SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)
[ ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JANUARY 23, 1998

OR

[X] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM
--------------- TO

COMMISSION FILE NUMBER 0-27130

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

CALIFORNIA (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION	77-0307520 IRS EMPLOYER IDENTIFICATION
2770 SAN TOMAS EXPRESSWAY, SANTA CLARA, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	95051 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (408) 367-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate the number of shares outstanding of the issuer's class of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT JANUARY 23, 1998
Common Stock	33,515,805

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NETWORK APPLIANCE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	JANUARY 23, 1998 (UNAUDITED)	APRIL 30, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$39,302	$21,520
Short-term investments	5,250	6,916
Accounts receivable, net	26,684	13,911

Inventories	9,045	9,920
Prepaid expenses and other	1,936	1,253
Deferred taxes	3,177	3,100
Total current assets	85,394	56,620
PROPERTY AND EQUIPMENT, NET	10,564	9,238
OTHER ASSETS	2,950	3,083
	$98,908	$68,941
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 6,904	$ 4,415
Income taxes payable	2,680	1,023
Accrued compensation and related benefits	7,099	4,666
Other accrued liabilities	4,017	2,280
Deferred revenue	4,422	2,317
Total current liabilities	25,122	14,701
LONG-TERM OBLIGATIONS	170	211
SHAREHOLDERS' EQUITY:		
Common stock	59,579	54,653
Retained earnings (Accumulated deficit)	14,037	(624)
Total shareholders' equity	73,616	54,029
	$98,908	$68,941

See accompanying notes to condensed consolidated financial statements.

NETWORK APPLIANCE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED	
	JANUARY 23, 1998	JANUARY 24, 1997
NET SALES	$43,984	$24,845
COST OF SALES	17,880	10,116
Gross margin	26,104	14,729
OPERATING EXPENSES:		
Sales and marketing	11,187	6,438
Research and development	4,420	2,283
General and administrative	1,852	1,049
Total operating expenses	17,459	9,770
INCOME FROM OPERATIONS	8,645	4,959
OTHER INCOME, NET	243	241
INCOME BEFORE INCOME TAXES	8,888	5,200
PROVISION FOR INCOME TAXES	3,333	1,820
NET INCOME	$ 5,555	$ 3,380
NET INCOME PER SHARE:		
Basic	$ 0.17	$ 0.11
Diluted	$ 0.15	$ 0.10

WEIGHTED AVERAGE COMMON SHARES.............................	32,711	30,829
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES........	36,250	35,030

See accompanying notes to condensed consolidated financial statements.

NETWORK APPLIANCE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	NINE MONTHS ENDED	
	JANUARY 23, 1998	JANUARY 24, 1997
NET SALES...	$115,805	$64,353
COST OF SALES...	47,196	26,292
Gross margin..	68,609	38,061
OPERATING EXPENSES:		
Sales and marketing.....................................	29,352	16,644
Research and development................................	11,738	5,986
General and administrative..............................	4,701	3,201
Litigation settlement...................................	--	4,300
Total operating expenses..............................	45,791	30,131
INCOME FROM OPERATIONS....................................	22,818	7,930
OTHER INCOME, NET...	640	793
INCOME BEFORE INCOME TAXES................................	23,458	8,723
PROVISION FOR INCOME TAXES................................	8,797	3,053
NET INCOME..	$ 14,661	$ 5,670
NET INCOME PER SHARE:		
Basic...	$ 0.45	$ 0.19
Diluted...	$ 0.41	$ 0.16
WEIGHTED AVERAGE COMMON SHARES............................	32,281	30,351
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES........	35,724	34,731

See accompanying notes to condensed consolidated financial statements.

