

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

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FORM 8-K

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

Date of Report (date of earliest event reported): February 14, 2007

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Network Appliance, Inc.  
(Exact name of Registrant as specified in its charter)

Delaware 0-27130 77-0307520  
(State or other jurisdiction of (Commission File Number) (I.R.S. Employer  
incorporation or organization) 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 February 14, 2007, Network Appliance, Inc. issued a press release announcing its earnings for the third quarter fiscal year 2007. 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 February 14, 2007, 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.

February 14, 2007

By: /s/ Steven Gomo

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Steven J. Gomo  
Chief Financial Officer

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Index to Exhibits

| Exhibit | Description  |
|---------|--|
| -----   | -----  |
| 99.1    | Press release of Network Appliance, Inc. issued on February 14, 2007 |

## Network Appliance Announces Results for Third Quarter Fiscal Year 2007

## Achieves 36% Year-over-Year Revenue Growth

SUNNYVALE, Calif.--(BUSINESS WIRE)--Feb. 14, 2007--Network Appliance, Inc. (NASDAQ:NTAP), the leader in advanced networked storage solutions, today reported results for the third quarter of fiscal year 2007. Revenues for the third fiscal quarter were \$729.3 million, an increase of 36% compared to revenues of \$537.0 million for the same period a year ago and an increase of 12% compared to \$652.5 million in the prior quarter.

For the third fiscal quarter, GAAP net income was \$66.5 million, or \$0.17 per share(1) compared to GAAP net income of \$76.4 million, or \$0.20 per share for the same period in the prior year. Non-GAAP(2) net income for the third fiscal quarter increased 31% to \$111.1 million, or \$0.29 per share, compared to non-GAAP net income of \$84.7 million, or \$0.22 per share for the same period a year ago.

Revenues for the first nine months of the current fiscal year totaled \$2.0 billion, compared to revenues of \$1.47 billion for the first nine months of the prior year, an increase of 36% year over year.

For the first nine months of the current fiscal year, GAAP net income totaled \$208.1 million, or \$0.53 per share, compared with GAAP net income of \$207.2 million, or \$0.54 per share for the same period in the prior year. Non-GAAP net income for the first nine months of the current fiscal year totaled \$316.5 million, or \$0.81 per share, compared to non-GAAP net income of \$226 million, or \$0.58 per share for the first nine months of the prior fiscal year.

"Our third quarter performance again demonstrates that customers increasingly understand the NetApp data management value proposition," said Dan Warmenhoven, chief executive officer. "With revenues up 36% over Q3 of last year, and 100 petabytes of storage shipped during the quarter, NetApp is quickly becoming the vendor of choice for enterprise customers' storage and data management needs."

## Outlook

- Network Appliance estimates that sequential growth in revenue for the fourth quarter of fiscal year 2007 will be in the range of 8% to 10%, which translates to 32% to 34% growth year over year.
- Including the implementation of SFAS123(R) and with current information and assumptions, the company expects fourth quarter GAAP earnings per share to finish between \$0.19 and \$0.20 per share. Network Appliance expects fourth quarter non-GAAP earnings to round to \$0.30 per share.
- For the full fiscal year 2007, Network Appliance estimates that revenues will finish in the range of 35% to 36% higher than fiscal year 2006.
- Including the implementation of SFAS123(R) and with current information and assumptions, the company expects GAAP earnings per share for fiscal year 2007 to be about \$0.73 per share. Network Appliance estimates full-year non-GAAP earnings per share will finish between \$1.11 to \$1.12 per share.

## Quarterly Highlights

During the third quarter of fiscal year 2007, Network Appliance continued to enhance its data management and data protection portfolios with a key acquisition and several product announcements. It also extended its data center portfolio with several additions including new midrange platforms, broader Fibre Channel (FC) storage area network (SAN) capabilities and significant enhancements in the NetApp(R) Manageability Software Family. The company also continued to

gain momentum in the storage area network (SAN) market while maintaining strong leadership in both the network-attached storage (NAS) and iSCSI markets.

This quarter, NetApp completed the acquisition of Topio, a privately held Santa Clara, California-based company with R&D in Haifa, Israel. The acquisition continues to expand the NetApp data protection portfolio by adding heterogeneous disaster recovery capabilities to existing heterogeneous disk-to-disk backup solutions from NetApp. In addition to delivering a broader range of data protection, data migration, and data cloning capabilities, this acquisition expands the NetApp heterogeneous data protection portfolio by simplifying the replication of data from other storage arrays to NetApp storage systems.

