

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

	<u>January 27, 2012</u>	<u>April 29, 2011</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 4,866.1	\$ 5,174.7
Accounts receivable, net	685.4	742.6
Inventories	153.8	108.5
Other current assets	462.4	339.4
Total current assets	<u>6,167.7</u>	<u>6,365.2</u>
Property and equipment, net	1,081.8	911.6
Goodwill and other intangible assets, net	1,162.7	813.3
Other non-current assets	409.4	408.7
Total assets	<u>\$ 8,821.6</u>	<u>\$ 8,498.8</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 220.2	\$ 232.8
Accrued compensation and other current liabilities	628.0	763.0
1.75% Convertible Senior Notes due 2013	-	1,150.4
Short-term deferred revenue	1,309.3	1,226.6
Total current liabilities	<u>2,157.5</u>	<u>3,372.8</u>
1.75% Convertible Senior Notes due 2013	1,188.8	-
Other long-term liabilities	197.3	192.9
Long-term deferred revenue	1,236.5	1,088.3
Total liabilities	<u>4,780.1</u>	<u>4,654.0</u>
1.75% Convertible Senior Notes due 2013	-	114.6
Stockholders' equity	4,041.5	3,730.2
Total liabilities and stockholders' equity	<u>\$ 8,821.6</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		Nine Months Ended	
	January 27, 2012	January 28, 2011	January 27, 2012	January 28, 2011
Revenues:				
Product	\$ 1,062.7	\$ 844.3	\$ 3,044.6	\$ 2,406.6
Software entitlements and maintenance	203.5	182.7	599.7	533.6
Service	299.3	262.6	886.4	754.1
Net revenues	<u>1,565.5</u>	<u>1,289.6</u>	<u>4,530.7</u>	<u>3,694.3</u>
Cost of revenues:				
Cost of product	517.8	328.4	1,415.9	962.9
Cost of software entitlements and maintenance	6.2	4.0	17.1	10.9
Cost of service	133.0	111.0	379.3	320.0
Total cost of revenues	<u>657.0</u>	<u>443.4</u>	<u>1,812.3</u>	<u>1,293.8</u>
Gross profit	<u>908.5</u>	<u>846.2</u>	<u>2,718.4</u>	<u>2,400.5</u>
Operating expenses:				
Sales and marketing	477.0	397.4	1,385.9	1,134.4
Research and development	208.3	166.0	606.6	472.1
General and administrative	63.2	61.9	193.4	182.3
Restructuring and other charges	-	(0.7)	-	(0.6)
Acquisition-related expense	3.5	0.6	7.4	0.9
Total operating expenses	<u>752.0</u>	<u>625.2</u>	<u>2,193.3</u>	<u>1,789.1</u>
Income from operations	156.5	221.0	525.1	611.4
Other expense, net				
Interest income	8.7	10.3	27.6	29.6
Interest expense	(18.9)	(19.0)	(54.7)	(56.2)
Other income (expense), net	0.6	0.4	(0.1)	1.2
Total other expense, net	<u>(9.6)</u>	<u>(8.3)</u>	<u>(27.2)</u>	<u>(25.4)</u>
Income before income taxes	146.9	212.7	497.9	586.0
Provision for income taxes	27.3	26.3	73.2	73.5
Net income	<u>\$ 119.6</u>	<u>\$ 186.4</u>	<u>\$ 424.7</u>	<u>\$ 512.5</u>
Net income per share:				
Basic	<u>\$ 0.33</u>	<u>\$ 0.51</u>	<u>\$ 1.17</u>	<u>\$ 1.43</u>
Diluted	<u>\$ 0.32</u>	<u>\$ 0.46</u>	<u>\$ 1.10</u>	<u>\$ 1.31</u>
Shares used in net income per share calculations:				
Basic	<u>360.3</u>	<u>364.8</u>	<u>364.0</u>	<u>358.8</u>
Diluted	<u>373.7</u>	<u>406.2</u>	<u>385.1</u>	<u>390.7</u>

