

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

	January 28, 2011	April 30, 2010
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 4,755.7	\$ 3,724.0
Accounts receivable, net	541.5	471.5
Inventories	97.2	112.9
Other current assets	204.3	228.7
Total current assets	5,598.7	4,537.1
Property and equipment, net	862.2	804.4
Goodwill and other intangible assets, net	772.4	706.1
Long-term investments and restricted cash	69.2	72.8
Other non-current assets	460.9	374.0
Total Assets	\$ 7,763.4	\$ 6,494.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 183.6	\$ 184.6
Accrued compensation and other current liabilities	581.9	591.3
Short-term deferred revenue	1,176.9	1,135.1
Total current liabilities	1,942.4	1,911.0
Long-term debt and other obligations	1,341.2	1,273.4
Long-term deferred revenue	966.4	779.5
Total liabilities	4,250.0	3,963.9
Stockholders' equity	3,513.4	2,530.5
Total liabilities and stockholders' equity	\$ 7,763.4	\$ 6,494.4

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

	Three Months Ended		Nine Months Ended	
	January 28, 2011	January 29, 2010	January 28, 2011	January 29, 2010
Revenues:				
Product	\$ 818.6	\$ 619.0	\$ 2,319.4	\$ 1,622.3
Software entitlements and maintenance	183.8	170.9	536.4	506.0
Service	265.7	221.8	757.5	631.3
Net revenues	<u>1,268.1</u>	<u>1,011.7</u>	<u>3,613.3</u>	<u>2,759.6</u>
Cost of revenues:				
Cost of product	329.3	253.9	933.1	665.6
Cost of software entitlements and maintenance	4.0	3.0	10.9	9.1
Cost of service	111.0	113.3	320.0	314.2
Total cost of revenues	<u>444.3</u>	<u>370.2</u>	<u>1,264.0</u>	<u>988.9</u>
Gross profit	<u>823.8</u>	<u>641.5</u>	<u>2,349.3</u>	<u>1,770.7</u>
Operating expenses:				
Sales and marketing	397.4	324.8	1,134.4	927.0
Research and development	166.0	129.3	472.1	392.0
General and administrative	61.9	58.1	182.3	174.6
Restructuring and other charges	(0.7)	-	(0.6)	2.7
Acquisition related (income) expense, net	0.6	-	0.9	(41.1)
Total operating expenses	<u>625.2</u>	<u>512.2</u>	<u>1,789.1</u>	<u>1,455.2</u>
Income from operations	198.6	129.3	560.2	315.5
Other income (expenses), net				
Interest income	10.3	7.5	29.6	23.0
Interest expense	(19.0)	(18.2)	(56.2)	(55.3)
Other income (expenses), net	0.4	(0.7)	1.2	(0.2)
Total other expenses, net	<u>(8.3)</u>	<u>(11.4)</u>	<u>(25.4)</u>	<u>(32.5)</u>
Income before income taxes	190.3	117.9	534.8	283.0
Provision for income taxes	17.8	10.0	55.9	27.8
Net income	<u>\$ 172.5</u>	<u>\$ 107.9</u>	<u>\$ 478.9</u>	<u>\$ 255.2</u>
Net income per share:				
Basic	<u>\$ 0.47</u>	<u>\$ 0.32</u>	<u>\$ 1.33</u>	<u>\$ 0.76</u>
Diluted	<u>\$ 0.42</u>	<u>\$ 0.30</u>	<u>\$ 1.23</u>	<u>\$ 0.73</u>
Shares used in net income per share calculations:				
Basic	<u>364.8</u>	<u>341.4</u>	<u>358.8</u>	<u>337.5</u>
Diluted	<u>406.2</u>	<u>360.3</u>	<u>390.7</u>	<u>349.4</u>

