



NetworkAppliance®

Network Appliance

ANNUAL REPORT / 2000

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var iex = (document.all) ? true : false;

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  var iheight = window.innerHeight;
  var speed = 30;
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this.moveIt = moveIt;this.stopIt = stopIt;

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chemical products, total to 10
 mission is to create superior
 our employees.

as and employs about 34,000 people worldwide. In the United States, Chevron is a leading marketer of petroleum products and the third largest producer of natural gas. We are an international company providing energy and chemical products vital to the growth of the world's
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COMPANY PROFILE

Network Appliance pioneered the concept of the network appliance, a simple, high-performance, highly reliable solution for data management and content delivery on the network. We sell filers, which improve the storage and accessibility of data on a network, and caching appliances, which move data closer to end users to improve Internet performance. All our products are designed for multiplatform computing environments and handle data from Windows NT® systems, UNIX® systems, and the World Wide Web. The benefits of Network Appliance™ solutions are clear: they are faster, more reliable, simpler to install and maintain, and more cost-effective than traditional storage technologies, as a growing number of enterprise customers have discovered. Network Appliance is the leading supplier of network-attached data storage and content-access appliances.

Our company was founded in 1992 and went public in 1995. Our stock is traded on the NASDAQ system under the symbol NTAP and is a component of the Standard & Poor's 500 Index and the NASDAQ-100 Index. Network Appliance is based in Sunnyvale, California. More information can be found at www.netapp.com.

FINANCIAL HIGHLIGHTS

Five fiscal years ended April 30, 2000
(In thousands, except per-share amounts)

	2000	1999	1998	1997	1996
Net Sales	\$ 579,300	\$ 289,420	\$ 166,163	\$ 93,333	\$ 46,632
Income from Operations ¹	105,368	55,126	32,658	3,083	6,000
Net Income ²	73,792	35,613	20,965	250	6,600
Net Income Per Share, Basic ²	0.25	0.13	0.08	0.00	0.05
Net Income Per Share, Diluted ²	0.21	0.11	0.07	0.00	0.03
Total Assets	592,233	346,347	115,736	68,941	45,449
Long-Term Obligations	54	93	163	232	318
Total Shareholders' Equity	478,746	295,724	86,265	54,029	39,029

¹ Fiscal 1997 includes the purchased in-process technology and compensation charge related to the IMC acquisition of \$10,519 and the Whipsaw litigation of \$4,300.

² Fiscal 1997 includes the purchased in-process technology and compensation charge related to the IMC acquisition of \$9,215 (net of taxes) and the Whipsaw litigation of \$2,795 (net of taxes).

The common stock of Network Appliance split twice in fiscal 2000, each time two-for-one. All per-share figures are adjusted accordingly.

2000

A GREAT YEAR

By every measure—financial performance, operating results, and returns to shareholders—fiscal 2000 was a great year for Network Appliance (NetApp). We're proud of what we accomplished in our fifth year as a public company; more important, we're energized by the potential we see in fiscal 2001 and beyond. Our long-standing focus on the appliance model of data management and content delivery has created extraordinary opportunities. We're capitalizing on those opportunities just as we always have—by doing one thing and doing it well.

Regarding the format of this year's annual report: we made a very deliberate decision to keep it simple and straightforward in recognition of the fact that more and more investors are using the Internet to obtain detailed and timely financial information. We've put a special Investor Relations section on our Web site (www.netapp.com/company/) and routinely update its content with press releases and other financial communications. We urge you to bookmark that page and visit it often to stay up-to-date on your NetApp investment.

EXCELLENT FINANCIAL PERFORMANCE

Our focus and the tremendous efforts of our nearly 1,500 employees around the world led to terrific financial performance in fiscal 2000. We doubled our revenues and more than doubled our net income during the year. Looking at the quarter-by-quarter numbers tells an even better story: revenue and income growth accelerated throughout the year.

NetApp's growth story is also impressive from a longer-term perspective: in the five years since we went public, revenue has increased eleven-fold (1,143%), while our total net income increased by a factor of 10 (1,018%). We've reported revenue and pro forma pre-tax net income advances in every quarter during this period—20 consecutive quarters of growth.