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

	Three Months Ended		Nine Months Ended	
	January 27, 2012	January 28, 2011	January 27, 2012	January 28, 2011
Cash Flows from Operating Activities:				
Net income	\$ 119.6	\$ 186.4	\$ 424.7	\$ 512.5
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	73.6	41.0	210.5	123.3
Stock-based compensation	76.7	45.0	197.8	127.0
Accretion of discount and issuance costs on notes	13.5	13.3	38.7	39.2
Tax benefit (charges) from stock-based compensation	(4.4)	25.1	74.7	74.9
Shortfall (excess tax benefit) from stock-based compensation	4.0	(21.7)	(80.7)	(63.3)
Other, net	2.5	(6.8)	(71.9)	(26.2)
Changes in assets and liabilities, net of acquisition of businesses:				
Accounts receivable	(59.8)	(98.9)	55.8	(77.5)
Inventories	9.5	(12.2)	(8.8)	18.8
Accounts payable	(56.0)	16.3	(10.4)	(2.3)
Accrued compensation and other current liabilities	12.6	55.5	(160.5)	(40.6)
Deferred revenue	107.6	123.3	234.5	151.5
Changes in other operating assets and liabilities, net	(30.2)	(11.9)	(24.4)	50.2
Net cash provided by operating activities	<u>269.2</u>	<u>354.4</u>	<u>880.0</u>	<u>887.5</u>
Cash Flows from Investing Activities:				
Purchases of investments, net	(61.6)	(240.7)	(21.2)	(835.5)
Purchases of property and equipment	(91.3)	(66.3)	(282.9)	(149.8)
Acquisition of businesses, net of cash acquired	-	-	(480.0)	(74.9)
Other investing activities, net	(2.0)	0.8	-	0.8
Net cash used in investing activities	<u>(154.9)</u>	<u>(306.2)</u>	<u>(784.1)</u>	<u>(1,059.4)</u>
Cash Flows from Financing Activities:				
Issuance of common stock	49.1	75.9	101.0	312.0
Repurchase and retirement of common stock	-	-	(600.0)	-
Excess tax benefit (shortfall) from stock-based compensation	(4.0)	21.7	80.7	63.3
Other financing activities, net	1.5	2.4	3.1	0.4
Net cash provided by (used in) financing activities	<u>46.6</u>	<u>100.0</u>	<u>(415.2)</u>	<u>375.7</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(9.0)	0.1	(17.1)	10.6
Net Increase (Decrease) in Cash and Cash Equivalents	151.9	148.3	(336.4)	214.4
Cash and Cash Equivalents:				
Beginning of period	2,269.0	1,771.1	2,757.3	1,705.0
End of period	<u>\$ 2,420.9</u>	<u>\$ 1,919.4</u>	<u>\$ 2,420.9</u>	<u>\$ 1,919.4</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>Nine Months Ended</u>	
	<u>January 27, 2012</u>	<u>January 28, 2011</u>	<u>January 27, 2012</u>	<u>January 28, 2011</u>
<u>SUMMARY RECONCILIATION OF NET INCOME</u>				
NET INCOME	\$ 119.6	\$ 186.4	\$ 424.7	\$ 512.5
Adjustments:				
Amortization of intangible assets	21.6	3.4	67.6	13.3
Stock-based compensation	76.7	44.8	197.8	126.8
Restructuring and other charges	-	(0.7)	-	(0.6)
Acquisition-related expense	3.5	0.6	15.4	0.9
Non-cash interest expense	13.5	13.2	38.7	39.1
Gain on investments	(0.7)	-	(0.7)	(2.5)
Income tax effect of non-GAAP adjustments	(18.2)	(21.9)	(69.7)	(60.6)
NON-GAAP NET INCOME	<u>\$ 216.0</u>	<u>\$ 225.8</u>	<u>\$ 673.8</u>	<u>\$ 628.9</u>
NET INCOME PER SHARE	\$ 0.320	\$ 0.459	\$ 1.103	\$ 1.312
Adjustments:				
Amortization of intangible assets	0.058	0.008	0.175	0.034
Stock-based compensation	0.205	0.110	0.514	0.325
Restructuring and other charges	-	(0.002)	-	(0.002)
Acquisition-related expense	0.010	0.002	0.040	0.002
Non-cash interest expense	0.036	0.033	0.101	0.100
Gain on investments	(0.002)	-	(0.002)	(0.006)
Income tax effect of non-GAAP adjustments	(0.049)	(0.054)	(0.181)	(0.155)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.578</u>	<u>\$ 0.556</u>	<u>\$ 1.750</u>	<u>\$ 1.610</u>

