

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): November 14, 2007

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

Delaware (State or other jurisdiction of incorporation or organization)	0-27130 (Commission File Number)	77-0307520 (I.R.S. Employer Identification Number)
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495 East Java Drive  
Sunnyvale, CA 94089  
(Address of principal executive offices) (Zip Code)

(408) 822-6000  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02. Results of Operations and Financial Condition

On November 14, 2007, Network Appliance, Inc. issued a press release announcing its earnings for the second quarter of fiscal year 2008. 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 Financial Statements and Exhibits

(d) Exhibits.

Network Appliance, Inc.'s November 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.

November 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
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99.1	Press release of Network Appliance, Inc. issued on November 14, 2007.

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## Network Appliance Announces Results for Second Quarter Fiscal Year 2008

SUNNYVALE, Calif.--(BUSINESS WIRE)--Nov. 14, 2007--Network Appliance, Inc. (NASDAQ:NTAP), the leader in advanced networked storage solutions, today reported results for the second quarter of fiscal year 2008. Revenues for the second fiscal quarter were \$792.2 million, an increase of 21% compared to revenues of \$652.5 million for the same period a year ago and an increase of 15% compared to \$689.2 million in the prior quarter.

For the second fiscal quarter, GAAP net income was \$83.8 million, or \$0.23 per share(1) compared to GAAP net income of \$86.9 million, or \$0.22 per share for the same period in the prior year. Non-GAAP(2) net income for the second fiscal quarter was \$116.4 million, or \$0.32 per share, compared to non-GAAP net income of \$108.9 million, or \$0.28 per share for the same period a year ago.

Revenues for the first six months of the current fiscal year totaled \$1.48 billion, compared to revenues of \$1.27 billion for the first six months of the prior year, an increase of 16% year over year.

GAAP net income for the first six months of the current fiscal year totaled \$118.1 million, or \$0.32 per share, compared to GAAP net income of \$141.6 million, or \$0.36 per share for the first six months of the prior fiscal year. Non-GAAP net income for the first six months of the current fiscal year totaled \$192.4 million, or \$0.52 per share, compared to non-GAAP net income of \$205.4 million, or \$0.53 per share for the first six months of the prior fiscal year.

"The NetApp team delivered an outstanding quarter, with a combination of high revenue growth and good expense management," said Dan Warmenhoven, chief executive officer. "The revenue growth was driven by strength in U. S. Federal and much of Europe and Asia, and largely offset the continued sluggishness in U.S. enterprise spending. Our innovative solutions provide customers with higher utilization, simpler operations, and reduced costs, and those advantages enable us to continue to gain share in a more constrained spending environment."

## Outlook

- Network Appliance ("NetApp") expects revenue for the third quarter of fiscal year 2008 to be between \$872 million and \$883 million, with year-over-year growth of approximately 20% to 21% and sequential growth of approximately 10% to 12%.
- Including the effect of SFAS123(R) and with current information and assumptions, the company estimates that the third quarter fiscal year 2008 GAAP earnings per share will be approximately \$0.23 to \$0.24 per share.
- Network Appliance expects third quarter fiscal year 2008 non-GAAP earnings per share to be approximately \$0.33 to \$0.34 per share.

## Quarterly Highlights

During the second quarter of fiscal year 2008, NetApp brought the market a new storage system for Midsize Enterprise customers with the unveiling of the NetApp(R) FAS2000 series. The new solutions with deployment and auditing services are designed to help simplify data management and maximize IT investments for customers and offer them the ability to accomplish more with fewer resources. The architectural advantage of all NetApp storage systems, and the new FAS2000 series in particular, allows customers to readily consolidate direct-attached storage (DAS) into a single networked solution and scale on demand.

NetApp also introduced the new StoreVault(TM) S300, an all-in-one storage solution for small and medium-sized businesses (SMB), with features and capabilities at a cost that had previously been unavailable to customers in this market segment. The StoreVault S500 was named a winner of the "Editors' Best Awards" in the storage category by Penton Media's Windows(R) IT Pro and was honored as a "Best Solution" at the Government Technology Conference (GTC) East 2007.