Our balance sheet remains strong, reflected in part by our growing level of cash and other short-term investments. Also in fiscal 2000, NetApp common stock was split twice (two-for-one each time), in December 1999 and again in March 2000.

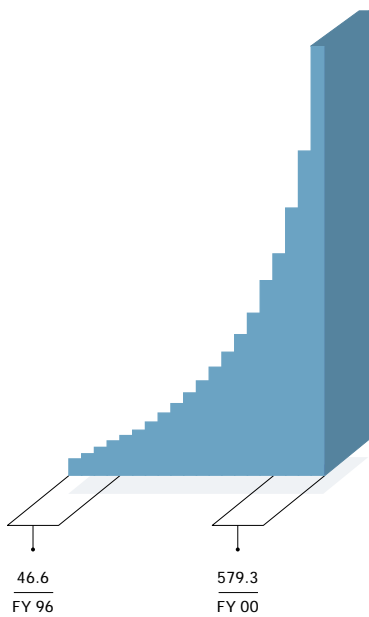
INCREASED MARKET RECOGNITION

Our financial results in fiscal 2000 demonstrate our ability to execute and to profit from the growing market for data management and content delivery on the network. NetApp's growth and performance were also acknowledged in several other ways in fiscal 2000:

- *Our common stock was included in the S&P 500 Index and the NASDAQ-100 Index*
- *NetApp was added to Fortune Magazine's "e-50 List"*
- *Fortune Magazine also named NetApp the "4th fastest-growing U.S. company"*
- *NetApp was ranked #20 on the "Hot Growth Companies" list sponsored by Business Week and #13 on that magazine's "IT 100" list*

Our products were also recognized in fiscal 2000. To cite just one example, Computing Magazine named the NetApp® F760 filer the best Network Attached Storage system in the Servers and Peripherals category for the second year in a row.

Market research firms like International Data Corporation (IDC) and the Gartner Group, as well as equity research professionals on Wall Street, have also begun to acknowledge that storage on the network is the right idea for today's data-intensive, network-centric IT infrastructure. They also recognize NetApp as the market leader—the company with the most innovative solutions in the category of network-attached storage and the broader category of information management and content delivery.



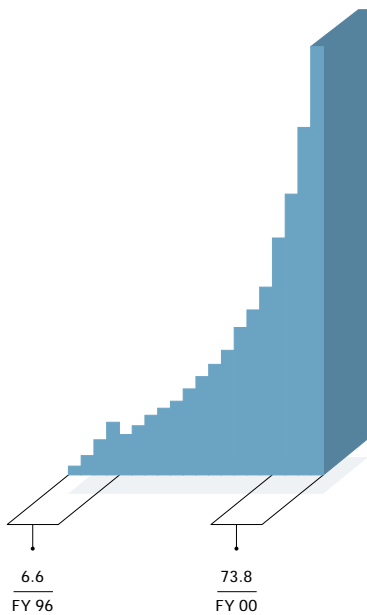
Revenue / \$ IN MILLIONS

In the past five years, revenues increased by 1,143% from \$46.6 million in fiscal year 1996 to \$579.3 million in fiscal year 2000.

ACCELERATING MARKET DEMAND

According to the Gartner Group, the market for network-attached storage is increasing at a rate of 65% per year. The Internet revolution and the rise of enterprise computing have fueled an explosion in the volume and complexity of data, and companies of every size today face the pressing need to manage data effectively. These trends have been major drivers of our own growth at NetApp. Our cost-effective solutions have become a core component of the IT infrastructure because the benefits we deliver—simplicity, flexibility, reliability, and scalability—are ideally suited for Internet and enterprise customers.

NetApp defined this market, and our share of this growing market has increased over the past year. Today we have a majority share of end user spending in the category (60.1%, according to the Gartner Group). We've sold and deployed more than 13,000 systems around the world since the company was formed in 1992.



Net Income / \$ IN MILLIONS

NetApp's net income has grown dramatically since the end of fiscal year 1996: up a total of 1,018% in the past five years.

