

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): February 15, 2006

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)

Item 2.02.

On February 15, 2006, Network Appliance, Inc. issued a press release announcing its earnings for the third quarter of its fiscal year 2006. The press release is attached as an exhibit to this Form 8-K, and the information set forth therein is hereby incorporated by reference into this Item 2.02.

Item 9.01(c).

Network Appliance, Inc.'s February 15, 2006 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 15, 2006

By: /s/ Steven Gomo

Steven J. Gomo
Chief Financial Officer

Index to Exhibits

Exhibit	Description
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Network Appliance Announces Results for Third Quarter Fiscal Year 2006;
Achieves 30% Year-over-Year Revenue Growth

SUNNYVALE, Calif.--(BUSINESS WIRE)--Feb. 15, 2006--Network Appliance, Inc. (NASDAQ:NTAP), the leader in advanced networked storage solutions, today reported results for the third quarter of fiscal year 2006. Revenues for the third fiscal quarter were \$537.0 million, an increase of 30% compared to revenues of \$412.7 million for the same period a year ago and an increase of 11% compared to \$483.1 million in the prior quarter.

For the third fiscal quarter, GAAP net income was \$76.4 million, or \$0.20 per share(1) compared to GAAP net income of \$60.1 million, or \$0.16 per share for the same period in the prior year. Non-GAAP(2) net income for the third fiscal quarter increased 35% to \$84.7 million, or \$0.22 per share, compared to non-GAAP net income of \$62.8 million, or \$0.16 per share for the same period a year ago.

Revenues for the first nine months of the current fiscal year totaled \$1.5 billion, compared to revenues of \$1.1 billion for the first nine months of the prior fiscal year, an increase of 28% year over year.

For the first nine months of the current fiscal year, GAAP net income increased 28% to \$207.2 million, or \$0.54 per share, compared with GAAP net income of \$162.3 million, or \$0.43 per share for the same period in the prior year. Non-GAAP net income for the first nine months of the current fiscal year increased 32% to \$226.0 million, or \$0.58 per share, compared to non-GAAP net income of \$171.1 million, or \$0.45 per share for the first nine months of the prior fiscal year.

"NetApp achieved significant growth in revenue and profitability during the quarter, driven in large part by the compelling value proposition of our new FAS3000 midrange product line," said Dan Warmenhoven, CEO of Network Appliance. "We provide customers with the best storage utilization rates in the industry, allowing them to decrease their total cost of ownership and increase their return on investment. Combining this with the performance and ease-of-use inherent in our full line of systems and data protection solutions, we are seeing increased uptake of NetApp in data centers around the globe."

Outlook

- Network Appliance estimates that year-over-year growth in revenue for the fourth quarter of fiscal year 2006 will be in the range of 28% to 30%.
- The company expects fourth quarter GAAP earnings per share to finish between \$0.20 and \$0.21 per share. Network Appliance expects fourth quarter non-GAAP earnings per share to be in the range of \$0.22 to \$0.23 per share.
- For the full fiscal year, Network Appliance estimates that revenues will finish in the range of 28% to 29% higher than fiscal year 2005.
- The company expects GAAP earnings per share for fiscal year 2006 to be between \$0.73 and \$0.74 per share. Network Appliance estimates full-year non-GAAP earnings per share to be in the range of \$0.80 to \$0.81 per share.

Quarterly Highlights

This quarter, NetApp(R) was listed in the "leader" quadrant for midrange enterprise disk arrays in Gartner's research note, "Magic Quadrant for Midrange Enterprise Disk Array, 2H05."(3) NetApp SAN solutions provide an unmatched combination of high-performance, robustness, and ease-of-use for Windows(R), Solaris(R), HP/UX, IBM AIX, and Linux(R) computing platforms.

Also this quarter, according to IDC's Worldwide Quarterly Disk Storage Systems Tracker Q3 2005(4), NetApp demonstrated continued leadership in the iSCSI storage market, with number-one market share in capacity shipped (38.4%) and revenue (35.1%). NetApp maintained leadership in its core NAS market, with a 44.3% capacity share. Of the vendors tracked, NetApp posted the strongest year-over-year increase in FC SAN revenue, with a growth rate of 118%. Also according to IDC,

NetApp experienced the fastest growth among the top five vendors in storage software with 49.4% year-over-year growth from Q2 2004 to Q2 2005 versus a market growth rate of 11.8% for the same period. Total NetApp market share in storage software grew from 5% in Q2 2004 to 6.6% in Q2 2005.

