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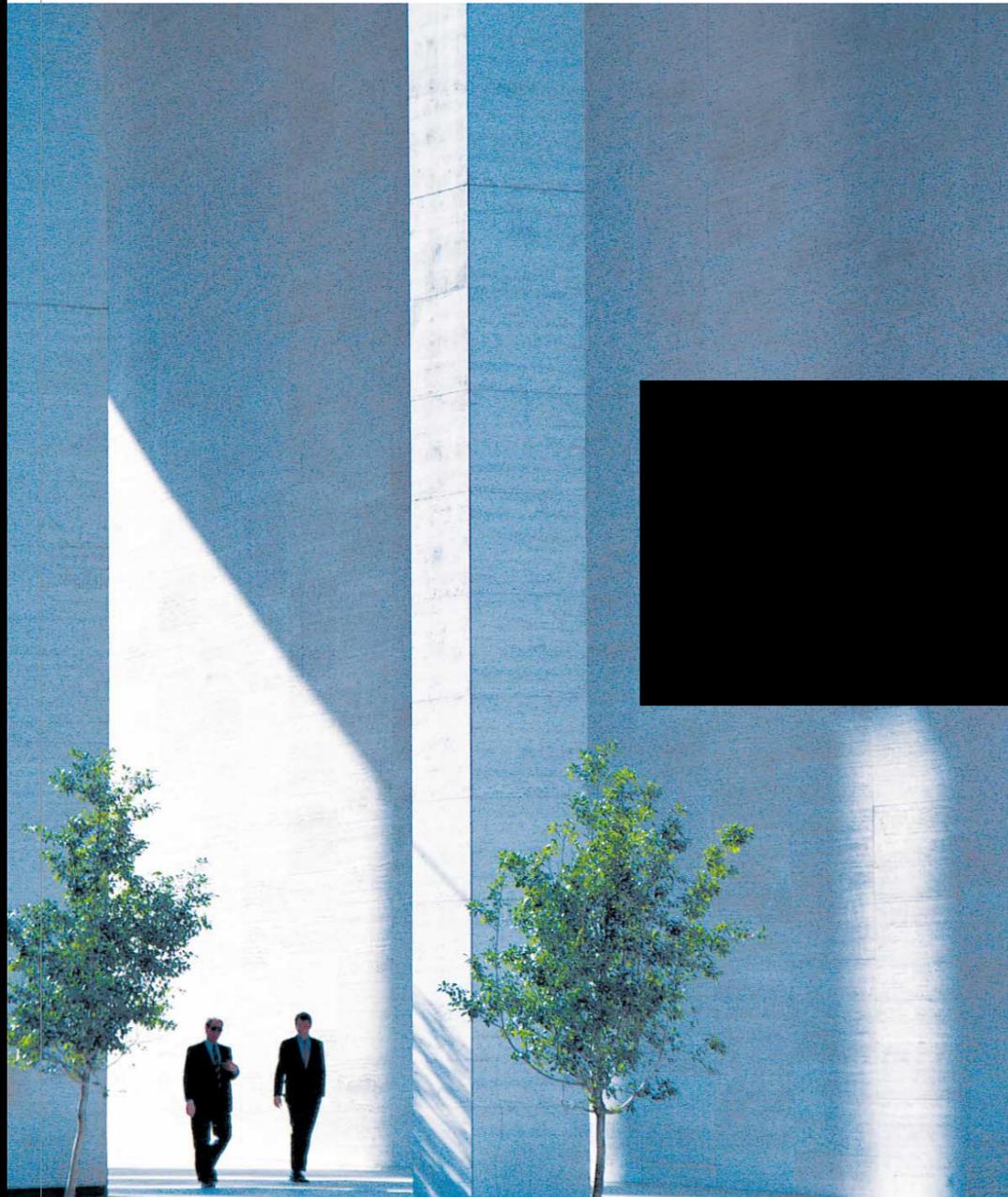
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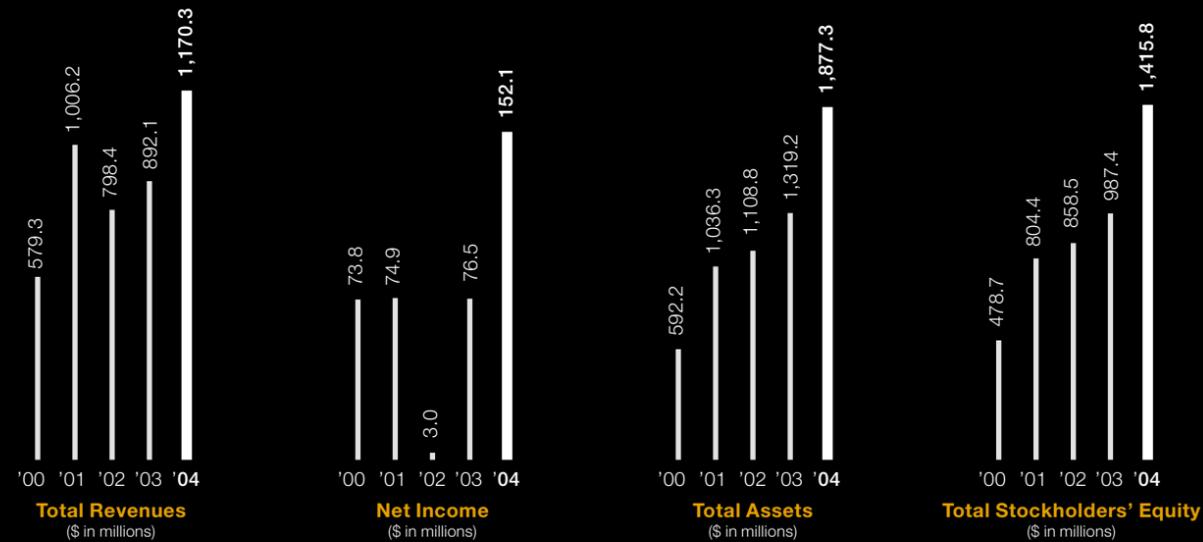
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# Dear Fellow Stockholders:



Dan Warmenhoven and Tom Mendoza

Network Appliance achieved a breakout year in fiscal 2004. With 31% annual growth, NetApp delivered the highest organic revenue growth rate in the network storage industry and ended the year with record revenues of \$1.17 billion. Net income nearly doubled to a record \$152 million. Last year we promised to deliver unparalleled value to our customers through our simple and innovative enterprise storage solutions, and our results speak for themselves. We saw strength across all major product lines and geographies, maintained solid gross margins, achieved our target operating model, and finished the year with over \$800 million in cash and short-term investments after buying back \$136 million worth of stock. It was a phenomenal year. We are proud of our achievements and excited about the momentum we carry into fiscal 2005.

It is clear that NetApp has increased market share in the network storage market. Our revenue growth rate far exceeded that of any of our competitors and was over three times the industry average. More importantly, according to IDC, the market for storage is projected to grow from \$12.5 billion in 2003 to nearly \$16 billion by 2007. Data volumes are growing exponentially, which means companies must spend to add capacity. NetApp is committed to capitalizing on the opportunities in this dynamic industry by making strategic investments in our business to maximize our revenue growth and expand our market share.

Corporations all over the world are spending large amounts of money to solve several common IT business problems, which are clearly contributing to our growth. Disaster recovery and data protection initiatives top the list, along with satisfying increasing regulatory compliance requirements. Customers appreciate our ability to seamlessly facilitate the distributed enterprise with our unified product architecture, inexpensively supporting remote offices as well as providing off-site backup and mirroring capabilities. With the ever-increasing volumes of data and the requirements to keep more of that data longer, we expect demand for storage products to keep increasing. NetApp solutions greatly simplify the management and storage of data for our customers. We have solutions today that solve problems customers will face in the future, providing them with a platform for growth and a partner for success.

Through company-wide efforts, NetApp extended its position as the innovation leader in enterprise storage. In anticipation of several market trends, we launched new and updated products that have become some of the fastest growing in our history. The NearStore product line, iSCSI and Fibre Channel SAN support, and our entry-level FAS200 series are all helping us expand our market share, and our investments are clearly paying off. In addition, our recent acquisition of Spinnaker Networks will allow us to lead the market movement toward scalable storage for grid computing. As a result of the success of our SAN products, our unified architecture, and our future vision, we are now perceived in the market as much more than "just a NAS company."

