
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 16, 2011

NETAPP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

0-27130
(Commission
File Number)

77-0307520
(IRS Employer
Identification Number)

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

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

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

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

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

On November 16, 2011, NetApp, Inc. (“NetApp” or the “Company”) issued a press release and supplemental commentary reporting financial results for the second quarter ended October 28, 2011. The press release and supplemental commentary are furnished herewith as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein by reference.

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

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

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

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit	Description
99.1	Press release, dated November 16, 2011, reporting earnings for the fiscal quarter ended October 28, 2011.
99.2	Supplemental Commentary, dated November 16, 2011.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETAPP, INC.
(Registrant)

November 16, 2011

By:

/s/ Matthew K. Fawcett

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

Index to Exhibits

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99.2	Supplemental Commentary, dated November 16, 2011.

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NETAPP ANNOUNCES RESULTS FOR SECOND QUARTER FISCAL YEAR 2012

Company Reports Q2 FY'12 Revenue of \$1.507 Billion, Up 20% Year-over-Year

Sunnyvale, Calif.—November 16, 2011—NetApp (NASDAQ: NTAP) today reported results for the second quarter of fiscal year 2012, which ended October 28, 2011. Revenues for the second quarter of fiscal year 2012 totaled \$1.507 billion compared to revenues of \$1.251 billion for the same period one year ago.

For the second quarter of fiscal year 2012, GAAP net income was \$165.6 million, or \$0.44 per share¹, compared to GAAP net income of \$175.4 million, or \$0.45 per share, for the same period a year ago. Non-GAAP net income for the second quarter of fiscal year 2012 was \$235.5 million, or \$0.63 per share², compared to non-GAAP net income of \$212.2 million, or \$0.54 per share, for the same period a year ago.

Revenues for the first six months of fiscal year 2012 totaled \$2.965 billion compared to revenues of \$2.405 billion for the first six months of the prior fiscal year, an increase of 23% year over year. GAAP net income for the first six months of fiscal year 2012 totaled \$305.1 million, or \$0.78 per share, compared to GAAP net income of \$326.1 million, or \$0.85 per share for the first six months of the prior fiscal year. Non-GAAP net income for the first six months of fiscal year 2012 totaled \$457.8 million, or \$1.17 per share, compared to non-GAAP net income of \$403.1 million, or \$1.05 per share for the first six months of the prior fiscal year.

"NetApp produced record non-GAAP earnings per share in the second quarter. In aggregate, we saw strong revenue growth across most areas of our business, offset by some unexpected weakness in a handful of our largest accounts," said Tom Georgens, president and CEO. "NetApp achieved the highest number of net new customer wins in more than two and a half years this quarter, and in our 'Smart Decisions are Built on NetApp' campaign we just launched the new FAS2000 series platform built on our Data ONTAP® 8.1 operating system-all of which will drive market share gains going forward."

Outlook

- NetApp estimates revenue for the third quarter of fiscal year 2012 to be in the range of \$1.520 billion to \$1.610 billion, which equates to approximately 1% to 7% sequential revenue growth and approximately 18% to 25% year-over-year revenue growth.
 - NetApp estimates that third quarter fiscal year 2012 GAAP earnings per share will be approximately \$0.36 to \$0.40 per share. NetApp estimates that third quarter fiscal year 2012 non-GAAP earnings per share will be approximately \$0.56 to \$0.60 per share.
 - NetApp estimates that share count for the third quarter of fiscal year 2012 will increase to approximately 380 million shares, including an estimated 9 million shares from the company's outstanding convertible notes³ and 0.5 million shares from outstanding warrants. Share count does not include the company's outstanding note hedges which are expected to offset 80% of the dilution from the convertible notes at maturity or conversion.
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Business Highlights

During the second quarter of fiscal year 2012, NetApp once again was recognized for its unique corporate culture and demonstrated its commitment to delivering the solutions and technologies that help customers and partners accelerate their business. NetApp further cemented its position as a great place to work by ranking #3 on the inaugural "World's Best Multinational Workplaces" list due to its culture of innovation focused on helping customers and partners thrive. Additionally, NetApp continued to provide the storage foundation for customers across all industries who want to achieve the flexibility and efficiency required in today's challenging business and IT landscape. NetApp also expanded its existing solution portfolio to help customers transition to the cloud and address growing big-bandwidth requirements. Highlights for the quarter included the following:

Milestones and Awards

- **NetApp named one of the best workplaces in the world.** Thanks to its culture of innovation focused on customer and partner success, NetApp was named the #3 best workplace in the world by the Great Place to Work® Institute, Inc. NetApp joins an elite group of 25 multinational companies on the inaugural list that have been recognized by their employees for their company culture and workplace environment.
- **NetApp continues to rank as one of the best places to work in the United States.** In addition to its global recognition, NetApp was once again named a "best place to work," ranking #1 in Research Triangle Park in the giant companies category and one of 50 best places to work in the Washington, DC, area. The honors are a testament to NetApp's model company approach, strong culture, and talented employees.