Earlier in the quarter, NetApp unveiled its Uncompromised Security Initiative, a visionary program that challenges the status quo of data security and promises to deliver industry-best solutions to the enterprise. NetApp has numerous product lines shipping today that enable it to deliver uncompromised security, including Decru(R) DataFort(TM) storage security appliances, NetApp disk systems running Data ONTAP(R) security features, and NetCache(R) internet access and security appliances, as well as strong partnerships with leading vendors such as Symantec that enhance the security portfolio. The NetApp Uncompromised Security Initiative provides a vision and a roadmap for customers who expect best-in-class data management, coupled with military-grade security.

In other product news, Network Appliance announced the NetCache C1300 system, the first enterprise Web security appliance delivering unmatched value for highly distributed environments and another component in the NetApp Uncompromised Security portfolio.

Furthering the relationship with NetApp, this quarter IBM announced the introduction of the IBM(R) System Storage(TM) N5000, a new series of networked storage systems designed to help midrange customers dramatically reduce their total cost of ownership, particularly enterprises operating distributed networks across remote sites. The N5000 series represents the second major technology offering resulting from IBM's relationship with NetApp announced in April 2005.

During the quarter, the FAS3020c was named "Best NAS Solution of the Year" in InfoWorld's 2006 Technology of the Year honors. This marked the second consecutive year that NetApp won Best NAS from InfoWorld. In 2005, the NetApp FAS200 series also received the award.

On the partner front, NetApp unveiled several new solution enhancements and partner offerings with Acopia Networks, Cisco, Microsoft and Network Intelligence to address a variety of data concerns, including backup and recovery, file virtualization, data migration, log management lifecycles, storage management and consolidation.

In corporate news, NetApp was named by FORTUNE magazine as one of the "100 Best Companies to Work For" for the fourth consecutive year. This year, NetApp again ranked in the top half of the list, at number 27, 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."

Internationally, NetApp established a regional headquarters in Hong Kong as part of the company's continuing worldwide expansion and growth. The NetApp Hong Kong office will offer regional headquarters' functions to NetApp offices, distribution, channel and systems integrator partners in Asia Pacific, including Australia, Greater China, India, Japan, New Zealand, South Korea and Southeast Asia.

NetApp celebrated 10 years as a publicly traded company on November 21, 2005. Tom Mendoza, president of NetApp, rang the opening bell at NASDAQ in New York, along with Dan Warmenhoven, CEO and David Hitz and James Lau, both founders and executive vice presidents.

Conference Call and Webcast Information

-- The NetApp quarterly results conference call will be broadcast live via the Internet at <http://investors.netapp.com> on Wednesday, February 15, 2006, at 1:30 p.m. Pacific Time. This press release and any other information related to the call will also be posted to the Web site at that location. The conference call will also be available live in a listen-only format at (800) 591-6930 in the United States and (617) 614-4908 outside the United States. The passcode for both numbers is 29758742.

-- A replay will be available for seven days following completion of the live call by dialing (888) 286-8010 in the United States and (617) 801-6888 outside the United States, with replay code 12867394. The Webcast replay will be posted on our Web site for at least one year.

About Network Appliance

Network Appliance is a world leader in unified storage solutions for today's data-intensive enterprise. Since its inception in 1992, Network Appliance has delivered technology, product, and partner firsts that simplify data management. Information about Network Appliance solutions and services is available at www.netapp.com.

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

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include all of the statements under the Outlook section relating to our forecasted operating results and metrics for the fourth quarter of fiscal 2006 and for all of fiscal 2006, statements regarding the anticipated benefits of our FAS3000 product line, our Uncompromised Security Initiative, and regarding our OEM relationship with IBM or our partner offerings and solution enhancements. These forward-looking statements involve risks and uncertainties, and actual results could vary. Important factors that could cause actual results to differ materially from those in the forward looking statements include general economic and industry conditions, including expenditure trends for storage-related products; risks associated with the anticipated growth in network storage and content delivery markets; our ability to deliver new product architectures and enterprise service offerings, competition risks, including our ability to design products and services that compete effectively from a price and performance perspective; our reliance on a limited number of suppliers; our ability to accurately forecast demand for our products and successfully manage our relationships with our contract manufacturers; our ability to expand our direct sales operations and reseller distribution channels; our ability to develop, maintain and strengthen our relationships with strategic partners; our ability to successfully acquire and integrate complementary businesses and technologies; foreign currency exchange rate fluctuations; and other important factors as described in Network Appliance, Inc.'s reports and documents filed from time to time with the Securities and Exchange Commission, including the factors described under the sections captioned "risk factors" in our most recently submitted 10-K and 10-Q. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events or otherwise.