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

Three Months Ended January 27, 2012

	Amortization of Intangible Assets	Stock-based Compensation	Restructuring and Other Charges	Acquisition- related Expense	Non-cash Interest Expense	Gain on Investments	Total
Cost of product revenues	\$ 13.9	\$ 1.6	\$ -	\$ -	\$ -	\$ -	\$ 15.5
Cost of service revenues	-	5.7	-	-	-	-	5.7
Sales and marketing expense	7.6	37.5	-	-	-	-	45.1
Research and development expense	0.1	22.8	-	-	-	-	22.9
General and administrative expense	-	9.1	-	-	-	-	9.1
Acquisition-related expense	-	-	-	3.5	-	-	3.5
Interest expense	-	-	-	-	13.5	-	13.5
Other income (expense), net	-	-	-	-	-	(0.7)	(0.7)
Effect on income before income taxes	\$ 21.6	\$ 76.7	\$ -	\$ 3.5	\$ 13.5	\$ (0.7)	\$ 114.6

Three Months Ended January 28, 2011

	Amortization of Intangible Assets	Stock-based Compensation	Restructuring and Other Charges	Acquisition- related Expense	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	0.9	21.2	-	-	-	-	22.1
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 expense	-	-	-	0.6	-	-	0.6
Interest expense	-	-	-	-	13.2	-	13.2
Effect on income before income taxes	\$ 3.4	\$ 44.8	\$ (0.7)	\$ 0.6	\$ 13.2	\$ -	\$ 61.3

Nine Months Ended January 27, 2012

	Amortization of Intangible Assets	Stock-based Compensation	Restructuring and Other Charges	Acquisition- related Expense	Non-cash Interest Expense	Gain on Investments	Total
Cost of product revenues	\$ 41.8	\$ 4.1	\$ -	\$ 5.4	\$ -	\$ -	\$ 51.3
Cost of service revenues	-	13.8	-	-	-	-	13.8
Sales and marketing expense	25.6	96.5	-	-	-	-	122.1
Research and development expense	0.2	57.0	-	2.6	-	-	59.8
General and administrative expense	-	26.4	-	-	-	-	26.4
Acquisition-related expense	-	-	-	7.4	-	-	7.4
Interest expense	-	-	-	-	38.7	-	38.7
Other income (expense), net	-	-	-	-	-	(0.7)	(0.7)
Effect on income before income taxes	\$ 67.6	\$ 197.8	\$ -	\$ 15.4	\$ 38.7	\$ (0.7)	\$ 318.8

Nine Months Ended January 28, 2011

	Amortization of Intangible Assets	Stock-based Compensation	Restructuring and Other Charges	Acquisition- related Expense	Non-cash Interest Expense	Gain on Investments	Total
Cost of product revenues	\$ 10.2	\$ 2.6	\$ -	\$ -	\$ -	\$ -	\$ 12.8
Cost of service revenues	-	10.6	-	-	-	-	10.6
Sales and marketing expense	3.1	59.1	-	-	-	-	62.2
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 expense	-	-	-	0.9	-	-	0.9
Interest expense	-	-	-	-	39.1	-	39.1
Other income (expense), net	-	-	-	-	-	(2.5)	(2.5)
Effect on income before income taxes	\$ 13.3	\$ 126.8	\$ (0.6)	\$ 0.9	\$ 39.1	\$ (2.5)	\$ 177.0