Enterprise, Government, and Education Customers Build on NetApp Foundation to Dramatically Increase IT Efficiency and Flexibility

- **Thomson Reuters leverages NetApp to transform how the legal industry gets information.** Thomson Reuters built on a NetApp® shared storage infrastructure to create WestlawNext, an innovative and intuitive research tool that has set a new standard for online professional search. The NetApp foundation enables WestlawNext to search up to 50 times more data than before, return results 64% faster than other online search platforms, and meet or exceed a 99.9% uptime target that is critical for the legal community. Furthermore, improved storage performance helped Thomson Reuters save nearly \$65 million in additional data center costs.
 - **U.S. Department of Energy selects NetApp as storage foundation for one of the world's most powerful supercomputers.** The Sequoia supercomputer, which will be deployed in 2012 at Lawrence Livermore National Laboratory (LLNL), will leverage NetApp as its storage foundation. Sequoia is expected to be twice as fast as today's most powerful system and will manage massive compute workloads in which real-time analytics, scalable performance, and secure storage are mission critical.
 - **California universities manage skyrocketing data growth and dramatically reduce costs with NetApp.** The University of San Diego (USD) recently turned to NetApp to help it effectively manage growing storage requirements as a result of an increase in high-bandwidth education applications and everyday administrative tasks. Building on a NetApp platform enabled USD to improve operational efficiencies and gain the flexibility necessary to meet its evolving IT needs. Art Center College of Design in Pasadena consolidated its storage resources onto a single, unified NetApp platform, allowing the school to more effectively manage its overall IT environment and save more than \$135,000 in additional storage costs.
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NetApp Helps Customers Transition to the Cloud and Manage Big-Bandwidth Requirements

- **NetApp partners with VMware to help make cloud a reality.** NetApp collaborated with VMware to deliver VMware cloud infrastructure and management on NetApp. The joint solution enables organizations to evolve to a secure cloud computing model at their own pace, gaining greater flexibility and efficiency without needing to rip and replace their existing infrastructure. With this new solution customers are able to invest resources back into the business to drive innovation and manage for the future.
- **NetApp media and entertainment solution delivers extreme performance and scalability.** The NetApp media content management solution, which expands on NetApp's existing big-bandwidth portfolio, is optimal for bandwidth-intensive environments and offers leaders in the media and entertainment industries high performance and always-available data access to maximize their collaborative efforts and workflow processes.

Webcast and Conference Call Information

The NetApp second quarter fiscal year 2012 results conference call will be broadcast live on the Internet at investors.netapp.com on Wednesday, November 16, 2011, at 2 p.m. Pacific Time. This press release and any other information related to the call will also be posted on the Web site at that location. An audio replay Webcast will be available after 4 p.m. Pacific Time on the Web site.

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

About NetApp

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

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

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include all of the statements under the Outlook section relating to our forecasted operating results, share count, and metrics for the third quarter of fiscal year 2012, as well as our expectations regarding our future market share and regarding our partnerships and strategic alliances and the benefits that we expect our customers to realize from using our products and from our strategic alliances and partnerships. These forward-looking statements involve risks and uncertainties, and actual results could vary. Important factors that could cause actual results to differ include, but are not limited to, general macroeconomic and market conditions, particularly in the U.S. and Europe; the effects of the flooding in Thailand; customer demand for our products and services, including our recently announced new product introductions and other important factors described in NetApp reports and documents filed from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections titled “Risk Factors” in our most recently submitted Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

NetApp, the NetApp logo, Go further, faster, and Data ONTAP are trademarks or registered trademarks of NetApp, Inc. All other marks are the property of their respective owners and should be treated as such.

- 1 GAAP earnings per share is calculated using the diluted number of shares for all periods presented.
- 2 Non-GAAP net income excludes the amortization of intangible assets, stock-based compensation, acquisition-related income and expenses, restructuring and other charges, asset impairments, non-cash interest expense associated with our convertible debt, net losses or gains on investments, and our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. Non-GAAP earnings per share is calculated using the diluted number of shares for all periods presented.
- 3 80% hedged on maturity or conversion of the convertible notes.

NetApp Usage of Non-GAAP Financials

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

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

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

	<u>October 28, 2011</u>	<u>April 29, 2011</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 4,641.6	\$ 5,174.7
Accounts receivable, net	625.2	742.6
Inventories	163.3	108.5
Other current assets	399.9	339.4
Total current assets	<u>5,830.0</u>	<u>6,365.2</u>
Property and equipment, net	1,046.1	911.6
Goodwill and other intangible assets, net	1,183.1	813.3
Other non-current assets	444.9	408.7
Total assets	<u>\$ 8,504.1</u>	<u>\$ 8,498.8</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 273.2	\$ 232.8
Accrued compensation and other current liabilities	602.4	763.0
1.75% Convertible Senior Notes due 2013	-	1,150.4
Short-term deferred revenue	1,246.7	1,226.6
Total current liabilities	<u>2,122.3</u>	<u>3,372.8</u>
1.75% Convertible Senior Notes due 2013	1,175.8	-
Other long-term liabilities	211.1	192.9
Long-term deferred revenue	1,191.9	1,088.3
	<u>4,701.1</u>	<u>4,654.0</u>
1.75% Convertible Senior Notes due 2013	-	114.6
Stockholders' equity	3,803.0	3,730.2
Total liabilities and stockholders' equity	<u>\$ 8,504.1</u>	<u>\$ 8,498.8</u>

