

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

FORM 8-K

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

Date of Report (date of earliest event reported): May 24, 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 May 24, 2005, Network Appliance, Inc. issued a press release announcing its earnings for the third quarter of its fiscal year 2005. The press release is attached as an exhibit to this Form 8-K, and the information set forth therein is hereby incorporated by reference into this Item 2.02.

Item 9.01(c).

Network Appliance, Inc.'s May 24, 2005 press release is hereby furnished as Exhibit 9.01(c)(1) to this Form 8-K in connection with the disclosures under Item 2.02 of this Form 8-K.

SIGNATURES

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

May 24, 2005

By: /s/ Steven Gomo

Steven J. Gomo
Chief Financial Officer

Network Appliance Announces Results
for Fourth Quarter and Fiscal Year 2005; Reports 37% Annual Revenue
Growth and 74% Increase in Q4 GAAP Net Income

SUNNYVALE, Calif.--(BUSINESS WIRE)--May 24, 2005--Network Appliance, Inc. (Nasdaq:NTAP), the leader in advanced networked storage solutions, today reported results for the fourth quarter and fiscal year 2005. Revenues for the fourth fiscal quarter were \$451.8 million, an increase of 34% compared to revenues of \$337.0 million for the same period a year ago and a 9.5% increase compared to \$412.7 million in the prior quarter.

For the fourth fiscal quarter, GAAP net income increased 74% to \$63.4 million, or \$0.16 per share(1) compared to GAAP net income of \$36.4 million, or \$0.10 per share for the same period in the prior year. Pro forma(2) net income for the fourth fiscal quarter increased 53% to \$66.6 million, or \$0.17 per share, compared to pro forma net income of \$43.5 million, or \$0.12 per share for the same period a year ago.

Revenues for fiscal year 2005 totaled \$1.6 billion, an increase of 37% compared to revenues of \$1.17 billion for fiscal year 2004.

For fiscal year 2005, GAAP net income increased 48% to \$225.8 million, or \$0.59 per share, compared to GAAP net income of \$152.1 million, or \$0.42 per share for fiscal year 2004. Pro forma net income for fiscal year 2005 increased 63% to \$237.7 million, or \$0.62 per share, compared to pro forma net income of \$146.0 million, or \$0.40 per share for fiscal year 2004.

"Fiscal 2005 was an outstanding year for Network Appliance. We achieved strong gains in revenue, captured additional market share, expanded gross margins, and broadened our offering of the most innovative products targeted at the areas of fastest growth in storage," said Dan Warmenhoven, CEO of Network Appliance. "Our continued investments in our business, combined with expanded partnerships with strategic vendors such as IBM, Microsoft, SAP, and VERITAS, lay the foundation for providing even greater value to our customers."

Outlook

- Network Appliance estimates that revenue for the first quarter of fiscal year 2006 will grow sequentially by 3% to 6%. This projection reflects year-over-year growth rates of 30% to 33%.
- The company expects first quarter pro forma earnings per share to finish at \$0.17 to \$0.18 per share. First quarter GAAP earnings per share are projected to finish at \$0.16 to \$0.17 per share.
- For the full fiscal year, Network Appliance estimates that revenues will finish 32% to 35% higher than fiscal year 2005.
- Network Appliance estimates full-year pro forma earnings per share to finish at \$0.76 to \$0.80 per share. GAAP earnings per share are projected for fiscal year 2006 at \$0.73 to \$0.77 per share.

Quarterly Highlights

During the fourth quarter of fiscal year 2005, Network Appliance reinforced its leadership position through a strategic original equipment manufacturing (OEM) relationship with IBM, increased growth in storage software and SAN, and continued leadership in the iSCSI and network-attached storage (NAS) markets.

This quarter, NetApp and IBM entered into an OEM agreement that will enable IBM to sell IBM-branded solutions based on Network Appliance(TM) unified and open network attached storage NAS and iSCSI/IP SAN solutions, including NearStore(R) and NetApp V-Series systems, as well as associated software offerings. For more information, please see our April 6, 2005 press release posted on the NetApp Web site.

