



NETWORK APPLIANCE
ANNUAL REPORT 2001



TO OUR SHAREHOLDERS



Fiscal 2001 was a year of challenges, but also a year of record-breaking accomplishments for Network Appliance, three of which are particularly noteworthy:


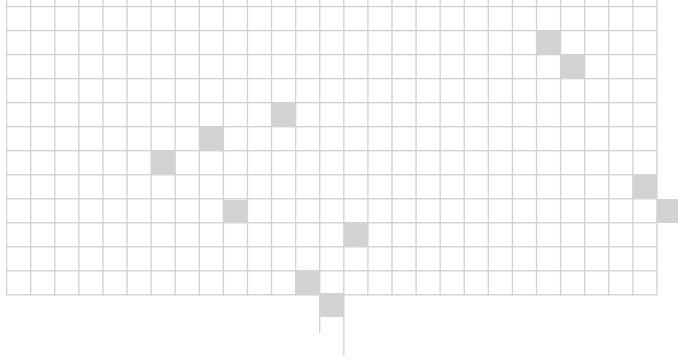
- NetApp generated revenues of more than \$1 billion in fiscal 2001, a 74% increase over fiscal 2000, and shipped a total of four million gigabytes of networked storage.
- NetApp continued to command the #1 position in the market for network-attached storage* and dramatically grew its content delivery solutions business.
- NetApp also substantially broadened its solutions portfolio with scalable, reliable, high-performance products that accelerated our expansion into the enterprise space.

These were enormous achievements, but what energizes us at NetApp is our future potential. We serve companies across an increasingly broad range of market sectors. We have created a unique approach to the challenge of storing, protecting, managing, and delivering high volumes of data. And it is clear to us—and increasingly accepted by the markets we serve—that our approach is the best one for enterprises of all kinds. Even in today's uncertain economic environment, we remain optimistic about the long-term future of NetApp and our brand of enterprise storage solutions.

The information technology (IT) world is accelerating its transition from direct-attached storage to network-centric storage, the model that we pioneered and that is gaining broad acceptance. NetApp's vision of storage on the network delivered by a simple, reliable, appliance-based architecture has powered our billion-dollar growth. Our confidence about NetApp's potential stems from our accomplishments and the fact that our original vision has been validated as the right one for managing enterprise data efficiently and effectively. Data storage is critical for enterprises of all kinds, but global information management has emerged as even more important in today's networked economy. Content delivery—getting data into the hands of users who can put it to work quickly, efficiently, and reliably—is increasingly critical to the success of any enterprise. As a result, NetApp's vision of network storage has expanded to embrace the challenge of global information management and content delivery. Our capabilities—which allow us to move and manage data, not just store it—are vital to our customers' growth and success, and fuel our excitement about the future of our company.

NetApp's Center-to-Edge strategy brings the benefits of network storage to the global enterprise. Center-to-Edge solutions integrate our software and hardware products in a way that enables high-performance, seamless information

*Source: Gartner/Dataquest



distribution, allowing customers to build a global data fabric, from the data center to the outermost edge of the network, from corporate or divisional headquarters to remote offices and workers in the field. This approach delivers several powerful benefits: simplicity, flexibility, scalability, reliability, and performance. Each of these is valuable in its own right, and together they give NetApp solutions a strong competitive advantage: lower total cost of ownership. An independent study found that NetApp solutions reduce the total cost of ownership by up to 75% when compared to our most significant competitor in enterprise application environments running Oracle.† The study also demonstrated that our solutions deliver higher performance and better availability, which translate into improved user productivity.

In other words, NetApp today offers a uniquely powerful solution to an increasingly important issue facing the enterprise: global information management and content delivery. Our platform architecture is optimized to meet this challenge. We are the only company to provide a single, integrated data management and content delivery solution, from the data center to the edge of the network and back. Our solutions are proven in the field, delivering unparalleled performance and reliability. The combination of our approach and an expanding penetration into new enterprise markets is reinforcing NetApp's position as a market leader. Our momentum in

tapping new markets continues to increase. NetApp's enterprise-related database business has grown from 18% to 27% over the last 12 months.

