

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

	January 23, 2015	April 25, 2014
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 5,252.5	\$ 5,003.3
Accounts receivable, net	666.3	855.9
Inventories	117.8	122.4
Other current assets	518.0	489.7
Total current assets	6,554.6	6,471.3
Property and equipment, net	1,050.7	1,108.8
Goodwill and purchased intangible assets, net	1,136.3	1,109.6
Other non-current assets	493.1	529.5
Total assets	\$ 9,234.7	\$ 9,219.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 194.2	\$ 247.0
Accrued compensation and other current liabilities	617.7	793.8
Short-term deferred revenue	1,679.4	1,653.8
Total current liabilities	2,491.3	2,694.6
Long-term debt	1,494.7	995.5
Other long-term liabilities	310.4	296.2
Long-term deferred revenue	1,430.3	1,446.4
Total liabilities	5,726.7	5,432.7
Stockholders' equity	3,508.0	3,786.5
Total liabilities and stockholders' equity	\$ 9,234.7	\$ 9,219.2

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

	Three Months Ended		Nine Months Ended	
	January 23, 2015	January 24, 2014	January 23, 2015	January 24, 2014
Revenues:				
Product	\$ 929.5	\$ 1,015.0	\$ 2,741.2	\$ 2,901.1
Software entitlements and maintenance	226.6	227.0	672.1	687.3
Service	395.2	368.0	1,169.7	1,087.7
Net revenues	<u>1,551.3</u>	<u>1,610.0</u>	<u>4,583.0</u>	<u>4,676.1</u>
Cost of revenues:				
Cost of product	419.6	450.7	1,215.6	1,323.9
Cost of software entitlements and maintenance	9.4	7.7	26.2	22.7
Cost of service	144.9	149.3	443.2	452.4
Total cost of revenues	<u>573.9</u>	<u>607.7</u>	<u>1,685.0</u>	<u>1,799.0</u>
Gross profit	<u>977.4</u>	<u>1,002.3</u>	<u>2,898.0</u>	<u>2,877.1</u>
Operating expenses:				
Sales and marketing	474.8	475.9	1,443.0	1,423.2
Research and development	229.9	230.3	686.9	686.6
General and administrative	70.2	69.4	213.2	207.3
Restructuring and other charges	-	-	-	49.5
Total operating expenses	<u>774.9</u>	<u>775.6</u>	<u>2,343.1</u>	<u>2,366.6</u>
Income from operations	202.5	226.7	554.9	510.5
Other income/(expense), net:				
Interest income	8.6	7.9	25.0	26.4
Interest expense	(11.1)	(6.7)	(31.0)	(29.7)
Other income (expense), net	0.1	1.7	(0.2)	6.9
Total other income/(expense), net	<u>(2.4)</u>	<u>2.9</u>	<u>(6.2)</u>	<u>3.6</u>
Income before income taxes	200.1	229.6	548.7	514.1
Provision for income taxes	23.3	37.5	123.7	73.6
Net income	<u>\$ 176.8</u>	<u>\$ 192.1</u>	<u>\$ 425.0</u>	<u>\$ 440.5</u>
Net income per share:				
Basic	<u>\$ 0.57</u>	<u>\$ 0.57</u>	<u>\$ 1.34</u>	<u>\$ 1.28</u>
Diluted	<u>\$ 0.56</u>	<u>\$ 0.55</u>	<u>\$ 1.31</u>	<u>\$ 1.25</u>
Shares used in net income per share calculations:				
Basic	<u>311.6</u>	<u>339.4</u>	<u>317.8</u>	<u>343.7</u>
Diluted	<u>317.1</u>	<u>346.2</u>	<u>323.3</u>	<u>351.7</u>
Cash dividends declared per share	<u>\$ 0.165</u>	<u>\$ 0.150</u>	<u>\$ 0.495</u>	<u>\$ 0.450</u>

