SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

AMENDMENT NO. 1 TO

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): MARCH 17, 1997

COMMISSION FILE NUMBER 0-27130

NETWORK APPLIANCE, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

CALIFORNIA	77-0307520
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

2770 SAN TOMAS EXPRESSWAY, SANTA CLARA, CALIFORNIA	95051
(Address of principal executive offices)	(Zip Code)

Company's telephone number, including area code: (408) 367-3000

319 BERNARDO AVE., MOUNTAIN VIEW, CA 94043
Former name or former address, if changed since last report

This report amends the Registrant's report on Form 8-K, initially filed on March 28, 1997, to provide financial statements of Internet Middleware Corporation ("IMC") and to provide pro forma condensed combined financial information not previously available.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of Businesses Acquired

Pursuant to paragraph (a)(4) of Item 7 of Form 8-K, the following financial statements were omitted from disclosure contained in the Registrant's Current Report on Form 8-K filed on March 28, 1997 but are filed herewith:

Audited balance sheet of IMC as of December 31, 1996, the related audited statements of operations, shareholders' deficiency and cash flows for the period from inception (May 6, 1996) to December 31, 1996 and a signed report of Deloitte & Touche LLP with respect to such financial statements, which are attached as Exhibit 99.2 hereto.

(b) Pro Forma Financial Information

Pursuant to paragraph (b)(2) of Item 7, the unaudited pro forma condensed combined balance sheet of the Registrant and IMC as of January 24, 1997 and the unaudited pro forma condensed combined statements of operations for the fiscal year ended April 30, 1996 and for the nine months ended January 24, 1997 are attached as Exhibit 99.3 hereto. The unaudited pro forma condensed combined financial statements give effect to the merger of the Registrant and IMC on a purchase accounting basis. The pro forma condensed combined balance sheet assumes the merger took place on January 24, 1997 and combines the January 24, 1997 balance sheet of the Registrant with the January 31, 1997 balance sheet of IMC. The pro forma condensed combined statement of operations for the fiscal year ended April 30, 1996 assumes the merger took place as of the beginning of the fiscal year and combines the Registrant's historical results for the fiscal year ended April 30, 1996 (for which period IMC was not in operation) with pro forma adjustments. The pro forma condensed combined statement of operations for the nine months ended January 24, 1997 assumes the merger took place as of the beginning of the most recently completed fiscal year and combines the Registrant's historical results for the nine months ended January 24, 1997 with the historical results of IMC for the period from inception (May 6, 1996) to January 31, 1997.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred had the acquisition of IMC by the Registrant been consummated at the beginning of the periods presented, nor is it necessarily indicative of future operating results or financial position. These pro forma financial statements are based on and should be read in conjunction with the historical consolidated financial statements and the related notes thereto of the Registrant and IMC.

(a) Exhibits

2.1+ Agreement and Plan of Reorganization, dated as of March 17, 1997, between the Registrant and IMC, a California corporation.

2.2+ Agreement of Merger between the Registrant and IMC as filed with the California Secretary of State on March 17, 1997.

2.3+ Stock Option Agreement between the Registrant and certain former employees of IMC.

23.1 Consent of Deloitte & Touche LLP.

99.1+ Press release of the Registrant, dated March 17, 1997, announcing the completion of the Registrant's acquisition of IMC.

99.2 Audited balance sheet of IMC as of December 31, 1996, the related audited statements of operations, shareholders' deficiency and cash flows for the period from inception (May 6, 1996) to December 31, 1996 and a signed report of Deloitte & Touche LLP with respect to such financial statements.

99.3 Unaudited pro forma condensed combined balance sheet of the Registrant and IMC as of January 24, 1997 and the unaudited pro forma condensed combined statements of operations of the Registrant and IMC for the fiscal year ended April 30, 1996 and for the nine months ended January 24, 1997.

\+ Previously filed

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 hereunto duly authorized.

NETWORK APPLIANCE, INC.

Dated: April 15, 1997

By: /s/ JEFFRY R. ALLEN

Jeffry R. Allen, Vice President Finance and Operations,
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
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23.1	Consent of Deloitte & Touche LLP.
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99.3	Unaudited pro forma condensed combined balance sheet of the Registrant and IMC as of January 24, 1997 and the unaudited pro forma condensed combined statements of operations of the Registrant and IMC for the fiscal year ended April 30, 1996 and for the nine months ended January 24, 1997.