## Financial Highlights

Five Fiscal Years Ended April 30	2004	2003	2002	2001	2000
Total Revenues	\$ 1,170,310	\$ 892,068	\$ 798,369	\$ 1,006,186	\$ 579,300
Net Income	152,087	76,472	3,033	74,886	73,792
Total Assets	1,877,266	1,319,173	1,108,806	1,036,252	592,233
Total Stockholders' Equity	1,415,848	987,357	858,476	804,448	478,746

(in thousands)

“We will expand our customer programs, partner programs, and back-office infrastructure to provide the best customer experience in the industry.”

Our performance this year also reflects the success we are having in large enterprise accounts. Today this penetration is small as a percentage of their total storage spending, but firmly established and growing. We've gone from small pilot deployments in large corporations to becoming an established vendor and now are considered a trusted supplier for many marquee customers across the globe. We believe we have a huge opportunity in front of us as we enhance our relationships with our existing customers and establish new relationships with additional Fortune 1000 companies. This opportunity requires us to invest in our infrastructure in order to effectively support these customers.

NetApp has always been known for product innovation, and now we are striving to set the industry standard for customer satisfaction through a new internal program called Total Customer Experience, or TCE. Our goal is to exceed our customers' expectations everywhere our organization touches the customer, providing an unparalleled level of service. With our continued investment in people, processes, and systems, we are earning increased customer loyalty through quality interactions, cost-effective and highly dependable products, enhanced services, and strong behind-the-scenes back-office support. As a result, we have developed deeper relationships with many strategic customers, particularly in verticals such as financial services, government, major manufacturing, energy, technology, telecommunications, life sciences, and entertainment.

To fuel future growth, we have also increased investment in our partner ecosystem. Building strong strategic partnerships will assist us in delivering more complete solutions to enterprise accounts—thereby increasing both our enterprise and vertical penetration. We expanded relationships with several large systems integrators, including Accenture, Fujitsu-Siemens, and IBM Global Services. We built additional channel capacity and at the same time consolidated our North American distribution channel, teaming with Arrow Electronics and Avnet Hall-Mark to manage our growing list of resellers. Through these efforts and the additional leverage gained from partners, we ended the year with nearly half of our global revenues coming through the indirect channel.

Here at NetApp we are striving to create a model company even as we achieve our performance goals. One of our stated corporate goals is to preserve our remarkable corporate culture as we grow. We provide a highly desirable work environment for our employees, and for the second year in a row we have been recognized as one of *Fortune* magazine's 100 Best Places to Work and just recently named one of the top 10 Best Places to Work in the Greater San Francisco Bay Area and Silicon Valley. We foster teamwork and invest in growing our people. We consistently hear from customers and prospective employees about the quality of the NetApp people they meet. We are very proud of the NetApp team and thank them for all of their efforts this year.

This year culminated with a return to our target business model. Our focus through 2005 and beyond is to maximize revenue and grow market share by reinvesting prudently in our business, while maintaining operating margins at current levels as we grow. We will expand our customer programs, partner programs, and back-office infrastructure to provide the best customer experience in the industry.

This is an exciting time to be at Network Appliance. We are committed to becoming a multibillion-dollar company in the short term and ultimately becoming the leading storage provider in the industry. Providing customers with unprecedented value through simple, innovative solutions while maximizing shareholder value is our goal. We appreciate your continued support along the way.

Sincerely,



**Dan Warmenhoven**  
Chief Executive Officer



**Tom Mendoza**  
President



# Simplicity

Storage networks within large enterprise companies are anything but simple.

They are complex architectures containing multiple servers, host adapters, switches, software applications, and storage devices, all from different vendors, interconnected through a variety of protocols. As an enterprise's storage capacity requirements continue to escalate, the data management challenge increases exponentially. It is in precisely these types of environments where NetApp solutions can make a compelling difference.

A little over a decade ago, NetApp revolutionized information storage by pioneering storage appliances—simple, flexible, and scalable systems that offered customers unprecedented value through lower total cost of ownership. Today, we have expanded our product line to provide a wide range of storage appliances that allows customers to quickly and easily expand as their storage needs grow. Uniquely, all of our products run on a single, unified operating system, contributing to the simplicity of managing NetApp storage.

