

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

	July 27, 2012	April 27, 2012
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 5,441.1	\$ 5,398.5
Accounts receivable, net	584.2	830.9
Inventories	203.7	161.5
Other current assets	511.8	435.6
Total current assets	6,740.8	6,826.5
Property and equipment, net	1,139.1	1,137.2
Goodwill and other intangible assets, net	1,119.8	1,141.2
Other non-current assets	406.3	427.4
Total assets	\$ 9,406.0	\$ 9,532.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 275.6	\$ 233.1
Accrued compensation and other current liabilities	564.1	717.9
1.75% Convertible Senior Notes due 2013	1,215.8	1,202.3
Short-term deferred revenue	1,404.4	1,366.5
Total current liabilities	3,459.9	3,519.8
Other long-term liabilities	207.3	206.9
Long-term deferred revenue	1,363.1	1,449.4
Total liabilities	5,030.3	5,176.1
1.75% Convertible Senior Notes due 2013	-	62.6
Stockholders' equity	4,375.7	4,293.6
Total liabilities and stockholders' equity	\$ 9,406.0	\$ 9,532.3

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

	Three Months Ended	
	July 27, 2012	July 29, 2011
Revenues:		
Product	\$ 898.0	\$ 965.7
Software entitlements and maintenance	218.5	198.2
Service	328.1	294.3
Net revenues	<u>1,444.6</u>	<u>1,458.2</u>
Cost of revenues:		
Cost of product	452.2	437.4
Cost of software entitlements and maintenance	6.6	5.3
Cost of service	135.7	118.6
Total cost of revenues	<u>594.5</u>	<u>561.3</u>
Gross profit	<u>850.1</u>	<u>896.9</u>
Operating expenses:		
Sales and marketing	482.9	454.8
Research and development	221.4	198.6
General and administrative	65.6	65.1
Acquisition-related expense	-	2.2
Total operating expenses	<u>769.9</u>	<u>720.7</u>
Income from operations	80.2	176.2
Other expense, net		
Interest income	10.8	10.6
Interest expense	(19.9)	(19.4)
Other income (expense), net	3.1	(0.3)
Total other expense, net	<u>(6.0)</u>	<u>(9.1)</u>
Income before income taxes	74.2	167.1
Provision for income taxes	10.4	27.6
Net income	<u>\$ 63.8</u>	<u>\$ 139.5</u>
Net income per share:		
Basic	<u>\$ 0.17</u>	<u>\$ 0.38</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.34</u>
Shares used in net income per share calculations:		
Basic	<u>366.1</u>	<u>370.3</u>
Diluted	<u>371.2</u>	<u>405.5</u>

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

	Three Months Ended	
	July 27, 2012	July 29, 2011
Cash flows from operating activities:		
Net income	\$ 63.8	\$ 139.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	82.4	68.5
Stock-based compensation	79.2	58.1
Accretion of discount and issuance costs on notes	14.3	13.7
Tax benefit (charge) from stock-based compensation	(8.8)	28.7
Excess tax benefit from stock-based compensation	(4.9)	(32.1)
Other, net	(24.0)	(30.6)
Changes in assets and liabilities, net of acquisition of business:		
Accounts receivable	244.2	145.0
Inventories	(42.2)	6.8
Accounts payable	41.9	22.8
Accrued compensation and other current liabilities	(146.7)	(248.3)
Deferred revenue	(47.0)	66.7
Changes in other operating assets and liabilities, net	(23.0)	1.8
Net cash provided by operating activities	<u>229.2</u>	<u>240.6</u>
Cash flows from investing activities:		
Redemptions (purchases) of investments, net	(66.1)	245.8
Purchases of property and equipment	(61.9)	(98.3)
Acquisition of business	-	(480.0)
Other investing activities, net	1.3	1.7
Net cash used in investing activities	<u>(126.7)</u>	<u>(330.8)</u>
Cash flows from financing activities:		
Issuance of common stock	35.0	46.6
Repurchase and retirement of common stock	(150.0)	(200.0)
Excess tax benefit from stock-based compensation	4.9	32.1
Other financing activities, net	(2.0)	0.3
Net cash used in financing activities	<u>(112.1)</u>	<u>(121.0)</u>
Effect of exchange rate changes on cash and cash equivalents	(10.8)	(2.9)
Net decrease in cash and cash equivalents	(20.4)	(214.1)
Cash and cash equivalents:		
Beginning of period	1,549.8	2,757.3
End of period	<u>\$ 1,529.4</u>	<u>\$ 2,543.2</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)

