

SanDisk Overview

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*Executive Vice President, Administration and
Chief Financial Officer*

NASDAQ OMX 27th Investor Program

December 6, 2011

Forward-looking Statement

During our meeting today we will be making forward-looking statements.

Any statement that refers to expectations, projections or other characterizations of future events or circumstances is a forward-looking statement, including those relating to revenue, pricing, market share, market growth, product sales, industry trends, expenses, gross margin, operating income, profitability, future memory technology, production capacity and technology transitions and future products.

Actual results may differ materially from those expressed in these forward-looking statements including due to the factors detailed under the caption “Risk Factors” and elsewhere in the documents we file from time-to-time with the SEC, including our annual and quarterly reports.

Reconciliations between Non-GAAP and GAAP results presented are included in the appendix of this presentation.

We undertake no obligation to update these forward-looking statements, which speak only as of the date hereof.

Our Mission



To Enrich People's Lives Through Digital
Storage Anytime, Anywhere

SanDisk Strategy

- Create Industry-Leading Flash Storage Solutions by Leveraging our Innovative Technology
- Maintain Cost Leadership Through Operational Excellence and Economies of Scale
- Maximize Shareholder Value by Driving Profitable Growth across Diversified Markets, Customers and Channels
- Create a Culture and Environment to Attract and Engage Top Talent

Secular Trends Drive Growth of NAND Flash Industry

Mobility

- Thin is in
- Low power
- Multimedia devices

Connectivity

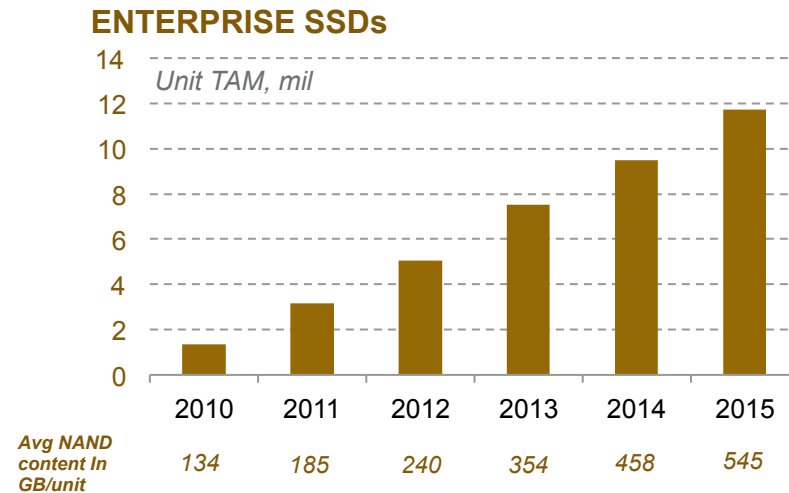
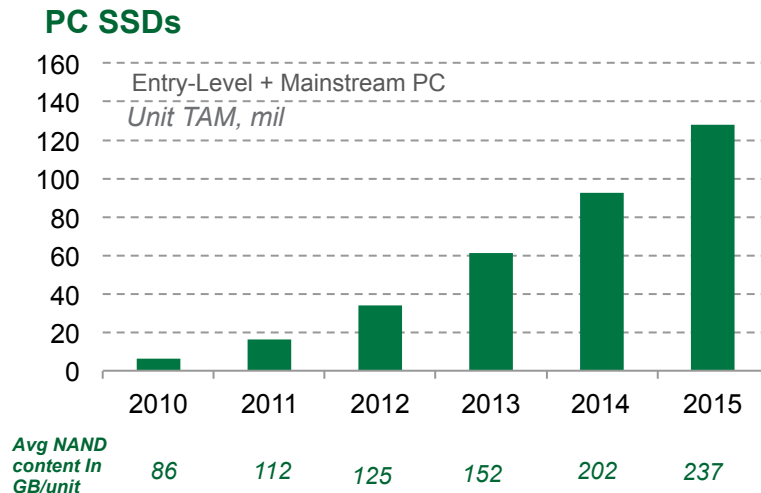
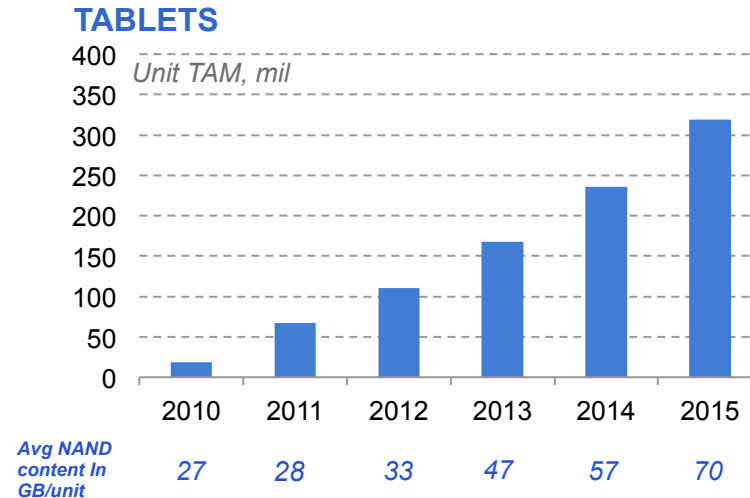
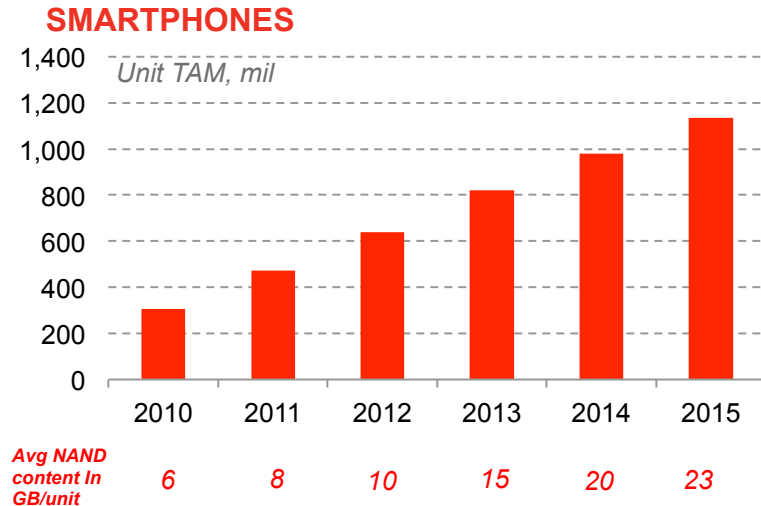
- Cloud services
- Social networking
- Sharing, replication
- Instant access

Content

- Creation and consumption
- Various formats
- Expanding HD content
- Video: largest driver of growth

Greater demand for NAND flash solutions

Key SanDisk Growth Drivers



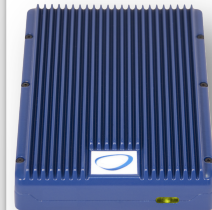
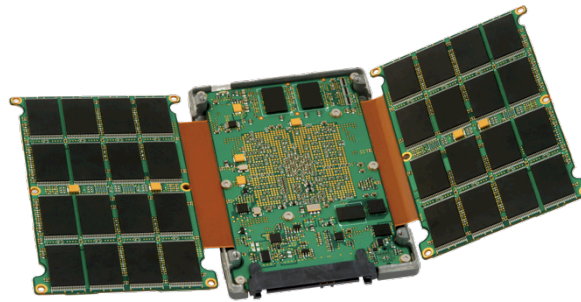
Source: Gartner September, 2011

Forecast: Semiconductor Consumption by Electronic Equipment Type, Worldwide, 3Q11 Update

SanDisk Entry Into Enterprise SSD Market

- Completed acquisition of Pliant Technology, a leading developer of enterprise flash storage solutions, in May 2011
- Forms SanDisk's Enterprise Storage Solutions (ESS) business
- Strong line up of NAND-based Serial Attached SCSI (SAS) Enterprise SSDs
- Proprietary ASIC & Advanced Firmware
- Shipping to 3 out of 7 Tier-1 storage OEMs
- PCIe SSD in development

*Lightning[®] 6Gb SAS
Enterprise SSD*



Broad Product Portfolio: Retail

IMAGING & VIDEO	GAMING	MOBILE	COMPUTING	AUDIO/VIDEO
<p data-bbox="233 544 598 568">SANDISK EXTREME® PRO™</p>  <p data-bbox="296 776 569 800">SANDISK EXTREME®</p>  <p data-bbox="296 977 527 1002">SANDISK ULTRA®</p>  <p data-bbox="321 1179 522 1203">STANDARD</p> 	    	  	    	  

Broad Product Portfolio: OEM

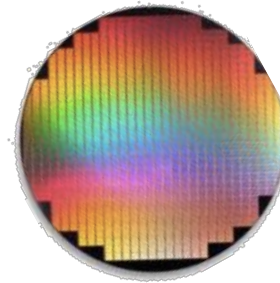
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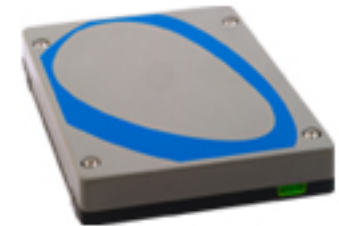
EMBEDDED PRODUCTS & COMPONENTS



WAFERS



SSD CLIENT & ENTERPRISE



Diversified Customers, Channels

Retail

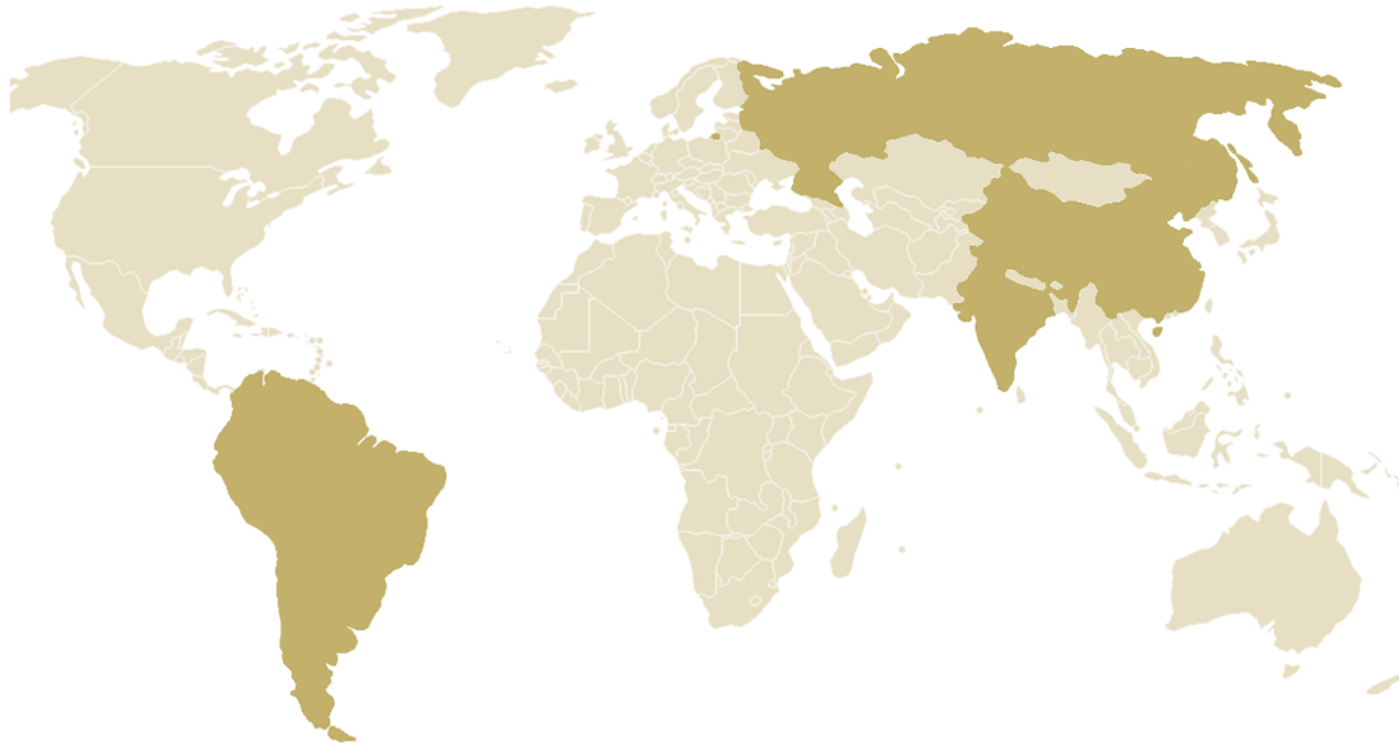
- More than 230,000 storefronts worldwide
- Growing presence in emerging markets