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

	Three Months Ended		Six Months Ended	
	October 28, 2011	October 29, 2010	October 28, 2011	October 29, 2010
Revenues:				
Product	\$ 1,016.2	\$ 824.8	\$ 1,981.9	\$ 1,562.3
Software entitlements and maintenance	198.0	176.7	396.2	350.9
Service	292.8	249.5	587.1	491.5
Net revenues	<u>1,507.0</u>	<u>1,251.0</u>	<u>2,965.2</u>	<u>2,404.7</u>
Cost of revenues:				
Cost of product	460.7	324.3	898.1	634.5
Cost of software entitlements and maintenance	5.6	3.5	10.9	6.9
Cost of service	127.7	106.7	246.3	209.0
Total cost of revenues	<u>594.0</u>	<u>434.5</u>	<u>1,155.3</u>	<u>850.4</u>
Gross profit	<u>913.0</u>	<u>816.5</u>	<u>1,809.9</u>	<u>1,554.3</u>
Operating expenses:				
Sales and marketing	454.1	382.8	908.9	737.0
Research and development	199.7	156.6	398.3	306.1
General and administrative	65.1	64.2	130.2	120.4
Restructuring and other charges	-	0.1	-	0.1
Acquisition-related expense	1.7	-	3.9	0.3
Total operating expenses	<u>720.6</u>	<u>603.7</u>	<u>1,441.3</u>	<u>1,163.9</u>
Income from operations	192.4	212.8	368.6	390.4
Other expense, net				
Interest income	8.3	9.5	18.9	19.3
Interest expense	(16.4)	(18.6)	(35.8)	(37.2)
Other income (expense), net	(0.4)	(1.4)	(0.7)	0.8
Total other expense, net	<u>(8.5)</u>	<u>(10.5)</u>	<u>(17.6)</u>	<u>(17.1)</u>
Income before income taxes	183.9	202.3	351.0	373.3
Provision for income taxes	<u>18.3</u>	<u>26.9</u>	<u>45.9</u>	<u>47.2</u>
Net income	<u>\$ 165.6</u>	<u>\$ 175.4</u>	<u>\$ 305.1</u>	<u>\$ 326.1</u>
Net income per share:				
Basic	<u>\$ 0.46</u>	<u>\$ 0.49</u>	<u>\$ 0.83</u>	<u>\$ 0.92</u>
Diluted	<u>\$ 0.44</u>	<u>\$ 0.45</u>	<u>\$ 0.78</u>	<u>\$ 0.85</u>
Shares used in net income per share calculations:				
Basic	<u>361.5</u>	<u>359.1</u>	<u>365.9</u>	<u>355.8</u>
Diluted	<u>376.0</u>	<u>391.7</u>	<u>390.8</u>	<u>383.0</u>

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>October 28, 2011</u>	<u>October 29, 2010</u>	<u>October 28, 2011</u>	<u>October 29, 2010</u>
Cash Flows from Operating Activities:				
Net income	\$ 165.6	\$ 175.4	\$ 305.1	\$ 326.1
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	68.4	41.6	136.9	82.3
Stock-based compensation	63.0	37.7	121.1	82.0
Accretion of discount and issuance costs on notes, net of amount capitalized	11.5	13.0	25.2	25.9
Tax benefit from stock-based compensation	50.4	61.8	79.1	49.8
Excess tax benefit from stock-based compensation	(52.6)	(41.6)	(84.7)	(41.6)
Other, net	(43.8)	(42.0)	(74.4)	(19.4)
Changes in assets and liabilities, net of acquisition of businesses:				
Accounts receivable	(29.4)	(70.2)	115.6	21.4
Inventories	(25.1)	6.0	(18.3)	31.0
Accounts payable	22.8	15.8	45.6	(18.6)
Accrued compensation and other current liabilities	75.2	125.5	(173.1)	(96.1)
Deferred revenue	60.2	2.5	126.9	28.2
Changes in other operating assets and liabilities, net	4.0	30.3	5.8	62.1
Net cash provided by operating activities	<u>370.2</u>	<u>355.8</u>	<u>610.8</u>	<u>533.1</u>
Cash Flows from Investing Activities:				
Redemptions (purchases) of investments, net	(205.4)	(300.9)	40.4	(594.8)
Purchases of property and equipment	(93.3)	(43.3)	(191.6)	(83.5)
Acquisition of businesses, net of cash acquired	-	-	(480.0)	(74.9)
Other investing activities, net	0.3	(0.1)	2.0	-
Net cash used in investing activities	<u>(298.4)</u>	<u>(344.3)</u>	<u>(629.2)</u>	<u>(753.2)</u>
Cash Flows from Financing Activities:				
Issuance of common stock	5.3	96.2	51.9	236.1
Repurchase and retirement of common stock	(400.0)	-	(600.0)	-
Excess tax benefit from stock-based compensation	52.6	41.6	84.7	41.6
Other financing activities	1.3	(2.0)	1.6	(2.0)
Net cash provided by (used in) financing activities	<u>(340.8)</u>	<u>135.8</u>	<u>(461.8)</u>	<u>275.7</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(5.2)	11.8	(8.1)	10.5
Net Increase (Decrease) in Cash and Cash Equivalents	(274.2)	159.1	(488.3)	66.1
Cash and Cash Equivalents:				
Beginning of period	2,543.2	1,612.0	2,757.3	1,705.0
End of period	<u>\$ 2,269.0</u>	<u>\$ 1,771.1</u>	<u>\$ 2,269.0</u>	<u>\$ 1,771.1</u>