Also during the third quarter, NetApp extended its data center portfolio with the addition of its highest-performing midrange platforms, the FAS3070 and V3070 series; broader FC SAN capabilities; significant enhancements and introductions in the NetApp Manageability Software Family; and new professional services, all aimed at making enterprise data center management easier for customers who demand high-performance SAN solutions and increased application uptime to meet their business needs.

From a market perspective, according to IDC's Worldwide Quarterly Disk Storage Systems Tracker Q3 2006(3), NetApp gained share in both capacity shipped and revenue for the FC SAN market. NetApp also continued to grow faster than the market in FC SAN in both revenue and capacity, year over year. For capacity shipped, NetApp grew at 210.2%, while the market grew at 46.3%. In terms of revenue, NetApp grew faster than the market for the 11th consecutive quarter at 62.1%, while the market grew at 14.1%. Sequentially, NetApp grew at 16.0%, while the market grew at 6.4%.

NetApp also demonstrated continued leadership in the NAS and iSCSI storage markets in the third quarter, according to IDC. NetApp maintained the number-one market share position in capacity shipped for NAS (42.0%) and in iSCSI for both capacity shipped (32.6%) and revenue (21.5%).

In IDC's calculations of the network storage market (which includes SAN, NAS, and iSCSI), NetApp grew faster than the market, year over year, in both capacity shipped and revenue. For capacity shipped, NetApp grew at 106.8%, while the market grew at 62.6%. In terms of revenue, NetApp grew 18.9%, while the market grew at 17.2%.

Also this quarter, NetApp continued its midrange leadership with the news that it has been positioned by Gartner, Inc., in the "Leaders" quadrant for midrange enterprise disk arrays in its research note, "Magic Quadrant for Midrange Enterprise Disk Array, 2H06"(4) .

On the partner front, NetApp announced general availability of two software products in support of Microsoft(R) Exchange Server 2007. NetApp SnapManager(R) 4.0 for Exchange Server and NetApp Single Mailbox Recovery 4.2, a near-instantaneous backup and recovery software solution for Exchange Server 2007, provide customers with enterprise-class backup, recovery, and restoration solutions. With the availability of these products, NetApp is helping Exchange Server 2007 customers achieve near-instantaneous, granular recovery of Exchange Server data without a prohibitive--and expensive--increase in storage capacity needs.

In corporate news, NetApp was named by FORTUNE magazine as one of the "100 Best Companies to Work For" for the fifth consecutive year. This year, NetApp ranked in the top 10 of the list, at number six, reflecting the company's emphasis on attracting and retaining the best talent in the industry and continuing to demonstrate the values of what NetApp CEO Dan Warmenhoven calls a "model company." Also this quarter, NetApp was named to Forbes magazine's "400 Best Big Companies in America" list for 2007.

This quarter, Dave Hitz, EVP and cofounder of Network Appliance, was inducted into the CRN Industry Hall of Fame for developing a disruptive technology that altered the landscape of the storage industry.

And finally, NetApp was honored as the 2006 Entrepreneurial Company of the Year by the Peninsula Chapter of the Stanford Business School Alumni Association.

#### Webcast and Conference Call Information

- The NetApp quarterly results conference call will be broadcast live via the Internet at <http://investors.netapp.com> on Wednesday, February 14, 2006, at 2:00 p.m. Pacific time. This press release and any other information related to the call will also be posted to the Website at that location.
- The conference call will also be available live in a listen-only format at (866) 543-6411 in the United States and (617) 213-8900 outside the United States. The passcode for both numbers is 25453306.
- A replay will be available for 72 hours following the completion of the live call by dialing (888) 286-8010 in the United States and (617) 801-6888 outside the United States, using replay code 86129226. 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(TM) solutions and services is available at [www.netapp.com](http://www.netapp.com).

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 fourth quarter of fiscal 2007 and for all of fiscal 2007; statements regarding our optimism for our 2007 fiscal year generally; statements regarding the anticipated benefits of our products, technologies, and services relative to the offerings of our competitors; statements regarding anticipated benefits from partner offerings; and statements regarding anticipated benefits from our acquisition of Topio. 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; risks with new product introductions; 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 and product offerings with strategic partners; risks associated with international operations; 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. 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 represents the diluted number of shares for all periods presented.