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

	Three Months Ended		Nine Months Ended	
	January 23, 2015	January 24, 2014	January 23, 2015	January 24, 2014
Cash flows from operating activities:				
Net income	\$ 176.8	\$ 192.1	\$ 425.0	\$ 440.5
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	79.5	83.6	234.6	252.0
Stock-based compensation	66.0	71.9	196.1	205.8
Excess tax benefit from stock-based compensation	(4.4)	(23.9)	(53.8)	(33.4)
Other, net	(20.3)	(6.3)	29.6	(22.4)
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(35.7)	4.1	186.7	213.4
Inventories	(10.3)	(2.3)	4.6	21.3
Accounts payable	(13.8)	(29.0)	(45.9)	(69.8)
Accrued compensation and other current liabilities	(25.6)	7.9	(162.1)	(94.5)
Deferred revenue	79.2	40.6	34.4	(27.0)
Changes in other operating assets and liabilities, net	(16.8)	(6.9)	22.3	94.2
Net cash provided by operating activities	<u>274.6</u>	<u>331.8</u>	<u>871.5</u>	<u>980.1</u>
Cash flows from investing activities:				
Redemptions (purchases) of investments, net	(319.5)	90.6	41.6	762.7
Purchases of property and equipment	(28.6)	(57.9)	(138.1)	(165.4)
Acquisitions of businesses	(84.6)	-	(84.6)	-
Other investing activities, net	3.4	(0.8)	2.5	2.6
Net cash provided by (used in) investing activities	<u>(429.3)</u>	<u>31.9</u>	<u>(178.6)</u>	<u>599.9</u>
Cash flows from financing activities:				
Issuance of common stock	74.4	67.9	145.6	191.8
Repurchase of common stock and forward contract	(200.0)	(507.0)	(918.9)	(1,507.0)
Excess tax benefit from stock-based compensation	4.4	23.9	53.8	33.4
Repayment of debt	-	-	-	(1,264.9)
Issuance of long-term debt, net	-	-	494.7	-
Dividends paid	(51.4)	(50.4)	(156.9)	(153.1)
Other financing activities, net	(4.1)	(1.8)	(7.6)	(7.5)
Net cash used in financing activities	<u>(176.7)</u>	<u>(467.4)</u>	<u>(389.3)</u>	<u>(2,707.3)</u>
Effect of exchange rate changes on cash and cash equivalents	(34.1)	(4.1)	(54.9)	2.9
Net increase (decrease) in cash and cash equivalents	(365.5)	(107.8)	248.7	(1,124.4)
Cash and cash equivalents:				
Beginning of period	<u>2,905.2</u>	<u>2,260.5</u>	<u>2,291.0</u>	<u>3,277.1</u>
End of period	<u>\$ 2,539.7</u>	<u>\$ 2,152.7</u>	<u>\$ 2,539.7</u>	<u>\$ 2,152.7</u>

NETAPP, INC.
SUPPLEMENTAL DATA
(In millions except net income per share, percentages, DSO and Inventory Turns)
(Unaudited)

	<u>Q3 FY'15</u>	<u>Q2 FY'15</u>	<u>Q3 FY'14</u>
Revenues			
Product Revenue	\$929.5	\$929.1	\$1,015.0
Software Entitlements & Maintenance Revenue (SEM)	226.6	224.2	227.0
Service Revenue:	395.2	389.2	368.0
<i>Hardware Maintenance Support Contracts Revenue</i>	315.6	311.0	285.9
<i>Professional & Other Services Revenue</i>	79.6	78.2	82.1
Net Revenues	\$1,551.3	\$1,542.5	\$1,610.0

	<u>Q3 FY'15</u>	<u>Q2 FY'15</u>	<u>Q3 FY'14</u>
Branded and OEM Revenues			
Branded Revenue	\$1,427.5	\$1,423.9	\$1,452.7
OEM Revenue	123.8	118.6	157.3
Net Revenues	\$1,551.3	\$1,542.5	\$1,610.0

Branded revenue includes revenue from all products and services sold directly by us or our partners under the NetApp brand, including NetApp branded E-Series products and solutions. OEM revenue comprises revenue from the sale of our products by other companies under their brands and includes revenue from IBM, Fujitsu, and other E-Series OEM relationships.

	<u>% of Q3 FY'15 Revenue</u>	<u>% of Q2 FY'15 Revenue</u>	<u>% of Q3 FY'14 Revenue</u>
Geographic Mix			
Americas	54%	59%	52%
<i>Americas Commercial</i>	44%	42%	43%
<i>U.S. Public Sector</i>	10%	17%	9%
EMEA	33%	28%	34%
Asia Pacific	13%	13%	14%

	<u>% of Q3 FY'15 Revenue</u>	<u>% of Q2 FY'15 Revenue</u>	<u>% of Q3 FY'14 Revenue</u>
Pathways Mix			
Direct	19%	20%	17%
Indirect	81%	80%	83%

Direct revenues are those sold through our direct sales force. Indirect revenues include those sold through value-added resellers, system integrators, OEMs and distributors. Indirect revenue reflects order fulfillment and is not reflective of who is responsible for the customer relationship.