Of course, we recognize the challenges of the current economic environment, and we are being prudent in the way we manage our business. We remain confident about the long-term prospects for Network Appliance. Our customers, representing some of the world's most sophisticated technology companies and leading-edge enterprises in all kinds of industries, are embracing the simplicity of an integrated, cost-effective appliance that can effectively serve the entire spectrum of content management requirements. We believe NetApp is in the right place at the right time. By sticking to our vision, by continuing our commitment to technology and product R&D, and by aggressively attracting new customers and effectively addressing their needs, NetApp will continue to redefine enterprise storage.

We want to thank our more than 2,400 NetApp employees around the world for their commitment, enthusiasm, intelligence, and creativity in fiscal 2001. And, as always, we thank our shareholders, our customers, and our partners for their continued support. We aim to keep earning your confidence in the quarters and years ahead.

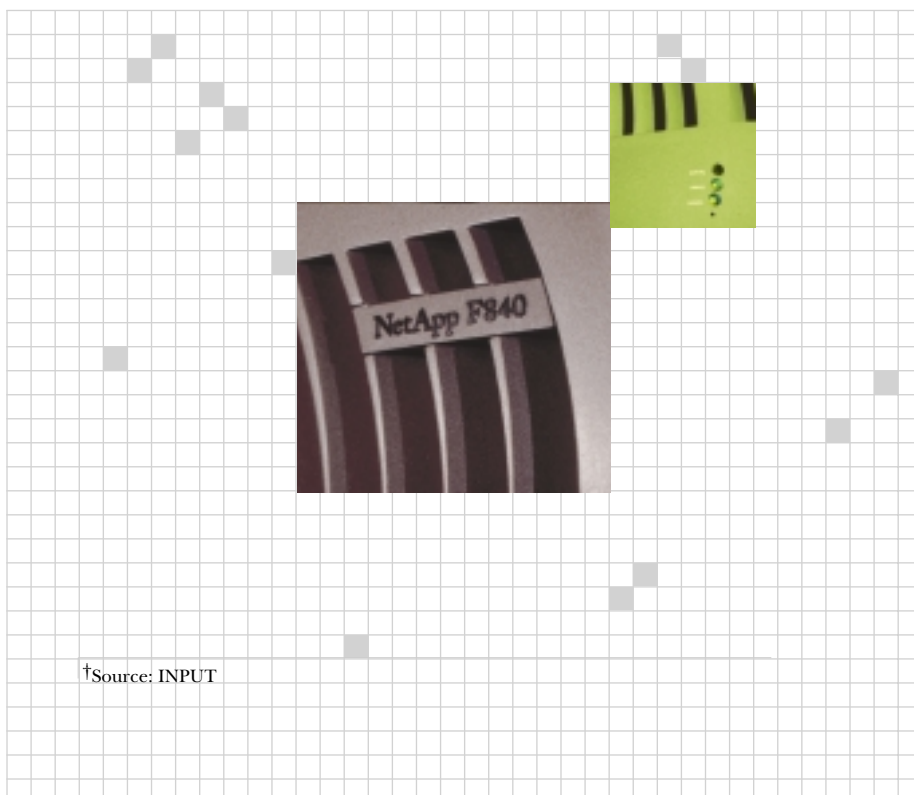
Sincerely,



Daniel Warmenhoven
Chief Executive Officer
Network Appliance, Inc.



Thomas Mendoza
President
Network Appliance, Inc.