The secret to our simplicity lies not in our hardware, but in the elegance of our software. Our customers have found that NetApp storage solutions not only are easier to set up, deploy, and maintain compared to alternative solutions, but give them increased flexibility as their environments change over time. Even as capacities grow, users find they can manage the growth without needing to add more human resources. So by reducing the complexity of managing a storage environment, NetApp also reduces the cost of managing that environment. That's a simple concept every CFO understands.

“We continue to be impressed at the simplicity of running NetApp in our production environment. NetApp allows us to operate what is effectively a storage grid as we continually add infrastructure or replace servers. The ease of management and flexibility of their software let us quickly and easily manage change and introduce new features, products, and services in a very large, complex infrastructure without needing to add additional manpower.”

**Ticketmaster**

Sean Moriarty  
Executive VP

# Innovation



“NetApp has consistently delivered innovative technologies to simplify and unify our enterprise storage and disaster recovery architectures.”

**Office of Naval Intelligence**

Captain Chris Barnes, USN  
CIO and Director, Information Technology

Network Appliance enjoys a reputation as one of the most innovative technology companies in the market today. Our company has a history of anticipating industry trends and quickly turning those predictions into working products to capitalize on new market directions. In the past two years alone, NetApp has been at the forefront of several technology advancements, including:

**Unified Storage.** With the proliferation of heterogeneous storage environments, the distinction between NAS and SAN has blurred. Customers care less about what type of storage they deploy and more about how adaptable it is to changing needs. NetApp offers the only unified SAN/NAS storage system capable of consolidating two distinct environments into a single infrastructure. This provides customers with unparalleled flexibility, scalability, and manageability compared to other approaches.

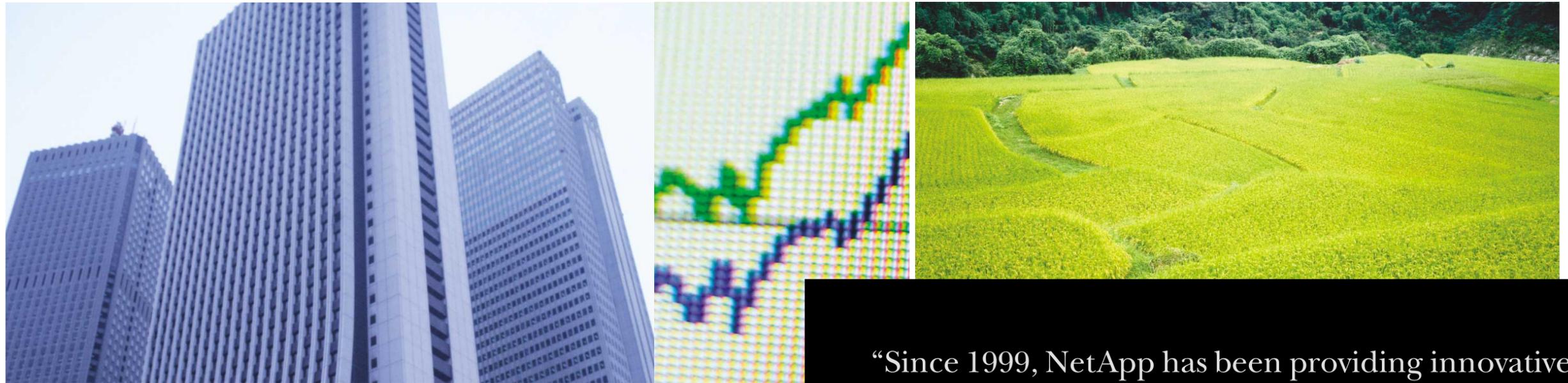
**Disk-Based Backup.** In 2002 Network Appliance introduced the NearStore family of storage solutions to facilitate the rapid backup and recovery of customers' data. Today this represents one of our fastest growing markets. Customers who have experienced the versatility of NearStore® have started using it as the cornerstone of their business continuance, disaster recovery, and regulatory compliance solutions.

**iSCSI.** This year NetApp introduced the iSCSI protocol to the networked storage market. This industry-standard interconnect method allows customers to utilize a single Ethernet infrastructure for all types of storage. The acceptance of iSCSI would accelerate the switch from DAS (direct-attached storage) to FAS (fabric-attached storage), which opens major new market opportunities for NetApp.