(1) Earnings per share represent the diluted number of shares for all periods presented.

(2) Non-GAAP results of operations exclude amortization of intangible assets, in process research and development, stock compensation, restructuring charges/recoveries, net gain/loss on investments and the related effects on income taxes, as well as certain discrete GAAP provision for income tax matters recognized ratably for non-GAAP purposes.

(3) Magic Quadrant for Midrange Enterprise Disk Array, 2H05

(4) IDC's Worldwide Quarterly Disk Storage Systems Tracker Q3 2005

NetApp, Data ONTAP, Decru and NetCache are registered trademarks and Network Appliance and DataFort are trademarks of Network Appliance Inc. in the United States and other countries. Decru DataFort is a trademark of Decru Inc., a Network Appliance company, in the United States and other countries. IBM is a registered trademark of IBM. All other trademarks belong to their respective owners and should be treated as such.

Network Appliance Usage of Non-GAAP Financials.

The Company refers to the non-GAAP financial measures cited above in making operating decisions because they provide meaningful supplemental information regarding the Company's operational performance. These non-GAAP financial measures exclude amortization of intangible assets, in process research and development, stock compensation, restructuring charges/recoveries, net gain/loss on investments and the related effects on income taxes, as well as certain discrete GAAP provision for income tax matters recognized ratably for non-GAAP purposes. We have excluded these items because they derive from unusual events that are not attributable to normal on-going operations and thus makes it more difficult for an investor

to understand our recurring operational performance. 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 27, 2006	April 30, 2005
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$188,125	\$193,542
Short-term investments	952,819	976,423
Accounts receivable, net	367,490	296,885
Inventories	64,072	38,983
Prepaid expenses and other	35,768	32,472
Deferred income taxes	35,544	37,584
	-----	-----
Total current assets	1,643,818	1,575,889
PROPERTY AND EQUIPMENT, net	492,793	418,749
GOODWILL	491,089	291,816
INTANGIBLE ASSETS, net	82,433	21,448
OTHER ASSETS	59,817	64,745
	-----	-----
	\$2,769,950	\$2,372,647
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$99,720	\$83,572
Income taxes payable	38,226	20,823
Accrued compensation and related benefits	113,067	100,534
Other accrued liabilities	66,790	53,262
Deferred revenue	336,944	261,998
	-----	-----
Total current liabilities	654,747	520,189
LONG-TERM DEFERRED REVENUE	256,528	187,180
LONG-TERM OBLIGATIONS	3,427	4,474
	-----	-----
	914,702	711,843
	-----	-----
STOCKHOLDERS' EQUITY	1,855,248	1,660,804
	-----	-----
	\$2,769,950	\$2,372,647
	=====	=====

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

	Three Months Ended		Nine Months Ended	
	January 27, 2006	January 28, 2005	January 27, 2006	January 28, 2005
REVENUES:				
Product revenue	\$474,236	\$367,903	\$1,293,642	\$1,029,334
Service revenue	62,795	44,803	174,853	116,969
Total revenues	537,031	412,706	1,468,495	1,146,303
COST OF REVENUES:				
Cost of product revenue	163,505	127,118	438,363	353,060
Cost of service revenue	46,502	33,454	130,530	94,990
Total cost of revenues	210,007	160,572	568,893	448,050
GROSS MARGIN	327,024	252,134	899,602	698,253
OPERATING EXPENSES:				
Sales and marketing	152,008	118,668	427,526	331,087
Research and development	62,622	43,603	169,462	122,957
General and administrative	24,742	20,136	67,349	54,888
In process research and development	-	-	5,000	-
Stock compensation	4,070	2,189	9,442	6,432
Restructuring charges	117	(270)	(495)	(270)
Total operating expenses	243,559	184,326	678,284	515,094
INCOME FROM OPERATIONS	83,465	67,808	221,318	183,159
OTHER INCOME (EXPENSES), net:				
Interest income	9,891	6,031	28,590	16,216
Other expenses, net	1,001	(500)	453	(1,322)
Net gain on investments	-	41	101	41
Total other income, net	10,892	5,572	29,144	14,935
INCOME BEFORE INCOME TAXES	94,357	73,380	250,462	198,094
PROVISION FOR INCOME TAXES	17,964	13,253	43,231	35,776
NET INCOME	\$76,393	\$60,127	\$207,231	\$162,318
NET INCOME PER SHARE:				
BASIC	\$0.21	\$0.17	\$0.56	\$0.45
DILUTED	\$0.20	\$0.16	\$0.54	\$0.43