Also this quarter, NetApp acquired Alacritus, a privately held company based in Pleasanton, California. The acquisition will extend

the company's ability to provide a robust data protection solution to NetApp customers and help accelerate customer transitions to disk-based backup. Alacritus is best known for its Virtual Tape Library (VTL) software product, which makes disks emulate tape to provide high performance for large-scale backup environments without disrupting established tape backup workflow and processes.

On the product front, NetApp announced the latest addition to its data management and virtualization portfolio, the NetApp V-Series family which unifies SAN, IP SAN, and NAS under a common architecture. V-Series systems enable customers to extend the complete suite of groundbreaking dynamic virtualization capabilities delivered in NetApp Data ONTAP(TM) 7G software to third-party storage products from HDS, HP, IBM, and Sun. The unique virtualization capabilities of V-Series systems translate directly into customer cost savings and a more intelligent, fluid approach to storage asset utilization that accommodates shifting business demands. V-Series systems facilitate a single, powerful, flexible management paradigm that replaces the cumbersome management procedures of conventional arrays.

VERITAS Software Corporation and NetApp announced the availability of new integrated disk-based data protection and data management solutions for multi-vendor environments. The two companies integrated the latest version of VERITAS NetBackup(TM) software with NetApp NearStore storage systems and SnapVault software to help customers significantly reduce their backup and restore times with disk-based protection, while still retaining data on tape for long-term archival and disaster recovery -- all through a common management console. NetBackup 6.0 integration with NetApp storage provides cost savings when using NearStore single-instance storage capabilities to eliminate redundant heterogeneous backup data. Customers can now store hundreds of backups online with minimal storage.

NetApp and VERITAS have also collaborated to integrate VERITAS Enterprise Vault(TM) 6.0 software with NetApp NearStore and SnapLock(TM) products. These integrated products offer powerful solutions to help mutual customers cope with growing compliance and regulatory requirements by delivering solutions that allow them to transparently archive data and quickly retrieve specific information as needed.

NetApp demonstrated the strongest growth in storage software according to Gartner's report "Market Share: Storage Management Software, Worldwide, 2004."⁽³⁾ The total market for new license revenue in 2003 to 2004 grew at a rate of 12.3%, with Network Appliance beating the market with a growth rate of 73.5% for the same period. NetApp showed the strongest market share growth among the top 10 vendors of storage software and has moved into the top five vendors for marketshare in 2004. For the second year in a row, this was the fastest growth rate among the top 10 vendors in the space and for the first year places NetApp in the top five with a total overall market share of 5.2%.

NetApp maintained its leadership position in both the NAS and iSCSI storage markets for calendar year 2004 (CY2004). According to IDC's Worldwide Quarterly Disk Storage Systems Tracker Q4 2004,⁽⁴⁾ NetApp demonstrated continued leadership in its core NAS market, with a 36.9% revenue share and maintained its strong lead in the iSCSI storage market, with a 43% revenue share for CY2004. In addition, NetApp remained the leader in the IP storage market (NAS and iSCSI), posting a 37.3% market share in CY2004. Also according to IDC, the company grew revenue in the open systems networked storage market, with 29.7% year-over-year (fourth quarter 2003 to fourth quarter 2004) growth, versus overall market growth of 11.6%. NetApp grew revenue in the open SAN market at 98.9%, versus the market growth of 9.2%, year-over-year (fourth quarter 2003 to fourth quarter 2004).

On the partner front, NetApp announced support of Microsoft(R) Windows(R) iSCSI Initiator 2.0. Support of the initiator demonstrates the rapid integration of NetApp storage solutions with the latest Microsoft Windows storage technologies. NetApp is among the first to support Microsoft's latest version of its iSCSI initiator, which underscores a continued vision by both companies to embrace the iSCSI protocol for the benefit of enterprise customers. NetApp also unveiled several new solution enhancements and partner offerings with Asigra, Filenet, Maranti, Microsoft, Mobius, and Sun Microsystems to address a variety of data concerns, including simplifying SQL Server integration, content management, compliance, data backup and recovery, data management, security, and other business-critical initiatives facing enterprise customers.

Conference Call Information

- The NetApp fourth quarter and fiscal year end results conference call will be broadcast live via the Internet at <http://investors.netapp.com/> on Tuesday, May 24, 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 (866) 800-8652 in the United States and (617) 614-2705 outside the United States. The passcode for both numbers is 90731703.
- A replay will be available for 72 hours 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 79132069.