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

	Three Months Ended		Nine Months Ended	
	January 28, 2011	January 29, 2010	January 28, 2011	January 29, 2010
Cash Flows from Operating Activities:				
Net income	\$ 172.5	\$ 107.9	\$ 478.9	\$ 255.2
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	41.0	40.8	123.3	126.0
Stock-based compensation	45.0	36.7	127.0	122.1
Accretion of discount and issue costs on notes	13.3	12.5	39.2	37.8
Unrealized losses on derivative activities	5.7	-	12.4	-
Tax benefit from stock-based compensation	16.5	(17.1)	57.4	(2.7)
Excess tax benefit from stock-based compensation	(12.6)	0.4	(45.3)	(1.0)
Other, net	(8.8)	(1.7)	(26.6)	(5.8)
Changes in assets and liabilities:				
Accounts receivable	(95.0)	(139.6)	(67.7)	(7.9)
Inventories	(12.5)	(11.2)	15.7	(10.9)
Accounts payable	16.3	16.5	(2.3)	(0.4)
Accrued compensation and other current liabilities	49.7	80.9	(46.4)	(59.2)
Deferred revenue	140.9	74.3	222.5	60.1
Changes in other operating assets and liabilities, net	(8.5)	(5.6)	17.4	(12.9)
Net cash provided by operating activities	<u>363.5</u>	<u>194.8</u>	<u>905.5</u>	<u>500.4</u>
Cash Flows from Investing Activities:				
Purchases and redemptions of investments, net	(240.7)	11.0	(835.5)	(91.4)
Purchases of property and equipment	(66.3)	(49.7)	(149.8)	(97.2)
Acquisition of business, net of cash acquired	-	-	(74.9)	-
Other investing activities, net	0.8	0.6	0.8	4.1
Net cash used in investing activities	<u>(306.2)</u>	<u>(38.1)</u>	<u>(1,059.4)</u>	<u>(184.5)</u>
Cash Flows from Financing Activities:				
Issuance of common stock	75.9	96.6	312.0	156.7
Excess tax benefit from stock-based compensation	12.6	(0.4)	45.3	1.0
Other financing activities	2.4	-	0.4	-
Net cash provided by financing activities	<u>90.9</u>	<u>96.2</u>	<u>357.7</u>	<u>157.7</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0.1	(5.9)	10.6	8.0
Net Increase (Decrease) in Cash and Cash Equivalents	148.3	247.0	214.4	481.6
Cash and Cash Equivalents:				
Beginning of period	1,771.1	1,728.8	1,705.0	1,494.2
End of period	<u>\$ 1,919.4</u>	<u>\$ 1,975.8</u>	<u>\$ 1,919.4</u>	<u>\$ 1,975.8</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		Nine Months Ended	
	January 28, 2011	January 29, 2010	January 28, 2011	January 29, 2010
<u>SUMMARY RECONCILIATION OF NET INCOME</u>				
NET INCOME	\$ 172.5	\$ 107.9	\$ 478.9	\$ 255.2
Adjustments:				
Amortization of intangible assets	3.5	4.9	13.4	15.6
Stock-based compensation expenses	44.8	36.6	127.0	122.0
Restructuring and other charges	(0.7)	-	(0.6)	2.7
Acquisition related (income) expense, net	0.6	-	0.9	(41.1)
Non-cash interest expense	13.2	12.5	39.2	37.8
Gain on investments	-	(0.7)	(2.5)	(3.5)
Income tax effect of non-GAAP adjustments	(23.3)	(17.4)	(60.1)	(38.8)
NON-GAAP NET INCOME	<u>\$ 210.6</u>	<u>\$ 143.8</u>	<u>\$ 596.2</u>	<u>\$ 349.9</u>
NET INCOME PER SHARE	\$ 0.425	\$ 0.299	\$ 1.226	\$ 0.730
Adjustments:				
Amortization of intangible assets	0.009	0.013	0.034	0.045
Stock-based compensation expenses	0.110	0.102	0.325	0.349
Restructuring and other charges	-	-	-	0.008
Acquisition related (income) expense, net	0.001	-	0.002	(0.118)
Non-cash interest expense	0.033	0.035	0.100	0.108
Gain on investments	-	(0.002)	(0.006)	(0.010)
Income tax effect of non-GAAP adjustments	(0.057)	(0.048)	(0.154)	(0.111)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.521</u>	<u>\$ 0.399</u>	<u>\$ 1.527</u>	<u>\$ 1.001</u>

