

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): November 16, 2005

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)

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Item 2.02.

On November 16, 2005, Network Appliance, Inc. issued a press release announcing its earnings for the second quarter of its 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 November 16, 2005 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.

November 16, 2005

By: /s/ Steven Gomo

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
November 16, 2005.

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Network Appliance Announces Results
for Second Quarter Fiscal Year 2006; Achieves 29% Year-over-Year
Revenue Growth and Record Operating Income

SUNNYVALE, Calif.--(BUSINESS WIRE)--Nov. 16, 2005--Network Appliance, Inc. (NASDAQ:NTAP), the leader in advanced networked storage solutions, today reported results for the second quarter of fiscal year 2006. Revenues for the second fiscal quarter were \$483.1 million, an increase of 29% compared to revenues of \$375.2 million for the same period a year ago and an increase of 8% compared to \$448.4 million in the prior quarter.

For the second fiscal quarter, GAAP net income was \$70.7 million, or \$0.18 per share(1) compared to GAAP net income of \$55.3 million, or \$0.15 per share for the same period in the prior year. Non-GAAP(2) net income for the second fiscal quarter was \$79.1 million, or \$0.21 per share, compared to non-GAAP net income of \$58.4 million, or \$0.16 per share for the same period a year ago.

Revenues for the first six months of the current fiscal year totaled \$931.5 million, compared to revenues of \$733.6 million for the first six months of the prior fiscal year, an increase of 27% year over year.

For the first six months of the current fiscal year, GAAP net income increased 28% to \$130.8 million, or \$0.34 per share, compared with GAAP net income of \$102.2 million, or \$0.27 per share for the same period in the prior year. Non-GAAP net income for the first six months of the current fiscal year totaled \$141.3 million, or \$0.37 per share, compared to non-GAAP net income of \$108.2 million, or \$0.29 per share for the first six months of the prior fiscal year.

"We achieved significant growth in revenue and profitability during the quarter driven by the compelling value proposition of our new FAS3000 midrange product line," said Dan Warmenhoven, CEO of Network Appliance. "NetApp provides customers with the best storage utilization rates in the industry, allowing them to decrease their total cost of ownership and increase their return on investment."

Outlook

- Network Appliance estimates that year-over-year growth in revenue for the third quarter of fiscal year 2006 will be in the range of 25% to 28%.
- The company expects third quarter GAAP earnings per share to finish between \$0.17 and \$0.18 per share. Network Appliance expects third quarter non-GAAP earnings per share to be in the range of \$0.20 to \$0.21 per share.
- For the full fiscal year, Network Appliance estimates that revenues will finish in the range of 26% to 28% higher than fiscal year 2005.
- The company expects GAAP earnings per share for fiscal year 2006 to be between \$0.70 and \$0.73 per share. Network Appliance estimates full-year non-GAAP earnings per share to be in the range of \$0.77 to \$0.80 per share.

Quarterly Highlights

During the second quarter of fiscal year 2006, Network Appliance solidified its leadership in data security with the completion of the Decru acquisition; demonstrated growth in iSCSI, NAS, and SAN; and expanded its operations in Research Triangle Park, North Carolina.

This quarter, NetApp maintained its position as market leader in iSCSI, grew its capacity market share lead in NAS, and grew the fastest among vendors tracked in the Fibre Channel (FC) SAN arena. According to IDC's Worldwide Quarterly Disk Storage Systems Tracker Q2 2005, NetApp demonstrated continued leadership in its core NAS market, with a 44.6% capacity share, up almost three (3) percentage points over Q1. NetApp also maintained its strong lead in the iSCSI storage market, with number-one share positions in capacity shipped (45.2%), revenue (41.6%), and units (36%). NetApp was also the fastest growing of the vendors tracked in iSCSI revenue, with a year-over-year growth rate of 120.9%. Finally, of the vendors tracked, NetApp posted the strongest year-over-year increase in FC SAN revenue, with a growth

rate of 130.2%.

Also according to IDC, NetApp experienced the fastest growth among the top five vendors in storage software with 49.4% year-over-year growth from Q2 2004 to Q2 2005 versus a market growth rate of 11.8% for the same period. Total NetApp market share in storage software grew from 5% in Q2 2004 to 6.6% in Q2 2005. Additional details are available in IDC's Worldwide Quarterly Storage Software Tracker Q2 2005.

