

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

	April 27, 2012	April 29, 2011
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 5,398.5	\$ 5,174.7
Accounts receivable, net	830.9	742.6
Inventories	161.5	108.5
Other current assets	435.6	339.4
Total current assets	6,826.5	6,365.2
Property and equipment, net	1,137.2	911.6
Goodwill and other intangible assets, net	1,141.2	813.3
Other non-current assets	427.4	408.7
Total assets	\$ 9,532.3	\$ 8,498.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 233.1	\$ 232.8
Accrued compensation and other current liabilities	717.9	763.0
1.75% Convertible Senior Notes due 2013	1,202.3	1,150.4
Short-term deferred revenue	1,366.5	1,226.6
Total current liabilities	3,519.8	3,372.8
Other long-term liabilities	206.9	192.9
Long-term deferred revenue	1,449.4	1,088.3
Total liabilities	5,176.1	4,654.0
1.75% Convertible Senior Notes due 2013	62.6	114.6
Stockholders' equity	4,293.6	3,730.2
Total liabilities and stockholders' equity	\$ 9,532.3	\$ 8,498.8

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

	Three Months Ended		Year Ended	
	April 27, 2012	April 29, 2011	April 27, 2012	April 29, 2011
Revenues:				
Product	\$ 1,165.1	\$ 960.5	\$ 4,209.7	\$ 3,367.1
Software entitlements and maintenance	212.5	187.0	812.2	720.6
Service	324.9	280.8	1,211.3	1,034.9
Net revenues	<u>1,702.5</u>	<u>1,428.3</u>	<u>6,233.2</u>	<u>5,122.6</u>
Cost of revenues:				
Cost of product	564.0	379.1	1,979.9	1,342.0
Cost of software entitlements and maintenance	6.8	4.8	23.9	15.7
Cost of service	136.7	116.2	516.0	436.2
Total cost of revenues	<u>707.5</u>	<u>500.1</u>	<u>2,519.8</u>	<u>1,793.9</u>
Gross profit	<u>995.0</u>	<u>928.2</u>	<u>3,713.4</u>	<u>3,328.7</u>
Operating expenses:				
Sales and marketing	478.1	462.6	1,864.0	1,597.0
Research and development	221.6	176.5	828.2	648.6
General and administrative	71.5	69.0	264.9	251.3
Restructuring and other charges	-	2.4	-	1.8
Acquisition-related expense	2.4	4.8	9.8	5.7
Total operating expenses	<u>773.6</u>	<u>715.3</u>	<u>2,966.9</u>	<u>2,504.4</u>
Income from operations	221.4	212.9	746.5	824.3
Other expense, net				
Interest income	10.6	10.3	38.2	39.9
Interest expense	(20.0)	(19.7)	(74.7)	(75.9)
Other income, net	2.5	4.6	2.4	5.8
Total other expense, net	<u>(6.9)</u>	<u>(4.8)</u>	<u>(34.1)</u>	<u>(30.2)</u>
Income before income taxes	214.5	208.1	712.4	794.1
Provision for income taxes	33.8	47.5	107.0	121.0
Net income	<u>\$ 180.7</u>	<u>\$ 160.6</u>	<u>\$ 605.4</u>	<u>\$ 673.1</u>
Net income per share:				
Basic	<u>\$ 0.50</u>	<u>\$ 0.44</u>	<u>\$ 1.66</u>	<u>\$ 1.87</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.40</u>	<u>\$ 1.58</u>	<u>\$ 1.71</u>
Shares used in net income per share calculations:				
Basic	<u>363.4</u>	<u>368.1</u>	<u>363.9</u>	<u>360.9</u>
Diluted	<u>381.7</u>	<u>403.6</u>	<u>384.3</u>	<u>393.7</u>