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

Three Months Ended January 28, 2011

	Amortization of Intangible Assets	Stock-based Compensation Expenses	Restructuring and Other Charges	Acquisition related (income) expense, net	Non-Cash Interest Expense	Gain on Investments	Total
Cost of product revenues	\$ 2.5	\$ 0.9	\$ -	\$ -	\$ -	\$ -	3.4
Cost of service revenues	-	3.6	-	-	-	-	3.6
Sales and marketing expense	1.0	21.2	-	-	-	-	22.2
Research and development expense	-	11.3	-	-	-	-	11.3
General and administrative expense	-	7.8	-	-	-	-	7.8
Restructuring and other charges	-	-	(0.7)	-	-	-	(0.7)
Acquisition related (income) expense, net	-	-	-	0.6	-	-	0.6
Interest expense	-	-	-	-	13.2	-	13.2
Effect on income before income taxes	\$ 3.5	\$ 44.8	\$ (0.7)	\$ 0.6	\$ 13.2	\$ -	61.4

Nine Months Ended January 28, 2011

	Amortization of Intangible Assets	Stock-based Compensation Expenses	Restructuring and Other Charges	Acquisition related (income) expense, net	Non-Cash Interest Expense	Gain on Investments	Total
Cost of product revenues	\$ 10.2	\$ 2.6	\$ -	\$ -	\$ -	\$ -	12.8
Cost of service revenues	-	10.7	-	-	-	-	10.7
Sales and marketing expense	3.2	59.2	-	-	-	-	62.4
Research and development expense	-	31.6	-	-	-	-	31.6
General and administrative expense	-	22.9	-	-	-	-	22.9
Restructuring and other charges	-	-	(0.6)	-	-	-	(0.6)
Acquisition related (income) expense, net	-	-	-	0.9	-	-	0.9
Interest expense	-	-	-	-	39.2	-	39.2
Other income (expenses), net	-	-	-	-	-	(2.5)	(2.5)
Effect on income before income taxes	\$ 13.4	\$ 127.0	\$ (0.6)	\$ 0.9	\$ 39.2	\$ (2.5)	177.4

Three Months Ended January 29, 2010

	Amortization of Intangible Assets	Stock-based Compensation Expenses	Restructuring and Other Charges	Acquisition related (income) expense, net	Non-Cash Interest Expense	Gain on Investments	Total
Cost of product revenues	\$ 4.1	\$ 1.0	\$ -	\$ -	\$ -	\$ -	5.1
Cost of service revenues	-	3.3	-	-	-	-	3.3
Sales and marketing expense	0.8	17.2	-	-	-	-	18.0
Research and development expense	-	8.9	-	-	-	-	8.9
General and administrative expense	-	6.2	-	-	-	-	6.2
Restructuring and other charges	-	-	-	-	-	-	-
Interest expense	-	-	-	-	12.5	-	12.5
Other income (expenses), net	-	-	-	-	-	(0.7)	(0.7)
Effect on income before income taxes	\$ 4.9	\$ 36.6	\$ -	\$ -	\$ 12.5	\$ (0.7)	53.3

Nine Months Ended January 29, 2010

	Amortization of Intangible Assets	Stock-based Compensation Expenses	Restructuring and Other Charges	Acquisition related (income) expense, net	Non-Cash Interest Expense	Gain on Investments	Total
Cost of product revenues	\$ 13.1	\$ 2.7	\$ -	\$ -	\$ -	\$ -	15.8
Cost of service revenues	-	10.7	-	-	-	-	10.7
Sales and marketing expense	2.5	56.9	-	-	-	-	59.4
Research and development expense	-	29.5	-	-	-	-	29.5
General and administrative expense	-	22.2	-	-	-	-	22.2
Restructuring and other charges	-	-	2.7	-	-	-	2.7
Acquisition related (income) expense, net	-	-	-	(41.1)	-	-	(41.1)
Interest expense	-	-	-	-	37.8	-	37.8
Other income (expenses), net	-	-	-	-	-	(3.5)	(3.5)
Effect on income before income taxes	\$ 15.6	\$ 122.0	\$ 2.7	\$ (41.1)	\$ 37.8	\$ (3.5)	133.5