Mobile OEMs

- Broad and growing mobile OEM customer base
- Private label

Storage, PC OEMs

- Adding customers for enterprise and client SSDs



Technology & Supply

Leadership Position in Memory Technology

- 24nm > 60% Q311 captive output
- 19nm transition underway in Q411
- X3 >50% of bits sold since Q309

2011 captive bit growth ~75%

- Supplemented with non-captive purchases

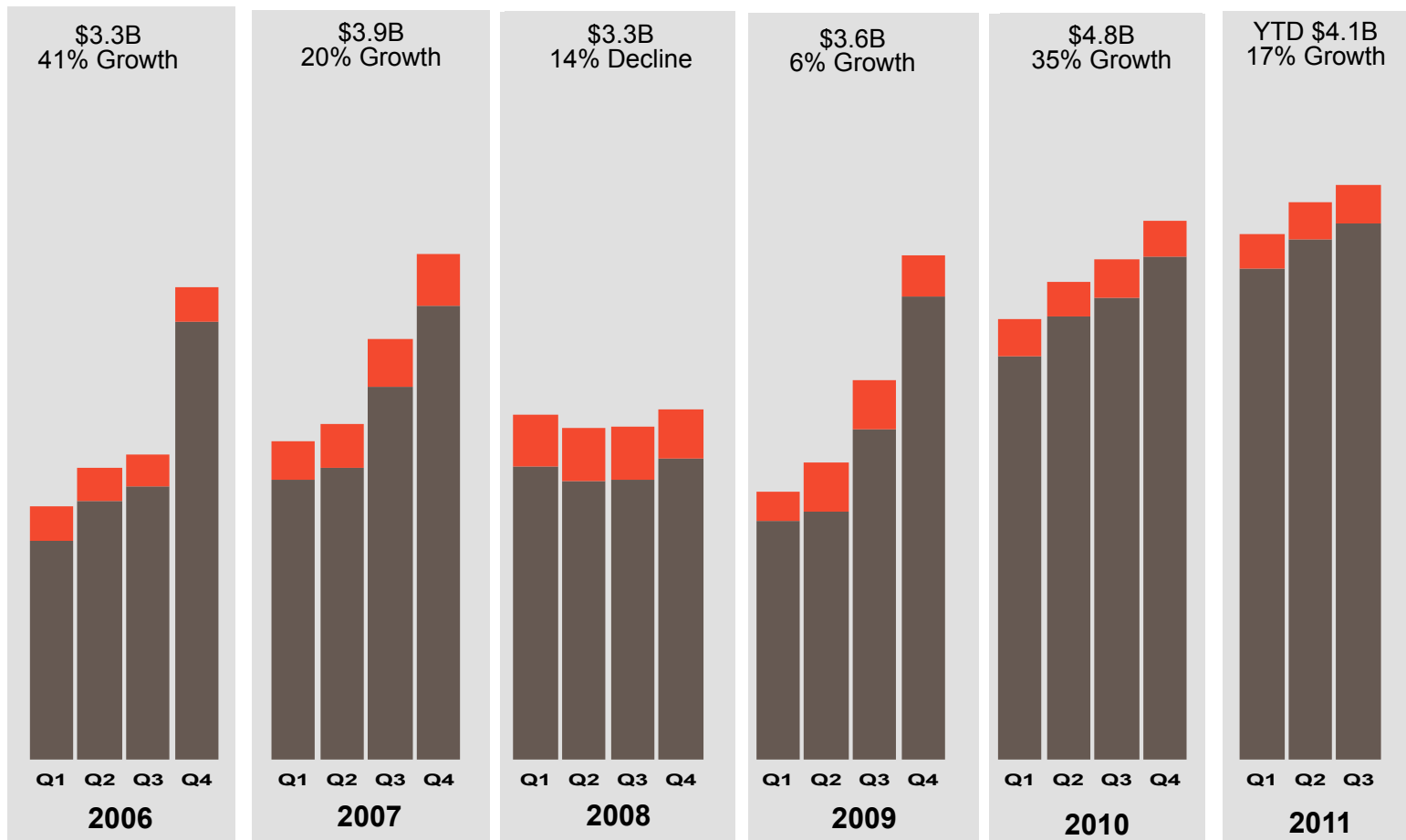
Three 300mm Fabs in Joint Ventures with Toshiba

- Fab 3 & Fab 4 fully equipped, providing leadership costs
- Fab 5 to be ramped in 2 phases, each ~50% of the fab
 - Phase 1 expected to be ~30% ramped by end of January 2012
 - Plan a temporary pause in Phase 1 ramp after January 2012

Highest Quarterly Rev at \$1.416 BIL

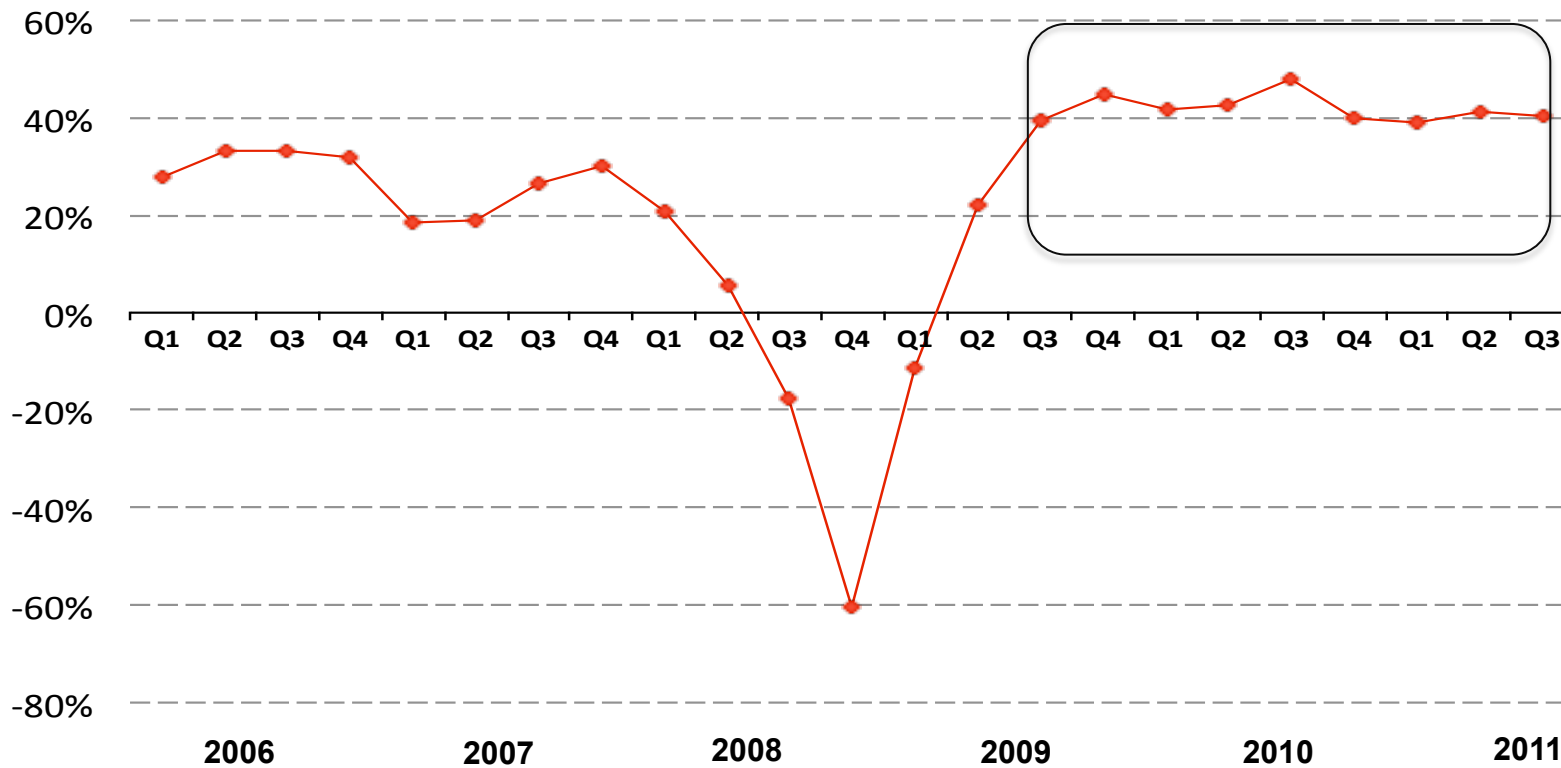
- Q311 Y/Y: GBs sold up 87%, ASP/GB down 37%
- Q311 Q/Q: GBs sold up 18%, ASP/GB down 13%

■ License/Royalty
 ■ Product



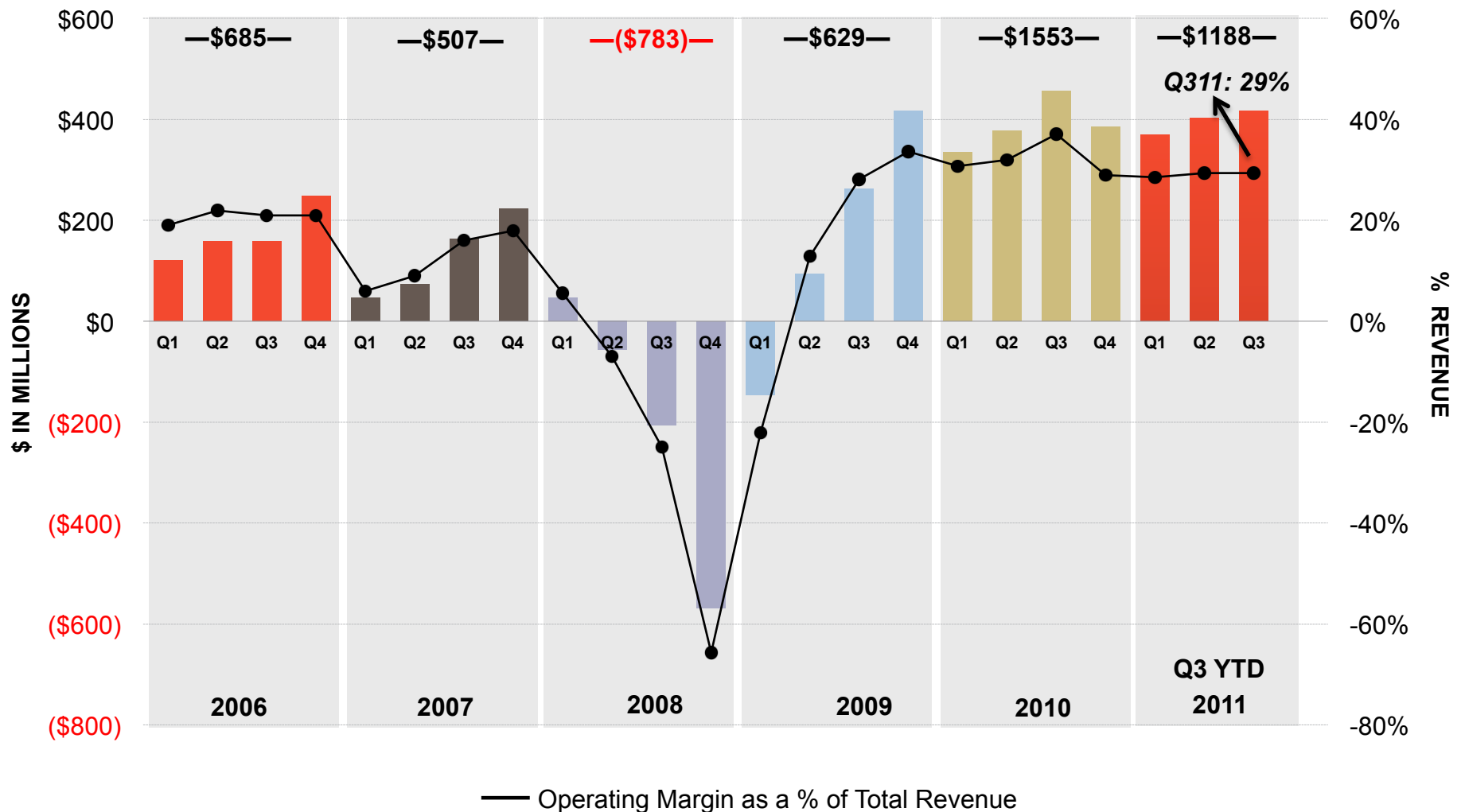
Strong Product Gross Margin⁽¹⁾

Driven by healthy supply/demand balance, X3 leadership, and diversity of channels & customers.