It's important to remember that storage is simply a starting point for the real value we add. NetApp solutions actually increase the usefulness of data by making that data more accessible and delivering it to end users more quickly. In the era of ubiquitous, always-on computing, accessibility and delivery have emerged as mission-critical.

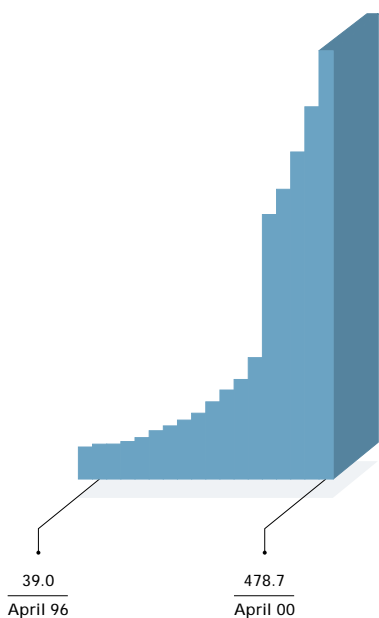
NetApp's customer base is both broad and deep. In fiscal 2000, we solidified relationships with long-standing customers like Cisco Systems and Texas Instruments as well as emerging leaders like Yahoo! and UK's Planet Media Group. We deepened our penetration in the manufacturing and telecommunications sectors on a global scale; for example, BMW, Deutsche Telekom, and Malaysia Telecom are all large NetApp customers. At the same time, we made significant inroads in new sectors where our opportunities are substantial, such as financial services and the oil-and-gas industry. NetApp customers in these markets include Chase Manhattan Bank, Deutsche Bank, Chevron, and Conoco, among others. We also strengthened our position as the solutions provider for large database applications in use across multiple industry sectors.

Our own infrastructure and customer base became substantially more global in fiscal 2000. Armed with the right solutions and the human resources to deploy them around the world, NetApp has been increasingly effective at serving the needs of global enterprises. Notably, we created an entirely new global professional services organization at NetApp in fiscal 2000. This was a substantial investment and an essential complement to our products,

transforming them into true solutions for our customers. Our growing services and support capabilities help us work increasingly with customers as partners.

IMPROVED TECHNOLOGY LEADERSHIP

NetApp has continued to invest in research and development to ensure we remain a technology leader. In the fourth quarter of fiscal 2000, we shipped two new storage-management software solutions: SnapManager™ for Microsoft® Exchange environments and ApplianceWatch™, a centralized management, administration, and optimization application for NetApp systems. Software is the vital element of our solutions and a significant barrier to entry for would-be competitors. In the content-delivery side of our business, we also introduced NetCache™ 4.1, the industry's first streaming media solution that supports all leading streaming formats and Internet protocols.



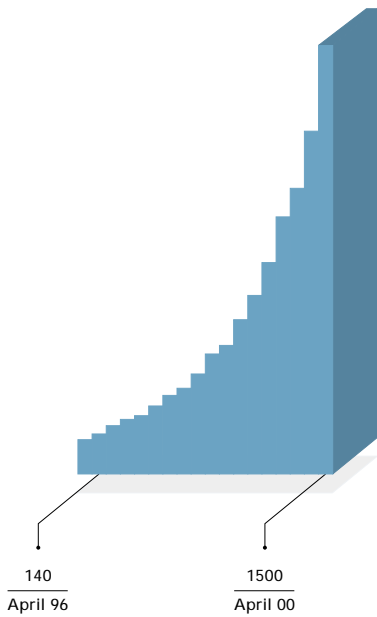
Shareholders' Equity / \$ IN MILLIONS

Shareholders' equity has increased by 1,127% over the past five years, from \$39 million in April 1996 to \$478.7 million in April 2000.

During the year, we assumed a leadership role in setting the agenda for data management and content delivery. For example, working with a number of other technology companies, NetApp formed the Open Storage Networking initiative to define an open architecture and road-map for continuous access and data availability. We believe the open, standards-based approach is the only one that makes sense in today's multiplatform IT world.