SHARES USED IN PER SHARE
CALCULATION:

BASIC	371,768	362,563	370,069	359,031
	=====	=====	=====	=====
DILUTED	389,149	385,869	386,991	377,972
	=====	=====	=====	=====

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

	Three Months Ended		Nine Months Ended	
	January 27, 2006	January 28, 2005	January 27, 2006	January 28, 2005
	-----	-----	-----	-----
REVENUES:				
Product revenue	\$474,236	\$367,903	\$1,293,642	\$1,029,334
Service revenue	62,795	44,803	174,853	116,969
	-----	-----	-----	-----
Total revenues	537,031	412,706	1,468,495	1,146,303
	-----	-----	-----	-----
COST OF REVENUES:				
Cost of product revenue	159,639	126,260	430,443	350,486
Cost of service revenue	46,502	33,454	130,530	94,990
	-----	-----	-----	-----
Total cost of revenues	206,141	159,714	560,973	445,476
	-----	-----	-----	-----
GROSS MARGIN	330,890	252,992	907,522	700,827
	-----	-----	-----	-----
OPERATING EXPENSES:				
Sales and marketing	151,305	118,461	426,109	330,467
Research and development	62,622	43,603	169,462	122,957
General and administrative	24,505	18,868	65,357	51,083
	-----	-----	-----	-----
Total operating expenses	238,432	180,932	660,928	504,507
	-----	-----	-----	-----
INCOME FROM OPERATIONS	92,458	72,060	246,594	196,320
OTHER INCOME (EXPENSES), net	10,892	5,531	29,043	14,894
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	103,350	77,591	275,637	211,214
PROVISION FOR INCOME TAXES	18,603	14,742	49,615	40,131
	-----	-----	-----	-----
NET INCOME	\$84,747	\$62,849	\$226,022	\$171,083
	=====	=====	=====	=====
NET INCOME PER SHARE:				
BASIC	\$0.23	\$0.17	\$0.61	\$0.48
	=====	=====	=====	=====
DILUTED	\$0.22	\$0.16	\$0.58	\$0.45
	=====	=====	=====	=====

SHARES USED IN PER
SHARE CALCULATION:

BASIC	371,768	362,563	370,069	359,031
	=====	=====	=====	=====
DILUTED	389,149	385,869	386,991	377,972
	=====	=====	=====	=====

- (1) Non-GAAP results of operations exclude amortization of intangible assets, in process research and development, stock compensation, restructuring charges/recoveries, net gain/loss on investments and the related effects on income taxes, as well as certain discrete GAAP provision for income tax matters recognized ratably for non-GAAP purposes.

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

	Three Months Ended		Nine Months Ended	
	January	January	January	January
	27,	28,	27,	28,
	2006	2005	2006	2005
	-----	-----	-----	-----
SUMMARY RECONCILIATION OF NET INCOME				
NET INCOME	\$76,393	\$60,127	\$207,231	\$162,318
Adjustments:				
Amortization of intangible assets	4,806	2,333	11,329	6,999
Stock compensation	4,070	2,189	9,442	6,432
In process research and development	-	-	5,000	-
Restructuring charges (recoveries)	117	(270)	(495)	(270)
Net gain on investments	-	(41)	(101)	(41)
Discrete GAAP provision matters recognized ratably for non-GAAP purposes	(1,358)	-	(3,799)	-
Income tax effect	719	(1,489)	(2,585)	(4,355)
NON-GAAP NET INCOME	\$84,747	\$62,849	\$226,022	\$171,083
	=====	=====	=====	=====