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. These forward-looking statements involve risks and uncertainties, and actual results could vary. Factors that could impact our ability to achieve our goals include general economic and industry conditions, including expenditure trends for storage-related products; our ability to deliver new product architectures and enterprise service offerings, and our ability to design products and services that compete effectively from a price and performance perspective; and other important factors as described in Network Appliance, Inc.'s reports and documents filed from time to time with the Securities and Exchange Commission, including our most recently submitted 10-K and 10-Q.

- (1) Earnings per share represent the diluted number of shares for all periods presented.
- (2) Pro forma results for all periods presented and the projections in the Outlook section exclude amortization of intangible assets, in process research and development, stock compensation, restructuring charges (recoveries), net gain on investments and the related effects on income taxes, as well as an income tax benefit from a nonrecurring foreign tax ruling.
- (3) Gartner Dataquest, "Market Share: Storage Management Software, Worldwide, 2004," Carolyn DiCenzo, April 19, 2005.
- (4) IDC, Worldwide Quarterly Disk Storage Systems Tracker Q4 2004, March 2004

NetApp, NearStore and SnapVault are registered trademarks and Network Appliance, Data ONTAP, and SnapLock are trademarks of Network Appliance, Inc. in the U.S. and other countries. All other brands or products are trademarks or registered trademarks of their respective holders and should be treated as such.

Network Appliance Usage of Pro Forma Financials

The Company refers to the non-GAAP financial measures cited above in making operating decisions because they provide meaningful supplemental information regarding the Company's operational performance. In addition, these non-GAAP financial measures facilitate management's internal comparisons to the Company's historical operating results and comparisons to competitors' operating results. We include these non-GAAP financial measures in our earnings announcement because we believe they are useful to investors in

allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making such as employee compensation planning. In addition, we have historically reported similar non-GAAP financial measures to our investors and believe that the inclusion of comparative numbers provides consistency in our financial reporting at this time.

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

	April 30, 2005	April 30, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$193,542	\$92,328
Short-term investments	976,423	715,637
Accounts receivable, net	296,885	193,942
Inventories	38,983	34,109
Prepaid expenses and other	32,472	29,057
Deferred income taxes	37,584	24,163
Total current assets	1,575,889	1,089,236
PROPERTY AND EQUIPMENT, net	418,749	370,717
GOODWILL	291,816	291,816
INTANGIBLE ASSETS, net	21,448	31,718
OTHER ASSETS	64,745	93,779
	\$2,372,647	\$1,877,266
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$83,572	\$52,719
Income taxes payable	20,823	16,033
Accrued compensation and related benefits	100,534	65,186
Other accrued liabilities	53,262	43,683
Deferred revenue	261,998	166,602
Total current liabilities	520,189	344,223
LONG-TERM DEFERRED REVENUE	187,180	112,337
LONG-TERM OBLIGATIONS	4,474	4,858
	711,843	461,418
STOCKHOLDERS' EQUITY	1,660,804	1,415,848
	\$2,372,647	\$1,877,266

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

Quarter Ended	Year Ended
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	April 30, 2005	April 30, 2004	April 30, 2005	April 30, 2004
REVENUES:				
Product revenue	\$401,003	\$303,931	\$1,430,337	\$1,058,204
Service revenue	50,826	33,033	167,794	112,106
Total revenues	451,829	336,964	1,598,131	1,170,310
COST OF REVENUES:				
Cost of product revenue	134,820	104,910	487,880	371,480
Cost of service revenue	40,213	28,842	135,203	94,309
Total cost of revenues	175,033	133,752	623,083	465,789
GROSS MARGIN	276,796	203,212	975,048	704,521
OPERATING EXPENSES:				
Sales and marketing	134,946	101,974	466,032	349,490
Research and development	48,093	35,855	171,049	131,856
General and administrative	22,014	15,813	76,903	54,550
In process research and development	--	4,940	--	4,940
Stock compensation	1,716	1,882	8,148	3,895
Restructuring charges (recoveries)	(1)	217	(271)	1,327
Total operating expenses	206,768	160,681	721,861	546,058
INCOME FROM OPERATIONS	70,028	42,531	253,187	158,463
OTHER INCOME (EXPENSES), net:				
Interest income	8,034	3,967	24,249	13,704
Other income (expenses), net	72	(372)	(1,249)	(2,460)
Net gain on investments	--	385	41	747
Total other income, net	8,106	3,980	23,041	11,991
INCOME BEFORE INCOME TAXES	78,134	46,511	276,228	170,454
PROVISION FOR INCOME TAXES	14,698	10,062	50,474	18,367
NET INCOME	\$ 63,436	\$ 36,449	\$ 225,754	\$ 152,087
NET INCOME PER SHARE:				
BASIC	\$ 0.17	\$ 0.10	\$ 0.63	\$ 0.44
DILUTED	\$ 0.16	\$ 0.10	\$ 0.59	\$ 0.42
SHARES USED IN PER SHARE CALCULATION:				
BASIC	366,941	356,142	361,009	346,965
DILUTED	387,733	375,140	380,412	366,195