+ Previously filed

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration No. 33-99638 of Network Appliance, Inc. on Form S-8 of our report dated April 7, 1997 on the financial statements of Internet Middleware Corporation for the period ended December 31, 1996 appearing in this Report on Form 8-K/A of Network Appliance, Inc.

/s/ Deloitte & Touche LLP

San Jose, California
April 14, 1997

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EXHIBIT 99.2

INTERNET MIDDLEWARE CORPORATION

FINANCIAL STATEMENTS FOR THE PERIOD FROM
MAY 6, 1996 (INCEPTION) TO DECEMBER 31, 1996
AND INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
of Internet Middleware Corporation:

We have audited the accompanying balance sheet of Internet Middleware Corporation as of December 31, 1996 and the related statements of operations, shareholders' deficiency and cash flows for the period from May 6, 1996 (inception) to December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Internet Middleware Corporation at December 31, 1996, and the results of its operations and its cash flows for the above-stated period then ended, in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

San Jose, California
April 7, 1997

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INTERNET MIDDLEWARE CORPORATION

BALANCE SHEET
DECEMBER 31, 1996

ASSETS

CURRENT ASSETS:	
Accounts receivable	$ 35,390
Other current assets	2,473
Total current assets	37,863
PROPERTY AND EQUIPMENT, Net	50,282
TOTAL	$ 88,145

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

CURRENT LIABILITIES:	
Cash overdraft	$ 4,606
Accounts payable	114,572
Accrued payroll and related expenses	107,974
Other accrued expenses	83,786
Notes payable to shareholders	155,000
Total current liabilities	465,938
SHAREHOLDERS' DEFICIENCY:	
Common stock, no par value; 25,000,000 shares authorized; 4,992,500 outstanding	1,000
Accumulated deficit	(378,793)
Total shareholders' deficiency	(377,793)
TOTAL	$ 88,145

See notes to financial statements.

INTERNET MIDDLEWARE CORPORATION

STATEMENT OF OPERATIONS
PERIOD FROM MAY 6, 1996 (INCEPTION) TO DECEMBER 31, 1996

NET LICENSE REVENUES	$ 211,481
COSTS AND EXPENSES:	
Cost of license revenues	10,924
Research and development	314,721
General and administrative	230,212
Sales and marketing	31,579
Total costs and expenses	587,436

OPERATING LOSS	(375,955)
INTEREST INCOME	362
LOSS BEFORE INCOME TAXES	(375,593)
PROVISION FOR INCOME TAXES	3,200
NET LOSS	$(378,793)

See notes to financial statements.

INTERNET MIDDLEWARE CORPORATION

STATEMENT OF SHAREHOLDERS' DEFICIENCY
PERIOD FROM MAY 6, 1996 (INCEPTION) TO DECEMBER 31, 1996

	Common Stock		Accumulated	Total Shareholders'
	Shares	Amount	Deficit	Deficiency
BALANCES, May 6, 1996	--	$ --	$ --	$ --
Issuance of common stock	4,992,500	1,000	--	1,000
Net loss	--	--	(378,793)	(378,793)
BALANCES, December 31, 1996	4,992,500	$ 1,000	$(378,793)	$(377,793)

See notes to financial statements.

INTERNET MIDDLEWARE CORPORATION

STATEMENT OF CASH FLOWS
PERIOD FROM MAY 6, 1996 (INCEPTION) TO DECEMBER 31, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$(378,793)
Reconciliation of net loss to net cash used in operating activities:	
Depreciation	8,001
Changes in operating assets and liabilities:	
Accounts receivable	(35,390)
Other current assets	(2,473)
Accounts payable	114,572
Accrued payroll and related expenses	107,974
Other accrued expenses	67,928
Net cash used in operating activities	(118,181)
CASH FLOWS FROM INVESTING ACTIVITIES -	
Purchases of property and equipment	(42,425)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Issuance of common stock	1,000
Issuance of notes payable to shareholders	155,000
Net cash provided by financing activities	156,000
NET CHANGE IN CASH	(4,606)
CASH, Beginning of period	--
CASH (OVERDRAFT), End of period	$ (4,606)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -	
Cash paid for income taxes	$ 2,400
SUPPLEMENTAL NONCASH INVESTING ACTIVITIES -	
Exchange of services for fixed assets	$ 15,858

See notes to financial statements.