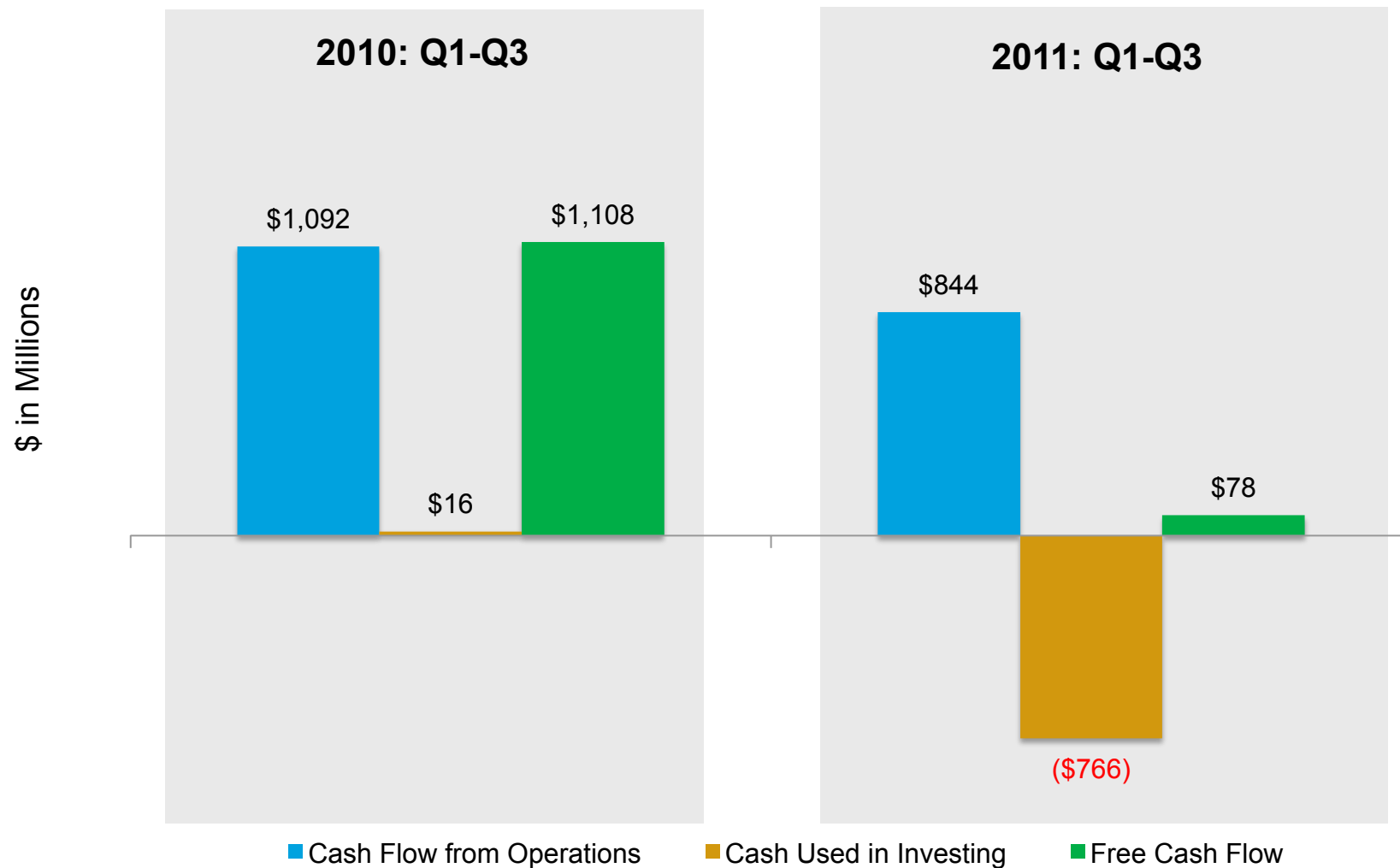
⁽¹⁾ 2006 - 2011 Product GM% is Non-GAAP excluding stock comp expense, amortization of acquisition-related intangible assets, and purchase accounting adjustments.

Operating Margin⁽¹⁾ 27%+ For 9 Quarters



(1) 2006–2011 is Non-GAAP Operating Margin excluding stock comp expense, amortization of acquisition-related intangible assets, purchase accounting adjustments, and impairments of goodwill and acquisition-related intangible assets.

Strong Operating Cash Flows Enable 2011 Investments in Capacity, M&A & Technology



Cash Used in Investing excludes purchases, sales and maturities of short-term and long-term marketable securities.

Balance Sheet Highlights

<i>In millions</i>	Q311	Q310
Total Cash, Short-term and Long-term Marketable Securities	\$5,268	\$5,051
Net Cash* Based on Debt Maturity Value	\$3,340	\$2,901
Fab-related Outstanding Operating Lease Guarantees	\$545	\$891

*Net Cash = Cash + Short-term & Long-Term Marketable Securities – Maturity Value of Total Long-Term Debt

SanDisk Well Positioned

- Experiencing Strong Secular Demand Trends
- Providing Leading Flash Storage Solutions
- Maintaining Prudent Supply Growth
- Delivering Robust Profitability

Thank You

Appendices

- Basis of Presentation for Non-GAAP to GAAP Reconciliations
- Non-GAAP to GAAP Reconciliations for Historical Results

Basis of Presentation for Non-GAAP to GAAP Operating Results

To supplement our condensed consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), we use non-GAAP measures of operating results, net income and net income per share, which are adjusted from results based on GAAP to exclude certain expenses, gains and losses. These non-GAAP financial measures are provided to enhance the user's overall understanding of our current financial performance and our prospects for the future. Specifically, we believe the non-GAAP results provide useful information to both management and investors as these non-GAAP results exclude certain expenses, gains and losses that we believe are not indicative of our core operating results and because it is consistent with the financial models and estimates published by many analysts who follow the Company. For example, because the non-GAAP results exclude the expenses we recorded for share-based compensation, the amortization of acquisition-related intangible assets related to acquisitions of Matrix Semiconductor, Inc. in January 2006, MusicGremlin, Inc. in June 2008 and Pliant Technology, Inc. in May 2011, non-cash economic interest expense associated with our convertible debt and tax valuation allowances, we believe the inclusion of non-GAAP financial measures provide consistency in our financial reporting. These non-GAAP results are some of the primary indicators management uses for assessing our performance, allocating resources and planning and forecasting future periods. Further, management uses non-GAAP information that excludes certain non-cash charges, such as amortization of purchased intangible assets, share-based compensation, non-cash economic interest expense associated with our convertible debt and tax valuation allowances, as these non-GAAP charges do not reflect the cash operating results of the business or the ongoing results. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. These non-GAAP measures may be different than the non-GAAP measures used by other companies.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended April 2, 2006 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	SanDisk Consolidated GAAP	% of Revenue
Product revenue	\$ 537,728	86.3%	\$ -	\$ -	\$ 537,728	86.3%
License and royalty revenue	85,532	13.7%	-	-	85,532	13.7%
Total revenues	623,260	100.0%	-	-	623,260	100.0%
Cost of product revenues	384,867	61.8%	-	-	384,867	61.8%
Total cost of product revenues	384,867	61.8%	-	-	384,867	61.8%
Product gross profit	152,861	28.4%	-	-	152,861	28.4%
Gross profit	238,393	38.2%	-	-	238,393	38.2%
Research and development	54,976	8.8%	8,786	-	63,762	10.2%
Sales and marketing	39,336	6.3%	4,039	-	43,375	7.0%
General and administrative	24,055	3.9%	5,961	-	30,016	4.8%
Write-off of acquired in-process technology	-	0.0%	-	39,600 (a)	39,600	6.4%
Amortization of acquisition-related intangible assets	-	0.0%	-	3,715 (b)	3,715	0.6%
Total operating expenses	118,367	19.0%	18,786	43,315	180,468	29.0%
Operating income	120,026	19.3%	(18,786)	(43,315)	57,925	9.3%
Total other income	18,464	3.0%	-	-	18,464	3.0%
Income before taxes	138,490	22.2%	(18,786)	(43,315)	76,389	12.3%
Provision for income taxes	48,472	7.8%	(5,845) (c)	(1,353) (c)	41,274	6.6%
Net income	\$ 90,018	14.4%	\$ (12,941)	\$ (41,962)	\$ 35,115	5.6%
Net income per share, diluted	\$ 0.44				\$ 0.17	
Diluted shares used in computing net income per share	203,302				201,892	
Effective tax rate	35.0%				54.0%	

(a) Write-off of acquired in-process technology associated with the Matrix acquisition (January 2006).

(b) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (January 2006).

(c) Income taxes associated with certain non-GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended July 2, 2006 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 636,675	88.5%	\$ -	\$ -	\$ -	\$ 636,675	88.5%
License and royalty revenue	82,510	11.5%	-	-	-	82,510	11.5%
Total revenues	719,185	100.0%	-	-	-	719,185	100.0%
Cost of product revenues	427,699	59.5%	2,478	-	-	430,177	59.8%
Total cost of product revenues	427,699	59.5%	2,478	-	-	430,177	59.8%
Product gross profit	208,976	32.8%	(2,478)	-	-	206,498	32.4%
Gross profit	291,486	40.5%	(2,478)	-	-	289,008	40.2%
Research and development	63,364	8.8%	10,421	-	-	73,785	10.3%
Sales and marketing	39,942	5.6%	5,125	-	-	45,067	6.3%
General and administrative	29,336	4.1%	7,846	-	-	37,182	5.2%
Amortization of acquisition-related intangible assets	-	0.0%	-	4,432 (a)	-	4,432	0.6%
Total operating expenses	132,642	18.4%	23,392	4,432	-	160,466	22.3%
Operating income	158,844	22.1%	(25,870)	(4,432)	-	128,542	17.9%
Total other income	22,013	3.1%	-	-	(5,734) (c)	16,279	2.3%
Income before taxes	180,857	25.1%	(25,870)	(4,432)	(5,734)	144,821	20.1%
Provision for income taxes	63,299	8.8%	(6,667) (b)	(1,718) (b)	(1,855) (b)	53,059	7.6%
Net income	\$ 117,558	16.3%	\$ (19,203)	\$ (2,714)	\$ (3,879)	\$ 91,762	12.5%
Net income per share, diluted	\$ 0.58					\$ 0.45	
Diluted shares used in computing net income per share	204,126					202,980	
Effective tax rate	35.0%					36.6%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisition of Matrix Semiconductor, Inc. (January 2006).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended October 1, 2006 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk		Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk	
	Consolidated Non-GAAP	% of Revenue				Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 673,189	89.6%	\$ -	\$ -	\$ -	\$ 673,189	89.6%
License and royalty revenue	78,196	10.4%	-	-	-	78,196	10.4%
Total revenues	751,385	100.0%	-	-	-	751,385	100.0%
Cost of product revenues	452,724	60.3%	2,621	-	-	455,345	60.6%
Total cost of product revenues	452,724	60.3%	2,621	-	-	455,345	60.6%
Product gross profit	220,465	32.7%	(2,621)	-	-	217,844	32.4%
Gross profit	298,661	39.7%	(2,621)	-	-	296,040	39.4%
Research and development	67,803	9.0%	10,270	-	-	78,073	10.4%
Sales and marketing	40,339	5.4%	4,622	-	-	44,961	6.0%
General and administrative	32,567	4.3%	7,680	-	-	40,247	5.4%
Amortization of acquisition-related intangible assets	-	0.0%	-	4,432 (a)	-	4,432	0.6%
Total operating expenses	140,709	18.7%	22,572	4,432	-	167,713	22.3%
Operating income	157,952	21.0%	(25,193)	(4,432)	-	128,327	17.1%
Total other income	32,223	4.3%	-	-	(10,706) (c)	21,517	2.9%
Income before taxes	190,175	25.3%	(25,193)	(4,432)	(10,706)	149,844	19.9%
Provision for income taxes	66,561	8.9%	(7,621) (b)	(1,671) (b)	(3,464) (b)	53,805	7.6%
Net income	\$ 123,614	16.5%	\$ (17,572)	\$ (2,761)	\$ (7,242)	\$ 96,039	12.3%
Net income per share, diluted	\$ 0.61					\$ 0.47	
Diluted shares used in computing net income per share	203,757					202,747	
Effective tax rate	35.0%					35.9%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisition of Matrix Semiconductor, Inc. (January 2006).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended December 31, 2006 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (e)	% of Revenue
Product revenue	\$ 1,078,880	92.7%	\$ -	\$ -	\$ -	\$ 1,078,880	92.7%
License and royalty revenue	84,815	7.3%	-	-	-	84,815	7.3%
Total revenues	1,163,695	100.0%	-	-	-	1,163,695	100.0%
Cost of product revenues	729,932	62.7%	2,892	4,471	-	737,295	63.4%
Amortization of acquisition-related intangible assets	-	-	-	10,368 (a)	-	10,368	0.9%
Total cost of product revenues	729,932	62.7%	2,892	14,839	-	747,663	64.2%
Product gross profit	348,948	32.3%	(2,892)	(14,839)	-	331,217	30.7%
Gross profit	433,763	37.3%	(2,892)	(14,839)	-	416,032	35.8%
Research and development	79,724	6.9%	11,522	-	-	91,246	7.8%
Sales and marketing	62,172	5.3%	7,831	-	-	70,003	6.0%
General and administrative	43,843	3.8%	8,547	-	-	52,390	4.5%
Write-off of acquired in-process technology	-	0.0%	-	186,000 (b)	-	186,000	16.0%
Amortization of acquisition-related intangible assets	-	0.0%	-	4,853 (a)	-	4,853	0.4%
Total operating expenses	185,739	16.0%	27,900	190,853	-	404,492	34.8%
Operating income	248,024	21.3%	(30,792)	(205,692)	-	11,540	1.0%
Total other income	31,674	2.7%	-	-	(10,913) (d)	20,761	1.8%
Income before taxes	279,698	24.0%	(30,792)	(205,692)	(10,913)	32,301	2.8%
Provision for income taxes	86,409	7.4%	(7,689) (c)	(1,984) (c)	(3,531) (c)	73,205	5.8%
Income (loss) after tax	193,289	16.6%	(23,103)	(203,708)	(7,382)	(40,904)	-3.1%
Non-controlling interests	1,619	0.1%	-	-	-	1,619	0.1%
Net income (loss)	\$ 191,670	16.5%	\$ (23,103)	\$ (203,708)	\$ (7,382)	\$ (42,523)	-3.2%
Net income (loss) per share, diluted	\$ 0.87					\$ (0.20)	
Diluted shares used in computing net income (loss) per share	220,090					210,849	
Effective tax rate	30.9%					226.6%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (January 2006) and msystems Ltd. (November 2006).

