

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

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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 18, 2004

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NETWORK APPLIANCE, INC.  
(Exact name of Registrant as specified in its charter)

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

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

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

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ITEM 12.

The information is furnished pursuant to "Item 12. Results of Operations and Financial Condition" in accordance with SEC Release No. 33-8216 (March 27, 2003).

On May 18, 2004, Network Appliance, Inc. issued a press release announcing its earnings for the third quarter fiscal year 2004. The press release, attached hereto as Exhibit 99.1, is being furnished on 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 18, 2004

By: /s/      Steven Gomo

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Steven J. Gomo  
Chief Financial Officer

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INDEX TO EXHIBITS

Exhibit      Description

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99.1 Press release of Network Appliance, Inc. issued on May 18, 2004.  
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## Network Appliance Announces Results for Fourth Quarter and Fiscal Year 2004

SUNNYVALE, Calif.--(BUSINESS WIRE)--May 18, 2004--

Q4 Revenues \$337.0 Million, up 39.5% Year over Year;  
Fiscal Year 2004 Revenues \$1.17 Billion, up 31% Year over Year

Network Appliance, Inc. (Nasdaq:NTAP) today announced results for the fourth quarter and fiscal year 2004. Revenues for the fourth fiscal quarter were \$337.0 million, an increase of 39.5% compared to revenues of \$241.6 million for the same period a year ago and a 13% increase compared to \$297.3 million in the prior quarter.

For the fourth fiscal quarter, GAAP net income increased 47% to \$36.4 million, or \$0.10 per share<sup>(1)</sup> compared to GAAP net income of \$24.8 million, or \$0.07 per share for the same period in the prior year. Pro forma<sup>(2)</sup> net income for the fourth fiscal quarter increased 71% to \$43.5 million, or \$0.12 per share, compared to pro forma net income of \$25.5 million, or \$0.07 per share for the same period a year ago.

Revenues for fiscal year 2004 were \$1.17 billion, an increase of 31% compared to revenues of \$892.1 million for fiscal year 2003.

For fiscal year 2004, GAAP net income was \$152.1 million, or \$0.42 per share, compared to GAAP net income of \$76.5 million, or \$0.22 per share for fiscal year 2003. Pro forma net income for fiscal year 2004 increased 74% to \$146.0 million, or \$0.40 per share, compared to pro forma net income of \$83.8 million, or \$0.24 per share for fiscal year 2003.

"NetApp posted exceptional performance during the quarter with revenues growing 39.5% year over year. Our accelerating growth during the year was driven by the adoption of our new systems platforms, secondary storage for compliance applications, and our extended interconnect offerings for SAN and iSCSI," said Dan Warmenhoven, CEO of Network Appliance. "Investments we made over the past several years are paying off in our growth today and we plan to continue investing in our business to take full advantage of current and emerging market opportunities that will fuel our growth in the future."

#### Quarterly Highlights

Throughout the fourth quarter of fiscal year 2004, Network Appliance reinforced its position as a storage leader with milestone deployments, expanded partnerships, and continued market acceptance for its unified storage, NearStore(R), and NetCache(R) families.

Network Appliance completed its acquisition of Spinnaker Networks, Inc. which will accelerate the delivery of the NetApp(R) "Storage Grid" architecture, enabling customers to leverage even more value from their storage and data infrastructures. Also during the quarter, the company announced several key industry milestones, including reaching the 100th iSCSI installation and the deployment of over a petabyte (1000 TB) of compliance storage in enterprise customer environments.

During the fourth quarter of fiscal year 2004, Network Appliance announced strategic partnerships with Agfa, AppIQ, BearingPoint, CreekPath, FileNet, Fujitsu, SmarTeam, Sun Microsystems and VERITAS to address a variety of data management, information lifecycle management (ILM), backup and recovery, and compliance/retention issues central to enterprise customers today. The company also announced support for the SNIA SMI-S standard to simplify SAN management and joined the Enterprise Grid Alliance (EGA) to drive industry adoption of Grid computing.

Also during the fourth quarter, global customers from a variety of industries worldwide selected Network Appliance to store, manage, and consolidate their business- and mission-critical data. Customer wins included AT&T, Baring Asset Management, Continental Teves AG, Cross Country Healthcare, Inc., Honda Motor Company, Lockheed-Martin, NASA Flight Dynamics, PDI/DreamWorks SKG, Renault-Nissan, State of Kentucky, The United States Federal Aviation Administration (FAA), University of Phoenix Online and Volkswagen Coordination Center.