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1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business - Internet Middleware Corporation (the Company) was incorporated as a California corporation on May 6, 1996 under the name Netspeed. During 1996, the Company changed its name to Internet Middleware Corporation. The Company designs, markets and distributes software for Internet applications which increases the effectiveness of connection bandwidths. The Company's product is primarily sold to the Internet service providers and companies which have connections to the Internet or internal intranets, and its business is dependent on the growth of the Internet.

FINANCIAL STATEMENT ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the estimated useful life of fixed assets and certain accrued liabilities. Actual results could differ from those estimates.

The Company participates in a dynamic high technology industry and believes that changes in any of the following areas, among others, could have a material adverse affect on the Company's future financial position or results of operations: market demand for products under development by the Company, increased competition, the development of new technologies and the ability to attract and retain employees necessary to support its growth.

CONCENTRATION OF CREDIT RISK - The Company primarily sells its product to Internet service providers and other companies in the United States, Europe and Asia. The Company generally does not require collateral for sales on credit.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of three years.

SOFTWARE DEVELOPMENT COSTS - The Company capitalizes eligible software development costs, which include software enhancement costs, upon establishment of technological feasibility, which occurs upon the completion of a working model. Costs which were eligible for capitalization during the period were insignificant, and thus the Company has charged all software development costs to research and development expense in the accompanying statement of operations.

STOCK-BASED COMPENSATION - The Company accounts for stock-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

REVENUE RECOGNITION - Revenues from software sales through license arrangements are recognized upon shipment of the product and fulfillment of acceptance terms, if any, and when no significant contractual obligations remain outstanding. Maintenance revenue is deferred and recognized ratably over the term of the maintenance agreement, which is typically one year, and was not significant during the period.

INCOME TAXES - The Company accounts for income taxes under an asset and liability approach for financial accounting and reporting of income taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and net operating loss and tax credit carryforwards.

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1996 consists of the following:

Computers and equipment	$ 55,892
Furniture and fixtures	2,391
	58,283
Accumulated depreciation	(8,001)
	$ 50,282

3. SHAREHOLDERS' DEFICIENCY

COMMON STOCK

The Company issued common stock to employees pursuant to a restricted stock purchase agreement. Under the agreement, one-fourth of the shares shall be released from the Company's repurchase option after one year and one forty-eighth each month thereafter. In the event that the employee is terminated by the Company at any time during the vesting period for any reason, the Company has the option to repurchase, at the original purchase price, any unvested shares as of the date of termination. In the event of a change in control of the Company, 2,681,000 of the unvested shares will be immediately released from the repurchase option; and in the event of a change in control of the Company and constructive termination, an additional 2,305,000 of unvested shares will be immediately released from the repurchase option. As of December 31, 1996, approximately 4,986,000 shares of common stock are subject to this repurchase right.

STOCK SPLIT

On June 4, 1996, the Company's common stock was split 500 for 1. All references to shares of common stock in these financial statements have been retroactively adjusted to reflect the stock split.

STOCK-BASED COMPENSATION

Under the Company's 1996 Long-Term Incentive Plan (the Plan), the Company may grant up to 10,000,000 shares of common stock and equity incentives to employees and consultants in the form of stock options, stock appreciation rights, restricted stock awards, stock purchase rights and performance share awards.

Stock options can be granted at prices not less than fair market value at date of grant for incentive stock options and not less than 10% of fair market value for nonstatutory stock options. The incentive stock options and nonstatutory stock options expire 10 years and 11 years from the date of grant, respectively. The vesting period of options granted are determined by the Board and set forth in the individual stock option agreements. The vesting period is generally over a four-year period with 25% vesting one year from the date of grant and monthly vesting thereafter.

Stock option activity under the plan is summarized as follows:

	Shares Available	Outstanding Options: Number of Shares	Outstanding Options: Weighted Average Exercise Price
Balances, May 6, 1996	--	--	$ --
Shares subject to the Plan	10,000,000		
Granted (weighted average fair value of $.03)	(424,290)	424,290	$ 0.10
Balances, December 31, 1996	9,575,710	424,290	$ 0.10

The 424,290 options outstanding as of December 31, 1996 are exercisable at $0.10 per share and have a weighted average remaining contractual life of 9.7 years. None of the outstanding options were exercisable at December 31, 1996.