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

	Quarter Ended		Year Ended	
	April 30, 2005	April 30, 2004	April 30, 2005	April 30, 2004
REVENUES:				
Product revenue	\$401,003	\$303,931	\$1,430,337	\$1,058,204
Service revenue	50,826	33,033	167,794	112,106
	-----	-----	-----	-----
Total revenues	451,829	336,964	1,598,131	1,170,310
	-----	-----	-----	-----
COST OF REVENUES:				
Cost of product revenue	133,962	104,195	484,448	367,811
Cost of service revenue	40,213	28,842	135,203	94,309
	-----	-----	-----	-----
Total cost of revenues	174,175	133,037	619,651	462,120
	-----	-----	-----	-----
GROSS MARGIN	277,654	203,927	978,480	708,190
	-----	-----	-----	-----
OPERATING EXPENSES:				
Sales and marketing	134,739	101,802	465,205	349,318
Research and development	48,093	35,855	171,049	131,856
General and administrative	20,746	14,756	71,830	53,493
	-----	-----	-----	-----
Total operating expenses	203,578	152,413	708,084	534,667
	-----	-----	-----	-----
INCOME FROM OPERATIONS	74,076	51,514	270,396	173,523
OTHER INCOME (EXPENSES), net	8,106	3,595	23,000	11,244
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	82,182	55,109	293,396	184,767
PROVISION FOR INCOME TAXES	15,614	11,573	55,745	38,801
	-----	-----	-----	-----
NET INCOME	\$66,568	\$43,536	\$237,651	\$145,966
	=====	=====	=====	=====
NET INCOME PER SHARE:				
BASIC	\$0.18	\$0.12	\$0.66	\$0.42
	=====	=====	=====	=====
DILUTED	\$0.17	\$0.12	\$0.62	\$0.40
	=====	=====	=====	=====
SHARES USED IN PER SHARE CALCULATION:				
BASIC	366,941	356,142	361,009	346,965
	=====	=====	=====	=====
DILUTED	387,733	375,140	380,412	366,195
	=====	=====	=====	=====

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

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

	Quarter Ended		Year Ended	
	April 30, 2005	April 30, 2004	April 30, 2005	April 30, 2004
SUMMARY RECONCILIATION OF NET INCOME				
NET INCOME	\$63,436	\$36,449	\$225,754	\$152,087
Adjustments:				
Amortization of intangible assets	2,333	1,944	9,332	4,898
Stock compensation	1,716	1,882	8,148	3,895
In process research and development	--	4,940	--	4,940
Restructuring charges (recoveries)	(1)	217	(271)	1,327
Net gain on investments	--	(385)	(41)	(747)
Income tax effect	(916)	(1,511)	(5,271)	(3,603)
Income tax benefit from foreign tax ruling	--	--	--	(16,831)
PRO FORMA NET INCOME	\$66,568	\$43,536	\$237,651	\$145,966
DILUTED PRO FORMA NET INCOME PER SHARE	\$0.17	\$0.12	\$0.62	\$0.40
SHARES USED IN DILUTED PRO FORMA NET INCOME PER SHARE CALCULATION:	387,733	375,140	380,412	366,195
DETAILED RECONCILIATION OF SPECIFIC ITEMS:				
COST OF REVENUES	\$175,033	\$133,752	\$623,083	\$465,789
Adjustment:				
Amortization of intangible assets	(858)	(715)	(3,432)	(3,669)
PRO FORMA COST OF REVENUES	\$174,175	\$133,037	\$619,651	\$462,120
GROSS MARGIN	\$276,796	\$203,212	\$975,048	\$704,521
Adjustment:				
Amortization of intangible assets	858	715	3,432	3,669
PRO FORMA GROSS MARGIN	\$277,654	\$203,927	\$978,480	\$708,190