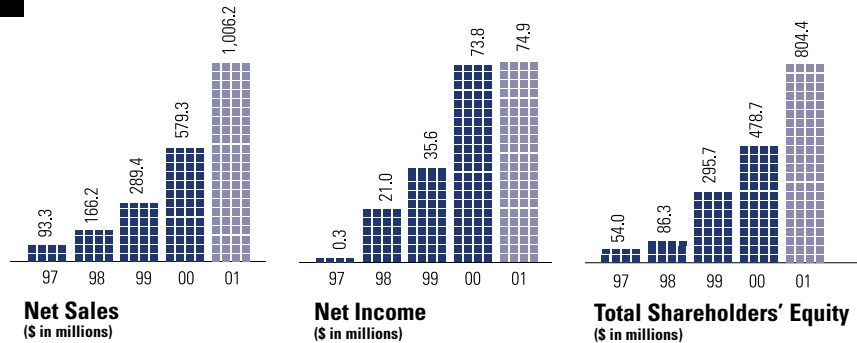


†Source: INPUT



COMPANY PROFILE

FINANCIAL HIGHLIGHTS



Network Appliance (NetApp) pioneered the concept of the “network appliance,” a simple, high-performance, highly reliable solution for data management and content delivery on the network. Today, Network Appliance is the leading supplier of network storage and content delivery appliances. NetApp® filers improve the management and accessibility of data on the network, and our caching appliances move data closer to end users to improve Internet performance. Key software technologies distribute and report on the information as it moves through the network. This Center-to-Edge™ solution offers seamless data management from the data center to the edge of the network. All of our products are designed for multiplatform computing environments and handle data from Windows NT® systems, UNIX® systems, and the World Wide Web. As a growing number of enterprise customers have realized, the benefits of Network Appliance™ solutions are clear: they are faster, more reliable, simpler to install and maintain, and have a lower total cost of ownership than traditional storage technologies.

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

Five fiscal years ended April 30, 2001
(in thousands, except per-share amounts)

	2001	2000	1999	1998	1997
Net Sales	\$ 1,006,186	\$ 579,300	\$ 289,420	\$ 166,163	\$ 93,333
Income from Operations ¹	109,657	105,368	55,126	32,658	3,083
Net Income ²	74,886	73,792	35,613	20,965	250
Net Income per Share, Basic ²	0.23	0.25	0.13	0.08	0.00
Net Income per Share, Diluted ²	0.21	0.21	0.11	0.07	0.00
Total Assets	1,036,252	592,233	346,347	115,736	68,941
Long-Term Obligations	13,031	333	93	163	232
Total Shareholders' Equity	804,448	478,746	295,724	86,265	54,029

1. Fiscal 2001 includes in-process research and development, amortization of intangible assets, and stock compensation charge of \$42,669 related to the Orca Systems and WebManage Technologies acquisitions. 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 2001 includes in-process research and development, amortization of intangible assets, and stock compensation charge of \$40,399 (net of taxes) related to the Orca Systems and WebManage Technologies acquisitions. 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.

EXECUTIVE STAFF



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 AND FOUNDERS

Daniel Warmenhoven
Chief Executive Officer

Thomas Mendoza
President

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

Andrew Kryder
Vice President, Legal and Tax
General Counsel and
Secretary

David Hitz
Founder and
Executive Vice President, Engineering

James Lau
Founder
Executive Vice President and
Chief Strategy Officer

SENIOR VICE PRESIDENTS

Mark Jon Bluth
Senior Vice President,
Manufacturing Operations

Christabel Carlton
Senior Vice President,
People and Places

Edward Deenihan
Senior Vice President,
Global Sales

Steven Kleiman
Senior Vice President, Engineering and
Chief Technology Officer

D. Patrick Linehan
Senior Vice President,
Global Customer Satisfaction

Christopher Liotta
Senior Vice President,
CDBU

Mark Santora
Senior Vice President,
Worldwide Marketing



VICE PRESIDENTS

Robert Albanese
Vice President,
Eastern Area Sales

Thomas Bryant
Vice President,
Workplace Resources

Derrick Burns
Vice President,
Software Engineering

Richard Clifton
Vice President,
Commercial Solutions Marketing

Diptish Datta
Vice President,
Customer Satisfaction

Ian Henderson
Vice President,
European Sales

Kenneth Hibbard
Vice President,
Software Engineering

Scot Klimke
Vice President, IT and
Chief Information Officer

Gerald Lopatin
Vice President,
Hardware Engineering

Kathy Mendoza
Vice President,
Global Alliances

Leslie Paulides
Vice President, Finance and
Corporate Controller

Robert Salmon
Vice President,
North American Sales

Alistair Skinner
Vice President,
Customer Satisfaction

Raymond Villeneuve
Vice President,
Strategic Marketing

Andrew Watson
Vice President,
Strategic Technology

John Williams
Vice President,
CDBU Sales

Ali Zadeh
Vice President,
ICON Sales

INDEPENDENT AUDITORS

Deloitte & Touche, LLP, San Jose, California

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services LLC,
Chicago, Illinois

ANNUAL MEETING

The Annual Meeting of Shareholders will take place at 3:00 p.m. Pacific Time on Thursday, October 18, 2001, at the company's headquarters at 495 East Java Drive, Sunnyvale, California.