NETWORK APPLIANCE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED	
	JANUARY 23, 1998	JANUARY 24, 1997

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 14,661	$ 5,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,885	1,967
Provision for doubtful accounts	216	--
Deferred income taxes	(77)	--
Deferred rent	(29)	(52)
Changes in assets and liabilities:		
Accounts receivable	(12,989)	(7,006)
Inventories	875	(4,760)
Prepaid expenses and other assets	(764)	(674)
Accounts payable	2,489	2,892
Income taxes payable	1,657	208
Accrued compensation and related benefits	2,433	1,116
Other accrued liabilities	1,737	1,068
Deferred revenue	2,105	1,426
Net cash provided by operating activities	16,199	1,855
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(7,600)	(13,200)
Redemptions of short-term investments	9,266	9,332
Purchases of property and equipment	(4,886)	(3,206)
Net cash used in investing activities	(3,220)	(7,074)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term obligations	(12)	(12)
Proceeds from sale of common stock, net	4,815	1,532
Net cash provided by financing activities	4,803	1,520
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,782	(3,699)
CASH AND CASH EQUIVALENTS:		
Beginning of period	21,520	24,637
End of period	$ 39,302	$ 20,938
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Deferred stock compensation	$ 714	$ --

See accompanying notes to condensed consolidated financial statements.

NETWORK APPLIANCE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements have been prepared by Network Appliance, Inc. (the Company) without audit and reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position and the results of operations of the Company for the interim periods. The statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all information and footnotes required by generally accepted accounting principles. The results of operations for the three and nine-month periods ended January 23, 1998 are not necessarily indicative of the operating results to be expected for the full fiscal year or future operating periods. The information included in this report should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended April 30, 1997 and the risk factors as set forth in the Company's Annual Report on Form 10-K, including, without limitation, risks relating to history of operating losses, fluctuating operating results, dependence on new products, rapid technological change, dependence on growth in the network file server market, expansion of international operations, product concentration, changing product mix, competition, recent management additions, management of expanding operations, dependence on high-quality components, dependence on proprietary technology, intellectual property rights, dependence on key personnel, volatility of stock price, shares eligible for future sale and the effect of certain anti-takeover provisions. Any party interested in reviewing these publicly available documents should contact the SEC or the Chief Financial Officer of the Company.

2. INVENTORIES

Inventories consist of the following (in thousands):

	JANUARY 23, 1998	APRIL 30, 1997
Purchased components	$2,950	$6,775
Work in process	1,934	1,524
Finished goods	4,161	1,621
	$9,045	$9,920

3. COMMON STOCK AND NET INCOME PER SHARE

On September 25, 1997, the Company's shareholders approved a 1,600,000 share increase (3,200,000 on a post-split basis) in the number of shares of common stock authorized for issuance under the Network Appliance 1995 Stock Incentive Plan. On November 11, 1997, the Board of Directors approved a two-for-one stock split of the Company's common stock which was effective December 18, 1997. The net income per share and number of shares used in the per-share calculations for all periods presented reflect the two-for-one stock split that was effective December 18, 1997.

The Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128), during the third quarter of fiscal 1998. SFAS 128 requires a dual presentation of basic and diluted net income per share. Basic net income per share is computed using the weighted average number of common shares outstanding for the period. Diluted net income per share is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares include stock options (using the treasury stock method). Common equivalent shares are excluded from the computation if their effect is anti-dilutive.

Net income per share data for the three and nine-month periods ended January 24, 1997 has been restated to conform with SFAS 128.

NETWORK APPLIANCE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

The following is a reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the periods presented (in thousands, except per share amounts):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JANUARY 23, 1998	JANUARY 24, 1997	JANUARY 23, 1998	JANUARY 24, 1997
NET INCOME (NUMERATOR):				
Net income, basic and diluted	$ 5,555	$ 3,380	$14,661	$ 5,670
SHARES (DENOMINATOR):				
Weighted average common shares outstanding	33,352	32,262	33,117	32,289
Weighted average common shares outstanding subject to repurchase	(641)	(1,433)	(836)	(1,938)
Shares used in basic computation	32,711	30,829	32,281	30,351

Weighted average common shares outstanding subject to repurchase....................	641	1,433	836	1,938
Weighted average common equivalent shares.............	2,898	2,768	2,607	2,442
Shares used in diluted computation...................	36,250	35,030	35,724	34,731
NET INCOME PER SHARE:				
Basic............................	$ 0.17	$ 0.11	$ 0.45	$ 0.19
Diluted..........................	$ 0.15	$ 0.10	$ 0.41	$ 0.16

Options to purchase 124,000 and 51,000 shares during the three-month periods ended January 23, 1998 and January 24, 1997, respectively, and 841,000 and 825,000 shares during the nine months then ended, respectively, were outstanding but excluded from the diluted net income per share computations because the exercise prices were greater than the average market prices of common shares.

