful, therefore this will be the last quarter in which we provide the data in the chart above.

Platform Trends

Total system units shipped grew 10% sequentially again this quarter and also increased 52% over Q4 last year. The standout growth segment this quarter was our mid-range, which grew 36% sequentially and 40% year over year. Sales of high-end units were also up strongly this quarter, growing 27% sequentially and 48% year over year. While low end units were down modestly from last quarter's record levels, they were up 61% over Q4 of last year.

⁷ The Storage 5000 is a proprietary NetApp list of companies we believe to be the 5,000 largest buyers of storage worldwide

Our V-Series platform, which is our controller and data management software without any disks, reached a milestone 5,000 units shipped since inception this quarter. Units of V-Series shipped were up 80% sequentially and over 230% higher year over year.

Capacity Trends

(in Petabytes)	Q4 FY09	Q1 FY10	Q2 FY10	Q3 FY10	Q4 FY10
Fibre Channel	72	69	79	88	99
ATA	165	175	173	209	298
SAS	8	7	8	29	49
Total	245	250	260	326	445

Total petabytes shipped grew 37% sequentially and 82% year over year to 445 petabytes. The mix of drive capacity continued to trend toward SAS and ATA, with ATA remaining by far the largest segment as customers utilize our efficiency features to get more out of our storage on less expensive drives.

Additional Information

For more detailed information about our solutions, corporate strategy and our go-to-market initiatives, please visit our website at www.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 operational performance. Non-GAAP operating results and net income exclude the GSA settlement, 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, including discrete items, but includes a non-GAAP tax provision based upon projected annual non-GAAP effective tax rates for the first three quarters of the fiscal year and an actual non-GAAP provision for the fourth quarter. 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.

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		
	<u>April 30, 2010</u>	<u>April 24, 2009</u>	<u>January 29, 2010</u>
SUMMARY RECONCILIATION OF NET INCOME			
NET INCOME	\$ 145.1	\$ 68.4	\$ 107.9
Adjustments:			
GSA settlement	-	0.7	-
Amortization of intangible assets	4.9	5.7	4.9
Stock-based compensation expenses	37.8	42.2	36.6
Restructuring and other charges	(0.2)	35.5	0.1
Acquisitions related (income) expense, net	1.2	-	-
Non-cash interest expense	13.1	11.0	12.4
(Gain) loss on investments, net	(1.2)	2.6	(0.7)
Discrete GAAP tax provision items	(13.1)	6.5	0.6
Income tax effect	(4.5)	(69.8)	(18.0)
NON-GAAP NET INCOME	<u>\$ 183.1</u>	<u>\$ 102.8</u>	<u>\$ 143.8</u>

DETAILED RECONCILIATION OF SPECIFIC ITEMS:

TOTAL NET REVENUES	\$	1,171.8	\$	879.6	\$	1,011.7
Adjustment:						
GSA settlement		-		0.7		-
NON-GAAP TOTAL NET REVENUES	<u>\$</u>	<u>1,171.8</u>	<u>\$</u>	<u>880.3</u>	<u>\$</u>	<u>1,011.7</u>
COST OF REVENUES	\$	423.3	\$	345.7	\$	370.1
Adjustment:						
Amortization of intangible assets		(4.1)		(4.9)		(4.1)
Stock-based compensation expenses		(4.8)		(4.9)		(4.3)
NON-GAAP COST OF REVENUES	<u>\$</u>	<u>414.4</u>	<u>\$</u>	<u>335.9</u>	<u>\$</u>	<u>361.7</u>
COST OF PRODUCT REVENUES	\$	310.9	\$	245.2	\$	253.9
Adjustment:						
Amortization of intangible assets		(4.1)		(4.9)		(4.1)
Stock-based compensation expenses		(1.3)		(1.0)		(1.0)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$</u>	<u>305.5</u>	<u>\$</u>	<u>239.3</u>	<u>\$</u>	<u>248.8</u>
COST OF SERVICE REVENUES	\$	109.3	\$	98.1	\$	113.3
Adjustment:						
Stock-based compensation expenses		(3.5)		(3.9)		(3.3)
NON-GAAP COST OF SERVICE REVENUES	<u>\$</u>	<u>105.8</u>	<u>\$</u>	<u>94.2</u>	<u>\$</u>	<u>110.0</u>
GROSS PROFIT	\$	748.5	\$	533.9	\$	641.5
Adjustment:						
GSA settlement		-		0.7		-
Amortization of intangible assets		4.1		4.9		4.1
Stock-based compensation expenses		4.8		4.9		4.3
NON-GAAP GROSS PROFIT	<u>\$</u>	<u>757.4</u>	<u>\$</u>	<u>544.4</u>	<u>\$</u>	<u>649.9</u>
SALES AND MARKETING EXPENSES	\$	366.7	\$	287.3	\$	324.8
Adjustments:						
Amortization of intangible assets		(0.8)		(0.8)		(0.8)
Stock-based compensation expenses		(16.9)		(20.1)		(17.2)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$</u>	<u>349.0</u>	<u>\$</u>	<u>266.4</u>	<u>\$</u>	<u>306.8</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$	143.7	\$	125.0	\$	129.3
Adjustments:						
Stock-based compensation expenses		(9.0)		(11.3)		(8.9)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$</u>	<u>134.7</u>	<u>\$</u>	<u>113.7</u>	<u>\$</u>	<u>120.4</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$	64.2	\$	52.2	\$	58.1
Adjustments:						
Stock-based compensation expenses		(7.1)		(5.9)		(6.2)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$</u>	<u>57.1</u>	<u>\$</u>	<u>46.3</u>	<u>\$</u>	<u>51.9</u>
OPERATING EXPENSES	\$	575.6	\$	500.0	\$	512.2
Adjustments:						
Amortization of intangible assets		(0.8)		(0.8)		(0.8)
Stock-based compensation expenses		(33.0)		(37.3)		(32.3)
Restructuring and other charges		0.2		(35.5)		(0.1)
Acquisitions related (income) expense, net		(1.2)		-		-
NON-GAAP OPERATING EXPENSES	<u>\$</u>	<u>540.8</u>	<u>\$</u>	<u>426.4</u>	<u>\$</u>	<u>479.0</u>