During the quarter, NetApp completed the acquisition of Decru, a privately held company based in Redwood City, California. The acquisition of Decru allows NetApp to offer the strongest security option in the industry. Decru is a clear market leader in storage security, helping enterprise and government customers address requirements including regulatory compliance, privacy, secure consolidation, and outsourcing. Decru DataFort(TM) appliances protect the core of the storage network by seamlessly inserting a layer of data encryption, authentication, key management, and compartmentalization.

The first new products from Decru since the completion of the acquisition occurred during the quarter with the unveiling of next-generation storage security platforms. The new 10-port and SCSI models of Decru DataFort appliances, DataFort FC1020 and DataFort S115, deliver increased enterprise-class scalability native support for legacy tape environments, simplified management, and greater price/performance.

Also this quarter, NetApp announced that it plans to join IBM as one of 10 founding members in a new open-source community, initially working under the project name Aperi, to give customers more choices for deploying open-standards-based storage infrastructure software. The organization plans to develop a common storage software management platform that will give customers greater flexibility in the way they manage their storage environments.

Earlier this quarter, NetApp introduced NetApp(R) SnapManager(R) for Oracle(R) Database environments, which leverages the unique power of NetApp Snapshot(TM) technology and is a tightly integrated disk-based backup and granular recovery solution for Oracle customers using Oracle Automatic Storage Management technology. The solution provides customers with continuous uptime for online backups. NetApp SnapManager turns a multi-step backup and restore process into two simple commands from a single host machine.

On the partner front, NetApp unveiled several new solution enhancements and partner offerings with Bus-Tech Inc., Cisco, NeoPath Networks, Network Intelligence, NuView, Oracle, SAP, and Symantec to address a variety of data concerns, including management and monitoring of enterprise grid environments, data replication, enterprise compliance, ILM management, data analysis, file storage management and utilization, mainframe tape replacement, storage virtualization, and consolidation of remote office/branch office (ROBO) data.

Also this quarter, NetApp and Kazeon, a leading provider of information classification and management solutions for the enterprise, signed an OEM, development, and marketing agreement to integrate the intelligent data classification and search capabilities of Kazeon's Information Server with Network Appliance(TM) storage systems. Additionally, NetApp will resell Kazeon's Information Server as part of a jointly marketed solution.

In corporate news, NetApp expanded to a new facility in Research Triangle Park, North Carolina. The company currently employs 360 employees in the Kit Creek Road facility and operates a 24x7 global service and support center in addition to a state-of-the-art data center with a capacity of multiple petabytes.

Conference Call and Webcast Information

- The NetApp quarterly results conference call will be broadcast live via the Internet at <http://investors.netapp.com> on Wednesday, November 16, 2005, 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) 299-7089 in the United States and (617) 801-9714 outside the United States. The passcode for both numbers is 19259021.
- A replay will be available for seven days following 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 51378149. The Webcast replay will be posted on our Web site for at least one year.

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 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 third quarter of fiscal 2006 and for all of fiscal 2006, statements regarding the anticipated benefits our FAS3000 product line, Decru network storage platforms, the Aperi open source community, our partner offerings and solution enhancements and our OEM, development and marketing agreement with Kazeon. 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; 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 with strategic partners; 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 certain discrete GAAP provision for income tax matters recognized ratably for non-GAAP purposes.

NetApp and SnapManager are registered trademarks and Network Appliance and Snapshot are trademarks of Network Appliance Inc. in the United States and other countries. Decru DataFort is a trademark of Decru Inc., a Network Appliance company, in the United States and other countries. Oracle is a registered trademark of Oracle Corporation. 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. 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 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)

	October 28, 2005	April 30, 2005
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$221,713	\$193,542
Short-term investments	887,886	976,423
Accounts receivable, net	325,855	296,885
Inventories	44,111	38,983
Prepaid expenses and other	30,444	32,472
Deferred income taxes	35,558	37,584
	-----	-----
Total current assets	1,545,567	1,575,889
PROPERTY AND EQUIPMENT, net	465,587	418,749
GOODWILL	491,089	291,816
INTANGIBLE ASSETS, net	87,735	21,448
OTHER ASSETS	60,493	64,745
	-----	-----
	\$2,650,471	\$2,372,647
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$93,370	\$83,572
Income taxes payable	28,759	20,823
Accrued compensation and related benefits	88,974	100,534
Other accrued liabilities	57,760	53,262
Deferred revenue	307,007	261,998
	-----	-----
Total current liabilities	575,870	520,189
LONG-TERM DEFERRED REVENUE	227,547	187,180
LONG-TERM OBLIGATIONS	3,441	4,474
	-----	-----
	806,858	711,843
	-----	-----
STOCKHOLDERS' EQUITY	1,843,613	1,660,804
	-----	-----
	\$2,650,471	\$2,372,647
	=====	=====