DETAILED RECONCILIATION OF SPECIFIC ITEMS:

COST OF REVENUES	\$210,007	\$160,572	\$568,893	\$448,050
Adjustment:				
Amortization of intangible assets	(3,866)	(858)	(7,920)	(2,574)
NON-GAAP COST OF REVENUES	\$206,141	\$159,714	\$560,973	\$445,476
	=====	=====	=====	=====
GROSS MARGIN	\$327,024	\$252,134	\$899,602	\$698,253
Adjustment:				
Amortization of intangible assets	3,866	858	7,920	2,574
NON-GAAP GROSS MARGIN	\$330,890	\$252,992	\$907,522	\$700,827
	=====	=====	=====	=====
SALES AND MARKETING EXPENSES	\$152,008	\$118,668	\$427,526	\$331,087

Adjustments:				
Amortization of intangible assets	(703)	(207)	(1,417)	(620)
	-----	-----	-----	-----
NON-GAAP SALES AND MARKETING EXPENSES	\$151,305	\$118,461	\$426,109	\$330,467
	=====	=====	=====	=====
GENERAL AND ADMINISTRATIVE EXPENSES	\$24,742	\$20,136	\$67,349	\$54,888
Adjustments:				
Amortization of intangible assets	(237)	(1,268)	(1,992)	(3,805)
	-----	-----	-----	-----
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	\$24,505	\$18,868	\$65,357	\$51,083
	=====	=====	=====	=====
OPERATING EXPENSES	\$243,559	\$184,326	\$678,284	\$515,094
Adjustments:				
Stock compensation	(4,070)	(2,189)	(9,442)	(6,432)
In process research and development	-	-	(5,000)	-
Amortization of intangible assets	(940)	(1,475)	(3,409)	(4,425)
Restructuring charges	(117)	270	495	270
	-----	-----	-----	-----
NON-GAAP OPERATING EXPENSES	\$238,432	\$180,932	\$660,928	\$504,507
	=====	=====	=====	=====
INCOME FROM OPERATIONS	\$83,465	\$67,808	\$221,318	\$183,159
Adjustments:				
In process research and development	-	-	5,000	-
Amortization of intangible assets	4,806	2,333	11,329	6,999
Stock compensation	4,070	2,189	9,442	6,432
Restructuring charges (recoveries)	117	(270)	(495)	(270)
	-----	-----	-----	-----
NON-GAAP INCOME FROM OPERATIONS	\$92,458	\$72,060	\$246,594	\$196,320
	=====	=====	=====	=====
TOTAL OTHER INCOME (EXPENSES), NET	\$10,892	\$5,572	\$29,144	\$14,935
Adjustments:				
Net gain on investments	-	(41)	(101)	(41)
	-----	-----	-----	-----
NON-GAAP TOTAL OTHER INCOME (EXPENSES), NET	\$10,892	\$5,531	\$29,043	\$14,894
	=====	=====	=====	=====
INCOME BEFORE INCOME TAXES	\$94,357	\$73,380	\$250,462	\$198,094
Adjustments:				
Amortization of intangible assets	4,806	2,333	11,329	6,999
In process research and development	-	-	5,000	-
Stock compensation	4,070	2,189	9,442	6,432
Restructuring charges (recoveries)	117	(270)	(495)	(270)
Net gain on investments	-	(41)	(101)	(41)
	-----	-----	-----	-----
NON-GAAP INCOME BEFORE INCOME TAXES	\$103,350	\$77,591	\$275,637	\$211,214
	=====	=====	=====	=====
PROVISION FOR INCOME TAXES	\$17,964	\$13,253	\$43,231	\$35,776
Adjustments:				
Discrete GAAP provision matters recognized ratably for non-GAAP purposes	1,358	-	3,799	-
Income tax effect	(719)	1,489	2,585	4,355