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

	Three Months Ended		Year Ended	
	April 27, 2012	April 29, 2011	April 27, 2012	April 29, 2011
Cash flows from operating activities:				
Net income	\$ 180.7	\$ 160.6	\$ 605.4	\$ 673.1
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	82.6	42.3	293.1	165.6
Stock-based compensation	59.8	48.2	257.6	175.2
Accretion of discount and issuance costs on notes	14.2	13.9	52.9	53.1
Tax benefit from stock-based compensation	32.8	53.6	107.5	128.5
Excess tax benefit from stock-based compensation	(32.6)	(64.4)	(113.3)	(127.7)
Other, net	0.7	14.7	(71.2)	(11.5)
Changes in assets and liabilities, net of acquisition of businesses:				
Accounts receivable	(146.2)	(185.2)	(90.4)	(262.7)
Inventories	(7.7)	(14.4)	(16.5)	4.4
Accounts payable	21.8	41.0	11.4	38.7
Accrued compensation and other current liabilities	112.2	159.4	(48.3)	118.8
Deferred revenue	271.9	231.4	506.4	382.9
Changes in other operating assets and liabilities, net	(7.6)	(42.3)	(32.0)	7.9
Net cash provided by operating activities	<u>582.6</u>	<u>458.8</u>	<u>1,462.6</u>	<u>1,346.3</u>
Cash flows from investing activities:				
Purchases of investments, net	(1,403.7)	417.0	(1,424.9)	(418.5)
Purchases of property and equipment	(124.2)	(72.9)	(407.1)	(222.7)
Acquisition of businesses, net of cash acquired	-	(61.6)	(480.0)	(136.5)
Other investing activities, net	1.6	(0.3)	1.6	0.5
Net cash provided by (used in) investing activities	<u>(1,526.3)</u>	<u>282.2</u>	<u>(2,310.4)</u>	<u>(777.2)</u>
Cash flows from financing activities:				
Issuance of common stock	41.1	12.2	142.1	324.2
Repurchase and retirement of common stock	-	-	(600.0)	-
Excess tax benefit from stock-based compensation	32.6	64.4	113.3	127.7
Other financing activities, net	(2.1)	(1.4)	1.0	(1.0)
Net cash provided by (used in) financing activities	<u>71.6</u>	<u>75.2</u>	<u>(343.6)</u>	<u>450.9</u>
Effect of exchange rate changes on cash and cash equivalents	1.0	21.7	(16.1)	32.3
Net increase (decrease) in cash and cash equivalents	(871.1)	837.9	(1,207.5)	1,052.3
Cash and cash equivalents:				
Beginning of period	2,420.9	1,919.4	2,757.3	1,705.0
End of period	<u>\$ 1,549.8</u>	<u>\$ 2,757.3</u>	<u>\$ 1,549.8</u>	<u>\$ 2,757.3</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)

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>April 27, 2012</u>	<u>April 29, 2011</u>	<u>April 27, 2012</u>	<u>April 29, 2011</u>
<u>SUMMARY RECONCILIATION OF NET INCOME</u>				
NET INCOME	\$ 180.7	\$ 160.6	\$ 605.4	\$ 673.1
Adjustments:				
Amortization of intangible assets	21.4	4.3	89.0	17.7
Stock-based compensation	59.8	48.4	257.6	175.2
Restructuring and other charges	-	2.4	-	1.8
Acquisition-related expense	2.4	4.8	17.8	5.7
Non-cash interest expense	14.2	13.9	52.9	53.1
Gain on investments	(0.6)	(0.9)	(1.3)	(3.4)
Income tax effect of non-GAAP adjustments	(25.5)	3.2	(95.2)	(57.5)
NON-GAAP NET INCOME	<u>\$ 252.4</u>	<u>\$ 236.7</u>	<u>\$ 926.2</u>	<u>\$ 865.7</u>
NET INCOME PER SHARE	\$ 0.473	\$ 0.398	\$ 1.575	\$ 1.710
Adjustments:				
Amortization of intangible assets	0.056	0.011	0.232	0.045
Stock-based compensation	0.157	0.120	0.670	0.445
Restructuring and other charges	-	0.006	-	0.005
Acquisition-related expense	0.006	0.012	0.046	0.014
Non-cash interest expense	0.037	0.034	0.138	0.135
Gain on investments	(0.001)	(0.002)	(0.003)	(0.009)
Income tax effect of non-GAAP adjustments	(0.067)	0.008	(0.248)	(0.146)
NON-GAAP NET INCOME PER SHARE	<u>\$ 0.661</u>	<u>\$ 0.586</u>	<u>\$ 2.410</u>	<u>\$ 2.199</u>