Additional Stock Plan Information

As discussed in Note 1, the Company continues to account for its stock-based awards using the intrinsic value method in accordance with Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees," and its related interpretations. Accordingly, no compensation expense has been recognized in the financial statements for employee stock arrangements.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), requires the disclosure of pro forma net income had the Company adopted the fair value method as of the beginning of the period ended December 31, 1996. Under SFAS 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. These models also require subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The Company's calculations were made using the Black-Scholes option pricing method with the following weighted average assumptions: expected life, five years from the date of grant; volatility, 0%; risk-free interest rates, 6%; and no dividends during the expected term. The Company's calculations are based on a single option valuation approach, and forfeitures are recognized as they occur. If the computed fair values of the 1996 awards had been amortized to expense over the vesting period of the awards, pro forma net loss would have been approximately $380,000.

4. INCOME TAXES

The Company's 1996 income tax provision consists of the minimum tax payment for California state tax purposes and foreign withholding tax of $2,400.

Significant components of the Company's deferred tax asset at December 31, 1996 include reserves and accruals not currently deductible, net operating loss carryforwards and tax credit carryforwards. The Company has evaluated the likelihood of realization of such deferred tax assets and has determined that it is more likely than not that future benefits from the deferred tax assets will not be realized. As a result, the Company has provided a full valuation allowance against the deferred tax assets at December 31, 1996 of approximately $174,000.

The Company has approximately $10,000 as of available tax credits and approximately $180,000 of net operating loss carryforwards for California income tax purposes which are available through 2001. The Company also has approximately $24,000 of available tax credits and approximately $360,000 of net operating loss carryforwards for federal income tax purposes which are available through 2011.

The Tax Reform Act of 1986 and California Conformity Act of 1987 impose substantial restrictions on the utilization of net operating loss and tax credit carryforwards in the event of an "ownership change," as defined by the Internal Revenue Code. Any such ownership change could significantly limit the Company's ability to utilize its tax carryforwards.

5. RELATED PARTY TRANSACTIONS

At December 31, 1996, the Company has notes payable to shareholders of $155,000. Such notes are payable upon demand and bear no interest.

6. MAJOR CUSTOMERS

In 1996, license revenue from three customers accounted for 33%, 15% and 11% of total net license revenues. At December 31, 1996, two customers accounted for 47% and 19% of the accounts receivable balance.

7. SUBSEQUENT EVENT

On March 17, 1997, the Company entered into a definitive Agreement and Plan for Merger (the Merger) with Network Appliance, Inc., providing for the transactions which will result in the Company's business and related technologies becoming a subsidiary of Network Appliance, Inc. As a result of the Merger, Network Appliance, Inc. became the owner of 100% of the issued and outstanding common stock and outstanding options to purchase common stock of the Company. Each outstanding share of the Company's common stock was converted into 0.0345267 of a share of Network Appliance's common stock. Each outstanding option to purchase shares of the Company's common stock was assumed by Network Appliance, Inc. and converted into an option to purchase 0.0345267 of a share of Network Appliance's common stock at an exercise price per share equal to the exercise price per share of the option immediately prior to the Merger divided by 0.0345267.

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EXHIBIT 99.3

The following unaudited pro forma condensed combined financial statements reflect the acquisition by the Registrant of IMC in exchange for shares of the Registrant's Common Stock and options to purchase shares of the Registrant's Common Stock. The acquisition was accounted for using the purchase method of accounting. The pro forma condensed combined balance sheet assumes the merger took place on January 24, 1997 and combines the January 24, 1997 balance sheet of the Registrant with the January 31, 1997 balance sheet of IMC. The pro forma condensed combined statement of operations for the fiscal year ended April 30, 1996 assumes the acquisition took place as of the beginning of the fiscal year and combines the Registrant's historical results for the fiscal year ended April 30, 1996 (for which period IMC was not in operation) with pro forma adjustments. The pro forma condensed combined statement of operations for the nine months ended January 24, 1997 assumes the acquisition took place as of the beginning of the most recently completed fiscal year and combines the Registrant's historical results for the nine months ended January 24, 1997 with the historical results of IMC for the period from inception (May 6, 1996) to January 31, 1997. The pro forma condensed combined statements of operations exclude the effect of any nonrecurring charges directly attributable to the acquisition.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred had the acquisition of IMC by the Registrant been consummated at the beginning of the periods presented, nor is it necessarily indicative of future operating results or financial position. These pro forma financial statements are based on and should be read in conjunction with the historical consolidated financial statements and the related notes thereto of the Registrant and IMC.