(b) Write-off of acquired in-process technology associated with the msystems Ltd. acquisition.

(c) Income taxes associated with certain non-GAAP adjustments.

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(e) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Twelve months ended December 31, 2006 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (e)	% of Revenue
Product revenue	\$ 2,926,472	89.8%	\$ -	\$ -	\$ -	\$ 2,926,472	89.8%
License and royalty revenue	331,053	10.2%	-	-	-	331,053	10.2%
Total revenues	3,257,525	100.0%	-	-	-	3,257,525	100.0%
Cost of product revenues	1,995,222	61.2%	7,991	4,471	-	2,007,684	61.6%
Amortization of acquisition-related intangible assets	-	-	-	10,368 (a)	-	10,368	0.3%
Total cost of product revenues	1,995,222	61.2%	7,991	14,839	-	2,018,052	62.0%
Product gross profit	931,250	31.8%	(7,991)	(14,839)	-	908,420	31.0%
Gross profit	1,262,303	38.8%	(7,991)	(14,839)	-	1,239,473	38.0%
Research and development	265,867	8.2%	40,999	-	-	306,866	9.4%
Sales and marketing	181,789	5.6%	21,617	-	-	203,406	6.2%
General and administrative	129,801	4.0%	30,034	-	-	159,835	4.9%
Write-off of acquired in-process technology	-	0.0%	-	225,600 (b)	-	225,600	6.9%
Amortization of acquisition-related intangible assets	-	0.0%	-	17,432 (a)	-	17,432	0.5%
Total operating expenses	577,457	17.7%	92,650	243,032	-	913,139	28.0%
Operating income	684,846	21.0%	(100,641)	(257,871)	-	326,334	10.0%
Total other income	104,374	3.2%	-	-	(27,353) (d)	77,021	2.4%
Income before taxes	789,220	24.2%	(100,641)	(257,871)	(27,353)	403,355	12.4%
Provision for income taxes	264,741	8.1%	(27,822) (c)	(6,726) (c)	(8,850) (c)	221,343	6.8%
Income after tax	524,479	16.1%	(72,819)	(251,145)	(18,503)	182,012	5.6%
Non-controlling interests	1,619	0.0%	-	-	-	1,619	0.0%
Net income	\$ 522,860	16.1%	\$ (72,819)	\$ (251,145)	\$ (18,503)	\$ 180,393	5.5%
Net income per share, diluted	\$ 2.51					\$ 0.87	
Diluted shares used in computing net income per share	208,661					207,451	
Effective tax rate	33.5%					54.9%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (January 2006) and msystems Ltd. (November 2006).

(b) Write-off of acquired in-process technology associated with the Matrix and msystems Ltd. acquisitions.

(c) Income taxes associated with certain non-GAAP adjustments.