NetApp strengthened its relationship with VMware, underscoring the fact that the value of server virtualization is dramatically increased with the addition of networked storage on the back end. To make disaster recovery more affordable, flexible, and simpler to manage for customers, NetApp integrated its

data protection portfolio of solutions with VMware(R) Site Recovery Manager.

Also during the quarter, leveraging its experience delivering simplified storage solutions for production grid environments, NetApp joined with Oracle on the development of the Direct NFS Client, a significant innovation included in Oracle(R) Database 11g(TM) that helps provide customers with improved performance, simplified management, increased flexibility, and better application availability.

For channel partners, NetApp opened more service opportunities to NetApp VIP Program partners with a new Installation Accreditation initiative, giving partners the opportunity to sell NetApp installation services independently or utilizing NetApp best practices. The company also received a 2007 Rising Star award, presented by the Global Technology Distribution Council (GTDC), which recognizes the IT industry's fastest-growing manufacturers doing business with GTDC member distributors. In addition, channel partners and readers of CMP Technology's VARBusiness recognized NetApp for outstanding product innovation as evidenced by the Annual Report Card (ARC) award program.

From a market perspective, NetApp gained share in both the storage software and hardware markets in the first half of 2007, as reported in IDC's Worldwide Quarterly Storage Software Tracker Q2 2007(3) and Worldwide Quarterly Disk Storage Systems Tracker Q2 2007(4).

NetApp grew twice as fast as the overall storage software market from Q1'07 to Q2'07, and posted share gains across each submarket segment in which it provides offerings. This marks the eighth consecutive quarter in which the company outpaced the overall storage software market. IDC also found that in that time period NetApp grew fastest among the top five storage replication software vendors and that it currently holds the number two position. In addition, NetApp continues to lead the iSCSI market in terms of revenue and capacity, and gained both revenue and capacity share in the FC SAN market. NetApp also continues to lead in its core market of NAS in terms of capacity.

In industry news, NetApp joined the newly created Storage Networking Industry Association (SNIA) Green Storage Initiative, dedicated to advancing energy efficiency and conservation in storage technologies in an effort to minimize the environmental impact of data storage operations.

In corporate news, NetApp broke ground on an engineering lab facility located at the NetApp technology center in Research Triangle Park (RTP) to expand its engineering and development efforts in the region. Also, for the fourth year in a row, NetApp earned top workplace honors from the Triangle Business Journal, ranking as one of the top 15 "Best Places to Work" in RTP. The company was also honored as a "Top Corporate Philanthropist in Silicon Valley" by the Silicon Valley/San Jose Business Journal.

As part of the company's continuing worldwide expansion and growth, NetApp announced a strengthened commitment to the Asia Pacific (APAC) region with the inauguration of a new Technical Support Center (TSC) in Dalian, China, and by opening new manufacturing and logistics centers in Shanghai and Singapore, respectively, furthering the ability of NetApp to serve more customers and partners in the region.

#### 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, November 14, 2007, at 2:00 p.m. Pacific time. This press release and any other information related to the call will also be posted on the Website at that location.
- The conference call will also be available live in a listen-only format at (866) 356-4281 in the United States and (617) 597-5395 outside the United States. The pass code for both numbers is 15908718.
- 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 48003480. The Webcast replay will be posted on our Web site for at least one year.

#### About Network Appliance

Network Appliance is a leading provider of innovative data management solutions that simplify the complexities of storing, managing, protecting, and

retaining enterprise data. Market leaders around the world choose NetApp to help them reduce cost, minimize risk, and adapt to change. For solutions that deliver unmatched simplicity and value, visit us on the Web at [www.netapp.com](http://www.netapp.com).