	Three Months Ended	
	July 27, 2012	July 29, 2011
<u>SUMMARY RECONCILIATION OF NET INCOME</u>		
NET INCOME	\$ 63.8	\$ 139.5
Adjustments:		
Amortization of intangible assets	21.4	24.3
Stock-based compensation	79.2	58.1
Acquisition-related expense	-	10.2
Non-cash interest expense	14.3	13.7
Income tax effect of non-GAAP adjustments	(22.3)	(23.5)
NON-GAAP NET INCOME	\$ 156.4	\$ 222.3
NET INCOME PER SHARE	\$ 0.172	\$ 0.344
Adjustments:		
Amortization of intangible assets	0.058	0.060
Stock-based compensation	0.213	0.143
Acquisition-related expense	-	0.025
Non-cash interest expense	0.038	0.034
Income tax effect of non-GAAP adjustments	(0.060)	(0.058)
NON-GAAP NET INCOME PER SHARE	\$ 0.421	\$ 0.548

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

Three Months Ended July 27, 2012

	Amortization of Intangible Assets	Stock-based Compensation	Acquisition- related Expense	Non-cash Interest Expense	Total
Cost of product revenues	\$ 14.0	\$ 1.8	\$ -	\$ -	\$ 15.8
Cost of service revenues	-	5.6	-	-	5.6
Sales and marketing expenses	7.4	39.0	-	-	46.4
Research and development expenses	-	23.7	-	-	23.7
General and administrative expenses	-	9.1	-	-	9.1
Interest expense	-	-	-	14.3	14.3
Effect on income before income taxes	<u>\$ 21.4</u>	<u>\$ 79.2</u>	<u>\$ -</u>	<u>\$ 14.3</u>	<u>\$ 114.9</u>

Three Months Ended July 29, 2011

	Amortization of Intangible Assets	Stock-based Compensation	Acquisition- related Expense	Non-cash Interest Expense	Total
Cost of product revenues	\$ 13.9	\$ 1.1	\$ 5.4	\$ -	\$ 20.4
Cost of service revenues	-	3.9	-	-	3.9
Sales and marketing expenses	10.3	28.6	-	-	38.9
Research and development expenses	0.1	16.0	2.6	-	18.7
General and administrative expenses	-	8.5	-	-	8.5
Acquisition-related expense	-	-	2.2	-	2.2
Interest expense	-	-	-	13.7	13.7
Effect on income before income taxes	<u>\$ 24.3</u>	<u>\$ 58.1</u>	<u>\$ 10.2</u>	<u>\$ 13.7</u>	<u>\$ 106.3</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)