(2) Non-GAAP results of operations exclude amortization of intangible assets, stock-based compensation expenses, other acquisition-related cost, in-process research and development, restructuring charges/recoveries, gain/loss on sale of assets and

investments, specified nonrecurring discrete events, and the related effects on income taxes.

(3) IDC's Worldwide Quarterly Disk Storage Systems Tracker Q3 2006.

(4) Gartner, Inc. "Magic Quadrant for Midrange Enterprise Disk Array, 2H06."

NetApp and SnapManager are registered trademark and Network Appliance is a trademark 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 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. These non-GAAP financial measures exclude amortization of intangible assets, in-process research and development, stock compensation, other acquisition-related cost, 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. We have excluded these items in order to enhance investors' understanding of our ongoing operations. The use of these non-GAAP financial measures has material limitations because they should not be used to evaluate our company without reference to their corresponding GAAP financial measures. As such, we compensate for these material limitations by using these non-GAAP financial measures in conjunction with GAAP financial measures.

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)

January 26, April 30,  
2007                      2006  
-----

#### ASSETS

##### CURRENT ASSETS:

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Cash and cash equivalents         | \$490,216 | \$461,256 |
| Short-term investments            | 805,094   | 861,636   |
| Accounts receivable, net          | 438,818   | 415,295   |
| Inventories                       | 61,474    | 64,452    |
| Prepaid expenses and other assets | 48,266    | 43,536    |
| Short-term restricted cash        |           |           |
| and investments                   | 126,014   | 138,539   |
| Deferred income taxes             | 63,542    | 48,496    |
|                                   | -----     | -----     |
| Total current assets              | 2,033,424 | 2,033,210 |

|                             |         |         |
|-----------------------------|---------|---------|
| PROPERTY AND EQUIPMENT, net | 586,578 | 513,193 |
|-----------------------------|---------|---------|

|   |         |         |
|---|---------|---------|
| GOODWILL                                  | 601,318 | 487,535 |
| INTANGIBLE ASSETS, net                    | 89,994  | 75,051  |
| LONG-TERM RESTRICTED CASH AND INVESTMENTS | 59,702  | 108,371 |
| OTHER ASSETS                              | 122,273 | 43,605  |

|  |             |             |
|--|-------------|-------------|
|  | \$3,493,289 | \$3,260,965 |
|--|-------------|-------------|

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

|   |           |           |
|---|-----------|-----------|
| Current portion of long-term debt         | \$123,951 | \$166,211 |
| Accounts payable                          | 124,262   | 101,278   |
| Income taxes payable                      | 39,305    | 51,577    |
| Accrued compensation and related benefits | 147,832   | 129,636   |
| Other accrued liabilities                 | 91,119    | 69,073    |
| Deferred revenue                          | 546,562   | 399,388   |
|   | -----     | -----     |
| Total current liabilities                 | 1,073,031 | 917,163   |

|                            |           |           |
|----------------------------|-----------|-----------|
| LONG-TERM DEBT             | 27,180    | 133,789   |
| LONG-TERM DEFERRED REVENUE | 398,326   | 282,149   |
| LONG-TERM OBLIGATIONS      | 19,883    | 4,411     |
|                            | -----     | -----     |
|                            | 1,518,420 | 1,337,512 |

|                      |             |             |
|----------------------|-------------|-------------|
| STOCKHOLDERS' EQUITY | 1,974,869   | 1,923,453   |
|                      | -----       | -----       |
|                      | \$3,493,289 | \$3,260,965 |
|                      | =====       | =====       |