"Safe Harbor" Statement Under U.S. Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include all of the statements under the Outlook section relating to our forecasted operating results and metrics for the third quarter of fiscal 2008, statements regarding our growth opportunity, and statements regarding the anticipated benefits of our products, technologies, and services relative to the offerings of our competitors. 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 our ability to build non-deferred backlog to levels consistent with our past results and to increase our revenue over the next several quarters; 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, acquisition-related retention costs, gain on sale of investment, restructuring charges/recoveries, prior acquisition-related costs, and the related effects on income taxes as well as certain discrete GAAP provisions for income tax matters recognized ratably for non-GAAP purposes.

(3) IDC Worldwide Quarterly Storage Software Tracker Q2 2007.

(4) IDC Worldwide Quarterly Disk Storage Systems Tracker Q2 2007.

NetApp is a registered trademark and Network Appliance and StoreVault 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 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 results of operations exclude amortization of intangible assets, stock-based compensation expenses, acquisition-related retention costs, gain on sale of investment, restructuring charges/recoveries, prior acquisition-related costs, and the related effects on income taxes as well as certain discrete GAAP provisions 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)

October 26, 2007    April 27, 2007  
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ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$625,707	\$489,079	
Short-term investments	357,370	819,702	
Accounts receivable, net	427,854	548,249	
Inventories	62,690	54,880	
Prepaid expenses and other assets	94,684	99,840	
Short-term restricted cash and investments	84,034	118,312	
Short-term deferred income taxes	116,324	110,741	

Total current assets	1,768,663	2,240,803	
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PROPERTY AND EQUIPMENT, net

	646,157	603,523	
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GOODWILL

	601,056	601,056	
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INTANGIBLE ASSETS, net

	69,321	83,009	
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LONG-TERM RESTRICTED CASH AND INVESTMENTS

	304,937	3,639	
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LONG-TERM DEFERRED INCOME TAXES AND OTHER ASSETS

	167,880	126,448	
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	\$3,558,014	\$3,658,478	
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt	\$47,770	\$85,110	
Accounts payable	119,099	144,112	
Income taxes payable	9,962	53,371	
Accrued compensation and related benefits	149,727	177,327	
Other accrued liabilities	100,936	97,017	
Deferred revenue	702,134	630,610	

Total current liabilities	1,129,628	1,187,547	
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LONG-TERM DEBT

	250,000	-	
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LONG-TERM DEFERRED REVENUE

	516,445	472,423	
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OTHER LONG-TERM OBLIGATIONS

	74,105	9,487	
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	1,970,178	1,669,457	
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STOCKHOLDERS' EQUITY

	1,587,836	1,989,021	
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	\$3,558,014	\$3,658,478	
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CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except net income per share amounts)  
(Unaudited)

	Quarter Ended		Six Months Ended	
	October 26, 2007	October 27, 2006	October 26, 2007	October 27, 2006
REVENUES:				
Product	\$541,392	\$481,284	\$1,004,725	\$946,895
Software entitlements and maintenance	117,134	82,253	225,061	157,083
Service	133,672	88,986	251,647	169,833
Total revenues	792,198	652,523	1,481,433	1,273,811
COST OF REVENUES:				
Cost of product	217,396	186,261	404,147	374,226
Cost of software entitlements and maintenance	1,914	2,456	3,998	4,748
Cost of service	88,883	62,499	172,086	120,460
Total cost of revenues	308,193	251,216	580,231	499,434
GROSS MARGIN	484,005	401,307	901,202	774,377
OPERATING EXPENSES:				
Sales and marketing	255,374	204,264	500,017	399,782
Research and development	108,964	90,360	215,520	179,038
General and administrative	39,507	35,217	80,956	67,613
Restructuring recoveries	-	-	-	(74)
Gain on sale of assets	-	(25,339)	-	(25,339)
Total operating expenses	403,845	304,502	796,493	621,020
INCOME FROM OPERATIONS	80,160	96,805	104,709	153,357
OTHER INCOME (EXPENSES), net:				
Interest income	16,296	17,478	33,332	34,134
Interest expense	(1,410)	(5,170)	(2,492)	(9,042)
Net gain (loss) on investments	13,619	(2,000)	13,619	(2,000)
Other income, net	231	1,878	1,062	2,657
Total other income, net	28,736	12,186	45,521	25,749
INCOME BEFORE INCOME TAXES	108,896	108,991	150,230	179,106
PROVISION FOR INCOME TAXES	25,138	22,060	32,135	37,506
NET INCOME	\$83,758	\$86,931	\$118,095	\$141,600
NET INCOME PER SHARE:				
BASIC	\$0.24	\$0.23	\$0.33	\$0.38
DILUTED	\$0.23	\$0.22	\$0.32	\$0.36
SHARES USED IN PER SHARE CALCULATION:				
BASIC	355,665	370,659	360,061	372,264

