

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): May 24, 2006

Network Appliance, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	0-27130	77-0307520
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

495 East Java Drive
Sunnyvale, CA 94089
(Address of principal executive offices) (Zip Code)

(408) 822-6000
(Registrant's telephone number, including area code)

Item 2.02.

On May 24, 2006, Network Appliance, Inc. issued a press release announcing its earnings for the fourth quarter and fiscal year 2006. The press release is attached as an exhibit to this Form 8-K, and the information set forth therein is hereby incorporated by reference into this Item 2.02.

Item 9.01(c).

Network Appliance, Inc.'s May 24, 2006 press release is hereby furnished as Exhibit 99.1 to this Form 8-K in connection with the disclosures under Item 2.02 of this Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 24, 2006

By: /s/ Steven Gomo

Steven J. Gomo
Chief Financial Officer

Index to Exhibits

Exhibit -----	Description -----
99.1	Press release of Network Appliance, Inc. issued on May 24, 2006.

Network Appliance Announces Results for Fourth Quarter and Fiscal Year 2006;
Q4 Revenues \$598.0 Million, up 32% Year-over-Year;
Fiscal Year 2006 Revenues \$2.07 Billion, up 29% Year-over-Year

SUNNYVALE, Calif.--(BUSINESS WIRE)--May 24, 2006--Network Appliance, Inc. (NASDAQ:NTAP), the leader in advanced networked storage solutions, today reported results for the fourth quarter and fiscal year 2006. Revenues for the fourth fiscal quarter were \$598.0 million, an increase of 32% compared to revenues of \$451.8 million for the same period a year ago and an increase of 11% compared to \$537.0 million in the prior quarter.

For the fourth fiscal quarter, GAAP net income was \$59.2 million, or \$0.15 per share(1) which includes a non-recurring income tax expense of \$22.5 million, associated with the Repatriation of Foreign Profits under the Jobs Creation Act of 2004. This compares to GAAP net income of \$63.4 million, or \$0.16 per share for the same period in the prior year. Non-GAAP(2) net income for the fourth fiscal quarter increased 34% to \$89.3 million, or \$0.23 per share, compared to non-GAAP net income of \$66.6 million, or \$0.17 per share for the same period a year ago.

Revenues for fiscal year 2006 totaled \$2.07 billion, an increase of 29% compared to revenues of \$1.6 billion for fiscal year 2005.

For fiscal year 2006, GAAP net income increased 18% to \$266.5 million, or \$0.69 per share, compared to GAAP net income of \$225.8 million, or \$0.59 per share for fiscal year 2005. Non-GAAP net income for fiscal year 2006 increased 33% to \$315.3 million, or \$0.81 per share, compared to non-GAAP net income of \$237.7 million, or \$0.62 per share for fiscal year 2005.

"Our fourth quarter performance tops a year of accelerating quarterly growth. This year we broadened our portfolio of enterprise data management solutions, and our results demonstrate how our value proposition resonates with customers," said Dan Warmenhoven, CEO of Network Appliance. "By helping customers reduce the cost and complexity of their storage and data management environment, Network Appliance has established itself as the innovative alternative in the storage market. We look forward to fiscal year 2007 with optimism, as we further increase our market opportunity with a new ultra high-end product and launch our next-generation operating system."

Outlook

- Network Appliance estimates that growth in revenue for the first quarter of fiscal year 2007 will be in the range of 2% to 4%, which translates to 36% to 39% growth year-over-year.
- Including the implementation of SFAS 123R and with current information and assumptions, the company expects first quarter GAAP earnings per share to finish between \$0.13 and \$0.16 per share. Network Appliance expects first quarter non-GAAP earnings per share to be in the range of \$0.23 to \$0.24 per share.
- For the full fiscal year 2007, Network Appliance estimates that revenues will finish in the range of 28% to 30% higher than fiscal year 2006.
- The company expects GAAP earnings per share for fiscal year 2007 to be in the target range of \$0.62 and \$0.72 per share. Network Appliance estimates full-year non-GAAP earnings per share to be in the range of \$0.99 to \$1.04 per share.

Quarterly Highlights

During the fourth quarter of fiscal year 2006, Network Appliance further expanded its breadth of disk-to-disk backup and security solutions, enhanced its Fibre Channel data management offerings, and continued its leadership position in the iSCSI and network-attached storage (NAS) markets.