4. LITIGATION SETTLEMENT

The computer industry is characterized by frequent litigation regarding intellectual property rights. During fiscal 1995, a lawsuit of this nature was filed against the Company and two of its shareholders (the Whipsaw Litigation). During the first quarter of fiscal 1997, the Company settled the Whipsaw litigation and recorded a pre-tax expense of $4.3 million ($3.5 million in payments to the plaintiffs and $0.8 million in legal fees). In connection with the settlement, the Whipsaw group released the Company from all liabilities.

5. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income," which is effective for fiscal years beginning after December 15, 1997. The adoption is not expected to have a material effect on the financial statements.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" (SFAS 131). This statement requires that financial information be reported on the basis used internally for evaluating segment performance and deciding how to allocate resources to segments. SFAS 131 will be effective for the Company's fiscal year 1999 and requires restatement of all previously reported information for comparative purposes.

The Financial Accounting Standards Board recently approved the American Institute of Certified Public Accountants Statement of Position 97-2 (SOP 97-2) on software revenue recognition which will be effective for the Company's fiscal year 1999. The Company is currently assessing the impact of SOP 97-2 on its revenue recognition policies.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth certain consolidated statements of income data as a percentage of net sales for the periods indicated:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JANUARY 23, 1998	JANUARY 24, 1997	JANUARY 23, 1998	JANUARY 24, 1997
Net Sales..................................	100.0%	100.0%	100.0%	100.0%
Cost of Sales..............................	40.7	40.7	40.8	40.9
Gross margin.....................	59.3	59.3	59.2	59.1

Operating Expenses:				
Sales and marketing	25.4	25.9	25.3	25.8
Research and development	10.0	9.2	10.1	9.3
General and administrative	4.2	4.2	4.1	5.0
Litigation settlement	--	--	--	6.7
Total operating expenses	39.6	39.3	39.5	46.8
Income from operations	19.7	20.0	19.7	12.3
Other income, net	0.5	0.9	0.6	1.2
Income before income taxes	20.2	20.9	20.3	13.5
Provision for income taxes	7.6	7.3	7.6	4.7
Net Income	12.6%	13.6%	12.7%	8.8%

Net Sales -- Net sales were $44.0 million for the three months ended January 23, 1998 and $115.8 million for the nine months ended January 23, 1998, representing increases of 77.0% and 80.0%, respectively, over the comparable periods of the prior fiscal year. The increase in net sales for these periods was principally attributable to a higher volume of filers shipped. The increase in unit shipments resulted primarily from the Company's expansion of its direct sales force and the introduction of new products during June and July 1997, particularly the enterprise-class NetApp(TM) F630, the NetApp F520 and the NetApp F230. Net sales also grew for the three and nine-month periods as a result of increased multiprotocol system shipments, the licensing of multiprotocol software to pre-existing customers and increased service and software subscription revenues due to a growing installed base.

International net sales (including United States exports) grew by 166.0% and 156.1% for the three and nine-month periods ended January 23, 1998, respectively, compared to comparable periods of the prior fiscal year. International net sales were $11.7 million, or 26.6% of total net sales, and $27.7 million, or 24.0% of total net sales, for three and nine months ended January 23, 1998, respectively. The increase in international net sales was primarily a result of European sales growth.

There can be no assurance that the Company's net sales will continue to increase in absolute dollars or at the rate at which they have grown in recent fiscal periods.