NON-GAAP PROVISION FOR INCOME TAXES	\$18,603	\$14,742	\$49,615	\$40,131
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NETWORK APPLIANCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 27, 2006	January 28, 2005	January 27, 2006	January 28, 2005
Cash Flows from Operating Activities:				
Net income	\$76,393	\$60,127	\$207,231	\$162,318
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	16,091	13,217	46,175	39,869
In process research and development	-	-	5,000	-
Amortization of intangible assets	4,806	2,333	11,329	6,999
Amortization of patents	496	451	1,487	1,352
Stock compensation	4,070	2,189	9,442	6,432
Net gain on investments	-	(41)	(101)	(70)
Net loss on disposal of equipment	158	388	1,318	907
Allowance for doubtful accounts	575	(78)	921	325
Deferred income taxes	14	730	14	730
Deferred rent	(68)	2	301	228
Changes in assets and liabilities:				
Accounts receivable	(41,882)	(14,712)	(70,153)	(40,065)
Inventories	(24,832)	(6,390)	(38,397)	(12,383)
Prepaid expenses and other assets	(3,525)	(2,988)	(6,590)	3,011
Accounts payable	6,300	10,684	16,072	15,355
Income taxes payable	15,462	11,066	39,606	24,577
Accrued compensation and related benefits	24,050	12,707	12,992	16,508
Other accrued liabilities	3,849	8,228	970	8,008
Deferred revenue	58,962	50,179	144,737	110,534
Net cash provided by operating activities	140,919	148,092	382,354	344,635
Cash Flows from Investing Activities:				
Purchases of investments	(116,758)	(320,614)	(450,555)	(669,562)
Redemptions of investments	53,182	193,085	471,755	456,387
Increase in restricted cash	69	-	(1,997)	-
Purchases of property and equipment	(33,464)	(17,245)	(96,476)	(64,756)
Proceeds from sales of investments	-	49	130	347
Purchases of equity securities	(150)	(125)	(7,100)	(125)
Purchase of business, net of cash acquired	-	-	(53,747)	-
Net cash used in investing activities	(97,121)	(144,850)	(137,990)	(277,709)

Cash Flows from Financing Activities:				
Proceeds from sale of common stock related to employee stock transactions	69,236	106,743	141,725	153,460
Tax withholding payments reimbursed by restricted stock	(192)	-	(794)	(43)
Repurchases of common stock	(145,583)	(49,980)	(390,147)	(132,993)
	-----	-----	-----	-----
Net cash provided by (used in) financing activities	(76,539)	56,763	(249,216)	20,424
	-----	-----	-----	-----
Effect of Exchange Rate Changes on Cash	(847)	824	(565)	1,695
Net Increase (Decrease) in Cash and Cash Equivalents	(33,588)	60,829	(5,417)	89,045
Cash and Cash Equivalents: Beginning of period	221,713	120,544	193,542	92,328
	-----	-----	-----	-----
End of period	\$188,125	\$181,373	\$188,125	\$181,373
	=====	=====	=====	=====
Noncash Investing and Financing Activities:				
Conversion of evaluation inventory to fixed assets	\$5,282	3,717	14,393	8,468
Deferred stock compensation, net of reversals	708	885	2,897	512
Income tax benefit from employee stock transactions	6,045	13,152	22,334	27,829
Acquisition of property and equipment on account	5,033	-	11,158	-
Stock issued for acquisition	-	-	191,874	-
Options assumed for acquired business	-	-	38,456	-
Supplemental cash flow information:				
Income taxes paid	1,936	1,803	5,625	11,975
Income tax refund	13	16	2,345	10,588

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

Projected Year Over Year Fourth Quarter Revenue Growth Range	Projected Year Over Year Annual FY06 Revenue Growth Range
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28%	29%
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ADJUSTMENTS OF SPECIFIC ITEMS TO EARNINGS PER SHARE FOR THE FOURTH QUARTER AND FISCAL YEAR 2006 (\$):

COST OF REVENUES
Adjustment:

Amortization of intangible assets	(0.010)	(0.010)	(0.030)	(0.030)
OPERATING EXPENSES				
Adjustments:				
Stock compensation	(0.010)	(0.010)	(0.035)	(0.035)
Amortization of intangible assets	(0.002)	(0.002)	(0.011)	(0.011)
Restructuring charges	-	-	0.001	0.001
In-process research and development	-	-	(0.013)	(0.013)
TOTAL OTHER INCOME (EXPENSES), NET				
Adjustments:				
Net (gain)/loss on investments	-	-	-	-
PROVISION FOR INCOME TAXES				
Adjustments:				
Income tax effect	0.001	0.001	0.018	0.018
NET DECREASE IN EARNINGS PER SHARE	(0.021)	(0.021)	(0.070)	(0.070)
	=====	=====	=====	=====

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