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		Nine Months Ended	
	January 28, 2011	January 29, 2010	January 28, 2011	January 29, 2010
<u>SUMMARY RECONCILIATION OF NET INCOME</u>				
NET INCOME	\$ 172.5	\$ 107.9	\$ 478.9	\$ 255.2
Adjustments:				
Amortization of intangible assets	3.5	4.9	13.4	15.6
Stock-based compensation expenses	44.8	36.6	127.0	122.0
Restructuring and other charges	(0.7)	-	(0.6)	2.7
Acquisition related (income) expense, net	0.6	-	0.9	(41.1)
Non-cash interest expense	13.2	12.5	39.2	37.8
Gain on investments	-	(0.7)	(2.5)	(3.5)
Income tax effect of non-GAAP adjustments	(23.3)	(17.4)	(60.1)	(38.8)
NON-GAAP NET INCOME	\$ 210.6	\$ 143.8	\$ 596.2	\$ 349.9
<u>DETAILED RECONCILIATION OF SPECIFIC ITEMS:</u>				
COST OF REVENUES	\$ 444.3	\$ 370.2	\$ 1,264.0	\$ 988.9
Adjustment:				
Amortization of intangible assets	(2.5)	(4.1)	(10.2)	(13.1)
Stock-based compensation expenses	(4.5)	(4.3)	(13.3)	(13.4)
NON-GAAP COST OF REVENUES	\$ 437.3	\$ 361.8	\$ 1,240.5	\$ 962.4
COST OF PRODUCT REVENUES	\$ 329.3	\$ 253.9	\$ 933.1	\$ 665.6
Adjustment:				
Amortization of intangible assets	(2.5)	(4.1)	(10.2)	(13.1)
Stock-based compensation expenses	(0.9)	(1.0)	(2.6)	(2.7)
NON-GAAP COST OF PRODUCT REVENUES	\$ 325.9	\$ 248.8	\$ 920.3	\$ 649.8
COST OF SERVICE REVENUES	\$ 111.0	\$ 113.3	\$ 320.0	\$ 314.2
Adjustment:				
Stock-based compensation expenses	(3.6)	(3.3)	(10.7)	(10.7)
NON-GAAP COST OF SERVICE REVENUES	\$ 107.4	\$ 110.0	\$ 309.3	\$ 303.5
GROSS PROFIT	\$ 823.8	\$ 641.5	\$ 2,349.3	\$ 1,770.7
Adjustment:				
Amortization of intangible assets	2.5	4.1	10.2	13.1
Stock-based compensation expenses	4.5	4.3	13.3	13.4
NON-GAAP GROSS PROFIT	\$ 830.8	\$ 649.9	\$ 2,372.8	\$ 1,797.2
SALES AND MARKETING EXPENSES	\$ 397.4	\$ 324.8	\$ 1,134.4	\$ 927.0
Adjustments:				
Amortization of intangible assets	(1.0)	(0.8)	(3.2)	(2.5)
Stock-based compensation expenses	(21.2)	(17.2)	(59.2)	(56.9)
NON-GAAP SALES AND MARKETING EXPENSES	\$ 375.2	\$ 306.8	\$ 1,072.0	\$ 867.6
RESEARCH AND DEVELOPMENT EXPENSES	\$ 166.0	\$ 129.3	\$ 472.1	\$ 392.0
Adjustments:				
Stock-based compensation expenses	(11.3)	(8.9)	(31.6)	(29.5)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$ 154.7	\$ 120.4	\$ 440.5	\$ 362.5