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>October 28, 2011</u>	<u>October 29, 2010</u>	<u>October 28, 2011</u>	<u>October 29, 2010</u>
<u>SUMMARY RECONCILIATION OF NET INCOME</u>				
NET INCOME	\$ 165.6	\$ 175.4	\$ 305.1	\$ 326.1
Adjustments:				
Amortization of intangible assets	21.7	4.4	46.0	9.9
Stock-based compensation	63.0	37.7	121.1	82.0
Restructuring and other charges	-	0.1	-	0.1
Acquisition-related expense	1.7	-	11.9	0.3
Non-cash interest expense	11.5	13.0	25.2	25.9
Gain on investments	-	-	-	(2.5)
Income tax effect of non-GAAP adjustments	(28.0)	(18.4)	(51.5)	(38.7)
NON-GAAP NET INCOME	<u>\$ 235.5</u>	<u>\$ 212.2</u>	<u>\$ 457.8</u>	<u>\$ 403.1</u>
NET INCOME PER SHARE				
	\$ 0.440	\$ 0.448	\$ 0.781	\$ 0.851
Adjustments:				
Amortization of intangible assets	0.058	0.011	0.118	0.026
Stock-based compensation	0.168	0.096	0.310	0.214
Restructuring and other charges	-	-	-	-
Acquisition-related expense	0.004	-	0.030	0.001
Non-cash interest expense	0.031	0.033	0.064	0.068
Gain on investments	-	-	-	(0.007)
Income tax effect of non-GAAP adjustments	(0.075)	(0.047)	(0.132)	(0.101)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.626</u>	<u>\$ 0.541</u>	<u>\$ 1.171</u>	<u>\$ 1.052</u>

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

Three Months Ended October 28, 2011

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</u>	<u>Restructuring and other charges</u>	<u>Acquisition- related Expense</u>	<u>Non-Cash Interest Expense</u>	<u>Gain on Investments</u>	<u>Total</u>
Cost of product revenues	\$ 14.0	\$ 1.4	\$ -	\$ -	\$ -	\$ -	\$ 15.4
Cost of service revenues	-	4.2	-	-	-	-	4.2
Sales and marketing expense	7.7	30.4	-	-	-	-	38.1
Research and development expense	-	18.2	-	-	-	-	18.2
General and administrative expense	-	8.8	-	-	-	-	8.8
Acquisition-related expense	-	-	-	1.7	-	-	1.7
Interest expense	-	-	-	-	11.5	-	11.5
Effect on income before income taxes	<u>\$ 21.7</u>	<u>\$ 63.0</u>	<u>\$ -</u>	<u>\$ 1.7</u>	<u>\$ 11.5</u>	<u>\$ -</u>	<u>\$ 97.9</u>

Three Months Ended October 29, 2010

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</u>	<u>Restructuring and other charges</u>	<u>Acquisition- related Expense</u>	<u>Non-Cash Interest Expense</u>	<u>Gain on Investments</u>	<u>Total</u>
Cost of product revenues	\$ 3.3	\$ 0.8	\$ -	\$ -	\$ -	\$ -	\$ 4.1
Cost of service revenues	-	3.1	-	-	-	-	3.1
Sales and marketing expense	1.1	17.3	-	-	-	-	18.4
Research and development expense	-	9.2	-	-	-	-	9.2
General and administrative expense	-	7.3	-	-	-	-	7.3
Restructuring and other charges	-	-	0.1	-	-	-	0.1
Interest expense	-	-	-	-	13.0	-	13.0
Effect on income before income taxes	<u>\$ 4.4</u>	<u>\$ 37.7</u>	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ 13.0</u>	<u>\$ -</u>	<u>\$ 55.2</u>

Six Months Ended October 28, 2011

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</u>	<u>Restructuring and other charges</u>	<u>Acquisition- related Expense</u>	<u>Non-Cash Interest Expense</u>	<u>Gain on Investments</u>	<u>Total</u>
Cost of product revenues	\$ 27.9	\$ 2.5	\$ -	\$ 5.4	\$ -	\$ -	\$ 35.8
Cost of service revenues	-	8.1	-	-	-	-	8.1
Sales and marketing expense	18.0	59.0	-	-	-	-	77.0
Research and development expense	0.1	34.2	-	2.6	-	-	36.9