Network Appliance(TM) product- and service-related highlights during the fourth quarter included three key awards, including the selection of Network Appliance customer Mustang Engineering for Storage Network World's (SNW's) "Best Practices in Storage" award for Data Lifecycle Management (DLM). Network Appliance also won Australian

Technology & Business Magazine's coveted Editor's Choice award for the NetApp FAS250 unified storage system. Additionally, the company won the Service & Support Professionals Association (SSPA) prestigious WebStar Service Award for the fourth consecutive year.

Footnotes:

1. Earnings per share represents the diluted number of shares for all periods presented.
2. Pro forma results for all periods presented exclude amortization of intangible assets, in process research and development, stock compensation, restructuring charges, net gain or loss on investments, gain on sale of intangible assets, and the related effects on income taxes, as well as an income tax benefit from a nonrecurring foreign tax ruling.

Conference Call Information

- The NetApp quarterly results conference call will be broadcast live via the Internet at <http://investors.netapp.com/> on Tuesday, May 18, 2004 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 (800) 240-8621 in the United States and (303) 262-2190 outside the United States.
- A replay will be available for 72 hours following completion of the live call by dialing (800) 405-2236 in the United States and (303) 590-3000 outside the United States, replay code 577898.

About Network Appliance

Network Appliance 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 continue to drive "The evolution of storage.(TM)" Information about Network Appliance solutions and services is available at [www.netapp.com](http://www.netapp.com).

NetApp, NearStore and NetCache are registered trademarks and Network Appliance and The evolution of storage are trademarks of Network Appliance, Inc. in the U.S. and other countries. All other brands or products are trademarks or registered trademarks of their respective holders and should be treated as such.

Network Appliance Usage of Pro Forma 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. In addition, 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. 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.

"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 comments regarding: investing in our business to take full advantage of market opportunities and the acquisition of Spinnaker Networks which will accelerate the delivery of the NetApp "Storage Grid" architecture. These forward-looking statements involve risks and uncertainties, and actual results could vary. Factors that could impact our ability to achieve our goals include: general

economic and industry conditions, including expenditure trends for storage related products; our ability to deliver new product architectures and products which meet market acceptance; our ability to design products which compete effectively from a price and performance perspective, our ability to successfully complete and integrate our proposed acquisition of Spinnaker Networks; 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 our most recently submitted 10-K and 10-Q.

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

	April 30, 2004	April 30, 2003
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**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$241,149	\$284,161
Short-term investments	566,816	334,677
Accounts receivable, net	193,942	151,637
Inventories	34,109	31,559
Prepaid expenses and other	29,057	24,014
Deferred income taxes	24,163	27,444
Total current assets	1,089,236	853,492
PROPERTY AND EQUIPMENT, net	370,717	362,862
GOODWILL	291,816	48,212
INTANGIBLE ASSETS, net	31,718	2,954
OTHER ASSETS	93,779	51,653
	1,877,266	\$1,319,173

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES:**

Accounts payable	\$52,719	\$39,600
Income taxes payable	16,033	30,256
Accrued compensation and related benefits	65,186	40,647
Other accrued liabilities	43,683	43,841
Deferred revenue	166,602	110,672
Total current liabilities	344,223	265,016

LONG-TERM DEFERRED REVENUE

LONG-TERM OBLIGATIONS

	112,337	63,698
	4,858	3,102
	461,418	331,816

STOCKHOLDERS' EQUITY

	1,415,848	987,357
	1,877,266	\$1,319,173

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

Quarter Ended	Year Ended
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April 30, 2004	April 30, 2003