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

|                        | Three Months Ended  |                     | Nine Months Ended   |                     |
|------------------------|---------------------|---------------------|---------------------|---------------------|
|                        | January 26,<br>2007 | January 27,<br>2006 | January 26,<br>2007 | January 27,<br>2006 |
|                        | -----               | -----               | -----               | -----               |
| REVENUES:              |                     |                     |                     |                     |
| Product                | \$550,882           | \$413,489           | \$1,497,777         | \$1,122,135         |
| Software               |                     |                     |                     |                     |
| subscriptions          | 84,969              | 60,747              | 242,052             | 171,507             |
| Service                | 93,427              | 62,795              | 263,260             | 174,853             |
|                        | -----               | -----               | -----               | -----               |
| Total revenues         | 729,278             | 537,031             | 2,003,089           | 1,468,495           |
|                        | -----               | -----               | -----               | -----               |
| COST OF REVENUES:      |                     |                     |                     |                     |
| Cost of product        | 211,211             | 161,349             | 585,437             | 432,131             |
| Cost of software       |                     |                     |                     |                     |
| subscriptions          | 2,710               | 2,156               | 7,458               | 6,232               |
| Cost of service        | 71,248              | 46,502              | 191,708             | 130,530             |
|                        | -----               | -----               | -----               | -----               |
| Total cost of revenues | 285,169             | 210,007             | 784,603             | 568,893             |
|                        | -----               | -----               | -----               | -----               |
| GROSS MARGIN           | 444,109             | 327,024             | 1,218,486           | 899,602             |
|                        | -----               | -----               | -----               | -----               |
| OPERATING EXPENSES:    |                     |                     |                     |                     |
| Sales and              |                     |                     |                     |                     |
| marketing              | 236,433             | 153,333             | 636,214             | 430,377             |
| Research and           |                     |                     |                     |                     |
| development            | 97,516              | 65,087              | 276,555             | 175,391             |
| General and            |                     |                     |                     |                     |
| administrative         | 37,724              | 25,022              | 105,337             | 68,011              |
| In process research    |                     |                     |                     |                     |
| and development        | -                   | -                   | -                   | 5,000               |
| Restructuring          |                     |                     |                     |                     |

|  |          |          |           |           |
|--|----------|----------|-----------|-----------|
| charges<br>(recoveries)                  | -        | 117      | (74)      | (495)     |
| Gain on sale of<br>assets                | -        | -        | (25,339)  | -         |
| Total operating<br>expenses              | 371,673  | 243,559  | 992,693   | 678,284   |
| INCOME FROM<br>OPERATIONS                | 72,436   | 83,465   | 225,793   | 221,318   |
| OTHER INCOME<br>(EXPENSES), net:         |          |          |           |           |
| Interest income                          | 17,086   | 9,891    | 51,220    | 28,590    |
| Interest expense                         | (2,335)  | 17       | (11,377)  | (34)      |
| Other income<br>(expense), net           | 533      | 984      | 3,191     | 487       |
| Net gain (loss)<br>on investments        | 884      | -        | (1,116)   | 101       |
| Total other<br>income, net               | 16,168   | 10,892   | 41,918    | 29,144    |
| INCOME BEFORE INCOME<br>TAXES            | 88,604   | 94,357   | 267,711   | 250,462   |
| PROVISION FOR INCOME<br>TAXES            | 22,090   | 17,964   | 59,597    | 43,231    |
| NET INCOME                               | \$66,514 | \$76,393 | \$208,114 | \$207,231 |
| NET INCOME PER SHARE:<br>BASIC           | \$0.18   | \$0.21   | \$0.56    | \$0.56    |
| DILUTED                                  | \$0.17   | \$0.20   | \$0.53    | \$0.54    |
| SHARES USED IN PER SHARE<br>CALCULATION: |          |          |           |           |
| BASIC                                    | 371,287  | 371,768  | 371,938   | 370,069   |
| DILUTED                                  | 389,120  | 389,149  | 389,555   | 386,991   |

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

|  | Three Months Ended  |                     | Nine Months Ended   |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | January<br>26, 2007 | January<br>27, 2006 | January 26,<br>2007 | January<br>27, 2006 |
| Cash Flows from Operating<br>Activities:   |                     |                     |                     |                     |
| Net income   | \$66,514            | \$76,393            | \$208,114           | \$207,231           |
| Adjustments to reconcile<br>net income to net cash<br>provided by operating<br>activities: |                     |                     |                     |                     |
| Depreciation   | 22,936              | 16,091              | 62,316              | 46,175              |
| In process research and<br>development   | -                   | -                   | -                   | 5,000               |
| Amortization of<br>intangible assets   | 5,597               | 4,806               | 14,970              | 11,329              |
| Amortization of patents  | 495                 | 496                 | 1,486               | 1,487               |