General and administrative expense	-	17.3	-	-	-	-	17.3
Acquisition-related expense	-	-	-	3.9	-	-	3.9
Interest expense	-	-	-	-	25.2	-	25.2
Effect on income before income taxes	<u>\$ 46.0</u>	<u>\$ 121.1</u>	<u>\$ -</u>	<u>\$ 11.9</u>	<u>\$ 25.2</u>	<u>\$ -</u>	<u>\$ 204.2</u>

Six Months Ended October 29, 2010

	<u>Amortization of Intangible Assets</u>	<u>Stock-based Compensation</u>	<u>Restructuring and other charges</u>	<u>Acquisition-related Expense</u>	<u>Non-Cash Interest Expense</u>	<u>Gain on Investments</u>	<u>Total</u>
Cost of product revenues	\$ 7.7	\$ 1.7	\$ -	\$ -	\$ -	\$ -	\$ 9.4
Cost of service revenues	-	7.0	-	-	-	-	7.0
Sales and marketing expense	2.2	37.9	-	-	-	-	40.1
Research and development expense	-	20.3	-	-	-	-	20.3
General and administrative expense	-	15.1	-	-	-	-	15.1
Restructuring and other charges	-	-	0.1	-	-	-	0.1
Acquisition-related expense	-	-	-	0.3	-	-	0.3
Interest expense	-	-	-	-	25.9	-	25.9
Other income (expense), net	-	-	-	-	-	(2.5)	(2.5)
Effect on income before income taxes	<u>\$ 9.9</u>	<u>\$ 82.0</u>	<u>\$ 0.1</u>	<u>\$ 0.3</u>	<u>\$ 25.9</u>	<u>\$ (2.5)</u>	<u>\$ 115.7</u>

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

	Third Quarter 2012
Non-GAAP Guidance	\$0.56 - \$0.60
Adjustments of Specific Items to Net Income Per Share for the Third Quarter 2012:	
Amortization of intangible assets	(0.06)
Stock-based compensation	(0.16)
Acquisition-related expense	(0.01)
Non-cash interest expense	(0.03)
Income tax effect	0.06
Total Adjustments	(0.20)
GAAP Guidance -Net Income Per Share	\$0.36 - \$0.40



NetApp Q2 2012 Earnings Results

Supplemental Commentary
November 16, 2011

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

Safe Harbor Statement

These prepared remarks contain forward-looking statements and projections that involve risk and uncertainty, including the statements under the Q3 FY12 outlook section regarding our forecasted financial performance and share count for the third quarter of fiscal year 2012. Actual results may differ materially from our statements or projections. These forward-looking statements involve risks and uncertainties, and actual results could vary. Important factors that could cause actual results to differ include, but are not limited to, general macroeconomic and market conditions, particularly the continuing fiscal challenges in the U.S. and Europe; the effects of the flooding in Thailand; customer demand for our products and services, including our recently announced new product introductions and other important factors described in NetApp reports and documents filed from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections titled "Risk Factors" in our most recently submitted Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

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

Q2 Fiscal Year 2012

Revenue

	Q2 FY12 Revenue	% of Q2 FY12 Net Revenue	Sequential Growth ¹	Year/Year Growth
Product Revenue	\$ 1,016M	67%	5%	23%
Software Entitlements & Maintenance	\$ 198M	13%	0%	12%
Service	\$ 293M	20%	(1%)	17%
Net Revenue	\$ 1,507M	100%	3%	20%

Net revenue for the second quarter was \$1.507 billion, an increase of 3% sequentially and 20% year over year. Foreign currency fluctuations² had a minimal impact on revenue on a sequential basis while having a positive impact of just under two percentage points on a year over year basis.

Product revenue was \$1.016 billion, growing 5% sequentially and 23% year over year. Product revenue accounted for 67% of net revenue, up from 66% of net revenue in the prior quarter.

Revenue from software entitlements and maintenance (SEM), which is a deferred revenue element and is recognized over the related contract period, was \$198 million or 13% of net revenue. SEM revenue was flat on a quarter over quarter basis while increasing 12% year over year.

Service revenue of \$293 million decreased 1% on a sequential basis and increased 17% year over year.

- Revenue from hardware maintenance support contracts, which is also a deferred revenue element, comprised approximately 71% of our service revenue this quarter, an increase of 1% sequentially and 27% year over year.
- Professional services revenue declined 4% sequentially and 2% on a year over year basis.

¹ Sequential growth calculations are based upon Q1 FY12 results which can be found at investors.netapp.com

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

Gross Margin

	Q2 FY12	Q1 FY12	Q2 FY11
Non-GAAP Gross Margin	61.9%	63.2%	65.8%
Product	56.2%	56.8%	61.2%
S/W Entitlements & Maintenance	97.2%	97.3%	98.0%
Services	57.8%	61.0%	58.5%

Operating Expenses

	Q2 FY12	Q1 FY12	Q2 FY11
Non-GAAP Operating Expenses	\$ 654M	\$ 652M	\$ 569M

Non-GAAP operating expenses of \$654 million were essentially flat compared to Q1 spending levels, but grew 15% year over year. Q2 operating expenses were 43% of net revenue, compared to 45% of net revenue in the first quarter.