Earlier in the quarter, NetApp introduced an array of products, technologies, and services that highlight the broad range of NetApp(R) disk-to-disk backup and security solutions which simplify data backup procedures, improve recoverability, and lower backup infrastructure expenses. The new products included a significant expansion of the

NetApp disk-to-disk backup family, including two offerings in the new NearStore(R) Virtual Tape Library (VTL) family, new Decru DataFort(TM) E-Series functionality for unified NAS-iSCSI protocol support, and enhanced capabilities for NetApp customers to protect their remote office/branch office (ROBO) data as well as that in their data centers. Complementary new services announced this quarter included a VTL Design and Implementation Service, a Disaster Recovery Design and Implementation Service, and a Backup and Recovery Design and Implementation Service.

NetApp SnapManager(R) for Microsoft(R) Exchange software achieved Microsoft Simple SAN designation for Microsoft Windows(R) Server Backup/Quick Restore. Achieving the Microsoft Simple SAN Component designation demonstrates to the market that NetApp and Microsoft are providing solutions for quick recovery of Exchange Server 2003 SP2.

This quarter, the company introduced its SnapSearch and Recovery software, the industry's first solution for search and recovery of online backup data. The new software enables customers to quickly and efficiently recover specific files from backup and archive data in minutes.

In other product news, NetApp announced its storage solutions will now support 4Gb Fibre Channel (FC). 4Gb FC combined with NetApp unified storage systems and leading-edge data management software gives customers a compelling and powerful solution for managing large and ever-growing amounts of data. NetApp 4Gb FC will allow customers to increase the performance and availability of critical data and applications, while simplifying complex data management environments, improving productivity in application administration, and lowering storage costs.

This quarter, NetApp announced that according to IDC's Worldwide Quarterly Disk Storage Systems Tracker Q4 2005(3) (as of December 2005), it maintained its position as the market leader in iSCSI in both revenue and capacity for the prior 11 quarters and continued its leadership in capacity market share in NAS. NetApp demonstrated continued leadership in the iSCSI storage market, with number-one market share in capacity shipped (34.6%) and revenue (32.0%) for the full year 2005. In FC SAN, NetApp nearly doubled its year-end 2005 revenue market share to 1.6%, up from 0.9% in 2004, doubled its unit share to 2.2% from 1.1%, and grew capacity shipped by 230%. Finally, NetApp maintained leadership in its core NAS market, with a 42.6% capacity market share, and grew capacity shipped by 56% from year end 2004.

Also this quarter, NetApp extended its position in the NAS and unified storage market according to Gartner's report "Market Share: NAS/Unified Storage, Worldwide, 2000-2005."(4) The total NAS and unified storage market grew 16.1% in 2005 and NetApp grew more quickly than the market, posting annual revenue growth of 22.4%. According to Gartner, the company increased its market share from 52.4% in 2004 to 55.2% in 2005. NetApp leads in both the high-end and midrange parts of the market, with 88.9% market share and 70.5% market share by revenue respectively.

On the partner front, NetApp unveiled several new solution enhancements and partner offerings with BakBone, Bocada, LogLogic, Microsoft, Syncsort and Topio to address a variety of data concerns, including data protection, compliance, data management, backup and recovery, and data replication.

In corporate news, NetApp debuted at number 929 on the FORTUNE 1000 list, the magazine's annual ranking of America's largest corporations determined by revenue. This quarter NetApp also announced the 2005 NetApp Innovation Award winners. The NetApp Innovation Awards recognize customers and partners who have implemented NetApp solutions in an innovative way to positively impact their business.

Internationally, NetApp inaugurated its new development center facility, the only one outside of the United States, at Golf Links Software Parks, Bangalore. The facility currently has the capacity to seat up to 750 people and will be a strategic center for research and product development, creating technologies that enable the largest enterprises to store, move, and manage data more effectively. A large number of Fortune 500 enterprises are global customers of NetApp, and in India the enterprise customer base is over 250 strong.

Webcast Information and Conference Call Information

-- The NetApp quarterly results conference call will be broadcast live via the Internet at <http://investors.netapp.com> on Wednesday, May 24, 2006, at 2:00 p.m. Pacific Time. This press

release and any other information related to the call will also be posted to the Web site at that location.