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(e) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended April 1, 2007 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 689,357	87.7%	\$ -	\$ -	\$ -	\$ 689,357	87.7%
License and royalty revenue	96,729	12.3%	-	-	-	96,729	12.3%
Total revenues	786,086	100.0%	-	-	-	786,086	100.0%
Cost of product revenues	561,927	71.5%	3,214	4,947	-	570,088	72.5%
Amortization of acquisition-related intangible assets	-	-	-	21,062 (a)	-	21,062	2.7%
Total cost of product revenues	561,927	71.5%	3,214	26,009	-	591,150	75.2%
Product gross profit	127,430	18.5%	(3,214)	(26,009)	-	98,207	14.2%
Gross profit	224,159	28.5%	(3,214)	(26,009)	-	194,936	24.8%
Research and development	82,953	10.6%	12,687	-	-	95,640	12.2%
Sales and marketing	49,283	6.3%	6,923	-	-	56,206	7.2%
General and administrative	38,596	4.9%	8,395	-	-	46,991	6.0%
Amortization of acquisition-related intangible assets	-	0.0%	-	9,100 (a)	-	9,100	1.2%
Restructuring and other	6,516	0.8%	-	-	-	6,516	0.8%
Total operating expenses	177,348	22.6%	28,005	9,100	-	214,453	27.3%
Operating income (loss)	46,811	6.0%	(31,219)	(35,109)	-	(19,517)	-2.5%
Total other income	36,259	4.6%	-	-	(11,118) (c)	25,141	3.2%
Income before taxes	83,070	10.6%	(31,219)	(35,109)	(11,118)	5,624	0.7%
Provision for income taxes	33,075	4.2%	(10,989) (b)	(9,929) (b)	(5,478) (b)	6,679	0.8%
Income (loss) after tax	49,995	6.4%	(20,230)	(25,180)	(5,640)	(1,055)	-0.1%
Non-controlling interests	5,160	0.7%	-	-	-	5,160	0.7%
Net income (loss)	\$ 44,835	5.7%	\$ (20,230)	\$ (25,180)	\$ (5,640)	\$ (6,215)	-0.8%
Net income (loss) per share, diluted	\$ 0.19					\$ (0.03)	
Diluted shares used in computing net income (loss) per share	236,426					227,455	
Effective tax rate	39.8%					118.8%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended July 1, 2007 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk		Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk	
	Consolidated Non-GAAP	% of Revenue				Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 719,991	87.1%	\$ -	\$ -	\$ -	\$ 719,991	87.1%
License and royalty revenue	107,041	12.9%	-	-	-	107,041	12.9%
Total revenues	827,032	100.0%	-	-	-	827,032	100.0%
Cost of product revenues	583,310	70.5%	3,307	2,119	-	588,736	71.2%
Amortization of acquisition-related intangible assets	-	-	-	14,583 (a)	-	14,583	1.8%
Total cost of product revenues	583,310	70.5%	3,307	16,702	-	603,319	72.9%
Product gross profit	136,681	19.0%	(3,307)	(16,702)	-	116,672	16.2%
Gross profit	243,722	29.5%	(3,307)	(16,702)	-	223,713	27.1%
Research and development	88,172	10.7%	13,013	-	-	101,185	12.2%
Sales and marketing	50,156	6.1%	10,361	-	-	60,517	7.3%
General and administrative	30,875	3.7%	10,290	-	-	41,165	5.0%
Amortization of acquisition-related intangible assets	-	0.0%	-	7,050 (a)	-	7,050	0.9%
Restructuring and other	212	0.0%	-	-	-	212	0.0%
Total operating expenses	169,415	20.5%	33,664	7,050	-	210,129	25.4%
Operating income	74,307	9.0%	(36,971)	(23,752)	-	13,584	1.6%
Total other income	38,556	4.7%	-	-	(11,331) (c)	27,225	3.3%
Income before taxes	112,863	13.6%	(36,971)	(23,752)	(11,331)	40,809	4.9%
Provision for income taxes	40,970	5.0%	(13,273) (b)	(4,092) (b)	(4,775) (b)	18,830	2.3%
Income after tax	71,893	8.7%	(23,698)	(19,660)	(6,556)	21,979	2.7%
Non-controlling interests	51	0.0%	-	-	-	51	0.0%
Net income	\$ 71,842	8.7%	\$ (23,698)	\$ (19,660)	\$ (6,556)	\$ 21,928	2.7%
Net income per share, diluted	\$ 0.30					\$ 0.09	
Diluted shares used in computing net income per share	236,855					236,036	
Effective tax rate	36.3%					46.1%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended September 30, 2007 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 918,810	88.6%	\$ -	\$ -	\$ -	\$ 918,810	88.6%
License and royalty revenue	118,613	11.4%	-	-	-	118,613	11.4%
Total revenues	1,037,423	100.0%	-	-	-	1,037,423	100.0%
Cost of product revenues	676,359	65.2%	4,162	-	-	680,521	65.6%
Amortization of acquisition-related intangible assets	-	-	-	14,582 (a)	-	14,582	1.4%
Total cost of product revenues	676,359	65.2%	4,162	14,582	-	695,103	67.0%
Product gross profit	242,451	26.4%	(4,162)	(14,582)	-	223,707	24.3%
Gross profit	361,064	34.8%	(4,162)	(14,582)	-	342,320	33.0%
Research and development	98,005	9.4%	12,528	-	-	110,533	10.7%
Sales and marketing	64,499	6.2%	7,956	-	-	72,455	7.0%
General and administrative	36,100	3.5%	9,481	-	-	45,581	4.4%
Amortization of acquisition-related intangible assets	-	0.0%	-	4,600 (a)	-	4,600	0.4%
Total operating expenses	198,604	19.1%	29,965	4,600	-	233,169	22.5%
Operating income	162,460	15.7%	(34,127)	(19,182)	-	109,151	10.5%
Total other income	29,200	2.8%	-	-	(11,537) (c)	17,663	1.7%
Income before taxes	191,660	18.5%	(34,127)	(19,182)	(11,537)	126,814	12.2%
Provision for income taxes	61,857	6.0%	(11,613) (b)	3,469 (b)	(3,548) (b)	50,165	4.8%
Income after tax	129,803	12.5%	(22,514)	(22,651)	(7,989)	76,649	7.4%
Non-controlling interests	-	0.0%	-	-	-	-	0.0%
Net income	\$ 129,803	12.5%	\$ (22,514)	\$ (22,651)	\$ (7,989)	\$ 76,649	7.4%
Net income per share, diluted	\$ 0.54					\$ 0.32	
Diluted shares used in computing net income per share	238,643					236,930	
Effective tax rate	32.3%					39.6%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended December 30, 2007 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 1,117,967	89.7%	\$ -	\$ -	\$ -	\$ 1,117,967	89.7%
License and royalty revenue	127,858	10.3%	-	-	-	127,858	10.3%
Total revenues	1,245,825	100.0%	-	-	-	1,245,825	100.0%
Cost of product revenues	785,433	63.0%	4,060	-	-	789,493	63.4%
Amortization of acquisition-related intangible assets	-	-	-	14,582 (a)	-	14,582	1.2%
Total cost of product revenues	785,433	63.0%	4,060	14,582	-	804,075	64.5%
Product gross profit	332,534	29.7%	(4,060)	(14,582)	-	313,892	28.1%
Gross profit	460,392	37.0%	(4,060)	(14,582)	-	441,750	35.5%
Research and development	99,743	8.0%	10,965	-	-	110,708	8.9%
Sales and marketing	98,934	7.9%	6,482	-	-	105,416	8.5%
General and administrative	38,586	3.1%	9,186	-	-	47,772	3.8%
Amortization of acquisition-related intangible assets	-	0.0%	-	4,558 (a)	-	4,558	0.4%
Total operating expenses	237,263	19.0%	26,633	4,558	-	268,454	21.5%
Operating income	223,129	17.9%	(30,693)	(19,140)	-	173,296	13.9%
Total other income	17,887	1.4%	-	-	(11,772) (c)	6,115	0.5%
Income before taxes	241,016	19.3%	(30,693)	(19,140)	(11,772)	179,411	14.4%
Provision for income taxes	79,387	6.4%	6,504 (b)	(518) (b)	(4,216) (b)	81,157	6.5%
Income after tax	161,629	13.0%	(37,197)	(18,622)	(7,556)	98,254	7.9%
Non-controlling interests	-	0.0%	-	-	-	-	0.0%
Net income	\$ 161,629	13.0%	\$ (37,197)	\$ (18,622)	\$ (7,556)	\$ 98,254	7.9%
Net income per share, diluted	\$ 0.69					\$ 0.42	
Diluted shares used in computing net income per share	234,154					234,033	
Effective tax rate	32.9%					45.2%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Twelve months ended December 30, 2007 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 3,446,125	88.4%	\$ -	\$ -	\$ -	\$ 3,446,125	88.4%
License and royalty revenue	450,241	11.6%	-	-	-	450,241	11.6%
Total revenues	3,896,366	100.0%	-	-	-	3,896,366	100.0%
Cost of product revenues	2,607,029	66.9%	14,743	7,066	-	2,628,838	67.5%
Amortization of acquisition-related intangible assets	-	-	-	64,809 (a)	-	64,809	1.7%
Total cost of product revenues	2,607,029	66.9%	14,743	71,875	-	2,693,647	69.1%
Product gross profit	839,096	24.3%	(14,743)	(71,875)	-	752,478	21.8%
Gross profit	1,289,337	33.1%	(14,743)	(71,875)	-	1,202,719	30.9%
Research and development	368,873	9.5%	49,193	-	-	418,066	10.7%
Sales and marketing	262,872	6.7%	31,722	-	-	294,594	7.6%
General and administrative	144,157	3.7%	37,352	-	-	181,509	4.7%
Amortization of acquisition-related intangible assets	-	0.0%	-	25,308 (a)	-	25,308	0.6%
Restructuring and other	6,728	0.2%	-	-	-	6,728	0.2%
Total operating expenses	782,630	20.1%	118,267	25,308	-	926,205	23.8%
Operating income	506,707	13.0%	(133,010)	(97,183)	-	276,514	7.1%
Total other income	121,902	3.1%	-	-	(45,758) (c)	76,144	2.0%
Income before taxes	628,609	16.1%	(133,010)	(97,183)	(45,758)	352,658	9.1%
Provision for income taxes	215,289	5.5%	(29,371) (b)	(11,070) (b)	(18,017) (b)	156,831	4.0%
Income after tax	413,320	10.6%	(103,639)	(86,113)	(27,741)	195,827	5.0%
Non-controlling interests	5,211	0.1%	-	-	-	5,211	0.1%
Net income	\$ 408,109	10.5%	\$ (103,639)	\$ (86,113)	\$ (27,741)	\$ 190,616	4.9%
Net income per share calculation:							
Net income used in computing basic net income per share	\$ 408,109					\$ 190,616	
Tax-effected interest costs related to convertible long term debt	469					469	
Net income used in computing diluted net income per share	\$ 408,578					\$ 191,085	
Net income per share, diluted	\$ 1.73					\$ 0.81	
Diluted shares used in computing net income per share	236,614					235,857	
Effective tax rate	34.2%					44.5%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended March 30, 2008 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 724,051	85.2%	\$ -	\$ -	\$ -	\$ 724,051	85.2%
License and royalty revenue	125,916	14.8%	-	-	-	125,916	14.8%
Total revenues	849,967	100.0%	-	-	-	849,967	100.0%
Cost of product revenues	572,975	67.4%	3,629	-	-	576,604	67.8%
Amortization of acquisition-related intangible assets	-	-	-	14,582 (a)	-	14,582	1.7%
Total cost of product revenues	572,975	67.4%	3,629	14,582	-	591,186	69.6%
Product gross profit	151,076	20.9%	(3,629)	(14,582)	-	132,865	18.4%
Gross profit	276,992	32.6%	(3,629)	(14,582)	-	258,781	30.4%
Research and development	102,608	12.1%	8,826	-	-	111,434	13.1%
Sales and marketing	76,645	9.0%	3,511	-	-	80,156	9.4%
General and administrative	50,544	5.9%	7,260	-	-	57,804	6.8%
Amortization of acquisition-related intangible assets	-	0.0%	-	4,475 (a)	-	4,475	0.5%
Total operating expenses	229,797	27.0%	19,597	4,475	-	253,869	29.9%
Operating income	47,195	5.6%	(23,226)	(19,057)	-	4,912	0.6%
Total other income	25,882	3.0%	-	-	(11,997) (c)	13,885	1.6%
Income before taxes	73,077	8.6%	(23,226)	(19,057)	(11,997)	18,797	2.2%
Provision for income taxes	25,291	3.0%	(8,038) (b)	(4,339) (b)	(5,077) (b)	7,837	0.9%
Net income	\$ 47,786	5.6%	\$ (15,188)	\$ (14,718)	\$ (6,920)	\$ 10,960	1.3%
Net income per share, diluted	\$ 0.21					\$ 0.05	
Diluted shares used in computing net income per share	229,383					229,480	
Effective tax rate	34.6%					41.7%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended June 29, 2008 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 687,508	84.3%	\$ -	\$ -	\$ -	\$ 687,508	84.3%
License and royalty revenue	128,503	15.7%	-	-	-	128,503	15.7%
Total revenues	816,011	100.0%	-	-	-	816,011	100.0%
Cost of product revenues	648,549	79.5%	2,009	-	-	650,558	79.7%
Amortization of acquisition-related intangible assets	-	-	-	14,582 (a)	-	14,582	1.8%
Total cost of product revenues	648,549	79.5%	2,009	14,582	-	665,140	81.5%
Product gross profit	38,959	5.7%	(2,009)	(14,582)	-	22,368	3.3%
Gross profit	167,462	20.5%	(2,009)	(14,582)	-	150,871	18.5%
Research and development	102,819	12.6%	9,324	-	-	112,143	13.7%
Sales and marketing	71,215	8.7%	6,423	-	-	77,638	9.5%
General and administrative	46,332	5.7%	7,352	-	-	53,684	6.6%
Amortization of acquisition-related intangible assets	-	0.0%	-	4,553 (a)	-	4,553	0.6%
Restructuring and other	4,085	0.5%	-	-	-	4,085	0.5%
Total operating expenses	224,451	27.5%	23,099	4,553	-	252,103	30.9%
Operating loss	(56,989)	-7.0%	(25,108)	(19,135)	-	(101,232)	-12.4%
Total other income	20,542	2.5%	-	-	(12,219) (c)	8,323	1.0%
Loss before taxes	(36,447)	-4.5%	(25,108)	(19,135)	(12,219)	(92,909)	-11.4%
Benefit from income taxes	(14,106)	-1.7%	652 (b)	641 (b)	(6,342) (b)	(19,155)	-2.3%
Net loss	\$ (22,341)	-2.7%	\$ (25,760)	\$ (19,776)	\$ (5,877)	\$ (73,754)	-9.0%
Net loss per share, diluted	\$ (0.10)					\$ (0.33)	
Diluted shares used in computing net loss per share	224,888					224,888	
Effective tax rate	38.7%					20.6%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), and MusicGremlin, Inc. (June 2008).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended September 28, 2008 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated GAAP (d)	% of Revenue
Product revenue	\$ 689,556	83.9%	\$ -	\$ -	\$ -	\$ 689,556	83.9%
License and royalty revenue	131,941	16.1%	-	-	-	131,941	16.1%
Total revenues	821,497	100.0%	-	-	-	821,497	100.0%
Cost of product revenues	810,184	98.6%	2,648	-	-	812,832	98.9%
Amortization of acquisition-related intangible assets	-	-	-	14,582 (a)	-	14,582	1.8%
Total cost of product revenues	810,184	98.6%	2,648	14,582	-	827,414	100.7%
Product gross loss	(120,628)	-17.5%	(2,648)	(14,582)	-	(137,858)	-20.0%
Gross profit (loss)	11,313	1.4%	(2,648)	(14,582)	-	(5,917)	-0.7%
Research and development	94,017	11.4%	10,543	-	-	104,560	12.7%
Sales and marketing	82,313	10.0%	5,546	-	-	87,859	10.7%
General and administrative	40,277	4.9%	6,814	-	-	47,091	5.7%
Amortization of acquisition-related intangible assets	-	0.0%	-	4,766 (a)	-	4,766	0.6%
Total operating expenses	216,607	26.4%	22,903	4,766	-	244,276	29.7%
Operating loss	(205,294)	-25.0%	(25,551)	(19,348)	-	(250,193)	-30.5%
Total other loss	(450)	-0.1%	-	-	(12,451) (c)	(12,901)	-1.6%
Loss before taxes	(205,744)	-25.0%	(25,551)	(19,348)	(12,451)	(263,094)	-32.0%
Benefit from income taxes	(73,656)	-9.0%	(10,853) (b)	(10,940) (b)	(1,746) (b)	(97,195)	-11.8%
Net loss	\$ (132,088)	-16.1%	\$ (14,698)	\$ (8,408)	\$ (10,705)	\$ (165,899)	-20.2%
Net loss per share, diluted	\$ (0.59)					\$ (0.74)	
Diluted shares used in computing net loss per share	225,682					225,682	
Effective tax rate	35.8%					36.9%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), and MusicGremlin, Inc. (June 2008).

(b) Income taxes associated with certain non-GAAP adjustments.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) As adjusted for the retroactive adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended December 28, 2008 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk		Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Impairments	SanDisk	
	Consolidated	% of					Consolidated	% of
	Non-GAAP	Revenue					GAAP (e)	Revenue
Product revenue	\$ 742,128	85.9%	\$ -	\$ -	\$ -	\$ -	\$ 742,128	85.9%
License and royalty revenue	121,749	14.1%	-	-	-	-	121,749	14.1%
Total revenues	863,877	100.0%	-	-	-	-	863,877	100.0%
Cost of product revenues	1,191,270	137.9%	2,489	-	-	-	1,193,759	138.2%
Amortization of acquisition-related intangible assets	-	-	-	10,766 (a)	-	-	10,766	1.2%
Total cost of product revenues	1,191,270	137.9%	2,489	10,766	-	-	1,204,525	139.4%
Product gross loss	(449,142)	-60.5%	(2,489)	(10,766)	-	-	(462,397)	-62.3%
Gross loss	(327,393)	-37.9%	(2,489)	(10,766)	-	-	(340,648)	-39.4%
Research and development	91,651	10.6%	10,161	-	-	-	101,812	11.8%
Sales and marketing	77,839	9.0%	4,587	-	-	-	82,426	9.5%
General and administrative	39,509	4.6%	6,677	-	-	-	46,186	5.3%
Impairment of goodwill	-	0.0%	-	-	-	845,453 (d)	845,453	97.9%
Impairment of acquisition-related intangible assets	-	0.0%	-	-	-	175,785 (d)	175,785	20.3%
Amortization of acquisition-related intangible assets	-	0.0%	-	3,275 (a)	-	-	3,275	0.4%
Restructuring and other	31,382	3.6%	-	-	-	-	31,382	3.6%
Total operating expenses	240,381	27.8%	21,425	3,275	-	1,021,238	1,286,319	148.9%
Operating loss	(567,774)	-65.7%	(23,914)	(14,041)	-	(1,021,238)	(1,626,967)	-188.3%
Total other income	24,472	2.8%	-	-	(12,673) (c)	-	11,799	1.4%
Loss before taxes	(543,302)	-62.9%	(23,914)	(14,041)	(12,673)	(1,021,238)	(1,615,168)	-187.0%
Provision for (benefit from) income taxes	(183,971)	-21.3%	(12,065) (b)	(7,084) (b)	(106,327) (b)	452,210 (b)	142,763	16.5%
Net loss	\$ (359,331)	-41.6%	\$ (11,849)	\$ (6,957)	\$ 93,654	\$ (1,473,448)	\$ (1,757,931)	-203.5%
Net loss per share, diluted	\$ (1.59)						\$ (7.78)	
Diluted shares used in computing net loss per share	226,079						226,079	
Effective tax rate	33.9%						-8.8%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), and MusicGremlin, Inc. (June 2008).

(b) Income taxes associated with certain non-GAAP adjustments and an allowance on deferred taxes.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) Impairment of goodwill and acquisition-related intangible assets primarily related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), MusicGremlin, Inc. (June 2008).