|   |           |           |             |           |
|---|-----------|-----------|-------------|-----------|
| Stock-based compensation  | 39,234    | 4,070     | 124,679     | 9,442     |
| Acquisition-related retention cost  | 581       | -         | 581         | -         |
| Net (gain) loss on investments  | (884)     | -         | 1,116       | (101)     |
| Gain on sale of assets  | -         | -         | (25,339)    | -         |
| Net loss on disposal of equipment   | 384       | 158       | 686         | 1,318     |
| Allowance for doubtful accounts   | (8)       | 575       | 186         | 921       |
| Deferred income taxes   | -         | 14        | -           | 14        |
| Deferred rent   | 239       | (68)      | 979         | 301       |
| Excess tax benefit from stock-based compensation                          | (19,618)  | -         | (43,463)    |           |
| Changes in assets and liabilities:  |           |           |             |           |
| Accounts receivable   | (38,376)  | (41,882)  | (22,996)    | (70,153)  |
| Inventories   | (4,700)   | (24,832)  | 3,495       | (38,397)  |
| Prepaid expenses and other assets   | (4,123)   | (3,525)   | (981)       | (6,590)   |
| Accounts payable  | (2,759)   | 6,300     | 4,446       | 16,072    |
| Income taxes payable  | 19,268    | 15,462    | 31,569      | 39,606    |
| Accrued compensation and related benefits                                 | 22,616    | 24,050    | 16,289      | 12,992    |
| Other accrued liabilities   | 17,144    | 3,849     | 12,127      | 970       |
| Deferred revenue  | 125,767   | 58,962    | 263,449     | 144,737   |
|   | -----     | -----     | -----       | -----     |
| Net cash provided by operating activities                                 | 250,307   | 140,919   | 653,709     | 382,354   |
|   | -----     | -----     | -----       | -----     |
| Cash Flows from Investing Activities:                                     |           |           |             |           |
| Purchases of investments  | (410,623) | (116,758) | (1,938,191) | (450,555) |
| Redemptions of investments  | 463,169   | 53,182    | 2,007,726   | 471,755   |
| Redemptions of restricted investments                                     | 10,598    | -         | 63,236      | -         |
| Increase (decrease) in restricted cash                                    | (72)      | 69        | 333         | (1,997)   |
| Proceeds from sale of assets  | -         | -         | 23,914      | -         |
| Purchases of property and equipment                                       | (36,398)  | (33,464)  | (112,411)   | (96,476)  |
| Proceeds from sales of investments  | 1,757     | -         | 1,774       | 130       |
| Purchases of equity securities  | -         | (150)     | (1,333)     | (7,100)   |
| Purchase of business, net of cash acquired                                | (131,241) | -         | (131,241)   | (53,747)  |
|   | -----     | -----     | -----       | -----     |
| Net cash used in investing activities                                     | (102,810) | (97,121)  | (86,193)    | (137,990) |
|   | -----     | -----     | -----       | -----     |
| Cash Flows from Financing Activities:                                     |           |           |             |           |
| Proceeds from sale of common stock related to employee stock transactions | 84,965    | 69,236    | 177,425     | 141,725   |
| Excess tax benefit from stock-based compensation                          | 19,618    | -         | 43,463      | -         |
| Repayment of debt   | (42,297)  | -         | (148,869)   | -         |
| Tax withholding payments reimbursed by restricted stock                   | (369)     | (192)     | (4,692)     | (794)     |
| Repurchases of common stock   | (241,800) | (145,583) | (605,708)   | (390,147) |
|   | -----     | -----     | -----       | -----     |
| Net cash used in financing activities                                     | (179,883) | (76,539)  | (538,381)   | (249,216) |
|   | -----     | -----     | -----       | -----     |
| Effect of Exchange Rate Changes on Cash                                   | (736)     | (847)     | (175)       | (565)     |
| Net Increase (Decrease) in  |           |           |             |           |



|                            |           |           |           |           |
|----------------------------|-----------|-----------|-----------|-----------|
| Cash and Cash Equivalents  | (33,122)  | (33,588)  | 28,960    | (5,417)   |
| Cash and Cash Equivalents: |           |           |           |           |
| Beginning of period        | 523,338   | 221,713   | 461,256   | 193,542   |
|                            | -----     | -----     | -----     | -----     |
| End of period              | \$490,216 | \$188,125 | \$490,216 | \$188,125 |
|                            | =====     | =====     | =====     | =====     |