LOOKING FORWARD

We head into fiscal 2001 serving a market that is large and growing. We intend to tap this opportunity by doing the same things we've always done. We will continue to develop our family of enterprise solutions. We've made an abiding commitment to technology leadership in data management and content delivery for the Internet era. We remain devoted to our customers' success. Finally, we will continue striving to transform opportunities into shareholder value.



Headcount

As our business has grown, so has the number of people who contribute to our success: the total number of NetApp employees rose by 971% from April 1996 to April 2000.



Dan Warmenhoven

Tom Mendoza

In other words, we stay focused on our vision: “Do one thing—and do it well.” In our view, focus wins. Despite the significant progress and growth we reported in fiscal 2000, we believe we’re only beginning to capitalize on the power and potential of our vision.

All in all, fiscal 2000 was a great year for NetApp. We thank our customers, who have had the vision and the willingness to give us the opportunity to serve them effectively. We also thank our employees and our partners for their hard work, dedication, and enthusiasm. And to our shareholders, we thank you for your confidence and support. We’re looking forward to reporting on our progress in the quarters and years ahead.

Sincerely,

Daniel J. Warmenhoven

*Chief Executive Officer
Network Appliance, Inc.*

Thomas F. Mendoza

*President
Network Appliance, Inc.*



Executive Staff

Left to right:
Christabel Carlton, Dave Hitz,
Mark Santora, Daniel Warmenhoven,
Tom Mendoza, Jeffry Allen,
James Lau, and Chris Liotta

Directors

Donald Valentine (*Chairman*)
Founder
Sequoia Capital

Sanjiv Ahuja
Chief Executive Officer
Comstellar Technologies, Inc.

Carol Bartz
Chairman and Chief Executive Officer
Autodesk, Inc.

Larry Carter
Senior Vice President,
Finance and Administration
Chief Financial Officer and Secretary
Cisco Systems, Inc.

Michael Hallman
President
The Hallman Group

Dr. Sachio Semmoto
Chairman and Chief Executive Officer
eAccess Ltd.

Robert Wall
President
On Point Developments, LLC

Daniel Warmenhoven
Chief Executive Officer
Network Appliance, Inc.

Corporate Officers

Daniel Warmenhoven
Chief Executive Officer

Thomas Mendoza
President

Jeffry Allen
Executive Vice President,
Finance and Operations
and Chief Financial Officer

Dave Hitz
Founder
and Executive Vice President,
Engineering

James Lau
Founder,
Executive Vice President, and
Chief Strategy Officer

Senior Vice Presidents

Christabel Carlton
Senior Vice President,
Human Resources and
Workplace Resources

Chris Liotta
Senior Vice President,
Customer Satisfaction

Mark Santora
Senior Vice President, Marketing

Vice Presidents

Mark Jon Bluth
Vice President,
Manufacturing Operations

Ken Hibbard
Vice President,
Software Engineering

Steven Kleiman
Vice President and
Chief Technology Officer

Scot Klimke
Vice President, IT and
Chief Information Officer

Leslie Paulides
Vice President, Finance and
Corporate Controller

Rob Salmon
Vice President,
North American Sales

Ali Zadeh
Vice President,
ICON

Independent Auditors

Deloitte & Touche, LLP, San Jose, CA

Transfer Agent and Registrar

Computershare Investor Services, LLC, Chicago, IL

Annual Meeting

The Annual Meeting of Shareholders will take place at 3:00 p.m. Pacific Time on Wednesday, October 11, 2000, at the company's headquarters located at 495 East Java Drive, Sunnyvale, CA.

Investor Relations

Network Appliance, Inc. welcomes inquiries from its shareholders and other interested investors. To obtain a copy of the company's Form 10-K, quarterly financial results, and other corporate information, please direct your request to our Web site at www.netapp.com/company/ or send an e-mail to investor_relations@netapp.com. You may also contact us by calling our hotline at 1-800-445-2234 (U.S. and Canada) or at 1-408-822-7098, or write to Investor Relations at Network Appliance, Inc., 495 East Java Drive, Sunnyvale, CA 94089.

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