(e) As adjusted for the retrospective adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Twelve months ended December 28, 2008 (in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Impairments	SanDisk Consolidated GAAP (e)	% of Revenue
Product revenue	\$ 2,843,243	84.8%	\$ -	\$ -	\$ -	\$ -	\$ 2,843,243	84.8%
License and royalty revenue	508,109	15.2%	-	-	-	-	508,109	15.2%
Total revenues	3,351,352	100.0%	-	-	-	-	3,351,352	100.0%
Cost of product revenues	3,222,978	96.2%	10,775	-	-	-	3,233,753	96.5%
Amortization of acquisition-related intangible assets	-	-	-	54,512 (a)	-	-	54,512	1.6%
Total cost of product revenues	3,222,978	96.2%	10,775	54,512	-	-	3,288,265	98.1%
Product gross loss	(379,735)	-13.4%	(10,775)	(54,512)	-	-	(445,022)	-15.7%
Gross profit	128,374	3.8%	(10,775)	(54,512)	-	-	63,087	1.9%
Research and development	391,095	11.7%	38,854	-	-	-	429,949	12.8%
Sales and marketing	308,012	9.2%	20,067	-	-	-	328,079	9.8%
General and administrative	176,662	5.3%	28,103	-	-	-	204,765	6.1%
Impairment of goodwill	-	0.0%	-	-	-	845,453 (d)	845,453	25.2%
Impairment of acquisition-related intangible assets	-	0.0%	-	-	-	175,785 (d)	175,785	5.2%
Amortization of acquisition-related intangible assets	-	0.0%	-	17,069 (a)	-	-	17,069	0.5%
Restructuring and other	35,467	1.1%	-	-	-	-	35,467	1.1%
Total operating expenses	911,236	27.2%	87,024	17,069	-	1,021,238	2,036,567	60.8%
Operating loss	(782,862)	-23.4%	(97,799)	(71,581)	-	(1,021,238)	(1,973,480)	-58.9%
Total other income	70,446	2.1%	-	-	(49,340) (c)	-	21,106	0.6%
Loss before taxes	(712,416)	-21.3%	(97,799)	(71,581)	(49,340)	(1,021,238)	(1,952,374)	-58.3%
Provision for (benefit from) income taxes	(246,442)	-7.4%	(30,304) (b)	(21,722) (b)	(119,492) (b)	452,210 (b)	34,250	1.0%
Net loss	\$ (465,974)	-13.9%	\$ (67,495)	\$ (49,859)	\$ 70,152	\$ (1,473,448)	\$ (1,986,624)	-59.3%
Net loss per share, diluted	\$ (2.07)						\$ (8.82)	
Diluted shares used in computing net loss per share	225,292						225,292	
Effective tax rate	34.6%						-1.8%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), and MusicGremlin, Inc. (June 2008).

(b) Income taxes associated with certain non-GAAP adjustments and an allowance on deferred taxes.

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) Impairment of goodwill and acquisition-related intangible assets primarily related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), MusicGremlin, Inc. (June 2008).

(e) As adjusted for the retrospective adoption of new accounting requirements, effective December 29, 2008, relating to non-cash economic interest expense associated with the Company's cash-settled convertible debt.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended March 29, 2009 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$ 588,099	89.2%	\$ -	\$ -	\$ -	\$ -	\$ 588,099	89.2%
License and royalty revenues	71,372	10.8%	-	-	-	-	71,372	10.8%
Total revenues	659,471	100.0%	-	-	-	-	659,471	100.0%
Cost of product revenues	655,104	99.3%	2,374	-	-	-	657,478	99.7%
Amortization of acquisition-related intangible assets	-	-	-	3,132 (a)	-	-	3,132	0.5%
Total cost of product revenues	655,104	99.3%	2,374	3,132	-	-	660,610	100.2%
Product gross loss	(67,005)	-11.4%	(2,374)	(3,132)	-	-	(72,511)	-12.3%
Gross profit (loss)	4,367	0.7%	(2,374)	(3,132)	-	-	(1,139)	-0.2%
Research and development	80,784	12.2%	6,152	-	-	-	86,936	13.2%
Sales and marketing	35,529	5.4%	2,349	-	-	-	37,878	5.7%
General and administrative	32,870	5.1%	5,455	-	-	-	38,325	5.9%
Amortization of acquisition-related intangible assets	-	-	-	292 (a)	-	-	292	0.0%
Restructuring and other	765	0.1%	-	-	-	-	765	0.1%
Total operating expenses	149,948	22.8%	13,956	292	-	-	164,196	24.9%
Operating loss	(145,581)	-22.1%	(16,330)	(3,424)	-	-	(165,335)	-25.1%
Other income/(expense)	(5,767)	-0.8%	-	-	(12,926) (b)	-	(18,693)	-2.8%
Loss before income taxes	(151,348)	-22.9%	(16,330)	(3,424)	(12,926)	-	(184,028)	-27.9%
Provision for (benefit from) income taxes	(42,885)	-6.5%	(4,511)	(1,268)	(4,791)	77,422 (c)	23,967	3.6%
Net loss	\$ (108,463)	-16.4%	\$ (11,819)	\$ (2,156)	\$ (8,135)	\$ (77,422)	\$ (207,995)	-31.5%
Net loss per share, diluted	\$ (0.48)						\$ (0.92)	
Diluted shares used in computing net loss per share	226,529						226,529	
Effective tax rate	28.3%						-13.0%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGremlin, Inc. (6/08).

(b) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(c) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended June 28, 2009 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$ 610,432	83.6%	\$ -	\$ -	\$ -	\$ -	\$ 610,432	83.6%
License and royalty revenues	120,141	16.4%	-	-	-	-	120,141	16.4%
Total revenues	730,573	100.0%	-	-	-	-	730,573	100.0%
Cost of product revenues	475,998	65.2%	2,446	-	-	-	478,444	65.5%
Amortization of acquisition-related intangible assets	-	0.0%	-	3,132 (a)	-	-	3,132	0.4%
Total cost of product revenues	475,998	65.2%	2,446	3,132	-	-	481,576	65.9%
Product gross profit	134,434	22.0%	(2,446)	(3,132)	-	-	128,856	21.1%
Gross profit	254,575	34.8%	(2,446)	(3,132)	-	-	248,997	34.1%
Research and development	82,167	11.2%	9,052	-	-	-	91,219	12.5%
Sales and marketing	45,523	6.2%	4,886	-	-	-	50,409	6.9%
General and administrative	32,666	4.5%	5,970	-	-	-	38,636	5.3%
Amortization of acquisition-related intangible assets	-	0.0%	-	291 (a)	-	-	291	0.0%
Total operating expenses	160,356	21.9%	19,908	291	-	-	180,555	24.7%
Operating income	94,219	12.9%	(22,354)	(3,423)	-	-	68,442	9.4%
Other income (expense)	17,875	2.4%	-	-	(13,159) (b)	-	4,716	0.6%
Income before income taxes	112,094	15.3%	(22,354)	(3,423)	(13,159)	-	73,158	10.0%
Provision for income taxes	29,146	3.9%	(6,175)	(1,270)	(4,877)	3,827 (c)	20,651	2.8%
Net income	\$ 82,948	11.4%	\$ (16,179)	\$ (2,153)	\$ (8,282)	\$ (3,827)	\$ 52,507	7.2%
Net income per share, diluted	\$ 0.36						\$ 0.23	
Diluted shares used in computing net income per share	231,818						231,066	
Effective tax rate	26.0%						28.2%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGrenin, Inc. (6/08).

(b) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(c) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended September 28, 2009 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP		% of Revenue		Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP		% of Revenue	
Product revenues	\$ 813,811		87.0%		\$ -	\$ -	\$ -	\$ -	\$ 813,811		87.0%	
License and royalty revenues	121,360		13.0%		-	-	-	-	121,360		13.0%	
Total revenues	935,171		100.0%		-	-	-	-	935,171		100.0%	
Cost of product revenues	493,422		60.6%	(a)	2,347	-	-	-	495,769		60.9%	
Amortization of acquisition-related intangible assets	-		0.0%	(a)	-	3,132	(b)	-	3,132		0.4%	
Total cost of product revenues	493,422		60.6%	(a)	2,347	3,132	-	-	498,901		61.3%	
Product gross profit	320,389		39.4%	(a)	(2,347)	(3,132)	-	-	314,910		38.7%	
Total gross profit	441,749		47.2%		(2,347)	(3,132)	-	-	436,270		46.7%	(a)
Research and development	87,788		9.4%		7,137	-	-	-	94,925		10.2%	(a)
Sales and marketing	51,832		5.5%		3,918	-	-	-	55,750		6.0%	
General and administrative	39,378		4.2%		5,972	-	-	-	45,350		4.8%	(a)
Amortization of acquisition-related intangible assets	-		0.0%		-	292	(b)	-	292		0.0%	
Total operating expenses	178,998		19.1%		17,027	292	-	-	196,317		21.0%	
Operating income	262,751		28.1%		(19,374)	(3,424)	-	-	239,953		25.7%	
Other income (expense)	10,872		1.2%		-	-	(13,410)	(c)	(2,538)		-0.3%	
Income before income taxes	273,623		29.3%		(19,374)	(3,424)	(13,410)	-	237,415		25.4%	
Provision for income taxes	98,112		10.5%		(5,352)	(1,270)	(4,970)	(80,398)	6,122		0.7%	(d)
Net income	\$ 175,511		18.8%		\$ (14,022)	\$ (2,154)	\$ (8,440)	\$ 80,398	\$ 231,293		24.7%	
Net income per share, diluted	\$ 0.75								\$ 0.99			
Diluted shares used in computing net income per share	232,961								232,724			
Effective tax rate	35.9%								2.6%			

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGrenin, Inc. (6/08).

(c) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(d) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended January 3, 2010 (in thousands, except percentages and per share amounts, unaudited)

	% of		Purchase		Convertible		% of	
	Non-GAAP	Revenue	Share-based Compensation	Accounting Adjustments	Debt Interest	Other	GAAP	Revenue
Product revenues	\$ 1,141,972	92.0%	\$ -	\$ -	\$ -	\$ -	\$ 1,141,972	92.0%
License and royalty revenues	99,619	8.0%	-	-	-	-	99,619	8.0%
Total revenues	1,241,591	100.0%	-	-	-	-	1,241,591	100.0%
Cost of product revenues	632,700	55.4%	(a) 5,260	(b) -	-	-	637,960	55.9%
Amortization of acquisition-related intangible assets	-	0.0%	(a) -	(c) 3,133	-	-	3,133	0.2%
Total cost of product revenues	632,700	55.4%	(a) 5,260	(c) 3,133	-	-	641,093	56.1%
Product gross profit	509,272	44.6%	(a) (5,260)	(3,133)	-	-	500,879	43.9%
Total gross profit	608,891	49.0%	(5,260)	(3,133)	-	-	600,498	48.4%
Research and development	97,020	7.8%	(b) 14,058	-	-	-	111,078	8.9%
Sales and marketing	56,383	4.5%	(b) 8,094	-	-	-	64,477	5.2%
General and administrative	38,958	3.2%	(b) 10,090	-	-	-	49,048	4.1%
Amortization of acquisition-related intangible assets	-	0.0%	-	(c) 292	-	-	292	0.0%
Restructuring and other	(727)	-0.1%	-	-	-	-	(727)	-0.1%
Total operating expenses	191,634	15.4%	32,242	292	-	-	224,168	18.1%
Operating income	417,257	33.6%	(37,502)	(3,425)	-	-	376,330	30.3%
Other income (expense)	15,885	1.3%	-	-	(14,959)	-	926	0.1%
Income before income taxes	433,142	34.9%	(37,502)	(3,425)	(14,959)	-	377,256	30.4%
Provision for income taxes	155,931	12.6%	(10,213)	(1,342)	(5,837)	(100,788)	37,751	3.1%
Net income	\$ 277,211	22.3%	\$ (27,289)	\$ (2,083)	\$ (9,122)	\$ 100,788	\$ 339,505	27.3%
Net income per share, diluted	\$ 1.18						\$ 1.45	
Diluted shares used in computing net income per share	234,381						234,462	
Effective tax rate	36.0%						10.0%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense. The fourth quarter and full fiscal year 2009 include a one-time cumulative adjustment of \$16.2 million to increase share-based compensation due to the way in which the Company's third-party software

(c) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGrenlin, Inc. (6/08).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