<b>REVENUES:</b>				
Product revenue	\$303,931	\$217,138	\$1,058,204	\$802,281
Service revenue	33,033	24,467	112,106	89,787
<b>Total revenues</b>	<b>336,964</b>	<b>241,605</b>	<b>1,170,310</b>	<b>892,068</b>
<b>COST OF REVENUES:</b>				
Cost of product revenue	104,910	75,791	371,480	279,689
Cost of service revenue	28,842	18,781	94,309	65,953
<b>Total cost of revenues</b>	<b>133,752</b>	<b>94,572</b>	<b>465,789</b>	<b>345,642</b>
<b>GROSS MARGIN</b>				
	203,212	147,033	704,521	546,426
<b>OPERATING EXPENSES:</b>				
Sales and marketing	101,974	79,158	349,490	304,236
Research and development	35,855	28,333	131,856	112,863
General and administrative	15,813	10,419	54,550	36,822
In process research and development	4,940	-	4,940	-
Stock compensation	1,882	536	3,895	3,642
Restructuring charges	217	-	1,327	1,257
<b>Total operating expenses</b>	<b>160,681</b>	<b>118,446</b>	<b>546,058</b>	<b>458,820</b>
<b>INCOME FROM OPERATIONS</b>				
	42,531	28,587	158,463	87,606
<b>OTHER INCOME (EXPENSES), net:</b>				
Interest income	3,967	3,116	13,704	12,215
Other expenses, net	(372)	(462)	(2,460)	(1,381)
Net gain/(loss) on investments	385	(503)	747	(1,229)
Gain on sale of intangible asset	-	-	-	604
<b>Total other income, net</b>	<b>3,980</b>	<b>2,151</b>	<b>11,991</b>	<b>10,209</b>
<b>INCOME BEFORE INCOME TAXES</b>				
	46,511	30,738	170,454	97,815
<b>PROVISION FOR INCOME TAXES</b>				
	10,062	5,915	18,367	21,343
<b>NET INCOME</b>				
	\$36,449	\$24,823	\$152,087	\$76,472
<b>NET INCOME PER SHARE:</b>				
BASIC	\$0.10	\$0.07	\$0.44	\$0.23
DILUTED	\$0.10	\$0.07	\$0.42	\$0.22
<b>SHARES USED IN PER SHARE CALCULATION:</b>				
BASIC	356,142	339,854	346,965	337,647
DILUTED	375,140	352,144	366,195	350,122

NETWORK APPLIANCE, INC.

PRO FORMA (1) CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (In thousands, except per share amounts)  
 (Unaudited)

Quarter Ended	Year Ended
April 30, 2004	April 30, 2004
2004	2003

REVENUES:				
Product revenue	\$303,931	\$217,138	\$1,058,204	\$802,281
Service revenue	33,033	24,467	112,106	89,787
<b>Total revenues</b>	<b>336,964</b>	<b>241,605</b>	<b>1,170,310</b>	<b>892,068</b>
COST OF REVENUES:				
Cost of product revenue	104,195	74,427	367,811	274,211
Cost of service revenue	28,842	18,781	94,309	65,953
<b>Total cost of revenues</b>	<b>133,037</b>	<b>93,208</b>	<b>462,120</b>	<b>340,164</b>
GROSS MARGIN				
	203,927	148,397	708,190	551,904
OPERATING EXPENSES:				
Sales and marketing	101,802	79,158	349,318	304,236
Research and development	35,855	28,333	131,856	112,863
General and administrative	14,756	10,419	53,493	36,822
<b>Total operating expenses</b>	<b>152,413</b>	<b>117,910</b>	<b>534,667</b>	<b>453,921</b>
INCOME FROM OPERATIONS				
	51,514	30,487	173,523	97,983
OTHER INCOME (EXPENSES), net				
	3,595	2,654	11,244	10,834
INCOME BEFORE INCOME TAXES				
	55,109	33,141	184,767	108,817
PROVISION FOR INCOME TAXES				
	11,573	7,622	38,801	25,028
NET INCOME				
	\$43,536	\$25,519	\$145,966	\$83,789
NET INCOME PER SHARE:				
BASIC	\$0.12	\$0.08	\$0.42	\$0.25
DILUTED	\$0.12	\$0.07	\$0.40	\$0.24
SHARES USED IN PER SHARE CALCULATION:				
BASIC	356,142	339,854	346,965	337,647
DILUTED	375,140	352,144	366,195	350,122

(1) Pro forma results of operations exclude amortization of intangible assets, in process research and development, stock compensation, restructuring charges, net gain/loss on investments, gain on sale of intangible asset and the related effects on income taxes, as well as an income tax benefit from a non-recurring foreign tax ruling.