SALES AND MARKETING EXPENSES	\$134,946	\$101,974	\$466,032	\$349,490
Adjustments:				
Amortization of intangible assets	(207)	(172)	(827)	(172)
-----	-----	-----	-----	-----
PRO FORMA SALES AND MARKETING EXPENSES	\$134,739	\$101,802	\$465,205	\$349,318
=====	=====	=====	=====	=====
GENERAL AND ADMINISTRATIVE EXPENSES	\$22,014	\$15,813	\$76,903	\$54,550
Adjustments:				
Amortization of intangible assets	(1,268)	(1,057)	(5,073)	(1,057)
-----	-----	-----	-----	-----
PRO FORMA GENERAL AND ADMINISTRATIVE EXPENSES	\$20,746	\$14,756	\$71,830	\$53,493
=====	=====	=====	=====	=====
OPERATING EXPENSES	\$206,768	\$160,681	\$721,861	\$546,058
Adjustments:				
Stock compensation	(1,716)	(1,882)	(8,148)	(3,895)
In process research and development	--	(4,940)	--	(4,940)
Amortization of intangible assets	(1,475)	(1,229)	(5,900)	(1,229)
Restructuring charges (recoveries)	1	(217)	271	(1,327)
-----	-----	-----	-----	-----
PRO FORMA OPERATING EXPENSES	\$203,578	\$152,413	\$708,084	\$534,667
=====	=====	=====	=====	=====
INCOME FROM OPERATIONS	\$70,028	\$42,531	\$253,187	\$158,463
Adjustments:				
In process research and development	--	4,940	--	4,940
Amortization of intangible assets	2,333	1,944	9,332	4,898
Stock compensation	1,716	1,882	8,148	3,895
Restructuring charges	(1)	217	(271)	1,327
-----	-----	-----	-----	-----
PRO FORMA INCOME FROM OPERATIONS	\$74,076	\$51,514	\$270,396	\$173,523
=====	=====	=====	=====	=====
OTHER INCOME (EXPENSES), NET	\$8,106	\$3,980	\$23,041	\$11,991
Adjustments:				
Net gain on investments	--	(385)	(41)	(747)
-----	-----	-----	-----	-----
PRO FORMA OTHER INCOME (EXPENSES), NET	\$8,106	\$3,595	\$23,000	\$11,244
=====	=====	=====	=====	=====
INCOME BEFORE INCOME TAXES	\$78,134	\$46,511	\$276,228	\$170,454
Adjustments:				
Amortization of intangible assets	2,333	1,944	9,332	4,898
In process research and development	--	4,940	--	4,940
Stock compensation	1,716	1,882	8,148	3,895
Restructuring charges (recoveries)	(1)	217	(271)	1,327
Net gain on investments	--	(385)	(41)	(747)
-----	-----	-----	-----	-----
PRO FORMA INCOME BEFORE				

INCOME TAXES	\$82,182	\$55,109	\$293,396	\$184,767
	=====	=====	=====	=====
PROVISION FOR INCOME TAXES	\$14,698	\$10,062	\$50,474	\$18,367
Adjustments:				
Income tax effect	916	1,511	5,271	3,603
Income tax benefit from foreign tax ruling	--	--	--	16,831
	-----	-----	-----	-----
PRO FORMA PROVISION FOR INCOME TAXES	\$15,614	\$11,573	\$55,745	\$38,801
	=====	=====	=====	=====