NETWORK APPLIANCE, INC. AND INTERNET MIDDLEWARE CORPORATION
PRO FORMA CONDENSED COMBINED BALANCE SHEET
JANUARY 24, 1997

(IN THOUSANDS)
(UNAUDITED)

	Network Appliance	IMC	Pro Forma Adjustments Debit		Pro Forma Adjustments Credit		Pro Forma Balances
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 20,938	$ -	$ -		$ -		$ 20,938
Short-term investments	6,850	-	-		-		6,850
Accounts receivable, net	12,336	26	-		-		12,362
Inventories	9,585	-	-		-		9,585
Prepaid expenses and other	3,298	2	-		-		3,300
Total current assets	53,007	28	-		-		53,035
PROPERTY AND EQUIPMENT, net	6,148	48	-		-		6,196
OTHER ASSETS	202	-	2,203	(1),(2),(3),(4)	240	(4)	2,165
	$ 59,357	$ 76	$ 2,203		$ 240		$ 61,396

LIABILITIES AND SHAREHOLDERS' EQUITY

(DEFICIENCY)

CURRENT LIABILITIES:					
Current portion of long-term obligations	$ 21	$ 155	$ -	$ -	$ 176
Accounts payable	4,991	193	-	250 (5)	5,434
Income taxes payable	708	-	-	-	708
Accrued compensation and related benefits	3,131	134	-	-	3,265
Other accrued liabilities	2,178	-	-	-	2,178
Deferred revenue	1,804	22	-	-	1,826
Total current liabilities	12,833	504	-	250	13,587
LONG-TERM OBLIGATIONS	233	-	-	-	233
SHAREHOLDERS' EQUITY (DEFICIENCY):					
Common stock	41,495	1	1 (6)	10,500 (7),(8)	51,995
Retained earnings (Accumulated deficit)	4,796	(429)	10,519 (8),(9)	1,733 (1),(6)	(4,419)
	46,291	(428)	10,520	12,233	47,576
	$ 59,357	$ 76	$ 10,520	$ 12,483	$ 61,396

(1) Entry to record a deferred tax asset on the compensation charge recognized on the issuance of discounted stock options

(2) Entry to record goodwill

(3) Entry to capitalize developed technology of IMC

(4) Entry to record a deferred tax liability related to the capitalized technology

(5) Entry to record acquisition-related expenses

(6) Entry to eliminate common stock and the accumulated deficit of IMC

(7) Entry to record the acquisition of IMC by the issuance of 187,023 shares of common stock and options to purchase shares of the Registrant's Common Stock

(8) Entry to record compensation expense related to the issuance of discounted options to purchase shares of the Registrant's Common Stock

(9) Entry to expense in-process technology of IMC

See accompanying notes to pro forma condensed combined financial statements.

NETWORK APPLIANCE, INC. AND INTERNET MIDDLEWARE CORPORATION
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED APRIL 30, 1996

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Network Appliance	IMC(3)	Pro Forma Adjustments Debit	Credit	Pro Forma Results
NET SALES	$ 46,632	$ -	$ -	$ -	$ 46,632
COST OF SALES	20,557	-	199 (1)	-	20,756
GROSS MARGIN	26,075	-	(199)	-	25,876
OPERATING EXPENSES:					

Sales and marketing	12,735	-	-	-	12,735
Research and development	4,762	-	-	-	4,762
General and administrative	2,578	-	-	-	2,578
Total operating expenses	20,075	-	-	-	20,075
INCOME (LOSS) FROM OPERATIONS	6,000	-	(199)	-	5,801
OTHER INCOME, net	600	-	-	-	600
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	6,600	-	(199)	-	6,401
PROVISION FOR INCOME TAXES	-	-	-	-	-
NET INCOME (NET LOSS)	$ 6,600	$ -	$ (199)	$ -	$ 6,401
NET INCOME PER SHARE	$ 0.42				$ 0.40
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES	15,820				16,075 (2)

(1) Entry to record amortization of purchased intangibles based on an estimated life of five years

(2) Weighted average common and common equivalent shares reflect the shares issued and the impact of dilutive stock options assumed and granted in connection with the acquisition

(3) IMC didn't commence operations until May 6, 1996

See accompanying notes to pro forma condensed combined financial statements.