For the year ended January 3, 2010 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$ 3,154,314	88.4%	\$ -	\$ -	\$ -	\$ -	\$ 3,154,314	88.4%
License and royalty revenues	412,492	11.6%	-	-	-	-	412,492	11.6%
Total revenues	3,566,806	100.0%	-	-	-	-	3,566,806	100.0%
Cost of product revenues	2,257,224	71.6% (a)	12,427 (b)	-	-	-	2,269,651	72.0%
Amortization of acquisition-related intangible assets	-	0.0% (a)	-	12,529 (c)	-	-	12,529	0.4%
Total cost of product revenues	2,257,224	71.6% (a)	12,427	12,529	-	-	2,282,180	72.4%
Product gross profit	897,090	28.4% (a)	(12,427)	(12,529)	-	-	872,134	27.6%
Total gross profit	1,309,582	36.7%	(12,427)	(12,529)	-	-	1,284,626	36.0% (a)
Research and development	347,759	9.7%	36,399 (b)	-	-	-	384,158	10.8% (a)
Sales and marketing	189,267	5.3%	19,247 (b)	-	-	-	208,514	5.8%
General and administrative	143,872	4.1%	27,487 (b)	-	-	-	171,359	4.8% (a)
Amortization of acquisition-related intangible assets	-	0.0%	-	1,167 (c)	-	-	1,167	0.0%
Restructuring and other	38	0.0%	-	-	-	-	38	0.0%
Total operating expenses	680,936	19.1%	83,133	1,167	-	-	765,236	21.4%
Operating income	628,646	17.6%	(95,560)	(13,696)	-	-	519,390	14.6%
Other income (expense)	38,865	1.1%	-	-	(54,454) (d)	-	(15,589)	-0.5%
Income before income taxes	667,511	18.7%	(95,560)	(13,696)	(54,454)	-	503,801	14.1%
Provision for income taxes	240,304	6.7%	(26,251)	(5,150)	(20,475)	(99,937) (e)	88,491	2.5%
Net income	\$ 427,207	12.0%	\$ (69,309)	\$ (8,546)	\$ (33,979)	\$ 99,937	\$ 415,310	11.6%
Net income per share, diluted	\$ 1.84						\$ 1.79	
Diluted shares used in computing net income per share	232,300						231,959	
Effective tax rate	36.0%						17.6%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense. The fourth quarter and full fiscal year 2009 include a one-time cumulative adjustment of \$16.2 million to increase share-based compensation due to the way in which the Company's third-party software application incorrectly accounted for estimated forfeitures in share-based compensation calculations. This cumulative adjustment relates to the nine months ended September 27, 2009 and the three years ended December 28, 2008, and is not material.

(c) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGremlin, Inc. (6/08).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended April 4, 2010 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$ 993,195	91.4%	\$ -	\$ -	\$ -	\$ -	\$ 993,195	91.4%
License and royalty revenues	93,468	8.6%	-	-	-	-	93,468	8.6%
Total revenues	1,086,663	100.0%	-	-	-	-	1,086,663	100.0%
Cost of product revenues	580,895	58.5% (a)	2,458 (b)	-	-	-	583,353	58.7% (a)
Amortization of acquisition-related intangible assets	-	0.0% (a)	-	3,132 (c)	-	-	3,132	0.4% (a)
Total cost of product revenues	580,895	58.5% (a)	2,458	3,132	-	-	586,485	59.1% (a)
Product gross profit	412,300	41.5% (a)	(2,458)	(3,132)	-	-	406,710	40.9% (a)
Total gross profit	505,768	46.5%	(2,458)	(3,132)	-	-	500,178	46.0%
Research and development	91,851	8.5%	6,802 (b)	-	-	-	98,653	9.1%
Sales and marketing	46,313	4.3%	2,188 (b)	-	-	-	48,501	4.5%
General and administrative	33,302	2.9%	5,422 (b)	-	-	-	38,724	3.5%
Amortization of acquisition-related intangible assets	-	0.0%	-	292 (c)	-	-	292	0.0%
Total operating expenses	171,466	15.7%	14,412	292	-	-	186,170	17.1%
Operating income	334,302	30.8%	(16,870)	(3,424)	-	-	314,008	28.9%
Other income (expense)	22,907	2.1%	-	-	(13,921) (d)	-	8,986	0.8%
Income before income taxes	357,209	32.9%	(16,870)	(3,424)	(13,921)	-	322,994	29.7%
Provision for income taxes	132,167	12.2%	(4,634)	(1,267)	(5,151)	(32,812) (e)	88,303	8.1%
Net income	\$ 225,042	20.7%	\$ (12,236)	\$ (2,157)	\$ (8,770)	\$ 32,812	\$ 234,691	21.6%
Net income per share, diluted	\$ 0.95						\$ 0.99	
Diluted shares used in computing net income per share	236,245						236,884	
Effective tax rate	37.0%						27.3%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense.

(c) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGrenlin, Inc. (6/08).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended July 4, 2010 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$ 1,091,315	92.6%	\$ -	\$ -	\$ -	\$ -	\$ 1,091,315	92.6%
License and royalty revenues	87,753	7.4%	-	-	-	-	87,753	7.4%
Total revenues	1,179,068	100.0%	-	-	-	-	1,179,068	100.0%
Cost of product revenues	628,245	57.6% (a)	1,309 (b)	-	-	-	629,554	57.7% (a)
Amortization of acquisition-related intangible assets	-	0.0% (a)	-	3,132 (c)	-	-	3,132	0.3% (a)
Total cost of product revenues	628,245	57.6% (a)	1,309	3,132	-	-	632,686	58.0% (a)
Product gross profit	463,070	42.4% (a)	(1,309)	(3,132)	-	-	458,629	42.0% (a)
Total gross profit	550,823	46.7%	(1,309)	(3,132)	-	-	546,382	46.3%
Research and development	93,255	7.9%	6,544 (b)	-	-	-	99,799	8.5%
Sales and marketing	48,941	4.2%	3,153 (b)	-	-	-	52,094	4.4%
General and administrative	31,428	2.6%	3,971 (b)	-	-	-	35,399	3.0%
Amortization of acquisition-related intangible assets	-	0.0%	-	291 (c)	-	-	291	0.0%
Total operating expenses	173,624	14.7%	13,668	291	-	-	187,583	15.9%
Operating income	377,199	32.0%	(14,977)	(3,423)	-	-	358,799	30.4%
Other income (expense)	14,184	1.2%	-	-	(14,208) (d)	-	(24)	0.0%
Income before income taxes	391,383	33.2%	(14,977)	(3,423)	(14,208)	-	358,775	30.4%
Provision for income taxes	133,583	11.3%	(4,114)	(1,267)	(5,257)	(22,064) (e)	100,881	8.5%
Net income	\$ 257,800	21.9%	\$ (10,863)	\$ (2,156)	\$ (8,951)	\$ 22,064	\$ 257,894	21.9%
Net income per share, diluted	\$ 1.08						\$ 1.08	
Diluted shares used in computing net income per share	238,807						239,801	
Effective tax rate	34.1%						28.1%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense.

(c) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGremlin, Inc. (6/08).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled convertible debt.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended October 4, 2010 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$ 1,137,593	92.2%	\$ -	\$ -	\$ -	\$ -	\$ 1,137,593	92.2%
License and royalty revenues	96,080	7.8%	-	-	-	-	96,080	7.8%
Total revenues	1,233,673	100.0%	-	-	-	-	1,233,673	100.0%
Cost of product revenues	590,091	51.9% (a)	1,205 (b)	-	-	-	591,296	52.0% (a)
Amortization of acquisition-related intangible assets	-	0.0% (a)	-	3,132 (c)	-	-	3,132	0.3% (a)
Total cost of product revenues	590,091	51.9% (a)	1,205	3,132	-	-	594,428	52.3% (a)
Product gross profit	547,502	48.1% (a)	(1,205)	(3,132)	-	-	543,165	47.7% (a)
Total gross profit	643,582	52.2%	(1,205)	(3,132)	-	-	639,245	51.8%
Research and development	104,889	8.5%	6,629 (b)	-	-	-	111,518	9.0%
Sales and marketing	47,431	3.8%	2,959 (b)	-	-	-	50,390	4.1%
General and administrative	34,373	2.9%	10,151 (b)	-	-	-	44,524	3.6%
Amortization of acquisition-related intangible assets	-	0.0%	-	1,089 (c)	-	-	1,089	0.1%
Total operating expenses	186,693	15.2%	19,739	1,089	-	-	207,521	16.8%
Operating income	456,889	37.0%	(20,944)	(4,221)	-	-	431,724	35.0%
Other income (expense)	14,815	1.2%	-	-	(17,983) (d)	-	(3,168)	-0.3%
Income before provision for income taxes	471,704	38.2%	(20,944)	(4,221)	(17,983)	-	428,556	34.7%
Provision for income taxes	160,851	13.0%	(6,360)	(1,587)	(6,762)	(39,678) (e)	106,464	8.6%
Net income	\$ 310,853	25.2%	\$ (14,584)	\$ (2,634)	\$ (11,221)	\$ 39,678	\$ 322,092	26.1%
Net income per share, diluted	\$ 1.30						\$ 1.34	
Diluted shares used in computing net income per share	239,798						240,717	
Effective tax rate	34.1%						24.8%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense.

(c) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGrenin, Inc. (6/08).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's cash-settled 1% Sr. Convertible Notes due 2013 and 1.5% Sr. Convertible Notes due 2017.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended January 2, 2011 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$1,240,827	93.5%	\$-	\$-	\$-	\$-	\$1,240,827	93.5%
License and royalty revenues	86,576	6.5%	-	-	-	-	86,576	6.5%
Total revenues	1,327,403	100.0%	-	-	-	-	1,327,403	100.0%
Cost of product revenues	747,136	60.2%(a)	849(b)	-	-	-	747,985	60.3%(a)
Amortization of acquisition-related intangible assets	-	(a)	-	3,133(c)	-	-	3,133	0.2%(a)
Total cost of product revenues	747,136	60.2%(a)	849	3,133	-	-	751,118	60.5%(a)
Product gross profit	493,691	39.8%(a)	(849)	(3,133)	-	-	489,709	39.5%(a)
Total gross profit	580,267	43.7%	(849)	(3,133)	-	-	576,285	43.4%
Research and development	106,275	8.0%	6,317(b)	-	-	-	112,592	8.5%
Sales and marketing	56,178	4.2%	2,634(b)	-	-	-	58,812	4.4%
General and administrative	32,839	2.5%	14,999(b)	-	-	-	47,838	3.6%
Total operating expenses	195,292	14.7%	23,950	-	-	-	219,242	16.5%
Operating income	384,975	29.0%	(24,799)	(3,133)	-	-	357,043	26.9%
Other income (expense)	12,851	1.0%	-	-	(22,786)(d)	-	(9,935)	(0.8%)
Income before income taxes	397,826	30.0%	(24,799)	(3,133)	(22,786)	-	347,108	26.1%
Provision for (benefit from) income taxes	91,198	6.9%	(11,612)	(1,176)	(8,529)	(208,238)(e)	(138,357)	(10.5%)
Net income	\$306,628	23.1%	\$(13,187)	\$(1,957)	\$(14,257)	\$208,238	\$485,465	36.6%
Net income per share, diluted	\$1.27						\$2.01	
Diluted shares used in computing net income per share	241,059						241,034	
Effective tax rate	22.9%						(39.9%)	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense.

(c) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGremlin, Inc. (6/08).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's 1% Sr. Convertible Notes due 2013 and 1.5% Sr. Convertible Notes due 2017.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments and valuation allowances on deferred taxes.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Twelve months ended January 2, 2011 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$4,462,930	92.5%	\$-	\$-	\$-	\$-	\$4,462,930	92.5%
License and royalty revenues	363,877	7.5%	-	-	-	-	363,877	7.5%
Total revenues	4,826,807	100.0%	-	-	-	-	4,826,807	100.0%
Cost of product revenues	2,546,367	57.1%(a)	5,821 (b)	-	-	-	2,552,188	57.2%(a)
Amortization of acquisition-related intangible assets	-	-	-	12,529 (c)	-	-	12,529	0.3%(a)
Total cost of product revenues	2,546,367	57.1%(a)	5,821	12,529	-	-	2,564,717	57.5%(a)
Product gross profit	1,916,563	42.9%(a)	(5,821)	(12,529)	-	-	1,898,213	42.5%(a)
Total gross profit	2,280,440	47.2%	(5,821)	(12,529)	-	-	2,262,090	46.9%
Research and development	396,270	8.2%	26,292 (b)	-	-	-	422,562	8.8%
Sales and marketing	198,863	4.1%	10,934 (b)	-	-	-	209,797	4.3%
General and administrative	131,942	2.7%	34,543 (b)	-	-	-	166,485	3.5%
Amortization of acquisition-related intangible assets	-	-	-	1,672 (c)	-	-	1,672	-
Total operating expenses	727,075	15.0%	71,769	1,672	-	-	800,516	16.6%
Operating income	1,553,365	32.2%	(77,590)	(14,201)	-	-	1,461,574	30.3%
Other income (expense)	64,757	1.3%	-	-	(68,898) (d)	-	(4,141)	(0.1%)
Income before income taxes	1,618,122	33.5%	(77,590)	(14,201)	(68,898)	-	1,457,433	30.2%
Provision for (benefit from) income taxes	517,799	10.7%	(26,720)	(5,297)	(25,699)	(302,792) (e)	157,291	3.3%
Net income	\$1,100,323	22.8%	\$(50,870)	\$(8,904)	\$(43,199)	\$302,792	\$1,300,142	26.9%
Net income per share, diluted	\$4.60						\$5.44	
Diluted shares used in computing net income per share	239,042						238,901	
Effective tax rate	32.0%						10.8%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense.