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

Three Months Ended April 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	\$ 14.0	\$ 1.3	\$ -	\$ -	\$ -	\$ -	\$ 15.3
Cost of service revenues	-	4.0	-	-	-	-	4.0
Sales and marketing expense	7.4	29.5	-	-	-	-	36.9
Research and development expense	-	17.1	-	-	-	-	17.1
General and administrative expense	-	7.9	-	-	-	-	7.9
Acquisition-related expense	-	-	-	2.4	-	-	2.4
Interest expense	-	-	-	-	14.2	-	14.2
Other income, net	-	-	-	-	-	(0.6)	(0.6)
Effect on income before income taxes	\$ 21.4	\$ 59.8	\$ -	\$ 2.4	\$ 14.2	\$ (0.6)	\$ 97.2

Three Months Ended April 29, 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	\$ 3.1	\$ 1.0	\$ -	\$ -	\$ -	\$ -	\$ 4.1
Cost of service revenues	-	3.8	-	-	-	-	3.8
Sales and marketing expense	1.1	22.4	-	-	-	-	23.5
Research and development expense	0.1	12.9	-	-	-	-	13.0
General and administrative expense	-	8.3	-	-	-	-	8.3
Restructuring and other charges	-	-	2.4	-	-	-	2.4
Acquisition-related expense	-	-	-	4.8	-	-	4.8
Interest expense	-	-	-	-	13.9	-	13.9
Other income, net	-	-	-	-	-	(0.9)	(0.9)
Effect on income before income taxes	\$ 4.3	\$ 48.4	\$ 2.4	\$ 4.8	\$ 13.9	\$ (0.9)	\$ 72.9

Year Ended April 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	\$ 55.8	\$ 5.4	\$ -	\$ 5.4	\$ -	\$ -	\$ 66.6
Cost of service revenues	-	17.8	-	-	-	-	17.8
Sales and marketing expense	33.0	126.0	-	-	-	-	159.0
Research and development expense	0.2	74.1	-	2.6	-	-	76.9
General and administrative expense	-	34.3	-	-	-	-	34.3
Acquisition-related expense	-	-	-	9.8	-	-	9.8
Interest expense	-	-	-	-	52.9	-	52.9
Other income, net	-	-	-	-	-	(1.3)	(1.3)
Effect on income before income taxes	\$ 89.0	\$ 257.6	\$ -	\$ 17.8	\$ 52.9	\$ (1.3)	\$ 416.0

Year Ended April 29, 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	\$ 13.3	\$ 3.6	\$ -	\$ -	\$ -	\$ -	\$ 16.9
Cost of service revenues	-	14.4	-	-	-	-	14.4
Sales and marketing expense	4.3	81.5	-	-	-	-	85.8
Research and development expense	0.1	44.5	-	-	-	-	44.6
General and administrative expense	-	31.2	-	-	-	-	31.2
Restructuring and other charges	-	-	1.8	-	-	-	1.8
Acquisition-related expense	-	-	-	5.7	-	-	5.7
Interest expense	-	-	-	-	53.1	-	53.1
Other income, net	-	-	-	-	-	(3.4)	(3.4)
Effect on income before income taxes	\$ 17.7	\$ 175.2	\$ 1.8	\$ 5.7	\$ 53.1	\$ (3.4)	\$ 250.1