GENERAL AND ADMINISTRATIVE EXPENSES	\$	61.9	\$	58.1	\$	182.3	\$	174.6
Adjustments:								
Stock-based compensation expenses		(7.8)		(6.2)		(22.9)		(22.2)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$</u>	<u>54.1</u>	<u>\$</u>	<u>51.9</u>	<u>\$</u>	<u>159.4</u>	<u>\$</u>	<u>152.4</u>
OPERATING EXPENSES	\$	625.2	\$	512.2	\$	1,789.1	\$	1,455.2
Adjustments:								
Amortization of intangible assets		(1.0)		(0.8)		(3.2)		(2.5)
Stock-based compensation expenses		(40.3)		(32.3)		(113.7)		(108.6)
Restructuring and other charges		0.7		-		0.6		(2.7)
Acquisition related income (expense), net		(0.6)		-		(0.9)		41.1
NON-GAAP OPERATING EXPENSES	<u>\$</u>	<u>584.0</u>	<u>\$</u>	<u>479.1</u>	<u>\$</u>	<u>1,671.9</u>	<u>\$</u>	<u>1,382.5</u>
INCOME FROM OPERATIONS	\$	198.6	\$	129.3	\$	560.2	\$	315.5
Adjustments:								
Amortization of intangible assets		3.5		4.9		13.4		15.6
Stock-based compensation expenses		44.8		36.6		127.0		122.0
Restructuring and other charges		(0.7)		-		(0.6)		2.7
Acquisition related (income) expense, net		0.6		-		0.9		(41.1)
NON-GAAP INCOME FROM OPERATIONS	<u>\$</u>	<u>246.8</u>	<u>\$</u>	<u>170.8</u>	<u>\$</u>	<u>700.9</u>	<u>\$</u>	<u>414.7</u>
TOTAL OTHER INCOME (EXPENSES), NET	\$	(8.3)	\$	(11.4)	\$	(25.4)	\$	(32.5)
Adjustments:								
Non-cash interest expense		13.2		12.5		39.2		37.8
Gain on investments		-		(0.7)		(2.5)		(3.5)
NON-GAAP TOTAL OTHER INCOME (EXPENSES), NET	<u>\$</u>	<u>4.9</u>	<u>\$</u>	<u>0.4</u>	<u>\$</u>	<u>11.3</u>	<u>\$</u>	<u>1.8</u>
INCOME BEFORE INCOME TAXES	\$	190.3	\$	117.9	\$	534.8	\$	283.0
Adjustments:								
Amortization of intangible assets		3.5		4.9		13.4		15.6
Stock-based compensation expenses		44.8		36.6		127.0		122.0
Restructuring and other charges		(0.7)		-		(0.6)		2.7
Acquisition related (income) expense, net		0.6		-		0.9		(41.1)
Non-cash interest expense		13.2		12.5		39.2		37.8
Gain on investments		-		(0.7)		(2.5)		(3.5)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$</u>	<u>251.7</u>	<u>\$</u>	<u>171.2</u>	<u>\$</u>	<u>712.2</u>	<u>\$</u>	<u>416.5</u>
PROVISION FOR (BENEFIT FROM) INCOME TAXES	\$	17.8	\$	10.0	\$	55.9	\$	27.8
Adjustments:								
Income tax effect of non-GAAP adjustments		23.3		17.4		60.1		38.8
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$</u>	<u>41.1</u>	<u>\$</u>	<u>27.4</u>	<u>\$</u>	<u>116.0</u>	<u>\$</u>	<u>66.6</u>
NET INCOME PER SHARE	\$	0.425	\$	0.299	\$	1.226	\$	0.730
Adjustments:								
Amortization of intangible assets		0.009		0.013		0.034		0.045
Stock-based compensation expenses		0.110		0.102		0.325		0.349
Restructuring and other charges		-		-		-		0.008
Acquisition related (income) expense, net		0.001		-		0.002		(0.118)
Non-cash interest expense		0.033		0.035		0.100		0.108
Gain on investments		-		(0.002)		(0.006)		(0.010)
Income tax effect of non-GAAP adjustments		(0.057)		(0.048)		(0.154)		(0.111)
NON-GAAP NET INCOME PER SHARE	<u>\$</u>	<u>0.521</u>	<u>\$</u>	<u>0.399</u>	<u>\$</u>	<u>1.527</u>	<u>\$</u>	<u>1.001</u>

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

	Fourth Quarter 2011
Non-GAAP Guidance	\$0.49 - \$0.53
Adjustments of Specific Items to Net Income Per Share for the Fourth Quarter 2011:	
Stock based compensation expense	(0.11)
Amortization of intangible assets	(0.01)
Non cash interest expense	(0.03)
Income tax effect	0.04
Total Adjustments	(0.11)
GAAP Guidance -Net Income Per Share	\$0.38 - \$0.42