- The conference call will also be available live in a listen-only format at (866) 383-8009 in the United States and (617) 597-5432 outside the United States. The passcode for both numbers is 49211508.
- A replay will be available for 72 hours following the completion of the live call by dialing (888) 286-8010 in the United States and (617) 801-6888 outside the United States, with replay code 63342796. The Webcast replay will be posted on our Web site for at least one year.

About Network Appliance

Network Appliance(TM) is a world leader in unified storage solutions for today's data-intensive enterprise. Since its inception in 1992, Network Appliance has delivered technology, product, and partner firsts that simplify data management. Information about Network Appliance solutions and services is available at www.netapp.com.

"Safe Harbor" Statement under U.S. Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include all of the statements under the Outlook section relating to our forecasted operating results and metrics for the first quarter of fiscal 2007 and for all of fiscal 2007, statements regarding our optimism for its 2007 fiscal year generally, statements regarding the anticipated benefits of our new products, technologies and services, including VTL, Decru DataFort E-Series, ROBO, Exchange Server, 4Gb products and SnapSearch and Recovery software, and statements regarding anticipated benefits from partner offerings and our Bangalore development center. These forward-looking statements involve risks and uncertainties, and actual results could vary. Important factors that could cause actual results to differ materially from those in the forward looking statements include general economic and industry conditions, including expenditure trends for storage-related products; risks associated with the anticipated growth in network storage and content delivery markets; our ability to deliver new product architectures and enterprise service offerings, competition risks, including our ability to design products and services that compete effectively from a price and performance perspective; risks with new product introductions, our reliance on a limited number of suppliers; our ability to accurately forecast demand for our products and successfully manage our relationships with our contract manufacturers; our ability to expand our direct sales operations and reseller distribution channels; our ability to develop, maintain and strengthen our relationships and product offerings with strategic partners; risks associated with international operations; our ability to successfully acquire and integrate complementary businesses and technologies; foreign currency exchange rate fluctuations; and other important factors as described in Network Appliance, Inc.'s reports and documents filed from time to time with the Securities and Exchange Commission, including the factors described under the sections captioned "risk factors" in our most recently submitted 10-K and 10-Q. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events or otherwise.

(1) Earnings per share represent the diluted number of shares for all periods presented.

(2) Non-GAAP results of operations exclude amortization of intangible assets, in process research and development, stock compensation, restructuring charges/recoveries, net gain/loss on investments and the related effects on income taxes, as well as nonrecurring American Jobs Creation Act income tax expense and certain discrete GAAP provision for income tax matters recognized ratably for non-GAAP purposes.

(3) IDC's Worldwide Quarterly Disk Storage Systems Tracker Q4 2005

(4) Market Share: NAS/Unified Storage, Worldwide, 2000-2005

NetApp, NearStore and SnapManager are registered trademarks and Network Appliance is a trademark of Network Appliance Inc. in the United States and other countries. Decru DataFort is a trademark of Decru Inc., a NetApp company. All other trademarks belong to their respective owners and should be treated as such.

Network Appliance Usage of Non-GAAP Financials.

The Company refers to the non-GAAP financial measures cited above in making operating decisions because they provide meaningful supplemental information regarding the Company's operational performance. These non-GAAP financial measures exclude amortization of intangible assets, in-process research and development, stock compensation, restructuring charges/recoveries, net gain/loss on investments and the related effects on income taxes, as well as certain discrete GAAP provision for income tax matters recognized ratably for non-GAAP purposes. We have excluded these items because they derive from unusual events that are not attributable to normal on going operations and thus makes it more difficult for an investor to understand our recurring operational performance. The use of these non-GAAP financial measures has material limitations because they should not be used to evaluate our company without reference to their corresponding GAAP financial measures. As such, we compensate for these material limitations by using these non-GAAP financial measures in conjunction with GAAP financial measures.

These non-GAAP financial measures facilitate management's internal comparisons to the Company's historical operating results and comparisons to competitors' operating results. We include these non-GAAP financial measures in our earnings announcement because we believe they are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making such as employee compensation planning. In addition, we have historically reported similar non-GAAP financial measures to our investors and believe that the inclusion of comparative numbers provides consistency in our financial reporting at this time.