Gross Margin -- For the three months ended January 23, 1998, compared to the comparable period of the prior fiscal year, gross margin as a percentage of net sales remained at 59.3%. For the nine months ended January 23, 1998, gross margin increased to 59.2% of net sales compared to 59.1% of net sales for the comparable period of the prior fiscal year. This increase in gross margin was primarily attributable to the increase in product volume, lower costs of key components, increased manufacturing efficiencies and by the sale of the Company's new product with cost-reduced designs first introduced in June and July 1997. Gross margin was also favorably impacted by the licensing of multiprotocol software and by growth in software subscription and service revenues due to a growing installed base. Factors contributing to gross margin growth were partially offset by the sale of 4 gigabyte drives at reduced prices in the first and second quarters of the current fiscal year.

The Company's gross margin has been and will continue to be affected by a variety of factors, including competition, product configuration, direct versus indirect sales, the mix and average selling prices of products, including software licensing, new product introductions and enhancements and the cost of components and manufacturing labor. In particular, the Company's gross margin varies based upon the configuration of systems that are sold and whether they are sold directly or through indirect channels. Highly configured systems typically generate lower overall gross margin percentages due to greater disk drive and memory content.

Sales and Marketing -- Sales and marketing expenses consist primarily of salaries, commissions, advertising and promotional expenses and customer service and support costs. Sales and marketing expenses increased 73.8% to $11.2 million for the three months ended January 23, 1998, compared to $6.4 million for the three months ended January 24, 1997. For the nine months ended January 23, 1998, sales and marketing expenses of $29.4 million reflect an increase of 76.4% over the comparable period of the prior fiscal year. Sales and marketing expenses were 25.4% and 25.9% of net sales for the three months ended January 23, 1998 and January 24, 1997, respectively, and were 25.3% and 25.8%, respectively, of net sales for the nine months then ended. The increase in absolute dollars was primarily related to the expansion of the Company's sales and marketing organization, including growth in the domestic and international direct sales forces and increased commission expenses. During the quarter ended January 23, 1998, the Company launched an advertising campaign which contributed to absolute dollar growth in sales and marketing expenses for the three and nine-month periods of the current fiscal year. Sales and marketing expenses are expected to increase in an effort to expand domestic and international markets, introduce new products, establish and expand new distribution channels and increase product and company awareness. The Company believes that its continued growth and profitability is dependent in part on the successful expansion of its international operations, and therefore, has committed significant resources to international sales.

Research and Development -- Research and development expenses consist primarily of salaries and benefits and prototype expenses. Research and development expenses increased 93.6% to $4.4 million for the three months ended January 23, 1998 from $2.3 million for the three months ended January 24, 1997. These expenses represented 10.0% and 9.2% of net sales for the quarters ended January 23, 1998 and January 24, 1997, respectively. For the nine-month periods, research and development expenses increased 96.1% to $11.7 million in fiscal 1998 from $6.0 million in fiscal 1997 and represented 10.1% and 9.3% of net sales, respectively, for those periods. Expenses for the three and nine-month periods increased as a result of increased headcount, prototyping expenses associated with the development of new products and ongoing support of current and future product development and enhancement efforts. The Company believes that significant investments in research and development will be required to remain competitive and expects that such expenditures will continue to increase in absolute dollars. For the three and nine months ended January 23, 1998 and January 24, 1997, no software development costs were capitalized as amounts that qualified for capitalization were immaterial.

General and Administrative -- General and administrative expenses were $1.9 million for the three months ended January 23, 1998, compared to $1.0 million for the three months ended January 24, 1997. These expenses represented 4.2% of net sales for both periods. For the nine-month periods, general and administrative expenses increased 46.9% to $4.7 million in fiscal 1998 from $3.2 million in fiscal 1997 and represented 4.1% and 5.0% of net sales, respectively, for those periods. Increases in absolute dollars related primarily to increased headcount, growth in professional services fees and an increase to the allowance for bad debt. The Company believes that its general and administrative expenses will increase as the Company continues to build its infrastructure.

Litigation Settlement -- The computer industry is characterized by frequent litigation regarding intellectual property rights. During fiscal 1995, a lawsuit of this nature was filed against the Company and two of its shareholders (the Whipsaw Litigation). During the first quarter of fiscal 1997, the Company settled the Whipsaw litigation and recorded a pre-tax expense of $4.3 million ($3.5 million in payments to the plaintiffs and $0.8 million in legal fees). In connection with the settlement, the Whipsaw group released the Company from all liabilities.