DILUTED	365,458	388,226	371,544	389,773
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NETWORK APPLIANCE, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands)  
(Unaudited)

	Quarter Ended		Six Months Ended	
	October 26, 2007	October 27, 2006	October 26, 2007	October 27, 2006
Cash Flows from Operating Activities:				
Net income	\$83,758	\$86,931	\$118,095	\$141,600
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	28,282	20,666	55,016	39,380
Amortization of intangible assets	6,299	4,687	12,697	9,373
Amortization of patents	496	496	991	991
Stock-based compensation	38,370	42,423	78,781	85,445
Net (gain) loss on investments	(13,619)	2,000	(13,619)	2,000
Gain on sale of assets	-	(25,339)	-	(25,339)
Net loss on disposal of equipment	128	221	245	302
Allowance for doubtful accounts	164	50	248	194
Deferred income taxes	(17,376)	(22,634)	(35,179)	(22,634)
Deferred rent	113	541	512	740
Excess tax benefit from stock-based compensation	(7,247)	(19,356)	(15,586)	(23,845)
Changes in assets and liabilities:				
Accounts receivable	(22,364)	(89,508)	165,708	(19,593)
Inventories	(4,558)	(513)	(7,703)	8,195
Prepaid expenses and other assets	6,173	64,452	(21,219)	38,115
Accounts payable	(26,095)	8,344	(40,177)	7,205
Income taxes payable	38,352	41,849	56,786	34,935
Accrued compensation and related benefits	40,005	32,637	(29,884)	(6,327)
Other accrued liabilities	10,942	5,963	(9,538)	(5,017)
Deferred revenue	65,849	75,700	112,397	137,682
Net cash provided by operating activities	227,672	229,610	428,571	403,402
Cash Flows from Investing Activities:				
Purchases of investments	(111,097)	(653,152)	(439,990)	(1,527,568)
Redemptions of investments	145,116	638,134	592,138	1,544,557
Redemptions of restricted investments	20,496	36,316	35,426	52,638
Decrease (increase) in restricted cash	324	153	(1,443)	405
Proceeds from sale of assets	-	23,914	-	23,914
Proceeds from sales of nonmarketable securities	-	-	-	17
Proceeds from sales of marketable securities	18,256	-	18,256	-
Purchases of property and equipment	(37,572)	(43,729)	(71,158)	(76,013)
Purchases of nonmarketable securities	-	(150)	(4,035)	(1,333)
Net cash provided by investing activities	35,523	1,486	129,194	16,617



Cash Flows from Financing Activities:				
Proceeds from sale of common stock related to employee stock transactions	16,076	55,629	66,067	92,460
Tax withholding payments reimbursed by restricted stock	(2,460)	(3,343)	(5,202)	(4,323)
Excess tax benefit from stock-based compensation	7,247	19,356	15,586	23,845
Proceeds from revolving credit facility	249,754	-	249,754	-
Repayment of debt	(21,380)	(78,706)	(37,340)	(106,572)
Repurchases of common stock	(499,973)	(143,908)	(699,973)	(363,908)
Net cash used in financing activities	(250,736)	(150,972)	(411,108)	(358,498)
Effect of Exchange Rate Changes on Cash	(10,742)	885	(10,029)	561
Net Increase in Cash and Cash Equivalents	1,717	81,009	136,628	62,082
Cash and Cash Equivalents: Beginning of period	623,990	442,329	489,079	461,256
End of period	\$625,707	\$523,338	\$625,707	\$523,338