NETWORK APPLIANCE, INC.  
SUPPLEMENTAL INFORMATION  
(In thousands)  
(Unaudited)

THREE MONTHS ENDED JANUARY 26, 2007

|                                     | Amortization<br>of<br>Intangible<br>Assets | Stock-based<br>Compensation<br>Expenses | Acquisition-<br>Related<br>Retention<br>Cost | Restructuring<br>charges<br>(recoveries) |
|-------------------------------------|--|---|--|--|
| Cost of product revenues            | \$4,572                                    | \$922                                   | -  | -  |
| Cost of service revenues            | -  | 2,533                                   | -  | -  |
| Sales and marketing expense         | 788  | 17,315                                  | 581  | -  |
| Research and development expense    | -  | 12,276                                  | -  | -  |
| General and administrative expense  | 237  | 6,188                                   | -  | -  |
| In process research and development | -  | -                                       | -  | -  |
| Restructuring charges (recoveries)  | -  | -                                       | -  | -  |
| Gain on sale of assets              | -  | -                                       | -  | -  |
| Net (gain) loss on investments      | -  | -                                       | -  | -  |
|                                     | -----                                      | -----                                   | -----  | -----                                    |
| Effect on pre-tax income            | \$5,597                                    | \$39,234                                | \$581  | -  |

THREE MONTHS ENDED JANUARY 26,  
2007

|                                     | Gain on<br>Sale<br>of<br>Assets | Net (Gain)<br>Loss on<br>Investments | Total    |
|-------------------------------------|---------------------------------|--------------------------------------|----------|
| Cost of product revenues            | -                               | -                                    | \$5,494  |
| Cost of service revenues            | -                               | -                                    | 2,533    |
| Sales and marketing expense         | -                               | -                                    | 18,684   |
| Research and development expense    | -                               | -                                    | 12,276   |
| General and administrative expense  | -                               | -                                    | 6,425    |
| In process research and development | -                               | -                                    | -        |
| Restructuring charges (recoveries)  | -                               | -                                    | -        |
| Gain on sale of assets              | -                               | -                                    | -        |
| Net (gain) loss on investments      | -                               | (884)                                | (884)    |
|                                     | -----                           | -----                                | -----    |
| Effect on pre-tax income            | -                               | (\$884)                              | \$44,528 |

NINE MONTHS ENDED JANUARY 26, 2007

|                                     | Amortization<br>of<br>Intangible<br>Assets | Stock-based<br>Compensation<br>Expenses | Acquisition-<br>Related<br>Retention<br>Cost | Restructuring<br>charges<br>(recoveries) |
|-------------------------------------|--|---|--|--|
| Cost of product revenues            | \$12,303                                   | \$2,660                                 | -  | -  |
| Cost of service revenues            | -  | 7,657                                   | -  | -  |
| Sales and marketing expense         | 1,955                                      | 54,747                                  | 581  | -  |
| Research and development expense    | -  | 39,166                                  | -  | -  |
| General and administrative expense  | 712  | 20,449                                  | -  | -  |
| In process research and development | -  | -                                       | -  | -  |
| Restructuring charges (recoveries)  | -  | -                                       | -  | (74)                                     |
| Gain on sale of assets              | -  | -                                       | -  | -  |
| Net (gain) loss on investments      | -  | -                                       | -  | -  |
| Effect on pre-tax income            | \$14,970                                   | \$124,679                               | \$581  | (\$74)                                   |

NINE MONTHS ENDED JANUARY 26, 2007

|                                     | Gain on<br>Sale of<br>Assets | Net (Gain)<br>Loss on<br>Investments | Total     |
|-------------------------------------|------------------------------|--------------------------------------|-----------|
| Cost of product revenues            | -                            | -                                    | \$14,963  |
| Cost of service revenues            | -                            | -                                    | 7,657     |
| Sales and marketing expense         | -                            | -                                    | 57,283    |
| Research and development expense    | -                            | -                                    | 39,166    |
| General and administrative expense  | -                            | -                                    | 21,161    |
| In process research and development | -                            | -                                    | -         |
| Restructuring charges (recoveries)  | -                            | -                                    | (74)      |
| Gain on sale of assets              | (25,339)                     | -                                    | (25,339)  |
| Net (gain) loss on investments      | -                            | 1,116                                | 1,116     |
| Effect on pre-tax income            | (\$25,339)                   | \$1,116                              | \$115,933 |