In Q2 we added 346 net new employees for a total global headcount of 11,834.

Q2 GAAP operating expenses included \$57 million in stock-based compensation, up from \$53 million in Q1, \$8 million in amortization of intangible assets and \$2 million in acquisition related expenses for Engenio integration activities.

Income from Operations, Other Income & Effective Tax Rate

	Q2 FY12	Q1 FY12	Q2 FY11
Non-GAAP Income from Operations	\$ 279M	\$ 269M	\$ 255M
% of Net Revenue	18.5%	18.4%	20.4%
Non-GAAP Other Income, Net	\$ 3M	\$ 5M	\$ 3M
Non-GAAP Income Before Income Taxes	\$ 282M	\$ 273M	\$ 258M
Non-GAAP Effective Tax Rate	16.4%	18.7%	17.6%

Non-GAAP income from operations was \$279 million or 18.5% of net revenue in Q2 and represents an increase of 4% sequentially and 9% year over year.

Non-GAAP other income, net was \$3 million. GAAP other expenses, net includes approximately \$12 million of non-cash interest expense associated with our convertible notes.

Non-GAAP income before income taxes was \$282 million, or 18.7%, of net revenue in Q2, compared to 18.7% of net revenue in Q1 and 20.6% of net revenue in Q2 last year. Our non-GAAP effective tax rate was 16.4%.

Net Income

	Q2 FY12	Q1 FY12	Q2 FY11
Non-GAAP Net Income	\$ 236M	\$ 222M	\$ 212M
Weighted Average Common Shares Outstanding, diluted	376M	406M	392M
Non-GAAP Net Income per Share, diluted	\$ 0.63	\$ 0.55	\$ 0.54

Non-GAAP net income was \$236 million, or \$0.63 per share. GAAP net income was \$166 million, or \$0.44 per share. Our diluted share count decreased by approximately 30 million shares from prior quarter to approximately 376 million shares in Q2, primarily due to share repurchases and lower than expected dilutive impact from our convertible notes and related warrants.

Impact of Convertible Note Transaction on Share Count

	Q2 FY12	Q1 FY12	Q2 FY11
Convertible Notes ³	7M	15M	12M
Warrants	--	8M	4M

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

For Q2, our diluted share count was approximately 376 million, lower than our guidance of approximately 392 million. With an average stock price of \$38.25 during Q2, the convertible notes had a less dilutive of an impact on our share count than expected. Since the average stock price was below the \$41.28 conversion price of the warrants, there was no impact from warrants this quarter.

Whenever the average quarterly share price is above the notes' \$31.85 conversion price, our convertible notes will have a dilutive impact on our net income per share. We expect the dilutive effect from the notes will ultimately be 80% hedged, although the hedge will not be reflected in our share count until the notes are converted or mature in June 2013, as the hedge is considered anti-dilutive under GAAP. If the notes had been converted in Q2, the hedge would have reduced our share count by approximately 6 million shares.

Select Balance Sheet Items

	Q2 FY12	Q1 FY12	Q2 FY11
Cash, Cash Equivalents & Investments	\$ 4.642B	\$ 4.714B	\$ 4.382B
Deferred Revenue	\$ 2.439B	\$ 2.383B	\$ 1.949B
DSO (days) ⁴	38	37	33
Inventory Turns ⁵	14.1	15.5	20.9

Cash, cash equivalents and short term investments were \$4.642 billion at the end of Q2 and represent a decrease of approximately \$72 million, a decline of 2% sequentially and an increase of 6% year over year. These cash figures include the impact of the \$400 million spent on share repurchases this quarter and \$93 million for capital purchases. 48% of the Q2 cash balance was held in the US. Our balance sheet reflects a total deferred revenue balance of \$2.439 billion, an increase of 2% sequentially and 25% year over year.

Select Cash Flow Statement Items

	Q2 FY12	Q1 FY12	Q2 FY11
Net Cash Provided by Operating Activities	\$ 370M	\$ 241M	\$ 356M
Purchases of Property and Equipment	\$ 93M	\$ 98M	\$ 43M
Free Cash Flow ⁶	\$ 277M	\$ 142M	\$ 313M
Free Cash Flow as % of Total Revenue	18%	10%	25%

Net cash provided by operating activities was \$370 million, an increase of 54% quarter over quarter and 4% year over year. Capital expenditures were \$93 million, a decrease of \$5 million from last quarter. Free cash flow totaled \$277 million or 18% of revenue and grew 95% from Q1 levels while declining 11% from Q2 last year.