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

QUARTER ENDED OCTOBER 26, 2007

	Amortization of Intangible Assets	Stock-based Compensation Expenses	Acquisition-Related Retention Cost	Restructuring Recoveries
Cost of product revenues	\$5,278	\$768	-	-
Cost of service revenues	-	2,606	-	-
Sales and marketing expense	971	17,135	1,162	-
Research and development expense	-	12,332	-	-
General and administrative expense	50	5,529	-	-
Net gain on investments	-	-	-	-
Effect on pre-tax income	\$6,299	\$38,370	\$1,162	-

Prior Acquisition-related Costs	Gain on Sale of Assets	Net Gain on Investments	Total
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Cost of product revenues	-	-	-	\$6,046
Cost of service revenues	-	-	-	2,606
Sales and marketing expense	-	-	-	19,268
Research and development expense	-	-	-	12,332
General and administrative expense	-	-	-	5,579
Net gain on investments	-	-	(13,619)	(13,619)
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Effect on pre-tax income	-	-	(\$13,619)	\$32,212

SIX MONTHS ENDED OCTOBER 26, 2007

	Amortization of Intangible Assets	Stock-based Compensation Expenses	Acquisition- Related Retention Cost	Restructuring Recoveries
	-----	-----	-----	-----
Cost of product revenues	\$10,556	\$1,713	-	-
Cost of service revenues	-	5,277	-	-
Sales and marketing expense	1,941	34,626	2,324	-
Research and development expense	-	25,507	-	-
General and administrative expense	200	11,658	-	-
Net gain on investments	-	-	-	-
-----				
Effect on pre-tax income	\$12,697	\$78,781	\$2,324	-

	Prior Acquisition- related Costs	Gain on Sale of Assets	Net Gain on Investments	Total
	-----	-----	-----	-----
Cost of product revenues	-	-	-	\$12,269
Cost of service revenues	-	-	-	5,277
Sales and marketing expense	-	-	-	38,891
Research and development expense	-	-	-	25,507
General and administrative expense	2,800	-	-	14,658
Net gain on investments	-	-	(13,619)	(13,619)
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Effect on pre-tax income	\$2,800	-	(\$13,619)	\$82,983

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

QUARTER ENDED OCTOBER 27, 2006

Amortization Stock-based Acquisition- Restructuring

	of Intangible Assets	Compensation Expenses	Related Retention Cost	Recoveries
	-----	-----	-----	-----
Cost of product revenues	\$3,866	\$1,069	-	-
Cost of service revenues	-	2,489	-	-
Sales and marketing expense	583	18,715	-	-
Research and development expense	-	13,022	-	-
General and administrative expense	238	7,128	-	-
Restructuring recoveries	-	-	-	-
Gain on sale of assets	-	-	-	-
Net loss on investments	-	-	-	-
	-----	-----	-----	-----
Effect on pre-tax income	\$4,687	\$42,423	-	-

	Prior Acquisition- related Costs	Gain on Sale of Assets	Net Loss on Investments	Total
	-----	-----	-----	-----
Cost of product revenues	-	-	-	\$4,935
Cost of service revenues	-	-	-	2,489
Sales and marketing expense	-	-	-	19,298
Research and development expense	-	-	-	13,022
General and administrative expense	-	-	-	7,366
Restructuring recoveries	-	-	-	-
Gain on sale of assets	-	(25,339)	-	(25,339)
Net loss on investments	-	-	2,000	2,000
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Effect on pre-tax income	-	(\$25,339)	\$2,000	\$23,771

SIX MONTHS ENDED OCTOBER 27, 2006

	Amortization of Intangible Assets	Stock-based Compensation Expenses	Acquisition- Related Retention Cost	Restructuring Recoveries
	-----	-----	-----	-----
Cost of product revenues	\$7,731	\$1,739	-	-
Cost of service revenues	-	5,124	-	-
Sales and marketing expense	1,167	37,431	-	-
Research and development expense	-	26,891	-	-
General and administrative expense	475	14,260	-	-