**RAID-DP.** Also known as dual-parity RAID, this technology breakthrough dramatically improves the reliability of disk arrays without sacrificing performance. In typical RAID configurations, information is spread across multiple drives such that a single disk failure will not result in a loss of data. With RAID-DP enabled, the system can actually withstand a double-drive failure without any data loss. This unique advancement, available on our FAS servers and NearStore systems, will accelerate the use of ATA drives in primary storage arrays, providing customers with even lower cost storage solutions.

**Blades and Grids.** The concept of grid computing, where hundreds or thousands of blade servers are harnessed into a flexible compute pool, is gaining momentum within corporate data centers. Similarly, customers desire a complementary storage grid, so that a single, unified storage pool can be adapted to changing business needs. Our acquisition this year of Spinnaker Networks gives us a major lead in the scalability and global namespace requirements inherent in this architecture.

# Growth



Since inception, NetApp has succeeded where others said it couldn't be done. Ten years ago, NetApp created the NAS category and turned it into a multibillion-dollar market. Recently we diversified into the SAN market, which has grown to become more than 10% of our business. This year we were first to market with the iSCSI protocol. IDC credits NetApp with over 48% share of the iSCSI market and expects it to grow to almost \$2 billion by 2007. Pioneering the nearline storage concept, NetApp has also grown our NearStore product line to over 10% of the business in less than two years.

Customers value these types of innovative and differentiated solutions, which have resulted in an expansion of our customer base into a broad set of vertical segments. Our market share has consistently grown, and our revenue growth has accelerated over the past two years during one of the worst contractions in IT spending in the last 30 years. And this is just the beginning.

NetApp is dedicated to providing customers with unprecedented value through simple, innovative solutions. Our remarkable growth can be attributed to that fundamental philosophy. And as NetApp has grown, our customers have grown with us. Many customers have scaled to well over a petabyte of NetApp storage over the past few years, and dozens of others have over half of a petabyte and growing.

As our customers grow and the characteristics of their IT landscape expand, they expect more from us. We continue to invest ahead of the curve in the sales and global support infrastructure necessary to provide unprecedented service to our customers as their needs increase, fostering future growth in our enterprise accounts and across the globe.

At NetApp, simplicity, innovation, and growth drive everything we do.

“Since 1999, NetApp has been providing innovative storage solutions for ChevronTexaco Energy and Technology Company—we’ve been impressed with their commitment to understanding our business. Their unified storage strategy has helped us to achieve key IT goals and impact the overall business in a positive way.”

**ChevronTexaco  
Energy Technology Company**

Peter Breunig  
General Manager Technical Computing

# Financials

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# Executive Staff

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The Hallman Group

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Finance

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and Gateway

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Vice President,  
Workplace Resources

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General Manager,  
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and Database Unit

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Major Accounts Program

### **Diptish Datta**

Vice President,  
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Global Support

### **Manish Goel**

Vice President,  
Enterprise Accounts

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Storage Protocols and  
Solution Engineering

### **Jeff Hornung**

Vice President and  
General Manager,  
gFiler Business Unit

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### **Mark Jones**

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Global Service Operations

### **Mike Kazar**

Vice President  
and Chief Architect

### **Scot Klimke**

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Information Technologies,  
and Chief Information Officer

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Vice President,  
Sales—Central Europe

### **Ingemar Lanevi**

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Finance, and Corporate Treasurer

### **Kirk Law**

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### **Amit Pandey**

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Network Appliance  
Federal Systems, Inc.

### **Mark Weiner**

Vice President,  
Sales—Western Europe

### **Phil Williams**

Vice President,  
Worldwide Services Marketing

## Independent Auditors

Deloitte & Touche, LLP,  
San Jose, California

## Transfer Agent and Registrar

Computershare Investor Services,  
LLC, Chicago, Illinois

## Annual Meeting

The Annual Meeting of Stockholders  
will be held at 3:00 p.m. Pacific Time  
on Thursday, September 2, 2004,  
at the company's headquarters  
located at 495 East Java Drive,  
Sunnyvale, California.

## Investor Relations

Network Appliance, Inc. welcomes  
inquiries from stockholders 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.investors.netapp.com](http://www.investors.netapp.com).

or send an e-mail to  
[investor\\_relations@netapp.com](mailto:investor_relations@netapp.com).

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