NETWORK APPLIANCE, INC.  
SUPPLEMENTAL INFORMATION  
(In thousands)  
(Unaudited)

THREE MONTHS ENDED JANUARY 27, 2006

|                          | Amortization<br>of<br>Intangible<br>Assets | Stock-based<br>Compensation<br>Expenses | In process<br>research<br>and<br>development | Restructuring<br>charges<br>(recoveries) |
|--------------------------|--|---|--|--|
| Cost of product revenues | \$3,866                                    | -                                       | -  | -  |
| Cost of service revenues | -  | -                                       | -  | -  |
| Sales and                |  |   |  |  |

|                                     |         |         |   |       |
|-------------------------------------|---------|---------|---|-------|
| marketing expense                   | 703     | 1,325   | - | -     |
| Research and development expense    | -       | 2,465   | - | -     |
| General and administrative expense  | 237     | 280     | - | -     |
| In process research and development | -       | -       | - | -     |
| Restructuring charges (recoveries)  | -       | -       | - | 117   |
| Net (gain) loss on investments      | -       | -       | - | -     |
| -----                               |         |         |   |       |
| Effect on pre-tax income            | \$4,806 | \$4,070 | - | \$117 |

THREE MONTHS ENDED JANUARY 27,  
2006

|                                     | Gain on Sale of Assets | Net (Gain) Loss on Investments | Total   |
|-------------------------------------|------------------------|--------------------------------|---------|
| Cost of product revenues            | -                      | -                              | \$3,866 |
| Cost of service revenues            | -                      | -                              | -       |
| Sales and marketing expense         | -                      | -                              | 2,028   |
| Research and development expense    | -                      | -                              | 2,465   |
| General and administrative expense  | -                      | -                              | 517     |
| In process research and development | -                      | -                              | -       |
| Restructuring charges (recoveries)  | -                      | -                              | 117     |
| Net (gain) loss on investments      | -                      | -                              | -       |
| -----                               |                        |                                |         |
| Effect on pre-tax income            | -                      | -                              | \$8,993 |

NINE MONTHS ENDED JANUARY 27, 2006

|                                     | Amortization of Intangible Assets | Stock-based Compensation Expenses | In process research and development | Restructuring charges (recoveries) |
|-------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|------------------------------------|
| Cost of product revenues            | \$7,920                           | -                                 | -                                   | -                                  |
| Cost of service revenues            | -                                 | -                                 | -                                   | -                                  |
| Sales and marketing expense         | 1,417                             | 2,851                             | -                                   | -                                  |
| Research and development expense    | -                                 | 5,929                             | -                                   | -                                  |
| General and administrative expense  | 1,992                             | 662                               | -                                   | -                                  |
| In process research and development | -                                 | -                                 | 5,000                               | -                                  |
| Restructuring charges (recoveries)  | -                                 | -                                 | -                                   | (495)                              |
| Net (gain) loss on investments      | -                                 | -                                 | -                                   | -                                  |
| -----                               |                                   |                                   |                                     |                                    |

|                          |          |         |         |         |
|--------------------------|----------|---------|---------|---------|
| Effect on pre-tax income | \$11,329 | \$9,442 | \$5,000 | (\$495) |
|--------------------------|----------|---------|---------|---------|

NINE MONTHS ENDED JANUARY 27,  
2006

|                                     | Gain on Net<br>Sale of<br>Assets | (Gain)<br>Loss on<br>Investments | Total    |
|-------------------------------------|----------------------------------|----------------------------------|----------|
| Cost of product revenues            | -                                | -                                | \$7,920  |
| Cost of service revenues            | -                                | -                                | -        |
| Sales and marketing expense         | -                                | -                                | 4,268    |
| Research and development expense    | -                                | -                                | 5,929    |
| General and administrative expense  | -                                | -                                | 2,654    |
| In process research and development | -                                | -                                | 5,000    |
| Restructuring charges (recoveries)  | -                                | -                                | (495)    |
| Net (gain) loss on investments      | -                                | (101)                            | (101)    |
| <hr/>                               |                                  |                                  |          |
| Effect on pre-tax income            | -                                | (\$101)                          | \$25,175 |