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

Quarter Ended	Year Ended
April 30, 2004	April 30, 2003

SUMMARY RECONCILIATION OF NET INCOME

NET INCOME	\$36,449	\$24,823	\$152,087	\$76,472
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**Adjustments:**

Amortization of intangible assets	1,944	1,364	4,898	5,478
Stock compensation	1,882	536	3,895	3,642
In process research and development	4,940	-	4,940	-
Restructuring charges	217	-	1,327	1,257
Net (gain)/loss on investments	(385)	503	(747)	1,229
Gain on sale of intangible asset	-	-	-	(604)
Income tax effect	(1,511)	(1,707)	(3,603)	(3,685)
Income tax benefit from foreign tax ruling	-	-	(16,831)	-

PRO FORMA NET INCOME	\$43,536	\$25,519	\$145,966	\$83,789
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DILUTED PRO FORMA NET INCOME PER SHARE	\$0.12	\$0.07	\$0.40	\$0.24
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SHARES USED IN DILUTED PRO FORMA NET INCOME PER SHARE CALCULATION:	375,140	352,144	366,195	350,122
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**DETAILED RECONCILIATION OF SPECIFIC ITEMS:**

COST OF REVENUES	\$133,752	\$94,572	\$465,789	\$345,642
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**Adjustment:**

Amortization of intangible assets	(715)	(1,364)	(3,669)	(5,478)
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PRO FORMA COST OF REVENUES	\$133,037	\$93,208	\$462,120	\$340,164
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GROSS MARGIN	\$203,212	\$147,033	\$704,521	\$546,426
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**Adjustment:**

Amortization of intangible assets	715	1,364	3,669	5,478
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PRO FORMA GROSS MARGIN	\$203,927	\$148,397	\$708,190	\$551,904
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SALES AND MARKETING EXPENSES	\$101,974	\$79,158	\$349,490	\$304,236
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**Adjustments:**

Amortization of intangible assets	(172)	-	(172)	-
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PRO FORMA SALES AND MARKETING EXPENSES	\$101,802	\$79,158	\$349,318	\$304,236
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GENERAL AND ADMINISTRATIVE EXPENSES	\$15,813	\$10,419	\$54,550	\$36,822
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**Adjustments:**

Amortization of intangible assets	(1,057)	-	(1,057)	-
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PRO FORMA GENERAL AND ADMINISTRATIVE EXPENSES	\$14,756	\$10,419	\$53,493	\$36,822
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OPERATING EXPENSES	\$160,681	\$118,446	\$546,058	\$458,820
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**Adjustments:**

Stock compensation	(1,882)	(536)	(3,895)	(3,642)
Restructuring charges	(217)	-	(1,327)	(1,257)
Amortization of intangible assets	(1,229)	-	(1,229)	-
In process research and development	(4,940)	-	(4,940)	-
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PRO FORMA OPERATING EXPENSES	\$152,413	\$117,910	\$534,667	\$453,921
=====	=====	=====	=====	=====
INCOME FROM OPERATIONS	\$42,531	\$28,587	\$158,463	\$87,606
Adjustments:				
Amortization of intangible assets	1,944	1,364	4,898	5,478
Stock compensation	1,882	536	3,895	3,642
Restructuring charges	217	-	1,327	1,257
In process research and development	4,940	-	4,940	-
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PRO FORMA INCOME FROM OPERATIONS	\$51,514	\$30,487	\$173,523	\$97,983
=====	=====	=====	=====	=====
TOTAL OTHER INCOME, NET	\$3,980	\$2,151	\$11,991	\$10,209
Adjustments:				
Net (gain)/loss on investments	(385)	503	(747)	1,229
Gain on sale of intangible asset	-	-	-	(604)
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PRO FORMA TOTAL OTHER INCOME, NET	\$3,595	\$2,654	\$11,244	\$10,834
=====	=====	=====	=====	=====
INCOME BEFORE INCOME TAXES	\$46,511	\$30,738	\$170,454	\$97,815
Adjustments:				
Amortization of intangible assets	1,944	1,364	4,898	5,478
In process research and development	4,940	-	4,940	-
Stock compensation	1,882	536	3,895	3,642
Restructuring charges	217	-	1,327	1,257
Net (gain)/loss on investments	(385)	503	(747)	1,229
Gain on sale of intangible asset	-	-	-	(604)
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PRO FORMA INCOME BEFORE INCOME TAXES	\$55,109	\$33,141	\$184,767	\$108,817
=====	=====	=====	=====	=====
PROVISION FOR INCOME TAXES	\$10,062	\$5,915	\$18,367	\$21,343
Adjustments:				
Income tax effect	1,511	1,707	3,603	3,685
Income tax benefit from foreign tax ruling	-	-	16,831	-
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PRO FORMA PROVISION FOR INCOME TAXES	\$11,573	\$7,622	\$38,801	\$25,028
=====	=====	=====	=====	=====

CONTACT: Voce Communications for Network Appliance, Inc.  
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