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

	Three Months Ended		Six Months Ended	
	Oct. 28, 2005	Oct. 29, 2004	Oct. 28, 2005	Oct. 29, 2004
REVENUES:				
Product revenue	\$424,776	\$336,804	\$819,405	\$661,431
Service revenue	58,286	38,372	112,059	72,166
Total revenues	483,062	375,176	931,464	733,597
COST OF REVENUES:				
Cost of product revenue	141,104	111,728	274,858	225,943
Cost of service revenue	42,866	32,287	84,028	61,535
Total cost of revenues	183,970	144,015	358,886	287,478
GROSS MARGIN	299,092	231,161	572,578	446,119
OPERATING EXPENSES:				
Sales and marketing	138,218	109,109	275,517	212,420
Research and development	56,037	40,650	106,839	79,353
General and administrative	21,566	17,870	42,607	34,752
In process research and development	5,000	-	5,000	-
Stock compensation	3,344	2,139	5,372	4,243
Restructuring charges	645	-	(611)	-
Total operating expenses	224,810	169,768	434,724	330,768
INCOME FROM OPERATIONS	74,282	61,393	137,854	115,351
OTHER INCOME (EXPENSES), net:				
Interest income	9,651	6,103	18,699	10,185
Other expenses, net	(277)	90	(549)	(822)
Net gain on investments	68	-	101	-
Total other income, net	9,442	6,193	18,251	9,363
INCOME BEFORE INCOME TAXES	83,724	67,586	156,105	124,714
PROVISION FOR INCOME TAXES	13,006	12,257	25,267	22,523
NET INCOME	\$70,718	\$55,329	\$130,838	\$102,191
NET INCOME PER SHARE:				
BASIC	\$0.19	\$0.15	\$0.35	\$0.29
DILUTED	\$0.18	\$0.15	\$0.34	\$0.27
SHARES USED IN PER SHARE CALCULATION:				
BASIC	371,002	357,787	369,220	357,265
DILUTED	385,442	375,074	385,912	374,024

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

	Three Months Ended		Six Months Ended	
	Oct. 28, 2005	Oct. 29, 2004	Oct. 28, 2005	Oct. 29, 2004
REVENUES:				
Product revenue	\$424,776	\$336,804	\$819,405	\$661,431
Service revenue	58,286	38,372	112,059	72,166
Total revenues	483,062	375,176	931,464	733,597
COST OF REVENUES:				
Cost of product revenue	138,158	110,870	270,804	224,227
Cost of service revenue	42,866	32,287	84,028	61,535
Total cost of revenues	181,024	143,157	354,832	285,762
GROSS MARGIN	302,038	232,019	576,632	447,835
OPERATING EXPENSES:				
Sales and marketing	137,711	108,903	274,803	212,007
Research and development	56,037	40,650	106,839	79,353
General and administrative	21,167	16,601	40,852	32,215
Total operating expenses	214,915	166,154	422,494	323,575
INCOME FROM OPERATIONS	87,123	65,865	154,138	124,260
OTHER INCOME (EXPENSES), net	9,374	6,193	18,150	9,363
INCOME BEFORE INCOME TAXES	96,497	72,058	172,288	133,623
PROVISION FOR INCOME TAXES	17,370	13,691	31,012	25,388
NET INCOME	\$79,127	\$58,367	\$141,276	\$108,235
NET INCOME PER SHARE:				
BASIC	\$0.21	\$0.16	\$0.38	\$0.30
DILUTED	\$0.21	\$0.16	\$0.37	\$0.29
SHARES USED IN PER SHARE CALCULATION:				
BASIC	371,002	357,787	369,220	357,265
DILUTED	385,442	375,074	385,912	374,024