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>Nine Months Ended</u>	
	<u>January 27, 2012</u>	<u>January 28, 2011</u>	<u>January 27, 2012</u>	<u>January 28, 2011</u>
<u>SUMMARY RECONCILIATION OF NET INCOME</u>				
NET INCOME	\$ 119.6	\$ 186.4	\$ 424.7	\$ 512.5
Adjustments:				
Amortization of intangible assets	21.6	3.4	67.6	13.3
Stock-based compensation	76.7	44.8	197.8	126.8
Restructuring and other charges	-	(0.7)	-	(0.6)
Acquisition-related expense	3.5	0.6	15.4	0.9
Non-cash interest expense	13.5	13.2	38.7	39.1
Gain on investments	(0.7)	-	(0.7)	(2.5)
Income tax effect of non-GAAP adjustments	(18.2)	(21.9)	(69.7)	(60.6)
NON-GAAP NET INCOME	<u>\$ 216.0</u>	<u>\$ 225.8</u>	<u>\$ 673.8</u>	<u>\$ 628.9</u>
<u>DETAILED RECONCILIATION OF SPECIFIC ITEMS:</u>				
COST OF REVENUES	\$ 657.0	\$ 443.4	\$ 1,812.3	\$ 1,293.8
Adjustments:				
Amortization of intangible assets	(13.9)	(2.5)	(41.8)	(10.2)
Stock-based compensation	(7.3)	(4.5)	(17.9)	(13.2)
Acquisition-related expense	-	-	(5.4)	-
NON-GAAP COST OF REVENUES	<u>\$ 635.8</u>	<u>\$ 436.4</u>	<u>\$ 1,747.2</u>	<u>\$ 1,270.4</u>
COST OF PRODUCT REVENUES	\$ 517.8	\$ 328.4	\$ 1,415.9	\$ 962.9
Adjustments:				
Amortization of intangible assets	(13.9)	(2.5)	(41.8)	(10.2)
Stock-based compensation	(1.6)	(0.9)	(4.1)	(2.6)
Acquisition-related expense	-	-	(5.4)	-
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 502.3</u>	<u>\$ 325.0</u>	<u>\$ 1,364.6</u>	<u>\$ 950.1</u>
COST OF SERVICE REVENUES	\$ 133.0	\$ 111.0	\$ 379.3	\$ 320.0
Adjustment:				
Stock-based compensation	(5.7)	(3.6)	(13.8)	(10.6)
NON-GAAP COST OF SERVICE REVENUES	<u>\$ 127.3</u>	<u>\$ 107.4</u>	<u>\$ 365.5</u>	<u>\$ 309.4</u>
GROSS PROFIT	\$ 908.5	\$ 846.2	\$ 2,718.4	\$ 2,400.5
Adjustments:				
Amortization of intangible assets	13.9	2.5	41.8	10.2
Stock-based compensation	7.3	4.5	17.9	13.2
Acquisition-related expense	-	-	5.4	-
NON-GAAP GROSS PROFIT	<u>\$ 929.7</u>	<u>\$ 853.2</u>	<u>\$ 2,783.5</u>	<u>\$ 2,423.9</u>
SALES AND MARKETING EXPENSES	\$ 477.0	\$ 397.4	\$ 1,385.9	\$ 1,134.4
Adjustments:				
Amortization of intangible assets	(7.6)	(0.9)	(25.6)	(3.1)
Stock-based compensation	(37.5)	(21.2)	(96.5)	(59.1)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 431.9</u>	<u>\$ 375.3</u>	<u>\$ 1,263.8</u>	<u>\$ 1,072.2</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 208.3	\$ 166.0	\$ 606.6	\$ 472.1
Adjustments:				
Amortization of intangible assets	(0.1)	-	(0.2)	-
Stock-based compensation	(22.8)	(11.3)	(57.0)	(31.6)
Acquisition-related expense	-	-	(2.6)	-
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 185.4</u>	<u>\$ 154.7</u>	<u>\$ 546.8</u>	<u>\$ 440.5</u>