NETWORK APPLIANCE, INC. AND INTERNET MIDDLEWARE CORPORATION
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED JANUARY 24, 1997

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Network Appliance	IMC	Pro Forma Adjustments Debit	Pro Forma Adjustments Credit	Pro Forma Results
NET SALES	$ 64,353	$ 219	$ -	$ -	$ 64,572
COST OF SALES	26,292	12	149 (1)	-	26,453
GROSS MARGIN	38,061	207	(149)	-	38,119
OPERATING EXPENSES:					
Sales and marketing	16,644	39	-	-	16,683
Research and development	5,986	366	-	-	6,352
General and administrative	3,201	231	-	-	3,432
Litigation settlement	4,300	-	-	-	4,300
Total operating expenses	30,131	636	-	-	30,767
INCOME (LOSS) FROM OPERATIONS	7,930	(429)	(149)	-	7,352
OTHER INCOME, net	793	-	-	-	793

INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	8,723	(429)	(149)	-	8,145
PROVISION FOR (BENEFIT OF) INCOME TAXES	3,053	-	-	207(3)	2,846
NET INCOME (NET LOSS)	$ 5,670	$ (429)	$ (149)	$ 207	$ 5,299
NET INCOME PER SHARE	$ 0.32				$ 0.30
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES	17,636				17,903 (2)

(1) Entry to record amortization of purchased intangibles based on an estimated life of five years

(2) Weighted average common and common equivalent shares reflect the shares issued and the impact of dilutive stock options assumed and granted in connection with the acquisition

(3) Entry to record tax effect of pro forma adjustment (1) at the statutory rate and to record the tax benefits of losses incurred

See accompanying notes to pro forma condensed combined financial statements.

NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. On March 17, 1997 the Registrant acquired IMC in exchange for approximately 187,023 shares of the Registrant's Common Stock and options to purchase shares of the Registrant's Common Stock. In connection with the acquisition certain former employees of IMC who entered into employment agreements with the Registrant were granted options to purchase shares of the Registrant's Common Stock at a discount to the market price of the Registrant's Common Stock immediately preceding the acquisition. IMC was founded in 1996 to develop and commercialize Internet/Intranet proxy caching software. The acquisition was accounted for as a purchase.

In connection with the acquisition, intangible assets of $8.4 million were acquired by the Registrant of which $7.4 million was allocated to in-process research and development and will be charged to operations in the fiscal quarter ending April 30, 1997 as the technology had not achieved technological feasibility and had no alternative future use. The remaining $1.0 million of intangible assets will be amortized over an estimated useful life of five years. Also in connection with the acquisition, a compensation expense of $3.2 million, relating to the granting of discounted stock options, will be charged to operations in the fiscal quarter ending April 30, 1997.

The pro forma condensed combined statements of operations for the fiscal year ended April 30, 1996 and for the nine months ended January 24, 1997 exclude the impact of the nonrecurring charge associated with expensing in-process research and development and the one-time compensation charge, net of deferred taxes, related to the granting of options to certain former IMC employees to purchase shares of the Registrant's Common Stock at a discount to the market price of the Registrant's Common Stock immediately preceding the acquisition.

The unaudited pro forma condensed combined financial statements give effect to the merger of the Registrant and IMC on a purchase accounting basis. The pro forma condensed combined balance sheet assumes the merger took place on January 24, 1997 and combines the January 24, 1997 balance sheet of the Registrant with the January 31, 1997 balance sheet of IMC. The pro forma condensed combined statement of operations for the fiscal year ended April 30, 1996 assumes the merger took place as of the beginning of the fiscal year and combines the Registrant's historical results for the fiscal year ended April 30, 1996 (for which period IMC was not in operation) with pro forma adjustments. The pro forma condensed combined statement of operations for the nine months ended January 24, 1997 assumes the merger took place as of the beginning of the most recently completed fiscal year and combines the Registrant's historical results for the nine months ended January 24, 1997 with the historical results of IMC for the period from inception (May 6, 1996) to January 31, 1997.

2. The pro forma condensed combined financial statements included herein have been prepared by the Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, the Registrant believes that the disclosures are adequate to make the information not misleading. These pro forma condensed combined financial statements should be read in conjunction with the financial statements and the notes thereto included in the Registrant's annual report on Form 10-K for the fiscal year ended April 30, 1996 and the financial statements of IMC included in this filing.

3. Net income per share for each period is calculated by dividing net income by the weighted average number of common and common equivalent shares outstanding during the period plus approximately 172,375 shares of the Registrant's Common Stock which was exchanged for all issued and outstanding shares of IMC Common Stock. Common equivalent shares consist of stock options (using the treasury stock method).