	<u>Q3 FY'15</u>	<u>Q2 FY'15</u>	<u>Q3 FY'14</u>
Non-GAAP Gross Margins			
Non-GAAP Gross Margin	64.6%	65.0%	63.5%
Product	57.0%	58.4%	57.1%
Software Entitlements & Maintenance (SEM)	95.9%	96.2%	96.6%
Service	64.5%	62.7%	60.8%

	<u>Q3 FY'15</u>	<u>Q2 FY'15</u>	<u>Q3 FY'14</u>
Non-GAAP Income from Operations, Income before Income Taxes & Effective Tax Rate			
Non-GAAP Income from Operations	\$287.7	\$274.8	\$313.3
% of Net Revenues	18.5%	17.8%	19.5%
Non-GAAP Income before Income Taxes	\$285.3	\$271.2	\$316.2
Non-GAAP Effective Tax Rate	16.5%	16.5%	17.6%

Non-GAAP Net Income

	<u>Q3 FY'15</u>	<u>Q2 FY'15</u>	<u>Q3 FY'14</u>
Non-GAAP Net Income	\$238.3	\$226.4	\$260.6
Weighted Average Common Shares Outstanding, Diluted	317.1	323.5	346.2
Non-GAAP Net Income per Share, Diluted	\$0.75	\$0.70	\$0.75

Select Balance Sheet Items

	<u>Q3 FY'15</u>	<u>Q2 FY'15</u>	<u>Q3 FY'14</u>
Deferred Revenue	\$3,109.7	\$3,047.0	\$2,959.3
DSO (days)	39	37	33
Inventory Turns	19	20	20

Days sales outstanding (DSO) is defined as accounts receivable, net divided by net revenues, multiplied by the number of days in the quarter.

Inventory turns is defined as annualized non-GAAP cost of revenues divided by net inventories.

Select Cash Flow Statement Items

	<u>Q3 FY'15</u>	<u>Q2 FY'15</u>	<u>Q3 FY'14</u>
Net Cash Provided by Operating Activities	\$274.6	\$381.4	\$331.8
Purchases of Property and Equipment	\$28.6	\$51.1	\$57.9
Free Cash Flow	\$246.0	\$330.3	\$273.9
Free Cash Flow as % of Net Revenues	15.9%	21.4%	17.0%

Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less purchases of property and equipment.

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF NON-GAAP TO GAAP
INCOME STATEMENT INFORMATION
(In millions, except net income per share amounts)

	<u>Q3'FY15</u>	<u>Q2'FY15</u>	<u>Q3'FY14</u>
NET INCOME	\$ 176.8	\$ 159.8	\$ 192.1
Adjustments:			
Amortization of intangible assets	19.2	14.5	14.7
Stock-based compensation	66.0	67.8	71.9
Income tax effect of non-GAAP adjustments	(23.7)	(15.7)	(18.1)
NON-GAAP NET INCOME	<u>\$ 238.3</u>	<u>\$ 226.4</u>	<u>\$ 260.6</u>
COST OF REVENUES	\$ 573.9	\$ 560.0	\$ 607.7
Adjustments:			
Amortization of intangible assets	(18.9)	(14.2)	(14.2)
Stock-based compensation	(5.4)	(5.6)	(6.1)
NON-GAAP COST OF REVENUES	<u>\$ 549.6</u>	<u>\$ 540.2</u>	<u>\$ 587.4</u>
COST OF PRODUCT REVENUES	\$ 419.6	\$ 401.8	\$ 450.7
Adjustments:			
Amortization of intangible assets	(18.3)	(13.7)	(13.6)
Stock-based compensation	(1.4)	(1.6)	(1.5)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 399.9</u>	<u>\$ 386.5</u>	<u>\$ 435.6</u>
COST OF SERVICE REVENUES	\$ 144.9	\$ 149.6	\$ 149.3
Adjustments:			
Amortization of intangible assets	(0.6)	(0.5)	(0.6)
Stock-based compensation	(4.0)	(4.0)	(4.6)
NON-GAAP COST OF SERVICE REVENUES	<u>\$ 140.3</u>	<u>\$ 145.1</u>	<u>\$ 144.1</u>
GROSS PROFIT	\$ 977.4	\$ 982.5	\$ 1,002.3
Adjustments:			
Amortization of intangible assets	18.9	14.2	14.2
Stock-based compensation	5.4	5.6	6.1
NON-GAAP GROSS PROFIT	<u>\$ 1,001.7</u>	<u>\$ 1,002.3</u>	<u>\$ 1,022.6</u>
SALES AND MARKETING EXPENSES	\$ 474.8	\$ 488.0	\$ 475.9
Adjustments:			
Amortization of intangible assets	(0.3)	(0.3)	(0.5)
Stock-based compensation	(29.6)	(30.4)	(33.0)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 444.9</u>	<u>\$ 457.3</u>	<u>\$ 442.4</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 229.9	\$ 229.0	\$ 230.3
Adjustment:			
Stock-based compensation	(21.9)	(21.2)	(23.6)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 208.0</u>	<u>\$ 207.8</u>	<u>\$ 206.7</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 70.2	\$ 73.0	\$ 69.4
Adjustment:			
Stock-based compensation	(9.1)	(10.6)	(9.2)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 61.1</u>	<u>\$ 62.4</u>	<u>\$ 60.2</u>