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

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

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

Q3 FY12 Outlook

	Q3 FY12 Outlook
Revenue	\$1,520 - \$1,610M
	1% - 7% sequential growth
	18% - 25% year over year growth
Share Count	Approximately 380M
Non-GAAP Net Income per Share, Diluted	\$0.56 - \$0.60
GAAP Net Income per Share, Diluted	\$0.36 - \$0.40

This forecast is based on current business expectations and market conditions. Dilutive share count includes the impact of our convertible notes and warrants, calculated based upon our average stock price of \$41.84 for the first 10 days of our third quarter. We estimate share count for the third quarter of fiscal year 2012 will increase slightly to approximately 380 million shares, including an estimated 9 million shares from the Company's outstanding convertible notes and 0.5 million shares from outstanding warrants. Share count does not include the Company's outstanding note hedge that is expected to offset 80% of the dilution from the convertible notes at maturity or conversion, which would offset approximately 7 million shares if the conversion or maturity were to occur in the third quarter.

Other Business Metrics

Geographic Mix

	% of Q2 FY12 Revenue	Q2 FY12 Revenue	Year/Year Growth
Americas	60%	\$ 897M	19%
<i>U.S. Commercial</i>	42%	\$ 635M	24%
<i>U.S. Public Sector</i>	18%	\$ 262M	9%
EMEA	28%	\$ 429M	12%
Asia Pacific	12%	\$ 181M	55%

Americas contributed \$897 million or 60% of revenue, an increase of 10% sequentially and 19% year over year. The Americas number includes the U.S. commercial sector and the U.S. public sector. The U.S. commercial sector contributed \$635 million or 42% of revenue, a decrease of 2% sequentially and an increase of 24% year over year. The U.S. public sector generated \$262 million or 18% of revenue, an increase of 56% sequentially and an increase of 9% year over year. EMEA contributed \$429 million or 28% of total revenue, down 6% sequentially and up 12% year over year. Asia Pacific generated \$181 million or 12% of revenue, decreasing 4% from the prior quarter while growing 55% year over year.

Pathways Mix

	% of Q2 FY12 Revenue	% of Q1 FY12 Revenue	% of Q2 FY11 Revenue
Direct	20%	24%	28%
Indirect Pathways	80%	76%	72%
Arrow	18%	15%	17%
Avnet	13%	11%	15%
OEM Customers	15%	15%	4%

Direct revenue was 20% of Q2 revenue, a decrease of 14% sequentially and 12% year over year. Indirect pathways represented 80% of this quarter's revenue, an increase of 9% sequentially and 33% year over year.

Within the indirect pathways, Arrow accounted for 18% of Q2 revenues and Avnet contributed 13% of this quarter's revenue. Revenue from OEM customers, including IBM, Fujitsu, and other E-Series OEM customers, was 15% of net revenue.

Capacity Trends

(in Petabytes)	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12
Fibre Channel	84	73	65	76	61
ATA	349	364	476	493	543
SAS	90	128	170	190	262
Total	523	565	711	759	866

For the second quarter, we shipped 866 petabytes of storage, an increase of 14% over Q1 levels and growing 66% year over year. The popularity of the ATA and SAS drives continues to grow with FC drives representing less than 10% of the capacity shipped in Q2.

Additional Information

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

NetApp Usage of Non-GAAP Financials

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

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

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

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		
	October 28, 2011	July 29, 2011	October 29, 2010
SUMMARY RECONCILIATION OF NET INCOME			
NET INCOME	\$ 165.6	\$ 139.5	\$ 175.4
Adjustments:			
Amortization of intangible assets	21.7	24.3	4.4
Stock-based compensation	63.0	58.1	37.7
Restructuring and other charges	-	-	0.1
Acquisition-related expense	1.7	10.2	-
Non-cash interest expense	11.5	13.7	13.0
Income tax effect of non-GAAP adjustments	(28.0)	(23.5)	(18.4)
NON-GAAP NET INCOME	<u>\$ 235.5</u>	<u>\$ 222.3</u>	<u>\$ 212.2</u>
DETAILED RECONCILIATION OF SPECIFIC ITEMS:			
COST OF REVENUES	\$ 594.0	\$ 561.3	\$ 434.5
Adjustments:			
Amortization of intangible assets	(14.0)	(13.9)	(3.3)
Stock-based compensation	(5.6)	(5.0)	(3.9)
Acquisition-related expense	-	(5.4)	-
NON-GAAP COST OF REVENUES	<u>\$ 574.4</u>	<u>\$ 537.0</u>	<u>\$ 427.3</u>
COST OF PRODUCT REVENUES	\$ 460.7	\$ 437.4	\$ 324.3
Adjustments:			
Amortization of intangible assets	(14.0)	(13.9)	(3.3)
Stock-based compensation	(1.4)	(1.1)	(0.8)
Acquisition-related expense	-	(5.4)	-
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 445.3</u>	<u>\$ 417.0</u>	<u>\$ 320.2</u>
COST OF SERVICE REVENUES	\$ 127.7	\$ 118.6	\$ 106.7
Adjustment:			
Stock-based compensation	(4.2)	(3.9)	(3.1)
NON-GAAP COST OF SERVICE REVENUES	<u>\$ 123.5</u>	<u>\$ 114.7</u>	<u>\$ 103.6</u>
GROSS PROFIT	\$ 913.0	\$ 896.9	\$ 816.5
Adjustments:			
Amortization of intangible assets	14.0	13.9	3.3
Stock-based compensation	5.6	5.0	3.9
Acquisition-related expense	-	5.4	-
NON-GAAP GROSS PROFIT	<u>\$ 932.6</u>	<u>\$ 921.2</u>	<u>\$ 823.7</u>