	Three Months Ended	
	July 27, 2012	July 29, 2011
SUMMARY RECONCILIATION OF NET INCOME		
NET INCOME	\$ 63.8	\$ 139.5
Adjustments:		
Amortization of intangible assets	21.4	24.3
Stock-based compensation	79.2	58.1
Acquisition-related expense	-	10.2
Non-cash interest expense	14.3	13.7
Income tax effect of non-GAAP adjustments	(22.3)	(23.5)
NON-GAAP NET INCOME	\$ 156.4	\$ 222.3
DETAILED RECONCILIATION OF SPECIFIC ITEMS:		
COST OF REVENUES	\$ 594.5	\$ 561.3
Adjustments:		
Amortization of intangible assets	(14.0)	(13.9)
Stock-based compensation	(7.4)	(5.0)
Acquisition-related expense	-	(5.4)
NON-GAAP COST OF REVENUES	\$ 573.1	\$ 537.0
COST OF PRODUCT REVENUES	\$ 452.2	\$ 437.4
Adjustments:		
Amortization of intangible assets	(14.0)	(13.9)
Stock-based compensation	(1.8)	(1.1)
Acquisition-related expense	-	(5.4)
NON-GAAP COST OF PRODUCT REVENUES	\$ 436.4	\$ 417.0
COST OF SERVICE REVENUES	\$ 135.7	\$ 118.6
Adjustment:		
Stock-based compensation	(5.6)	(3.9)
NON-GAAP COST OF SERVICE REVENUES	\$ 130.1	\$ 114.7
GROSS PROFIT	\$ 850.1	\$ 896.9
Adjustments:		
Amortization of intangible assets	14.0	13.9
Stock-based compensation	7.4	5.0
Acquisition-related expense	-	5.4
NON-GAAP GROSS PROFIT	\$ 871.5	\$ 921.2
SALES AND MARKETING EXPENSES	\$ 482.9	\$ 454.8
Adjustments:		
Amortization of intangible assets	(7.4)	(10.3)
Stock-based compensation	(39.0)	(28.6)
NON-GAAP SALES AND MARKETING EXPENSES	\$ 436.5	\$ 415.9
RESEARCH AND DEVELOPMENT EXPENSES	\$ 221.4	\$ 198.6
Adjustments:		

Amortization of intangible assets	-	(0.1)
Stock-based compensation	(23.7)	(16.0)
Acquisition-related expense	-	(2.6)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 197.7</u>	<u>\$ 179.9</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 65.6	\$ 65.1
Adjustment:		
Stock-based compensation	(9.1)	(8.5)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 56.5</u>	<u>\$ 56.6</u>
OPERATING EXPENSES	\$ 769.9	\$ 720.7
Adjustments:		
Amortization of intangible assets	(7.4)	(10.4)
Stock-based compensation	(71.8)	(53.1)
Acquisition-related expense	-	(4.8)
NON-GAAP OPERATING EXPENSES	<u>\$ 690.7</u>	<u>\$ 652.4</u>
INCOME FROM OPERATIONS	\$ 80.2	\$ 176.2
Adjustments:		
Amortization of intangible assets	21.4	24.3
Stock-based compensation	79.2	58.1
Acquisition-related expense	-	10.2
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 180.8</u>	<u>\$ 268.8</u>
TOTAL OTHER EXPENSES, NET	\$ (6.0)	\$ (9.1)
Adjustments:		
Non-cash interest expense	14.3	13.7
NON-GAAP TOTAL OTHER INCOME, NET	<u>\$ 8.3</u>	<u>\$ 4.6</u>
INCOME BEFORE INCOME TAXES	\$ 74.2	\$ 167.1
Adjustments:		
Amortization of intangible assets	21.4	24.3
Stock-based compensation	79.2	58.1
Acquisition-related expense	-	10.2
Non-cash interest expense	14.3	13.7
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 189.1</u>	<u>\$ 273.4</u>
PROVISION FOR INCOME TAXES	\$ 10.4	\$ 27.6
Adjustment:		
Income tax effect of non-GAAP adjustments	22.3	23.5
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 32.7</u>	<u>\$ 51.1</u>
NET INCOME PER SHARE	\$ 0.172	\$ 0.344
Adjustments:		
Amortization of intangible assets	0.058	0.060
Stock-based compensation	0.213	0.143
Acquisition-related expense	-	0.0
Non-cash interest expense	0.038	0.034
Income tax effect of non-GAAP adjustments	(0.060)	(0.058)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.421</u>	<u>\$ 0.548</u>

NETAPP, INC.
RECONCILIATION OF NON GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
SECOND QUARTER 2013
(Unaudited)

	<u>Second Quarter 2013</u>
Non-GAAP Guidance - Net Income Per Share	\$0.45 - \$0.50
Adjustments of Specific Items to Net Income Per Share for the Second Quarter 2013:	
Amortization of intangible assets	(0.06)
Stock-based compensation expense	(0.18)
Non-cash interest expense	(0.04)
Income tax effect	0.06
Total Adjustments	<u>(0.22)</u>
GAAP Guidance - Net Income Per Share	\$0.23 - \$0.28