NETAPP, INC.
RECONCILIATION OF NON-GAAP TO GAAP
INCOME STATEMENT INFORMATION
(In millions, except net income per share amounts)

	<u>Q3'FY15</u>	<u>Q2'FY15</u>	<u>Q3'FY14</u>
OPERATING EXPENSES	\$ 774.9	\$ 790.0	\$ 775.6
Adjustments:			
Amortization of intangible assets	(0.3)	(0.3)	(0.5)
Stock-based compensation	(60.6)	(62.2)	(65.8)
NON-GAAP OPERATING EXPENSES	<u>\$ 714.0</u>	<u>\$ 727.5</u>	<u>\$ 709.3</u>
INCOME FROM OPERATIONS	\$ 202.5	\$ 192.5	\$ 226.7
Adjustments:			
Amortization of intangible assets	19.2	14.5	14.7
Stock-based compensation	66.0	67.8	71.9
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 287.7</u>	<u>\$ 274.8</u>	<u>\$ 313.3</u>
INCOME BEFORE INCOME TAXES	\$ 200.1	\$ 188.9	\$ 229.6
Adjustments:			
Amortization of intangible assets	19.2	14.5	14.7
Stock-based compensation	66.0	67.8	71.9
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 285.3</u>	<u>\$ 271.2</u>	<u>\$ 316.2</u>
PROVISION FOR INCOME TAXES	\$ 23.3	\$ 29.1	\$ 37.5
Adjustment:			
Income tax effect of non-GAAP adjustments	23.7	15.7	18.1
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 47.0</u>	<u>\$ 44.8</u>	<u>\$ 55.6</u>
NET INCOME PER SHARE	\$ 0.56	\$ 0.49	\$ 0.55
Adjustments:			
Amortization of intangible assets	0.06	0.04	0.04
Stock-based compensation	0.21	0.21	0.21
Income tax effect of non-GAAP adjustments	(0.07)	(0.05)	(0.05)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.75</u>	<u>\$ 0.70</u>	<u>\$ 0.75</u>

RECONCILIATION OF NON-GAAP TO GAAP

GROSS MARGIN

(\$ in millions)

	<u>Q3'FY15</u>	<u>Q2'FY15</u>	<u>Q3'FY14</u>
Gross margin-GAAP	63.0%	63.7%	62.3%
Cost of revenues adjustments	1.6%	1.3%	1.3%
Gross margin-Non-GAAP	64.6%	65.0%	63.5%
GAAP cost of revenues	\$ 573.9	\$ 560.0	\$ 607.7
Cost of revenues adjustments:			
Amortization of intangible assets	(18.9)	(14.2)	(14.2)
Stock-based compensation	(5.4)	(5.6)	(6.1)
Non-GAAP cost of revenues	\$ 549.6	\$ 540.2	\$ 587.4
Net revenues	\$ 1,551.3	\$ 1,542.5	\$ 1,610.0