Other Income, net -- Other income, net, was $0.2 million for both the three months ended January 23, 1998 and January 24, 1997. For the nine months ended January 23, 1998, other income, net was $0.6 million, compared to $0.8 million in the corresponding period of the prior year. For the nine months ended January 23, 1998, other income, net, decreased over the corresponding period of the prior year due primarily to foreign currency exchange losses recorded in the current fiscal year.

Provision for Income Taxes -- The Company's effective tax rate during the three and nine months ended January 23, 1998 was 37.5% compared with 35.0% for the corresponding periods of the prior year. The higher tax rate in fiscal 1998 relates to increased earnings, which reduce the impact of research and development and other tax credits on the effective tax rate. Additionally, fiscal 1997 included a benefit for the reversal of a valuation allowance previously provided against deferred tax assets which will not occur in fiscal

1998.

The Company's quarterly operating results have in the past varied and may in the future vary significantly depending on a number of factors, including: the level of competition; the size and timing of significant orders; product configuration and mix; market acceptance of new products and product enhancements; new product announcements or introductions by the Company or its competitors; deferrals of customer orders in anticipation of new products or product enhancements; changes in pricing by the Company or its competitors; the ability of the Company to develop, introduce and market new products and product enhancements on a timely basis; hardware component costs; supply constraints; the Company's success in expanding its sales and marketing programs; technological changes in the network file server market; the mix of sales among the Company's sales channels; levels of expenditure on research and development; changes in Company strategy; personnel changes; the Company's ability to successfully expand international operations; general economic trends and other factors.

The Company conducts business internationally. Accordingly, the Company's future operating results could be materially adversely affected by a variety of uncontrollable and changing factors including foreign currency exchange rates, regulatory, political or economic conditions in a specific country or region, trade protection measures and other regulatory requirements and government spending patterns, among other factors. Although operating results have not been materially adversely affected by seasonality in the past, because of the significant seasonal effects experienced within the industry and the Company's international sales growth and goal to continue international expansion, there can be no assurance that the Company's future operating results will not be adversely affected by seasonality.

Sales for any future quarter are not predictable with any significant degree of certainty. The Company generally operates with limited order backlog because its products typically are shipped shortly after orders are received. As a result, product sales in any quarter are generally dependent on orders booked and shipped in that quarter. Product sales are also difficult to forecast because the network file server market is rapidly evolving and the Company's sales cycle varies substantially from customer to customer. A significant portion of the Company's revenues in any quarter may be derived from sales to a limited number of customers. Any significant deferral of these sales could have a material adverse effect on the Company's results of operations in any particular quarter; and to the extent that significant sales occur earlier than expected, operating results for subsequent quarters may be adversely affected. The Company's expense levels are based, in part, on its expectations as to future sales. As a result, if sales levels are below expectations, net income may be disproportionately affected. Although the Company has experienced significant revenue growth in recent periods, such growth may not be indicative of future operating results. Period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as an indicator of future performance. Due to all of the foregoing factors, it is possible that in some future quarter the Company's operating results may be below the expectations of public market analysts and investors. In such event, the price of the Company's common stock would likely be materially adversely affected.

This Form 10-Q may contain forward-looking statements about future results which are subject to risks and uncertainties. Network Appliance's actual results may differ significantly from the results discussed in the forward-looking statements. The Company is subject to a variety of other additional risk factors, more fully described in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended January 23, 1998, the Company's cash, cash equivalents and short-term investments increased by $16.1 million to $44.6 million. The Company's working capital increased during the nine months ended January 23, 1998 by $18.4 million to $60.3 million. For the nine months ended January 23, 1998, the Company generated cash from operating activities totaling $16.2 million, principally related to net income, non-cash expenses and increases in current liabilities, partially offset by increases in accounts receivable. Net cash provided by operating activities during the nine months ended January 24, 1997 principally related to net income, non-cash expenses and increases in current liabilities, partially offset by increases in accounts receivable, inventories and prepaid expenses.