Restructuring recoveries	-	-	-	(74)
Gain on sale of assets	-	-	-	-
Net loss on investments	-	-	-	-
-----				
Effect on pre-tax income	\$9,373	\$85,445	-	(\$74)

	Prior Acquisition-related Costs	Gain on Sale of Assets	Net Loss on Investments	Total
-----				
Cost of product revenues	-	-	-	\$9,470
Cost of service revenues	-	-	-	5,124
Sales and marketing expense	-	-	-	38,598
Research and development expense	-	-	-	26,891
General and administrative expense	-	-	-	14,735
Restructuring recoveries	-	-	-	(74)
Gain on sale of assets	-	(25,339)	-	(25,339)
Net loss on investments	-	-	2,000	2,000
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Effect on pre-tax income	-	(\$25,339)	\$2,000	\$71,405

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

	Quarter Ended		Six Months Ended	
	October	October	October	October
	26,	27,	26,	27,
	2007	2006	2007	2006
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SUMMARY RECONCILIATION OF NET INCOME

	Quarter Ended	Quarter Ended	Six Months Ended	Six Months Ended
	October	October	October	October
	26,	27,	26,	27,
	2007	2006	2007	2006
-----				
NET INCOME	\$83,758	\$86,931	\$118,095	\$141,600
Adjustments:				
Amortization of intangible assets	6,299	4,687	12,697	9,373
Stock-based compensation expenses	38,370	42,423	78,781	85,445
Acquisition-related retention cost	1,162	-	2,324	-
Prior acquisition-related costs	-	-	2,800	-
Restructuring recoveries	-	-	-	(74)
Gain on sale of assets	-	(25,339)	-	(25,339)
Net (gain) loss on investments	(13,619)	2,000	(13,619)	2,000
Tax effect on sale of investments	5,477	-	5,477	-
Tax effect on sale of assets	-	4,606	-	4,606
Discrete GAAP tax provision items	(1,127)	(2,159)	(684)	(2,159)
Income tax effect	(3,906)	(4,284)	(13,470)	(10,033)
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NON-GAAP NET INCOME	\$116,414	\$108,865	\$192,401	\$205,419
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NET INCOME PER SHARE	\$0.229	\$0.224	\$0.318	\$0.363

Adjustments:				
Amortization of intangible assets	0.017	0.012	0.034	0.024
Stock-based compensation expenses	0.105	0.109	0.212	0.219
Acquisition-related retention cost	0.003	-	0.006	-
Prior acquisition-related costs	-	-	0.008	-
Restructuring recoveries	-	-	-	-
Gain on sale of assets	-	(0.065)	-	(0.065)
Net (gain) loss on investments	(0.037)	0.005	(0.037)	0.005
Tax effect on sale of investments	0.015	-	0.015	-
Tax effect on sale of assets	-	0.012	-	0.012
Discrete GAAP tax provision items	(0.003)	(0.006)	(0.002)	(0.006)
Income tax effect	(0.011)	(0.011)	(0.036)	(0.026)
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NON-GAAP NET INCOME PER SHARE	\$0.318	\$0.280	\$0.518	\$0.526
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NETWORK APPLIANCE, INC.  
 RECONCILIATION OF NON GAAP GUIDANCE TO GAAP  
 EXPRESSED AS EARNINGS PER SHARE  
 THIRD QUARTER 2008  
 (Unaudited)

	Third Quarter 2008
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Non-GAAP Guidance	\$0.33 - \$0.34
Adjustments of Specific Items to Earnings Per Share for the Third Quarter 2008:	
Amortization of intangible assets	(0.02)
Stock based compensation expense	(0.10)
Income tax effect	0.02
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Total Adjustments	(0.10)
GAAP Guidance - Earnings Per Share	\$0.23 - \$0.24

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