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>Year Ended</u>	
	<u>April 27, 2012</u>	<u>April 29, 2011</u>	<u>April 27, 2012</u>	<u>April 29, 2011</u>
<u>SUMMARY RECONCILIATION OF NET INCOME</u>				
NET INCOME	\$ 180.7	\$ 160.6	\$ 605.4	\$ 673.1
Adjustments:				
Amortization of intangible assets	21.4	4.3	89.0	17.7
Stock-based compensation	59.8	48.4	257.6	175.2
Restructuring and other charges	-	2.4	-	1.8
Acquisition-related expense	2.4	4.8	17.8	5.7
Non-cash interest expense	14.2	13.9	52.9	53.1
Gain on investments	(0.6)	(0.9)	(1.3)	(3.4)
Income tax effect of non-GAAP adjustments	(25.5)	3.2	(95.2)	(57.5)
NON-GAAP NET INCOME	<u>\$ 252.4</u>	<u>\$ 236.7</u>	<u>\$ 926.2</u>	<u>\$ 865.7</u>
<u>DETAILED RECONCILIATION OF SPECIFIC ITEMS:</u>				
COST OF REVENUES	\$ 707.5	\$ 500.1	\$ 2,519.8	\$ 1,793.9
Adjustments:				
Amortization of intangible assets	(14.0)	(3.1)	(55.8)	(13.3)
Stock-based compensation	(5.3)	(4.8)	(23.2)	(18.0)
Acquisition-related expense	-	-	(5.4)	-
NON-GAAP COST OF REVENUES	<u>\$ 688.2</u>	<u>\$ 492.2</u>	<u>\$ 2,435.4</u>	<u>\$ 1,762.6</u>
COST OF PRODUCT REVENUES	\$ 564.0	\$ 379.1	\$ 1,979.9	\$ 1,342.0
Adjustments:				
Amortization of intangible assets	(14.0)	(3.1)	(55.8)	(13.3)
Stock-based compensation	(1.3)	(1.0)	(5.4)	(3.6)
Acquisition-related expense	-	-	(5.4)	-
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 548.7</u>	<u>\$ 375.0</u>	<u>\$ 1,913.3</u>	<u>\$ 1,325.1</u>
COST OF SERVICE REVENUES	\$ 136.7	\$ 116.2	\$ 516.0	\$ 436.2
Adjustment:				
Stock-based compensation	(4.0)	(3.8)	(17.8)	(14.4)
NON-GAAP COST OF SERVICE REVENUES	<u>\$ 132.7</u>	<u>\$ 112.4</u>	<u>\$ 498.2</u>	<u>\$ 421.8</u>
GROSS PROFIT	\$ 995.0	\$ 928.2	\$ 3,713.4	\$ 3,328.7
Adjustments:				
Amortization of intangible assets	14.0	3.1	55.8	13.3
Stock-based compensation	5.3	4.8	23.2	18.0
Acquisition-related expense	-	-	5.4	-
NON-GAAP GROSS PROFIT	<u>\$ 1,014.3</u>	<u>\$ 936.1</u>	<u>\$ 3,797.8</u>	<u>\$ 3,360.0</u>
SALES AND MARKETING EXPENSES	\$ 478.1	\$ 462.6	\$ 1,864.0	\$ 1,597.0
Adjustments:				
Amortization of intangible assets	(7.4)	(1.1)	(33.0)	(4.3)
Stock-based compensation	(29.5)	(22.4)	(126.0)	(81.5)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 441.2</u>	<u>\$ 439.1</u>	<u>\$ 1,705.0</u>	<u>\$ 1,511.2</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 221.6	\$ 176.5	\$ 828.2	\$ 648.6
Adjustments:				
Amortization of intangible assets	-	(0.1)	(0.2)	(0.1)
Stock-based compensation	(17.1)	(12.9)	(74.1)	(44.5)
Acquisition-related expense	-	-	(2.6)	-
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 204.5</u>	<u>\$ 163.5</u>	<u>\$ 751.3</u>	<u>\$ 604.0</u>