NETWORK APPLIANCE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

April 30, 2006 April 30, 2005
----- -----

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$461,256	\$193,542	
Short-term investments	861,636	976,423	
Accounts receivable, net	415,295	296,885	
Inventories	64,452	38,983	
Prepaid expenses and other	43,536	30,773	
Short-term restricted cash	138,539	1,699	
Deferred income taxes	48,496	37,584	
	-----	-----	
Total current assets	2,033,210	1,575,889	

PROPERTY AND EQUIPMENT, net	513,193	418,749	
-----------------------------	---------	---------	--

GOODWILL	487,535	291,816	
INTANGIBLE ASSETS, net	75,051	21,448	
LONG-TERM RESTRICTED CASH	108,371	2,361	
OTHER ASSETS	43,605	62,384	
	-----	-----	
	\$3,260,965	\$2,372,647	
	=====	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$101,278	\$83,572	
Income taxes payable	51,577	20,823	
Accrued compensation and related			

benefits	129,636	100,534
Other accrued liabilities	69,073	53,262
Short-term debt	166,211	-
Deferred revenue	399,388	261,998
	-----	-----
Total current liabilities	917,163	520,189
	-----	-----
LONG-TERM DEFERRED REVENUE	282,149	187,180
LONG-TERM DEBT	133,790	-
LONG-TERM OTHER OBLIGATIONS	4,410	4,474
	-----	-----
	1,337,512	711,843
	-----	-----
STOCKHOLDERS' EQUITY	1,923,453	1,660,804
	-----	-----
	\$3,260,965	\$2,372,647
	=====	=====

NETWORK APPLIANCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended		Year Ended	
	April 30,	April 30,	April 30,	April 30,
	2006	2005	2006	2005
	-----	-----	-----	-----
REVENUES:				
Product revenue	\$455,299	\$351,580	\$1,577,435	\$1,260,611
Software subscription revenue	67,632	49,423	239,139	169,726
	-----	-----	-----	-----
Product revenue	522,931	401,003	1,816,574	1,430,337
Service revenue	75,029	50,826	249,882	167,794
	-----	-----	-----	-----
Total revenues	597,960	451,829	2,066,456	1,598,131
	-----	-----	-----	-----
COST OF REVENUES:				
Cost of product revenue	186,582	134,820	624,946	487,880
Cost of service revenue	54,519	40,213	185,049	135,203
	-----	-----	-----	-----
Total cost of revenues	241,101	175,033	809,995	623,083
	-----	-----	-----	-----
GROSS MARGIN	356,859	276,796	1,256,461	975,048
	-----	-----	-----	-----
OPERATING EXPENSES:				
Sales and marketing	167,628	134,946	595,154	466,032
Research and development	73,526	48,093	242,988	171,049
General and administrative	24,504	22,014	91,852	76,903
In process research and development	-	-	5,000	-
Stock compensation	3,851	1,716	13,293	8,148
Restructuring charges (recoveries)	378	(1)	(117)	(271)
	-----	-----	-----	-----
Total operating expenses	269,887	206,768	948,170	721,861
	-----	-----	-----	-----
INCOME FROM OPERATIONS	86,972	70,028	308,291	253,187
OTHER INCOME (EXPENSES), net:				
Interest income	12,929	8,034	41,519	24,249
Other income (expense), net	(91)	72	361	(1,249)

Net gain on investments	-	-	101	41
Total other income, net	12,838	8,106	41,981	23,041
INCOME BEFORE INCOME TAXES	99,810	78,134	350,272	276,228
PROVISION FOR INCOME TAXES	40,589	14,698	83,820	50,474
NET INCOME	\$59,221	\$63,436	\$266,452	\$225,754
NET INCOME PER SHARE:				
BASIC	\$ 0.16	\$ 0.17	\$ 0.72	\$ 0.63
DILUTED	\$ 0.15	\$ 0.16	\$ 0.69	\$ 0.59
SHARES USED IN PER SHARE CALCULATION:				
BASIC	374,035	366,941	371,061	361,009
DILUTED	392,549	387,733	388,381	380,412