INCOME FROM OPERATIONS	\$	172.9	\$	33.9	\$	129.3
Adjustments:						
GSA settlement		-		0.7		-
Amortization of intangible assets		4.9		5.7		4.9
Stock-based compensation expenses		37.8		42.2		36.6
Restructuring and other charges		(0.2)		35.5		0.1
Acquisitions related (income) expense, net		1.2		-		-
NON-GAAP INCOME FROM OPERATIONS	\$	<u>216.6</u>	\$	<u>118.0</u>	\$	<u>170.9</u>
TOTAL OTHER INCOME (EXPENSES), NET	\$	(9.0)	\$	(9.2)	\$	(11.4)
Adjustments:						
Non-cash interest expense		13.1		11.0		12.4
(Gain) loss on investments, net		(1.2)		2.6		(0.7)
NON-GAAP TOTAL OTHER INCOME (EXPENSES), NET	\$	<u>2.9</u>	\$	<u>4.4</u>	\$	<u>0.3</u>
INCOME BEFORE INCOME TAXES	\$	163.9	\$	24.7	\$	117.9
Adjustments:						
GSA settlement		-		0.7		-
Amortization of intangible assets		4.9		5.7		4.9
Stock-based compensation expenses		37.8		42.2		36.6
Restructuring and other charges		(0.2)		35.5		0.1
Acquisitions related (income) expense, net		1.2		-		-
Non-cash interest expense		13.1		11.0		12.4
(Gain) loss on investments, net		(1.2)		2.6		(0.7)
NON-GAAP INCOME BEFORE INCOME TAXES	\$	<u>219.5</u>	\$	<u>122.4</u>	\$	<u>171.2</u>
PROVISION FOR (BENEFIT FROM) INCOME TAXES	\$	18.8	\$	(43.7)	\$	10.0
Adjustments:						
Discrete GAAP tax provision items		13.1		(6.5)		(0.6)
Income tax effect		4.5		69.8		18.0
NON-GAAP PROVISION FOR INCOME TAXES	\$	<u>36.4</u>	\$	<u>19.6</u>	\$	<u>27.4</u>
NET INCOME PER SHARE	\$	0.398	\$	0.205	\$	0.299
Adjustments:						
GSA settlement		-		0.002		-
Amortization of intangible assets		0.013		0.017		0.013
Stock-based compensation expenses		0.104		0.127		0.102
Restructuring and other charges		(0.001)		0.106		-
Acquisitions related (income) expense, net		0.003		-		-
Non-cash interest expense		0.036		0.033		0.035
(Gain) loss on investments, net		(0.003)		0.008		(0.002)
Discrete GAAP tax provision items		(0.036)		0.020		0.002
Income tax effect		(0.012)		(0.210)		(0.050)
NON-GAAP NET INCOME PER SHARE	\$	<u>0.502</u>	\$	<u>0.308</u>	\$	<u>0.399</u>

NETAPP, INC.
RECONCILIATION OF NON GAAP GUIDANCE TO
GAAP
EXPRESSED AS EARNINGS PER SHARE
FIRST QUARTER 2011
(Unaudited)

	First Quarter
	2011
Non-GAAP Guidance	\$0.43 - \$0.47
Adjustments of Specific Items to Net Income Per Share for the First Quarter 2011:	
Stock based compensation expense	(0.11)
Amortization of intangible assets	(0.01)
Non cash interest expense	(0.03)
Income tax effect	0.03
Total Adjustments	(0.12)
GAAP Guidance -Net Income Per Share	\$0.31 - \$0.35



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