RECONCILIATION OF NON-GAAP TO GAAP

PRODUCT GROSS MARGIN

(\$ in millions)

	<u>Q3'FY15</u>	<u>Q2'FY15</u>	<u>Q3'FY14</u>
Product gross margin-GAAP	54.9%	56.8%	55.6%
Cost of product revenues adjustments	2.1%	1.6%	1.5%
Product gross margin-Non-GAAP	57.0%	58.4%	57.1%
GAAP cost of product revenues	\$ 419.6	\$ 401.8	\$ 450.7
Cost of product revenues adjustments:			
Amortization of intangible assets	(18.3)	(13.7)	(13.6)
Stock-based compensation	(1.4)	(1.6)	(1.5)
Non-GAAP cost of product revenues	\$ 399.9	\$ 386.5	\$ 435.6
Product revenues	\$ 929.5	\$ 929.1	\$ 1,015.0

RECONCILIATION OF NON-GAAP TO GAAP

SERVICES GROSS MARGIN

(\$ in millions)

	<u>Q3'FY15</u>	<u>Q2'FY15</u>	<u>Q3'FY14</u>
Services gross margin-GAAP	63.3%	61.6%	59.4%
Cost of service revenues adjustments	1.2%	1.2%	1.4%
Services gross margin-Non-GAAP	64.5%	62.7%	60.8%
GAAP cost of service revenues	\$ 144.9	\$ 149.6	\$ 149.3
Cost of service revenues adjustments:			
Amortization of intangible assets	(0.6)	(0.5)	(0.6)
Stock-based compensation	(4.0)	(4.0)	(4.6)
Non-GAAP cost of service revenues	\$ 140.3	\$ 145.1	\$ 144.1
Service revenues	\$ 395.2	\$ 389.2	\$ 368.0

**RECONCILIATION OF NON-GAAP TO GAAP
EFFECTIVE TAX RATE**

	<u>Q3'FY15</u>	<u>Q2'FY15</u>	<u>Q3'FY14</u>
GAAP effective tax rate	11.6%	15.4%	16.3%
Adjustments:			
Tax effect of non-GAAP adjustments	4.9%	1.1%	1.3%
Non-GAAP effective tax rate	<u>16.5%</u>	<u>16.5%</u>	<u>17.6%</u>

**RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES
TO FREE CASH FLOW (NON-GAAP)
(In millions)**

	<u>Q3'FY15</u>	<u>Q2'FY15</u>	<u>Q3'FY14</u>
Net cash provided by operating activities	\$ 274.6	\$ 381.4	\$ 331.8
Purchases of property and equipment	(28.6)	(51.1)	(57.9)
Free cash flow	<u>\$ 246.0</u>	<u>\$ 330.3</u>	<u>\$ 273.9</u>

**INVENTORY TURNS AND RECONCILIATION OF NON-GAAP TO GAAP
COST OF REVENUES USED IN INVENTORY TURNS
(In millions, except annualized inventory turns)**

	<u>Q3'FY15</u>	<u>Q2'FY15</u>	<u>Q3'FY14</u>
Annualized inventory turns- GAAP	19	21	21
Cost of revenues adjustments	(1)	(1)	(1)
Annualized inventory turns-Non-GAAP	<u>19</u>	<u>20</u>	<u>20</u>
GAAP cost of revenues	\$ 573.9	\$ 560.0	\$ 607.7
Cost of revenues adjustments:			
Amortization of intangible assets	(18.9)	(14.2)	(14.2)
Stock-based compensation	(5.4)	(5.6)	(6.1)
Non-GAAP cost of revenues	<u>\$ 549.6</u>	<u>\$ 540.2</u>	<u>\$ 587.4</u>
Inventory	\$ 117.8	\$ 107.6	\$ 118.2

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FOURTH QUARTER FISCAL 2015

	Fourth Quarter Fiscal 2015
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Non-GAAP Guidance - Net Income Per Share	\$0.70 - \$0.75
Adjustments of Specific Items to Net Income Per Share for the Fourth Quarter Fiscal 2015:	
Amortization of intangible assets	(0.05)
Stock-based compensation expense	(0.20)
Income tax effect of non-GAAP adjustments	0.01
Total Adjustments	<hr/> (0.24)
GAAP Guidance - Net Income Per Share	\$0.46 - \$0.51