SALES AND MARKETING EXPENSES	\$	454.1	\$	454.8	\$	382.8
Adjustments:						
Amortization of intangible assets		(7.7)		(10.3)		(1.1)
Stock-based compensation		(30.4)		(28.6)		(17.3)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$</u>	<u>416.0</u>	<u>\$</u>	<u>415.9</u>	<u>\$</u>	<u>364.4</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$	199.7	\$	198.6	\$	156.6
Adjustments:						
Amortization of intangible assets		-		(0.1)		-
Stock-based compensation		(18.2)		(16.0)		(9.2)
Acquisition-related expense		-		(2.6)		-
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$</u>	<u>181.5</u>	<u>\$</u>	<u>179.9</u>	<u>\$</u>	<u>147.4</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$	65.1	\$	65.1	\$	64.2
Adjustment:						
Stock-based compensation		(8.8)		(8.5)		(7.3)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$</u>	<u>56.3</u>	<u>\$</u>	<u>56.6</u>	<u>\$</u>	<u>56.9</u>
OPERATING EXPENSES	\$	720.6	\$	720.7	\$	603.7
Adjustments:						
Amortization of intangible assets		(7.7)		(10.4)		(1.1)
Stock-based compensation		(57.4)		(53.1)		(33.8)
Restructuring and other charges		-		-		(0.1)
Acquisition-related expense		(1.7)		(4.8)		-
NON-GAAP OPERATING EXPENSES	<u>\$</u>	<u>653.8</u>	<u>\$</u>	<u>652.4</u>	<u>\$</u>	<u>568.7</u>
INCOME FROM OPERATIONS	\$	192.4	\$	176.2	\$	212.8
Adjustments:						
Amortization of intangible assets		21.7		24.3		4.4
Stock-based compensation		63.0		58.1		37.7
Restructuring and other charges		-		-		0.1
Acquisition-related expense		1.7		10.2		-
NON-GAAP INCOME FROM OPERATIONS	<u>\$</u>	<u>278.8</u>	<u>\$</u>	<u>268.8</u>	<u>\$</u>	<u>255.0</u>
TOTAL OTHER EXPENSE, NET	\$	(8.5)	\$	(9.1)	\$	(10.5)
Adjustment:						
Non-cash interest expense		11.5		13.7		13.0
NON-GAAP TOTAL OTHER INCOME, NET	<u>\$</u>	<u>3.0</u>	<u>\$</u>	<u>4.6</u>	<u>\$</u>	<u>2.5</u>
INCOME BEFORE INCOME TAXES	\$	183.9	\$	167.1	\$	202.3
Adjustments:						
Amortization of intangible assets		21.7		24.3		4.4
Stock-based compensation		63.0		58.1		37.7
Restructuring and other charges		-		-		0.1
Acquisition-related expense		1.7		10.2		-
Non-cash interest expense		11.5		13.7		13.0
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$</u>	<u>281.8</u>	<u>\$</u>	<u>273.4</u>	<u>\$</u>	<u>257.5</u>
PROVISION FOR INCOME TAXES	\$	18.3	\$	27.6	\$	26.9
Adjustment:						
Income tax effect of non-GAAP adjustments		28.0		23.5		18.4
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$</u>	<u>46.3</u>	<u>\$</u>	<u>51.1</u>	<u>\$</u>	<u>45.3</u>
NET INCOME PER SHARE	\$	0.440	\$	0.344	\$	0.448
Adjustments:						
Amortization of intangible assets		0.058		0.060		0.011
Stock-based compensation		0.168		0.143		0.096
Restructuring and other charges		-		-		-
Acquisition-related expense		0.004		0.025		-
Non-cash interest expense		0.031		0.034		0.033
Income tax effect of non-GAAP adjustments		(0.075)		(0.058)		(0.047)
NON-GAAP NET INCOME PER SHARE	<u>\$</u>	<u>0.626</u>	<u>\$</u>	<u>0.548</u>	<u>\$</u>	<u>0.541</u>

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

	Third Quarter 2012
Non-GAAP Guidance	\$0.56 - \$0.60
Adjustments of Specific Items to Net Income Per Share for the Third Quarter 2012:	
Amortization of intangible assets	(0.06)
Stock-based compensation	(0.16)
Acquisition-related expense	(0.01)
Non-cash interest expense	(0.03)
Income tax effect	0.06
Total Adjustments	(0.20)
GAAP Guidance -Net Income Per Share	\$0.36 - \$0.40