The Company used $4.9 million and $3.2 million to purchase property and equipment during the nine-month periods ended January 23, 1998 and January 24, 1997, respectively. Net maturities of short-term investments provided $1.7 million for the nine months ended January 23, 1998. The Company used $3.9 million during the nine months ended January 24, 1997 for net investment purchases. Financing activities provided $4.8 million and $1.5 million for the nine months ended January 23, 1998 and January 24, 1997, respectively, due primarily to proceeds from the sale of common stock in such periods.

The Company currently has no significant capital commitments other than commitments under operating leases. The Company believes that its existing liquidity and capital resources are sufficient to fund its operations for at least the next twelve months.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS
3.1 Restated Articles of Incorporation
27.1 Financial Data Schedule

(b) REPORTS ON FORM 8-K
On November 26, 1997, the Company filed a current report on Form 8-K, announcing the Board of Directors approval of a two-for-one stock split.

SIGNATURE

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

NETWORK APPLIANCE, INC.
(Registrant)

/s/ JEFFRY R. ALLEN

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

Date: March 5, 1998

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Articles of Incorporation
27.1	Financial Data Schedule

EXHIBIT 3.1

A469794

ENDORSED
FILED
IN THE OFFICE OF THE SECRETARY OF STATE
OF THE STATE OF CALIFORNIA
DEC 22, 1995
/s/ BILL JONES
SECRETARY OF STATE

RESTATED ARTICLES OF INCORPORATION OF NETWORK APPLIANCE, INC.

a California Corporation

The undersigned, Daniel J. Warmanhoven and Michael J. McCloskey, hereby certify that:

ONE: They are the duly elected and acting President and Secretary respectively, of said corporation.

TWO: The Articles of Incorporation of said corporation shall be amended and restated to read in full as follows:

ARTICLE I

The name of this corporation is Network Appliance, Inc.

ARTICLE II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

ARTICLE III

A. Class of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares that this corporation is authorized to issue is sixty million (60,000,000) shares. Fifty five million (55,000,000) shares shall be Common Stock and five million (5,000,000) shares shall be Preferred Stock.

B. Rights, Preferences and Restrictions of Preferred Stock. The Preferred Stock authorized by these Amended and Restated Articles of Incorporation may be issued from time to time in one or more series. The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon additional series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or of any of them. Subject to compliance with applicable protective voting rights that have been or may be granted to the Preferred Stock or series thereof in Certificates of Determination or this corporation's Articles of Incorporation ("Protective Provisions"), but notwithstanding any other rights of the Preferred Stock or any

series thereof, the rights, privileges, preferences and restrictions of any such additional series may be subordinated to, pari passu with (including, without limitation, inclusion in provisions with respect to liquidation and acquisition preferences, redemption and/or approval of matters by vote or written consent), or senior to any of those of any present or future class or series of Preferred or Common Stock. Subject to compliance with applicable Protective Provisions, the Board of Directors is also authorized to increase or decrease the number of shares of any series, prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

1. Repurchase of Shares. In connection with repurchases by this Corporation of its Common Stock pursuant to its agreements with certain of the holders thereof, Sections 502 and 503 of the California General Corporation Law shall not apply in whole or in part with respect to such repurchases.

C. Common Stock.

1. Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of this corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2. Liquidation Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to liquidation, upon the liquidation, dissolution or winding up of this corporation, the assets of this corporation shall be distributed to the holders of Common Stock.

3. Redemption. The Common Stock is not redeemable.

4. Voting Rights. The holder of each share of Common Stock shall have the right to one vote, and shall be entitled to notice of any shareholders' meeting in accordance with the bylaws of this corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law.

ARTICLE IV

Section 1. The liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

Section 2. This corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions,

agreements with the agents, vote of shareholders or disinterested directors, or otherwise in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to this corporation and its shareholders.

* * *

THREE: The foregoing amendment has been approved by the Board of Directors of said corporation.

FOUR: All of the outstanding Series A, Series B and Series C Preferred Stock, including any options, warrants or rights to purchase such shares of Series A, Series B or Series C Preferred Stock, have been converted into Common Stock, or options, warrants or rights to purchase such shares of Common Stock, of the corporation pursuant to Section 4.(b) of Division B of Article III of the present Articles of Incorporation.