INVESTOR RELATIONS

Network Appliance, Inc. welcomes inquiries from its shareholders and other interested investors. To obtain a copy of the company's 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 (800)445-2234 (U.S.) or at (408)822-7098, or writing to Investor Relations at Network Appliance, Inc., 495 East Java Drive, Sunnyvale, California 94089.

© 2001 Network Appliance, Inc.
All rights reserved. Specifications subject to change without notice. NetApp and the Network Appliance logo are registered trademarks and Network Appliance, Center-to-Edge, ContentDirector, and ContentReporter are trademarks of Network Appliance, Inc. in the U.S. and other countries. Windows and Windows NT are registered trademarks of Microsoft Corporation. UNIX is a registered trademark of The Open Group. All other brands or products are trademarks or registered trademarks of their respective holders and should be treated as such.



PROGRESS AND MILESTONES

Achieved the \$1 billion mark in revenues, posting revenue growth of 74% over fiscal 2000 and 978% over the past five years.

Diversified our customer base, making significant inroads into the enterprise and business applications segment. (Sales for database applications storage doubled in fiscal 2001.)

Strengthened our DAFS (direct access file system) initiative by acquiring Orca Systems, a developer of high-performance virtual interface (VI) architecture software. Also purchased WebManage Technologies, the developer of ContentDirector™ and ContentReporter™, key software components of our Center-to-Edge content delivery solution.



10K 2001

Expanded our content delivery/caching solutions business. Revenues from these products increased 111% from fiscal 2000 and now account for 9% of total revenues. In fiscal 2001, revenues increased 20% quarter over quarter and established NetApp as a leader in content delivery/caching.

Launched new products. Expanded our product solution set with new filer and content delivery platforms as well as new data management software.

Announced major partnerships. Created and deepened relationships, including application partnerships with all five of the major database vendors (Oracle, IBM, Sybase, Microsoft, and Informix). Forged major global technology partnerships with SAP, Siebel, Openwave, IBM Global Services, Rational, and PriceWaterhouseCoopers.

Opened a Singapore support location to serve our worldwide customer base and complement our global support strategy.

Network Appliance, Inc.
495 East Java Drive, Sunnyvale, California 94089
(408) 822-6000
www.netapp.com

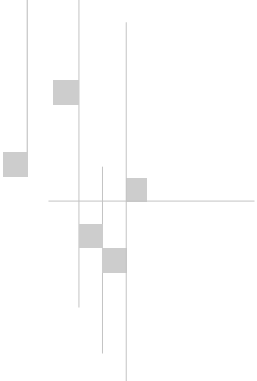
WORLDWIDE OFFICES

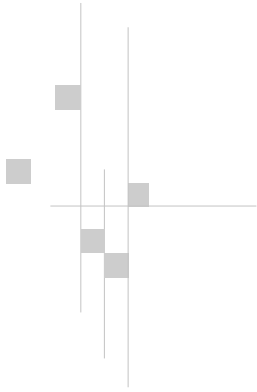
Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark,
Egypt, France, Germany, India, Ireland, Israel, Italy, Japan, Korea, Lebanon,
Malaysia, Mexico, Netherlands, Poland, Singapore, Spain, Switzerland,
Taiwan, United Arab Emirates, United Kingdom, United States



FINANCIAL CONTENTS

Management's Discussion and Analysis of Financial Conditions and Results of Operations	<u>17</u>
Independent Auditors' Report	<u>27</u>
Consolidated Balance Sheets	<u>28</u>
Consolidated Statements of Income	<u>29</u>
Consolidated Statements of Shareholders' Equity and Comprehensive Income	<u>30</u>
Consolidated Statements of Cash Flows	<u>31</u>
Notes to Consolidated Financial Statements	<u>32</u>
Selected Quarterly Financial Data (Unaudited)	<u>47</u>





THIS PAGE INTENTIONALLY LEFT BLANK