(1) 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 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, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	Oct. 28, 2005	Oct. 29, 2004	Oct. 28, 2005	Oct. 29, 2004
	-----	-----	-----	-----
SUMMARY RECONCILIATION OF NET INCOME				
NET INCOME	\$70,718	\$55,329	\$130,838	\$102,191
Adjustments:				
Amortization of intangible assets	3,852	2,333	6,523	4,666
Stock compensation	3,344	2,139	5,372	4,243
In process research and development	5,000	-	5,000	-
Restructuring charges	645	-	(611)	-
Net gain on investments	(68)	-	(101)	-
Discrete GAAP provision matters recognized ratably for non-GAAP purposes	(2,437)	-	(2,437)	-
Income tax effect	(1,927)	(1,434)	(3,308)	(2,865)
NON-GAAP NET INCOME	=====	=====	=====	=====
DETAILED RECONCILIATION OF SPECIFIC ITEMS:				

COST OF REVENUES	\$183,970	\$144,015	\$358,886	\$287,478
Adjustment:				
Amortization of intangible assets	(2,946)	(858)	(4,054)	(1,716)
NON-GAAP COST OF REVENUES	=====	=====	=====	=====
GROSS MARGIN	\$299,092	\$231,161	\$572,578	\$446,119
Adjustment:				
Amortization of intangible assets	2,946	858	4,054	1,716
NON-GAAP GROSS MARGIN	=====	=====	=====	=====
SALES AND MARKETING EXPENSES	\$138,218	\$109,109	\$275,517	\$212,420
Adjustments:				
Amortization of intangible assets	(507)	(206)	(714)	(413)
NON-GAAP SALES AND MARKETING EXPENSES	=====	=====	=====	=====
GENERAL AND ADMINISTRATIVE EXPENSES	\$21,566	\$17,870	\$42,607	\$34,752
Adjustments:				

Amortization of intangible assets	(399)	(1,269)	(1,755)	(2,537)

NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	\$21,167	\$16,601	\$40,852	\$32,215
=====				
OPERATING EXPENSES	\$224,810	\$169,768	\$434,724	\$330,768
Adjustments:				
Stock compensation	(3,344)	(2,139)	(5,372)	(4,243)
In process research and development	(5,000)	-	(5,000)	-
Amortization of intangible assets	(906)	(1,475)	(2,469)	(2,950)
Restructuring charges	(645)	-	611	-

NON-GAAP OPERATING EXPENSES	\$214,915	\$166,154	\$422,494	\$323,575
=====				
INCOME FROM OPERATIONS	\$74,282	\$61,393	\$137,854	\$115,351
Adjustments:				
In process research and development	5,000	-	5,000	-
Amortization of intangible assets	3,852	2,333	6,523	4,666
Stock compensation	3,344	2,139	5,372	4,243
Restructuring charges	645	-	(611)	-

NON-GAAP INCOME FROM OPERATIONS	\$87,123	\$65,865	\$154,138	\$124,260
=====				
TOTAL OTHER INCOME (EXPENSES), NET	\$9,442	\$6,193	\$18,251	\$9,363
Adjustments:				
Net gain on investments	(68)	-	(101)	-

NON-GAAP TOTAL OTHER INCOME (EXPENSES), NET	\$9,374	\$6,193	\$18,150	\$9,363
=====				
INCOME BEFORE INCOME TAXES	\$83,724	\$67,586	\$156,105	\$124,714
Adjustments:				
Amortization of intangible assets	3,852	2,333	6,523	4,666
In process research and development	5,000	-	5,000	-
Stock compensation	3,344	2,139	5,372	4,243
Restructuring charges	645	-	(611)	-
Net gain on investments	(68)	-	(101)	-

NON-GAAP INCOME BEFORE INCOME TAXES	\$96,497	\$72,058	\$172,288	\$133,623
=====				
PROVISION FOR INCOME TAXES	\$13,006	\$12,257	\$25,267	\$22,523
Adjustments:				
Discrete GAAP provision matters recognized ratably for non-GAAP purposes	2,437	-	2,437	-
Income tax effect	1,927	1,434	3,308	2,865