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  |                     | Nine Months Ended   |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | January<br>26, 2007 | January<br>27, 2006 | January<br>26, 2007 | January<br>27, 2006 |

SUMMARY RECONCILIATION OF NET INCOME

|   | \$66,514 | \$76,393 | \$208,114 | \$207,231 |
|---|----------|----------|-----------|-----------|
| NET INCOME  |          |          |           |           |
| Adjustments:  |          |          |           |           |
| Amortization of intangible assets                               | 5,597    | 4,806    | 14,970    | 11,329    |
| Stock-based compensation expenses                               | 39,234   | 4,070    | 124,679   | 9,442     |
| Acquisition-related retention cost                              | 581      | -        | 581       | -         |
| In process research and development                             | -        | -        | -         | 5,000     |
| Restructuring charges (recoveries)                              | -        | 117      | (74)      | (495)     |
| Gain on sale of assets  | -        | -        | (25,339)  | -         |
| Net (gain) loss on investments                                  | (884)    | -        | 1,116     | (101)     |
| Discrete GAAP tax provision items ratably for non-GAAP purposes | 257      | (1,358)  | 257       | (3,799)   |
| Tax effect on sale of assets                                    | 399      | -        | 5,005     | -         |
| Discrete GAAP tax provision items                               | (336)    | -        | (2,495)   | -         |
| Income tax effect   | (276)    | 719      | (10,308)  | (2,585)   |

|                     |           |          |           |           |
|---------------------|-----------|----------|-----------|-----------|
| NON-GAAP NET INCOME | \$111,086 | \$84,747 | \$316,506 | \$226,022 |
|---------------------|-----------|----------|-----------|-----------|

|                    |         |         |         |         |
|--------------------|---------|---------|---------|---------|
| EARNINGS PER SHARE | \$0.171 | \$0.196 | \$0.534 | \$0.535 |
|--------------------|---------|---------|---------|---------|

Adjustments:

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Amortization of intangible assets                               | 0.014   | 0.012   | 0.038   | 0.029   |
| Stock-based compensation expenses                               | 0.101   | 0.010   | 0.320   | 0.024   |
| Acquisition-related retention cost                              | 0.001   | -       | 0.001   | -       |
| In process research and development                             | -       | -       | -       | 0.013   |
| Restructuring charges (recoveries)                              | -       | -       | -       | (0.001) |
| Gain on sale of assets  | -       | -       | (0.065) | -       |
| Net (gain) loss on investments                                  | (0.002) | -       | 0.003   | -       |
| Discrete GAAP tax provision items ratably for non-GAAP purposes | 0.001   | (0.003) | 0.001   | (0.010) |
| Tax effect on sale of assets                                    | 0.001   | -       | 0.013   | -       |
| Discrete GAAP tax provision items                               | (0.001) | -       | (0.006) | -       |
| Income tax effect   | (0.001) | 0.002   | (0.027) | (0.007) |
|   | -----   | -----   | -----   | -----   |
| NON-GAAP EARNINGS PER SHARE                                     | \$0.285 | \$0.217 | \$0.812 | \$0.583 |
|   | =====   | =====   | =====   | =====   |

NETWORK APPLIANCE, INC.  
RECONCILIATION OF NON GAAP GUIDANCE TO GAAP  
EXPRESSED AS EARNINGS PER SHARE  
FOURTH QUARTER and FULL YEAR FISCAL 2007  
(Unaudited)

|   | Fourth Quarter<br>2007 | Full Year<br>2007 |
|---|------------------------|-------------------|
|   | -----                  | -----             |
| Non-GAAP Guidance   | \$0.30                 | \$1.11 - \$1.12   |
| Adjustments of Specific Items to Earnings Per Share for the Fourth Quarter and Full Year Fiscal 2007: |                        |                   |
| Amortization of intangible assets   | (0.02)                 | (0.06)            |
| Stock based compensation expense  | (0.09 - 0.10)          | (0.41 - 0.42)     |
| Gain on sale of assets  | -                      | 0.07              |
| Income tax effect   | 0.01                   | 0.02              |
|   | -----                  | -----             |
| Total Adjustments   | (0.10 - 0.11)          | (0.38 - 0.39)     |
| GAAP Guidance - Earnings Per Share  | \$0.19 - \$0.20        | \$0.73            |

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