(c) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and MusicGremlin, Inc. (6/08).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's 1% Sr. Convertible Notes due 2013 and 1.5% Sr. Convertible Notes due 2017.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments and valuation allowances on deferred taxes.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended April 3, 2011 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$ 1,210,247	93.5%	\$ -	\$ -	\$ -	\$ -	\$ 1,210,247	93.5%
License and royalty revenues	83,953	6.5%	-	-	-	-	83,953	6.5%
Total revenues	1,294,200	100.0%	-	-	-	-	1,294,200	100.0%
Cost of product revenues	736,549	60.9% (a)	943 (b)	-	-	-	737,492	60.9% (a)
Amortization of acquisition-related intangible assets	-	- (a)	-	5,116 (c)	-	-	5,116	0.5% (a)
Total cost of product revenues	736,549	60.9% (a)	943	5,116	-	-	742,608	61.4% (a)
Product gross profit	473,698	39.1% (a)	(943)	(5,116)	-	-	467,639	38.6% (a)
Total gross profit	557,651	43.1%	(943)	(5,116)	-	-	551,592	42.6%
Research and development	112,298	8.7%	7,244 (b)	-	-	-	119,542	9.2%
Sales and marketing	45,283	3.5%	2,174 (b)	-	-	-	47,457	3.7%
General and administrative	31,069	2.4%	4,230 (b)	-	-	-	35,299	2.7%
Total operating expenses	188,650	14.6%	13,648	-	-	-	202,298	15.6%
Operating income	369,001	28.5%	(14,591)	(5,116)	-	-	349,294	27.0%
Other income (expense)	4,999	0.4%	-	-	(23,365) (d)	-	(18,366)	(1.4%)
Income before income taxes	374,000	28.9%	(14,591)	(5,116)	(23,365)	-	330,928	25.6%
Provision for income taxes	123,420	9.5%	(4,383)	(1,867)	(8,528)	(1,838) (e)	106,804	8.3%
Net income	\$ 250,580	19.4%	\$ (10,208)	\$ (3,249)	\$ (14,837)	\$ 1,838	\$ 224,124	17.3%
Net income per share, diluted	\$ 1.03						\$ 0.92	
Diluted shares used in computing net income per share	243,441						243,404	
Effective tax rate	33.0%						32.3%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense.

(c) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's 1% Sr. Convertible Notes due 2013 and 1.5% Sr. Convertible Notes due 2017.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended July 3, 2011 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$ 1,281,960	93.2%	\$ -	\$ -	\$ -	\$ -	\$ 1,281,960	93.2%
License and royalty revenues	93,033	6.8%	-	-	-	-	93,033	6.8%
Total revenues	1,374,993	100.0%	-	-	-	-	1,374,993	100.0%
Cost of product revenues	752,218	58.7% (a)	1,089 (b)	-	-	-	753,307	58.8% (a)
Amortization of acquisition-related intangible assets	-	- (a)	-	8,254 (c)	-	-	8,254	0.6% (a)
Total cost of product revenues	752,218	58.7% (a)	1,089	8,254	-	-	761,561	59.4% (a)
Product gross profit	529,742	41.3% (a)	(1,089)	(8,254)	-	-	520,399	40.6% (a)
Total gross profit	622,775	45.3%	(1,089)	(8,254)	-	-	613,432	44.6%
Research and development	137,648	10.0%	7,684 (b)	-	-	-	145,332	10.6%
Sales and marketing	45,332	3.3%	2,868 (b)	-	-	-	48,200	3.5%
General and administrative	37,437	2.7%	2,717 (b)	-	-	-	40,154	2.8%
Amortization of acquisition-related intangible assets	-	-	-	730 (c)	-	-	730	0.1%
Total operating expenses	220,417	16.0%	13,269	730	-	-	234,416	17.0%
Operating income	402,358	29.3%	(14,358)	(8,984)	-	-	379,016	27.6%
Other income (expense)	9,560	0.7%	-	-	(23,833) (d)	-	(14,273)	(1.1%)
Income before income taxes	411,918	30.0%	(14,358)	(8,984)	(23,833)	-	364,743	26.5%
Provision for income taxes	133,873	9.8%	(3,349)	(3,287)	(8,723)	(2,161) (e)	116,353	8.4%
Net income	\$ 278,045	20.2%	\$ (11,009)	\$ (5,697)	\$ (15,110)	\$ 2,161	\$ 248,390	18.1%
Net income per share, diluted	\$ 1.14						\$ 1.02	
Diluted shares used in computing net income per share	243,889						243,862	
Effective tax rate	32.5%						31.9%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense.

(c) Amortization of acquisition-related intangible assets, primarily core technology, developed technology, customer relationships and trademarks related to acquisition of Matrix Semiconductor, Inc. (1/06) and Pliant Technology, Inc (5/11).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's 1% Sr. Convertible Note due 2013 and 1.5% Sr. Convertible Note due 2017.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Three months ended October 2, 2011 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$ 1,321,904	93.4%	\$ -	\$ -	\$ -	\$ -	\$ 1,321,904	93.4%
License and royalty revenues	94,128	6.6%	-	-	-	-	94,128	6.6%
Total revenues	1,416,032	100.0%	-	-	-	-	1,416,032	100.0%
Cost of product revenues	789,181	59.7% (a)	1,284 (b)	-	-	-	790,465	59.8% (a)
Amortization of acquisition-related intangible assets	-	- (a)	-	13,186 (c)	-	-	13,186	1.0% (a)
Total cost of product revenues	789,181	59.7% (a)	1,284	13,186	-	-	803,651	60.8% (a)
Product gross profit	532,723	40.3% (a)	(1,284)	(13,186)	-	-	518,253	39.2% (a)
Total gross profit	626,851	44.3%	(1,284)	(13,186)	-	-	612,381	43.2%
Research and development	126,951	9.0%	8,320 (b)	-	-	-	135,271	9.6%
Sales and marketing	45,834	3.2%	2,704 (b)	-	-	-	48,538	3.4%
General and administrative	37,146	2.7%	3,421 (b)	-	-	-	40,567	2.8%
Amortization of acquisition-related intangible assets	-	-	-	1,878 (c)	-	-	1,878	0.1%
Total operating expenses	209,931	14.9%	14,445	1,878	-	-	226,254	15.9%
Operating income	416,920	29.4%	(15,729)	(15,064)	-	-	386,127	27.3%
Other income (expense)	19,262	1.4%	-	-	(42,840) (d)	-	(23,578)	(1.7%)
Income before income taxes	436,182	30.8%	(15,729)	(15,064)	(42,840)	-	362,549	25.6%
Provision for income taxes	143,940	10.2%	(3,977) (e)	1,296 (e)	(15,658) (e)	3,695 (e)	129,296	9.1%
Net income	\$ 292,242	20.6%	\$ (11,752)	\$ (16,360)	\$ (27,182)	\$ (3,695)	\$ 233,253	16.5%
Net income per share, diluted	\$ 1.20						\$ 0.96	
Diluted shares used in computing net income per share	243,947						243,680	
Effective tax rate	33.0%						35.7%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense.

(c) Amortization of acquisition-related intangible assets, primarily core technology, developed technology, customer relationships and trademarks related to the acquisitions of Matrix Semiconductor, Inc. (1/06) and Pliant Technology, Inc. (5/11).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's 1% Sr. Convertible Note due 2013 and 1.5% Sr. Convertible Note due 2017, and the acceleration of non-cash economic interest expense due to the repurchase of a portion of the 1% Sr. Convertible Notes due 2013.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments.

Reconciliation of Non-GAAP to GAAP Statement of Operations

Nine months ended October 2, 2011 (in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of Revenue
Product revenues	\$3,814,111	93.4%	\$-	\$-	\$-	\$-	\$3,814,111	93.4%
License and royalty revenues	271,114	6.6%	-	-	-	-	271,114	6.6%
Total revenues	4,085,225	100.0%	-	-	-	-	4,085,225	100.0%
Cost of product revenues	2,277,948	59.7%(a)	3,316(b)	-	-	-	2,281,264	59.8%(a)
Amortization of acquisition-related intangible assets	-	-	-	26,556 (c)	-	-	26,556	0.7%(a)
Total cost of product revenues	2,277,948	59.7%(a)	3,316	26,556	-	-	2,307,820	60.5%(a)
Product gross profit	1,536,163	40.3%(a)	(3,316)	(26,556)	-	-	1,506,291	39.5%(a)
Total gross profit	1,807,277	44.2%	(3,316)	(26,556)	-	-	1,777,405	43.5%
Research and development	376,897	9.2%	23,248(b)	-	-	-	400,145	9.8%
Sales and marketing	136,449	3.3%	7,746(b)	-	-	-	144,195	3.5%
General and administrative	105,652	2.6%	10,368(b)	-	-	-	116,020	2.8%
Amortization of acquisition-related intangible assets	-	-	-	2,608 (c)	-	-	2,608	0.1%
Total operating expenses	618,998	15.1%	41,362	2,608	-	-	662,968	16.2%
Operating income	1,188,279	29.1%	(44,678)	(29,164)	-	-	1,114,437	27.3%
Other income (expense)	33,821	0.8%	-	-	(90,038) (d)	-	(56,217)	(1.4%)
Income before income taxes	1,222,100	29.9%	(44,678)	(29,164)	(90,038)	-	1,058,220	25.9%
Provision for income taxes	401,233	9.8%	(11,709) (e)	(3,858) (e)	(32,909) (e)	(304) (e)	352,453	8.6%
Net income	\$820,867	20.1%	\$(32,969)	\$(25,306)	\$(57,129)	\$304	\$705,767	17.3%
Net income per share, diluted	\$3.37						\$2.90	
Diluted shares used in computing net income per share	243,828						243,782	
Effective tax rate	32.8%						33.3%	

(a) Percent of revenue calculations for cost of product revenues and product gross profit are based on product revenues only (license and royalty revenues are excluded).

(b) Share-based compensation expense.

(c) Amortization of acquisition-related intangible assets, primarily core technology, developed technology, customer relationships and trademarks related to the acquisitions of Matrix Semiconductor, Inc. (1/06) and Plant Technology, Inc. (5/11).

(d) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's 1% Sr. Convertible Note due 2013 and 1.5% Sr. Convertible Note due 2017, and the acceleration of non-cash economic interest expense due to the repurchase of a portion of the 1% Sr. Convertible Notes due 2013.

(e) Income taxes associated with certain non-GAAP to GAAP adjustments.

Summary of Q4 2011 and Fiscal Year 2011 Forward Non-GAAP to GAAP Guidance Provided on 10/20/11

(in millions, except for percentages)

	Q4 2011		Fiscal Year 2011	
	Non-GAAP	GAAP	Non-GAAP	GAAP
Total Revenues	\$1,500 - \$1,600	\$1,500 - \$1,600	\$5,585 - \$5,685	\$5,585 - \$5,685
Product Gross Margin ^{(2) (3)}	38% - 40%	37% - 39%		
Total Gross Margin ⁽³⁾	42% - 44%	41% - 43%		
Operating Expenses ⁽⁴⁾	\$225 - \$235	\$245 - \$260	~ \$850	~ \$920
Other Income (Expense) ⁽⁵⁾	\$5 - \$10	\$(16) - \$(11)		
Tax Rate	~ 33%	~ 33%		

⁽¹⁾ The information herein is qualified by and subject to the disclaimer, regarding forward-looking language statements, that is included on our SanDisk Investor Relations web page at www.sandisk.com/ir.

⁽²⁾ Product gross margin reflects product revenues less total cost of product revenues.

Non-GAAP excludes the following items:

⁽³⁾ Estimate of share-based compensation and amortization of acquisition-related intangibles to be included in total cost of product revenues.

⁽⁴⁾ Estimate of share-based compensation and amortization of acquisition-related intangibles to be included in operating expenses.

⁽⁵⁾ Incremental interest expense relating to the non-cash economic interest expense associated with the Company's 1% Sr. Convertible Notes due 2013 and 1.5% Sr. Convertible Notes due 2017.

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