NON-GAAP PROVISION FOR INCOME TAXES	\$17,370	\$13,691	\$31,012	\$25,388
=====				

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

	Three Months Ended		Six Months Ended	
	Oct. 28, 2005	Oct. 29, 2004	Oct. 28, 2005	Oct. 29, 2004
Cash Flows from Operating Activities:				
Net income	\$70,718	\$55,329	\$130,838	\$102,191
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	15,328	13,410	30,084	26,652
In process research and development	5,000	-	5,000	-
Amortization of intangible assets	3,852	2,333	6,523	4,666
Amortization of patents	496	451	991	901
Stock compensation	3,344	2,139	5,372	4,243
Income tax benefit from employee stock transactions	-	8,942	16,289	14,677
Net gain on investments	(68)	-	(101)	(29)
Net loss on disposal of equipment	756	512	1,160	519
Allowance for doubtful accounts	725	557	346	403
Deferred rent	321	136	369	226
Changes in assets and liabilities:				
Accounts receivable	(86,163)	(19,596)	(28,271)	(25,353)
Inventories	(8,567)	(2,662)	(13,565)	(5,993)
Prepaid expenses and other assets	932	7,428	(3,065)	5,999
Accounts payable	12,463	5,746	9,772	4,671
Income taxes payable	14,496	(325)	7,855	(1,166)
Accrued compensation and related benefits	21,360	18,336	(11,058)	3,801
Other accrued liabilities	(1,577)	(2,917)	(2,879)	(220)
Deferred revenue	49,059	30,013	85,775	60,355
Net cash provided by operating activities	102,475	119,832	241,435	196,543
Cash Flows from Investing Activities:				
Purchases of investments	(111,010)	(200,302)	(333,797)	(348,948)
Redemptions of investments	204,596	124,257	418,573	263,302
Increase in restricted cash	(562)	-	(2,066)	-
Purchases of property and equipment	(29,474)	(15,246)	(63,012)	(47,511)
Proceeds from sales of investments	68	-	130	298
Purchases of equity securities	(6,675)	-	(6,950)	-
Purchase of businesses, net of cash acquired	(41,916)	-	(53,747)	-
Net cash provided by (used in) investing activities	15,027	(91,291)	(40,869)	(132,859)
Cash Flows from Financing Activities:				
Proceeds from sale of common stock related to employee stock transactions	21,726	23,515	72,489	46,717
Tax withholding payments				

reimbursed by restricted stock	(183)	-	(602)	(43)
Repurchases of common stock	(149,021)	(35,271)	(244,564)	(83,013)
	-----	-----	-----	-----
Net cash used in financing activities	(127,478)	(11,756)	(172,677)	(36,339)
	-----	-----	-----	-----
Effect of Exchange Rate Changes on Cash	104	537	282	871
Net Increase (Decrease) in Cash and Cash Equivalents	(9,872)	17,322	28,171	28,216
Cash and Cash Equivalents:				
Beginning of period	231,585	103,222	193,542	92,328
	-----	-----	-----	-----
End of period	\$221,713	\$120,544	\$221,713	\$120,544
	=====	=====	=====	=====
Noncash Investing and Financing Activities:				
Conversion of evaluation inventory to fixed assets	\$5,473	\$2,022	\$9,111	\$4,751
Deferred stock compensation, net of reversals	(445)	173	2,189	(373)
Acquisition of property and equipment on account	2,564	-	6,125	-
Common stock issued and options assumed for acquired businesses	228,016	-	230,330	-
Supplemental cash flow information:		-		
Income taxes paid	1,675	3,346	3,689	10,172
Income Tax Refund	2,264	9,156	2,332	10,572

NETWORK APPLIANCE, INC.
RECONCILIATION OF NON GAAP GUIDANCE TO GAAP
EXPRESSED AS EARNINGS PER SHARE
THIRD QUARTER AND FISCAL YEAR 2006
(Unaudited)

Projected Year Over Year Third Quarter Revenue Growth Range	Projected Year Over Year Annual FY06 Revenue Growth Range
-----	-----
25% 28%	26% 28%
-----	-----

ADJUSTMENTS OF SPECIFIC ITEMS TO
EARNINGS PER SHARE FOR THE THIRD
QUARTER AND FISCAL YEAR 2006 (\$):

COST OF REVENUES

Adjustment:

Amortization of intangible assets (0.010) (0.010) (0.031) (0.031)

OPERATING EXPENSES

Adjustments:

Stock compensation (0.011) (0.011) (0.036) (0.036)
Amortization of intangible assets (0.002) (0.002) (0.011) (0.011)
Restructuring charges (0.001) (0.001) 0.003 0.003
In-process research and development - - (0.013) (0.013)

TOTAL OTHER INCOME (EXPENSES), NET

Adjustments:

Net (gain)/loss on investments			0.000	0.000
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PROVISION FOR INCOME TAXES

Adjustments:

Income tax effect	0.002	0.001	0.017	0.017
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NET DECREASE IN EARNINGS PER SHARE	(0.022)	(0.022)	(0.070)	(0.070)
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