FIVE: The present Articles of Incorporation of the corporation provide in Section 7 of Division (B) of Article III that in the event shares of Series A, Series B or Series C Preferred Stock shall be converted pursuant to Section 4 thereof, the shares so converted shall be cancelled and shall not be issuable by the corporation. Therefore upon such conversion and cancellation, the total authorized number of shares of the corporation became 60,000,000 and the authorized number of shares of Preferred Stock of the corporation became 5,000,000.

SIX: The foregoing amendments reducing the number of shares of authorized Preferred Stock and deleting reference to Series A, Series B and Series C Preferred Stock do not require approval of the shareholders of the corporation pursuant to Section 510(b) of the California Corporations Code, which states that if all of the shares of a series are acquired by the issuer and their reissue is prohibited by the articles, then the articles shall also be amended, without shareholder approval, to reduce the authorized number of shares of that class accordingly and to eliminate therefrom any statement of rights, preferences, privileges and restrictions relating solely to that series.

IN WITNESS WHEREOF, the undersigned have executed this certificate on December 20, 1995.

/s/ DANIEL J. WARMENHOVEN

Daniel J. Warmenhoven
President

/s/ MICHAEL McCLOSKEY

Michael McCloskey
Secretary

Each of the undersigned declares under penalty of perjury that the statements contained in the foregoing certificate are true and correct of his knowledge, and that this declaration was executed on December 20, 1995, at Palo Alto, California.

/s/ DANIEL J. WARMENHOVEN

Daniel J. Warmenhoven
President

/s/ MICHAEL McCLOSKEY

Michael McCloskey
Secretary

A501693

STATE OF CALIFORNIA
SECRETARY OF STATE

[S E A L]

I, BILL JONES, Secretary of State of the State of California, hereby certify:

That the attached transcript has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this

DEC 23, 1997

/s/ BILL JONES

Secretary of State

[SEAL]

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A501693

ENDORSED - FILED
In the office of the Secretary of State
of the State of California
DEC 18 1997

BILL JONES, Secretary of State

CERTIFICATE OF AMENDMENT
OF THE RESTATED ARTICLES OF INCORPORATION OF
NETWORK APPLIANCE, INC.

The undersigned, Daniel J. Warmenhoven and Jeffry R. Allen, hereby certify that:

ONE: They are the duly elected and acting President and Secretary, respectively, of said corporation.

TWO: The Restated Articles of Incorporation of said corporation, filed on December 22, 1995, shall be amended as set forth in this Certificate of Amendment.

THREE: Section A of ARTICLE III of the Amended and Restated Articles of Incorporation is amended to read in its entirety as follows:

> "(A) CLASSES OF STOCK. This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares that the corporation is authorized to issue is One Hundred Fifteen Million (115,000,000) shares. One Hundred Ten Million (110,000,000) shares shall be Common Stock and Five Million (5,000,000) shares shall be Preferred Stock.
>
> As of December 18, 1997, each share of Common Stock outstanding is split into two (2) shares of Common Stock."

* * *

FOUR: The foregoing Certificate of Amendment has been duly approved by the Board of Directors of the Corporation.

FIVE: The foregoing Certificate of Amendment of the Restated Articles of Incorporation does not require shareholder approval pursuant to Section 902(c) of the General Corporation Law of the State of California. No shares of Preferred Stock are outstanding.

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IN WITNESS WHEREOF, the undersigned have executed this Certificate of Amendment on December 1, 1997.

/s/ Daniel J. Warmenhoven

Daniel J. Warmenhoven

/s/ Jeffry R. Allen

Jeffry R. Allen

Secretary

The undersigned certify under penalty of perjury that they have read the foregoing Certificate of Amendment and know the contents thereof, and that the statements therein are true.

Executed at Santa Clara, California, on December 1, 1997

/s/ Daniel J. Warmenhoven

Daniel J. Warmenhoven

/s/ Jeffry R. Allen

Jeffry R. Allen

[SEAL]

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