GENERAL AND ADMINISTRATIVE EXPENSES	\$	63.2	\$	61.9	\$	193.4	\$	182.3
Adjustment:								
Stock-based compensation		(9.1)		(7.8)		(26.4)		(22.9)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$</u>	<u>54.1</u>	<u>\$</u>	<u>54.1</u>	<u>\$</u>	<u>167.0</u>	<u>\$</u>	<u>159.4</u>
OPERATING EXPENSES	\$	752.0	\$	625.2	\$	2,193.3	\$	1,789.1
Adjustments:								
Amortization of intangible assets		(7.7)		(0.9)		(25.8)		(3.1)
Stock-based compensation		(69.4)		(40.3)		(179.9)		(113.6)
Restructuring and other charges		-		0.7		-		0.6
Acquisition-related expense		(3.5)		(0.6)		(10.0)		(0.9)
NON-GAAP OPERATING EXPENSES	<u>\$</u>	<u>671.4</u>	<u>\$</u>	<u>584.1</u>	<u>\$</u>	<u>1,977.6</u>	<u>\$</u>	<u>1,672.1</u>
INCOME FROM OPERATIONS	\$	156.5	\$	221.0	\$	525.1	\$	611.4
Adjustments:								
Amortization of intangible assets		21.6		3.4		67.6		13.3
Stock-based compensation		76.7		44.8		197.8		126.8
Restructuring and other charges		-		(0.7)		-		(0.6)
Acquisition-related expense		3.5		0.6		15.4		0.9
NON-GAAP INCOME FROM OPERATIONS	<u>\$</u>	<u>258.3</u>	<u>\$</u>	<u>269.1</u>	<u>\$</u>	<u>805.9</u>	<u>\$</u>	<u>751.8</u>
TOTAL OTHER EXPENSES, NET	\$	(9.6)	\$	(8.3)	\$	(27.2)	\$	(25.4)
Adjustments:								
Non-cash interest expense		13.5		13.2		38.7		39.1
Gain on investments		(0.7)		-		(0.7)		(2.5)
NON-GAAP TOTAL OTHER INCOME, NET	<u>\$</u>	<u>3.2</u>	<u>\$</u>	<u>4.9</u>	<u>\$</u>	<u>10.8</u>	<u>\$</u>	<u>11.2</u>
INCOME BEFORE INCOME TAXES	\$	146.9	\$	212.7	\$	497.9	\$	586.0
Adjustments:								
Amortization of intangible assets		21.6		3.4		67.6		13.3
Stock-based compensation		76.7		44.8		197.8		126.8
Restructuring and other charges		-		(0.7)		-		(0.6)
Acquisition-related expense		3.5		0.6		15.4		0.9
Non-cash interest expense		13.5		13.2		38.7		39.1
Gain on investments		(0.7)		-		(0.7)		(2.5)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$</u>	<u>261.5</u>	<u>\$</u>	<u>274.0</u>	<u>\$</u>	<u>816.7</u>	<u>\$</u>	<u>763.0</u>
PROVISION FOR INCOME TAXES	\$	27.3	\$	26.3	\$	73.2	\$	73.5
Adjustment:								
Income tax effect of non-GAAP adjustments		18.2		21.9		69.7		60.6
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$</u>	<u>45.5</u>	<u>\$</u>	<u>48.2</u>	<u>\$</u>	<u>142.9</u>	<u>\$</u>	<u>134.1</u>
NET INCOME PER SHARE	\$	0.320	\$	0.459	\$	1.103	\$	1.312
Adjustments:								
Amortization of intangible assets		0.058		0.008		0.175		0.034
Stock-based compensation		0.205		0.110		0.514		0.325
Restructuring and other charges		-		(0.002)		-		(0.002)
Acquisition-related expense		0.010		0.002		0.040		0.002
Non-cash interest expense		0.036		0.033		0.101		0.100
Gain on investments		(0.002)		-		(0.002)		(0.006)
Income tax effect of non-GAAP adjustments		(0.049)		(0.054)		(0.181)		(0.155)
NON-GAAP NET INCOME PER SHARE	<u>\$</u>	<u>0.578</u>	<u>\$</u>	<u>0.556</u>	<u>\$</u>	<u>1.750</u>	<u>\$</u>	<u>1.610</u>

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

	Fourth Quarter 2012
Non-GAAP Guidance	\$0.60 - \$0.65
Adjustments of Specific Items to Net Income Per Share for the Fourth Quarter 2012:	
Amortization of intangible assets	(0.06)
Stock-based compensation	(0.19)
Acquisition-related expense	(0.01)
Non-cash interest expense	(0.03)
Income tax effect	0.07
Total Adjustments	(0.22)
GAAP Guidance -Net Income Per Share	\$0.38 - \$0.43