NETWORK APPLIANCE, INC.
NON-GAAP (1) CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended		Year Ended	
	April 30, 2006	April 30, 2005	April 30, 2006	April 30, 2005
REVENUES:				
Product revenue	\$455,299	\$351,580	\$1,577,435	\$1,260,611
Software subscription revenue	67,632	49,423	239,139	169,726
Product Revenue	522,931	401,003	1,816,574	1,430,337
Service revenue	75,029	50,826	249,882	167,794
Total revenues	597,960	451,829	2,066,456	1,598,131
COST OF REVENUES:				
Cost of product revenue	182,716	133,962	613,161	484,448
Cost of service revenue	54,519	40,213	185,049	135,203
Total cost of revenues	237,235	174,175	798,210	619,651
GROSS MARGIN	360,725	277,654	1,268,246	978,480
OPERATING EXPENSES:				
Sales and marketing	166,925	134,739	593,033	465,205
Research and development	73,526	48,093	242,988	171,049
General and administrative	24,266	20,746	89,622	71,830
Total operating expenses	264,717	203,578	925,643	708,084
INCOME FROM OPERATIONS	96,008	74,076	342,603	270,396

OTHER INCOME, net	12,838	8,106	41,880	23,000
<hr/>				
INCOME BEFORE INCOME TAXES	108,846	82,182	384,483	293,396
PROVISION FOR INCOME TAXES	19,593	15,614	69,207	55,745
<hr/>				
NET INCOME	\$89,253	\$66,568	\$315,276	\$237,651
<hr/>				
NET INCOME PER SHARE:				
BASIC	\$ 0.24	\$ 0.18	\$ 0.85	\$ 0.66
<hr/>				
DILUTED	\$ 0.23	\$ 0.17	\$ 0.81	\$ 0.62
<hr/>				
SHARES USED IN PER SHARE CALCULATION:				
BASIC	374,035	366,941	371,061	361,009
<hr/>				
DILUTED	392,549	387,733	388,381	380,412
<hr/>				

(1) Non-GAAP results of operations exclude amortization of intangible assets, in process research and development, stock compensation, restructuring charges/recoveries, net gain on investments and the related effects on income taxes, as well as non-recurring American Jobs Creation Act income tax expense and certain discrete GAAP provision for income tax matters recognized ratably for non-GAAP purposes.

NETWORK APPLIANCE, INC.
RECONCILIATION OF NON-GAAP AND GAAP
IN THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands)
(Unaudited)

	Quarter Ended		Year Ended	
	April 30, 2006	April 30, 2005	April 30, 2006	April 30, 2005
<hr/>				
SUMMARY RECONCILIATION OF NET INCOME				
<hr/>				
NET INCOME	\$59,221	\$63,436	\$266,452	\$225,754
Adjustments:				
Amortization of intangible assets	4,807	2,333	16,136	9,332
Stock compensation	3,851	1,716	13,293	8,148
In process research and development	-	-	5,000	-
Restructuring charges (recoveries)	378	(1)	(117)	(271)
Net gain on investments	-	-	(101)	(41)
Discrete GAAP provision matters recognized ratably for non-GAAP purposes	(1,358)	-	(5,157)	-
Non-recurring American Jobs Creation Act income tax expense	22,482	-	22,482	-
Income tax effect	(128)	(916)	(2,712)	(5,271)
<hr/>				
NON-GAAP NET INCOME	\$89,253	\$66,568	\$315,276	\$237,651
<hr/>				

DETAILED RECONCILIATION OF
SPECIFIC ITEMS:

COST OF REVENUES	\$241,101	\$175,033	\$809,995	\$623,083
Adjustment:				
Amortization of intangible assets	(3,866)	(858)	(11,785)	(3,432)
NON-GAAP COST OF REVENUES	<u>\$237,235</u>	<u>\$174,175</u>	<u>\$798,210</u>	<u>\$619,651</u>
GROSS MARGIN	\$356,859	\$276,796	\$1,256,461	\$975,048
Adjustment:				
Amortization of intangible assets	3,866	858	11,785	3,432
NON-GAAP GROSS MARGIN	<u>\$360,725</u>	<u>\$277,654</u>	<u>\$1,268,246</u>	<u>\$978,480</u>
SALES AND MARKETING EXPENSES	\$167,628	\$134,946	\$595,154	\$466,032
Adjustments:				
Amortization of intangible assets	(703)	(207)	(2,121)	(827)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$166,925</u>	<u>\$134,739</u>	<u>\$593,033</u>	<u>\$465,205</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$24,504	\$22,014	\$91,852	\$76,903
Adjustments:				
Amortization of intangible assets	(238)	(1,268)	(2,230)	(5,073)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$24,266</u>	<u>\$20,746</u>	<u>\$89,622</u>	<u>\$71,830</u>
OPERATING EXPENSES	\$269,887	\$206,768	\$948,170	\$721,861
Adjustments:				
Stock compensation	(3,851)	(1,716)	(13,293)	(8,148)
In process research and development	-	-	(5,000)	-
Amortization of intangible assets	(941)	(1,475)	(4,351)	(5,900)
Restructuring charges (recoveries)	(378)	1	117	271
NON-GAAP OPERATING EXPENSES	<u>\$264,717</u>	<u>\$203,578</u>	<u>\$925,643</u>	<u>\$708,084</u>
INCOME FROM OPERATIONS	\$86,972	\$70,028	\$308,291	\$253,187
Adjustments:				
In process research and development	-	-	5,000	-
Amortization of intangible assets	4,807	2,333	16,136	9,332
Stock compensation	3,851	1,716	13,293	8,148
Restructuring charges (recoveries)	378	(1)	(117)	(271)
NON-GAAP INCOME FROM OPERATIONS	<u>\$96,008</u>	<u>\$74,076</u>	<u>\$342,603</u>	<u>\$270,396</u>
TOTAL OTHER INCOME (EXPENSES), NET	\$12,838	\$8,106	\$41,981	\$23,041
Adjustments:				

Net gain on investments	-	-	(101)	(41)

NON-GAAP TOTAL OTHER INCOME (EXPENSES), NET	\$12,838	\$8,106	\$41,880	\$23,000
=====				
INCOME BEFORE INCOME TAXES	\$99,810	\$78,134	\$350,272	\$276,228
Adjustments:				
Amortization of intangible assets	4,807	2,333	16,136	9,332
In process research and development	-	-	5,000	-
Stock compensation	3,851	1,716	13,293	8,148
Restructuring charges (recoveries)	378	(1)	(117)	(271)
Net gain on investments	-	-	(101)	(41)

NON-GAAP INCOME BEFORE INCOME TAXES	\$108,846	\$82,182	\$384,483	\$293,396
=====				
PROVISION FOR INCOME TAXES	\$40,589	\$14,698	\$83,820	\$50,474
Adjustments:				
Discrete GAAP provision matters recognized ratably for non-GAAP purposes	1,358	-	5,157	-
Non-recurring American Jobs Creation Act income tax expense	(22,482)	-	(22,482)	-
Income tax effect	128	916	2,712	5,271

NON-GAAP PROVISION FOR INCOME TAXES	\$19,593	\$15,614	\$69,207	\$55,745
=====				

NETWORK APPLIANCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)
(Unaudited)

	Three Months Ended		Year Ended	
	April 30, 2006	April 30, 2005	April 30, 2006	April 30, 2005

Cash Flows from				
Operating Activities:				
Net income	\$ 59,221	\$ 63,436	\$ 266,452	\$ 225,754
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	17,504	14,590	63,679	54,459
In process research and development	-	-	5,000	-
Amortization of intangible assets	4,807	2,333	16,136	9,332
Amortization of patents	495	481	1,982	1,833
Stock compensation	3,851	1,716	13,293	8,148
Net gain on investments	-	-	(101)	(70)
Net loss on disposal of equipment	63	1,083	1,381	1,990
Allowance (reduction) for doubtful accounts	(875)	785	46	1,110
Deferred income				