GENERAL AND ADMINISTRATIVE EXPENSES	\$	71.5	\$	69.0	\$	264.9	\$	251.3
Adjustment:								
Stock-based compensation		(7.9)		(8.3)		(34.3)		(31.2)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$</u>	<u>63.6</u>	<u>\$</u>	<u>60.7</u>	<u>\$</u>	<u>230.6</u>	<u>\$</u>	<u>220.1</u>
OPERATING EXPENSES	\$	773.6	\$	715.3	\$	2,966.9	\$	2,504.4
Adjustments:								
Amortization of intangible assets		(7.4)		(1.2)		(33.2)		(4.4)
Stock-based compensation		(54.5)		(43.6)		(234.4)		(157.2)
Restructuring and other charges		-		(2.4)		-		(1.8)
Acquisition-related expense		(2.4)		(4.8)		(12.4)		(5.7)
NON-GAAP OPERATING EXPENSES	<u>\$</u>	<u>709.3</u>	<u>\$</u>	<u>663.3</u>	<u>\$</u>	<u>2,686.9</u>	<u>\$</u>	<u>2,335.3</u>
INCOME FROM OPERATIONS	\$	221.4	\$	212.9	\$	746.5	\$	824.3
Adjustments:								
Amortization of intangible assets		21.4		4.3		89.0		17.7
Stock-based compensation		59.8		48.4		257.6		175.2
Restructuring and other charges		-		2.4		-		1.8
Acquisition-related expense		2.4		4.8		17.8		5.7
NON-GAAP INCOME FROM OPERATIONS	<u>\$</u>	<u>305.0</u>	<u>\$</u>	<u>272.8</u>	<u>\$</u>	<u>1,110.9</u>	<u>\$</u>	<u>1,024.7</u>
TOTAL OTHER EXPENSES, NET	\$	(6.9)	\$	(4.8)	\$	(34.1)	\$	(30.2)
Adjustments:								
Non-cash interest expense		14.2		13.9		52.9		53.1
Gain on investments		(0.6)		(0.9)		(1.3)		(3.4)
NON-GAAP TOTAL OTHER INCOME, NET	<u>\$</u>	<u>6.7</u>	<u>\$</u>	<u>8.2</u>	<u>\$</u>	<u>17.5</u>	<u>\$</u>	<u>19.5</u>
INCOME BEFORE INCOME TAXES	\$	214.5	\$	208.1	\$	712.4	\$	794.1
Adjustments:								
Amortization of intangible assets		21.4		4.3		89.0		17.7
Stock-based compensation		59.8		48.4		257.6		175.2
Restructuring and other charges		-		2.4		-		1.8
Acquisition-related expense		2.4		4.8		17.8		5.7
Non-cash interest expense		14.2		13.9		52.9		53.1
Gain on investments		(0.6)		(0.9)		(1.3)		(3.4)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$</u>	<u>311.7</u>	<u>\$</u>	<u>281.0</u>	<u>\$</u>	<u>1,128.4</u>	<u>\$</u>	<u>1,044.2</u>
PROVISION FOR INCOME TAXES	\$	33.8	\$	47.5	\$	107.0	\$	121.0
Adjustment:								
Income tax effect of non-GAAP adjustments		25.5		(3.2)		95.2		57.5
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$</u>	<u>59.3</u>	<u>\$</u>	<u>44.3</u>	<u>\$</u>	<u>202.2</u>	<u>\$</u>	<u>178.5</u>
NET INCOME PER SHARE	\$	0.473	\$	0.398	\$	1.575	\$	1.710
Adjustments:								
Amortization of intangible assets		0.056		0.011		0.232		0.045
Stock-based compensation		0.157		0.120		0.670		0.445
Restructuring and other charges		-		0.006		-		0.005
Acquisition-related expense		0.006		0.012		0.046		0.014
Non-cash interest expense		0.037		0.034		0.138		0.135
Gain on investments		(0.001)		(0.002)		(0.003)		(0.009)
Income tax effect of non-GAAP adjustments		(0.067)		0.008		(0.248)		(0.146)
NON-GAAP NET INCOME PER SHARE	<u>\$</u>	<u>0.661</u>	<u>\$</u>	<u>0.586</u>	<u>\$</u>	<u>2.410</u>	<u>\$</u>	<u>2.199</u>

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

	<u>First Quarter 2013</u>
Non-GAAP Guidance	\$0.34 - \$0.39
Adjustments of Specific Items to Net Income Per Share for the First Quarter 2013:	
Amortization of intangible assets	(0.06)
Stock based compensation expense	(0.20)
Non cash interest expense	(0.04)
Income tax effect	0.06
Total Adjustments	<u>(0.24)</u>
GAAP Guidance -Net Income Per Share	\$0.10 - \$0.15