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

	Year Ended		
	April 30, 2005	April 30, 2004	April 30, 2003
	-----	-----	-----
Cash Flows from Operating Activities:			
Net income	\$225,754	\$152,087	\$76,472
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	54,459	53,052	51,933
Acquired in-process research and development	--	4,940	--
Amortization of intangible assets	9,332	4,898	5,478
Amortization of patents	1,833	1,503	--
Stock compensation	8,148	3,895	3,642
Net gain on investments	(70)	(941)	1,229
Gain on sale of intangible assets	--	--	(604)
Loss on disposal of equipment	1,990	291	1,009
Allowance for doubtful accounts (reversal)	1,110	(259)	(1,696)
Deferred income taxes	6,321	(21,446)	(18,292)
Deferred rent	294	301	(62)
Changes in assets and liabilities:			
Accounts receivable	(103,352)	(40,078)	(2,702)
Inventories	(14,996)	(9,975)	(16,253)
Prepaid expenses and other assets	7,708	(14,483)	(3,829)
Accounts payable	30,460	11,714	(1,241)
Income taxes payable	32,541	35,000	30,263
Accrued compensation and related benefits	33,828	22,722	(1,035)
Other accrued liabilities	7,369	1,608	(1,112)
Deferred revenue	169,433	104,271	67,137
	-----	-----	-----
Net cash provided by operating activities	472,162	309,100	190,337
	-----	-----	-----
Cash Flows from Investing Activities:			
Purchases of short and long-term investments	(872,237)	(1,050,915)	(747,623)
Redemptions of short and long-term investments	605,426	859,259	547,626
Purchases of property and equipment	(93,568)	(48,675)	(60,165)

Proceeds from disposal of property and equipment	--	123	--
Proceeds from sales of investments	347	1,113	797
Purchase of patents	(895)	(9,015)	--
Purchases of equity securities	(425)	(925)	(650)
Purchase of business, net of cash acquired	--	(6,841)	--
	-----	-----	-----
Net cash used in investing activities	(361,352)	(255,876)	(260,015)
	-----	-----	-----
Cash Flows from Financing Activities:			
Proceeds from sale of common stock related to employee stock transactions	181,920	81,548	29,248
Restricted stock traded for taxes	(1,121)	--	--
Repurchases of common stock	(192,902)	(136,172)	--
	-----	-----	-----
Net cash provided by (used in) financing activities	(12,103)	(54,624)	29,248
	-----	-----	-----
Effect of Exchange Rate Changes on Cash	2,507	1,862	3,809
Net Increase (Decrease) in Cash and Cash Equivalents	101,214	462	(36,621)
Cash and Cash Equivalents:			
Beginning of period	92,328	91,866	128,487
	-----	-----	-----
End of period	\$193,542	\$92,328	\$91,866
	=====	=====	=====
Noncash Investing and Financing Activities:			
Deferred stock compensation, net of reversals	\$154	\$25,382	\$(441)
Conversion of evaluation inventory to fixed assets	10,122	7,892	9,340
Income tax benefit from employee stock transactions	27,829	49,535	18,458
Common stock issued and options assumed for acquired business	--	302,612	--
Release of milestone shares	--	--	921
Release of escrow shares	--	--	1,210
Supplemental cash flow information:			
Income taxes paid	13,284	14,566	7,952
Income taxes refund	12,399	13,812	89

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

Projected First Quarter Revenue Growth Range		Projected Annual FY06 Revenue Growth Range	
-----		-----	
3%	6%	32%	35%
-----		-----	

ADJUSTMENTS OF SPECIFIC ITEMS
TO EARNINGS PER SHARE FOR THE
FIRST QUARTER AND FISCAL

YEAR 2006 (\$):

COST OF REVENUES

Adjustment:

Amortization of intangible assets	(0.0030)	(0.0030)	(0.0118)	(0.0118)
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OPERATING EXPENSES

Adjustments:

Stock compensation	(0.0055)	(0.0055)	(0.0231)	(0.0231)
Amortization of intangible assets	(0.0038)	(0.0038)	(0.0046)	(0.0046)
Restructuring charges	--	--	--	--

TOTAL OTHER INCOME (EXPENSES),
NET

Adjustments:

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

Adjustments:

Income tax effect	0.0043	0.0044	0.0167	0.0175
Income tax benefit from foreign tax ruling	--	--	--	--

NET DECREASE IN EARNINGS
PER SHARE

	(0.0080)	(0.0079)	(0.0228)	(0.0220)
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