taxes	1,531	5,591	1,545	6,321
Deferred rent	368	66	669	294
Changes in assets and liabilities:				
Accounts				
receivable	(46,663)	(63,287)	(116,816)	(103,352)
Inventories	(7,850)	(2,613)	(46,247)	(14,996)
Prepaid expenses and other assets	(6,374)	(5,347)	(12,964)	(2,336)
Accounts payable	1,333	15,105	17,405	30,460
Income taxes payable	33,063	7,964	72,669	32,541
Accrued compensation and related benefits	15,361	17,320	28,353	33,828
Other accrued liabilities	7,601	(639)	8,571	7,369
Deferred revenue	88,492	58,899	233,229	169,433
	-----	-----	-----	-----
Net cash provided by operating activities	171,928	117,483	554,282	462,118
	-----	-----	-----	-----
Cash Flows from Investing Activities:				
Purchases of investments	(578,857)	(202,675)	(1,029,412)	(872,237)
Redemptions of investments	429,108	149,039	900,863	605,426
Purchase of patents	-	(895)	-	(895)
Increase (decrease) in restricted cash	319	-	(1,678)	-
Purchases of property and equipment	(36,407)	(28,812)	(132,915)	(93,568)
Proceeds from disposal of fixed assets	-	-	32	-
Proceeds from sales of investments	-	-	130	347
Purchases of equity securities	(2,175)	(300)	(9,275)	(425)
Purchase of business, net of cash acquired	-	-	(53,747)	-
Payments for split- dollar insurance premiums	-	(183)	-	(183)
Reimbursements for split-dollar insurance premiums	-	10,227	-	10,227
	-----	-----	-----	-----
Net cash provided by (used in) investing activities	(188,012)	(73,599)	(326,002)	(351,308)
	-----	-----	-----	-----
Cash Flows from Financing Activities:				
Proceeds from sale of common stock related to employee stock transactions	91,020	28,462	232,745	181,922
Proceeds from long- term debt	300,000	-	300,000	-
Tax withholding payments reimbursed by restricted stock	(268)	(1,079)	(1,062)	(1,122)
Repurchases of common stock	(98,761)	(59,910)	(488,908)	(192,903)
	-----	-----	-----	-----
Net cash provided by (used in) financing activities	291,991	(32,527)	42,775	(12,103)

Effect of Exchange Rate Changes on Cash	(2,776)	812	(3,341)	2,507
Net Increase in Cash and Cash Equivalents	273,131	12,169	267,714	101,214
Cash and Cash Equivalents:				
Beginning of period	188,125	181,373	193,542	92,328
End of period	\$ 461,256	\$ 193,542	\$ 461,256	193,542
Noncash Investing and Financing Activities:				
Conversion of evaluation inventory to fixed assets	\$ 7,525	\$ 1,654	\$ 21,918	\$ 10,122
Deferred stock compensation, net of reversals	\$ 24,071	\$ (358)	\$ 26,968	\$ 154
Income tax benefit from employee stock transactions	\$ 19,821	\$ -	\$ 42,155	\$ 27,829
Acquisition (reduction) of property and equipment on account	\$ (6,540)	\$ -	\$ 4,618	\$ -
Reclassification to restricted cash	\$ 241,152	\$ -	\$ 241,152	\$ -
Stock issued for acquisition	\$ -	\$ -	\$ 191,874	\$ -
Options assumed for acquired business	\$ -	\$ -	\$ 38,456	\$ -
Interest accrued for long-term debt	\$ 44	\$ -	\$ 44	\$ -
Supplemental cash flow information:				
Income taxes paid	\$ 8,105	\$ 1,309	\$ 13,730	\$ 13,284
Income taxes refund	\$ 1,917	\$ 1,811	\$ 4,262	\$ 12,399
Interest paid for long-term debt	\$ 1,187	\$ -	\$ 1,187	\$ -

NETWORK APPLIANCE, INC.
RECONCILIATION OF NON GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
FIRST QUARTER AND FULL YEAR FISCAL 2007
(Unaudited)

	Q107	FY07
ADJUSTMENTS OF SPECIFIC ITEMS TO EARNINGS PER SHARE FOR THE FIRST QUARTER AND FULL YEAR 2007 (\$):		
COST OF REVENUES		
Adjustment:		
Amortization of intangible assets	(0.010)	(0.039)
Stock compensation including adoption of SFAS 123R	(0.009 - 0.011)	(0.034 - 0.041)
OPERATING EXPENSES		
Adjustments:		
Amortization of intangible assets	(0.002)	(0.010)
Stock compensation including adoption of SFAS 123R	(0.091 - 0.110)	(0.347 - 0.416)
PROVISION FOR INCOME TAXES		

Adjustments:
Income tax effect 0.029 - 0.035 0.113 - 0.134

NET DECREASE IN EARNINGS PER SHARE (0.083 - 0.098) (0.317 - 0.372)
=====

CONTACT: Network Appliance, Inc.
Jodi Baumann, 408-822-3974 (Press)
jodi@netapp.com
Tara Calhoun, 408-822-6909 (Investors)
tara@netapp.com
Billie Fagenstrom, 408-822-6428 (Investors)
billief@netapp.com