

# SanDisk®

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**ANALYST DAY**  
FEBRUARY 16, 2012



# Agenda

**SANJAY MEHROTRA**

*President and  
Chief Executive Officer*

**SUMIT SADANA**

*Senior Vice President and  
Chief Strategy Officer*

**SHUKI NIR**

*Senior Vice President and  
General Manager,  
Retail Business*

**SHORT BREAK****DAN INBAR**

*Senior Vice President and  
General Manager,  
OEM*

**KEVIN CONLEY**

*Senior Vice President and  
General Manager,  
Client Storage Solutions*

**GREG GOELZ**

*Vice President and  
General Manager,  
Enterprise Storage Solutions*

**LUNCH BREAK****RITU SHRIVASTAVA**

*Vice President,  
Technology Development*

**JUDY BRUNER**

*Executive Vice President,  
Administration and  
Chief Financial Officer*

**Q&A SESSION**

# Forward-looking Statement

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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, 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 the financial presentation.

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

# SANJAY MEHROTRA

*President and Chief Executive Officer*

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# Our Mission

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

# SanDisk Uniquely Positioned to Win

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- **STRONG MARKET TRENDS**
- **STRENGTHENING BUSINESS PORTFOLIO**
- **VERTICAL INTEGRATION**
- **FINANCIAL STRENGTH**

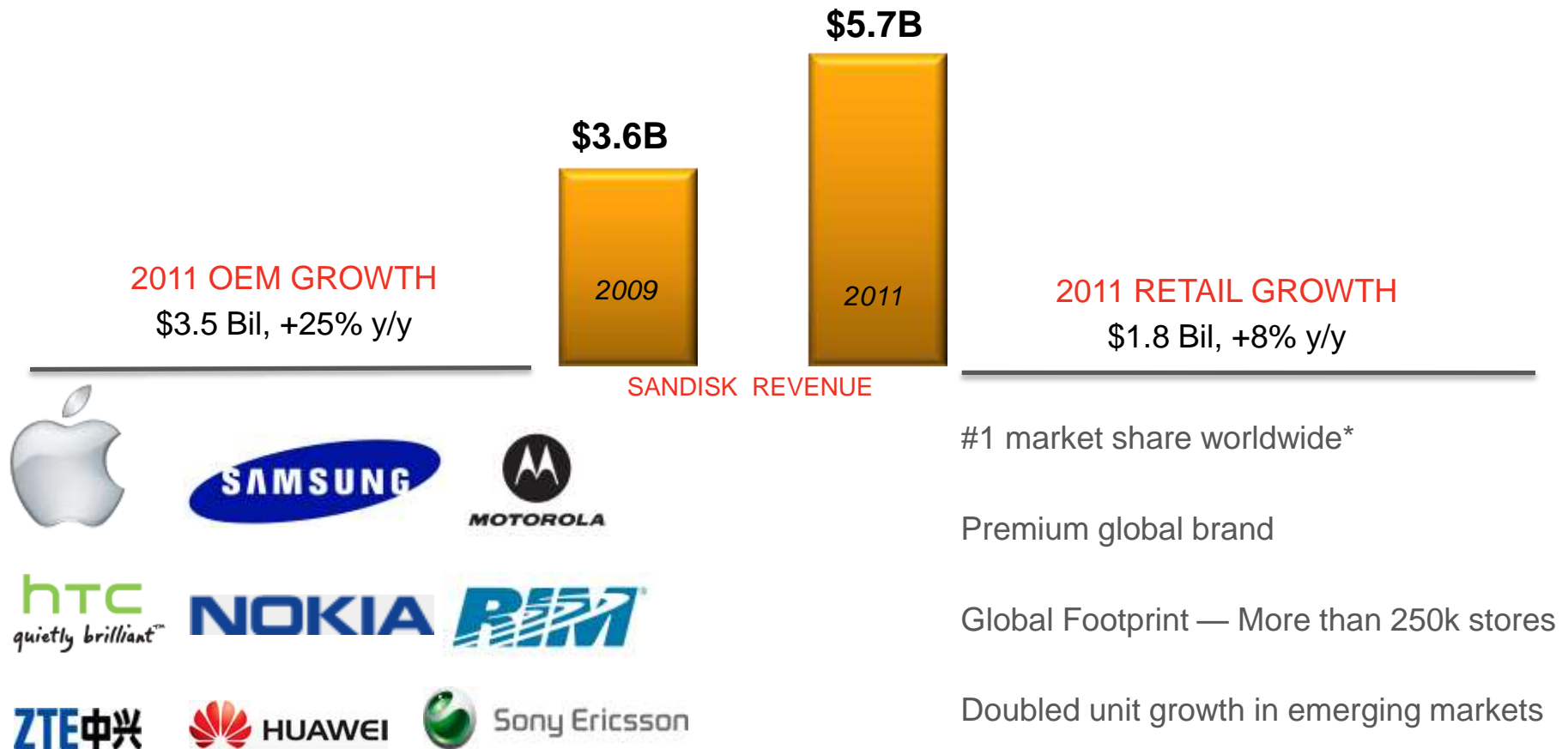
# Outstanding 2011 with Solid Execution

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## ■ RECORD REVENUE, EPS, STRONG CASH FLOW

- \$5.7 Bil, +17% y/y
- EPS of \$4.65
- Free cash flow of \$377 mil

# Diversified Business Model Has Produced > \$2B Revenue Growth in the Last 2 Years



\* Memory card + USB flash drive revenues, based on market research reports.

# Outstanding 2011 with Solid Execution

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## ■ RECORD REVENUE, EPS, STRONG CASH FLOW

- \$5.7 Bil, +17% y/y
- EPS of \$4.65
- Free cash flow of \$377 mil

## ■ EFFICIENT SCALING OF SUPPLY CHAIN

- Record 760 mil units sold
- Fab 5 production start

## ■ TECHNOLOGY CONTINUING TO LEAD THE INDUSTRY

- 19nm initial production output (industry's smallest chips for 2012)
- Substantial progress on NAND scaling, 3D ReRAM, BiCS 3D NAND

## ■ STRENGTHENING PORTFOLIO FOR THE FUTURE

- Pliant acquisition enables entry into enterprise SSD market
- Broadened product offering and increased customer engagement in client SSD market

# Secular Trends Support Smart Lifestyle across Demographics

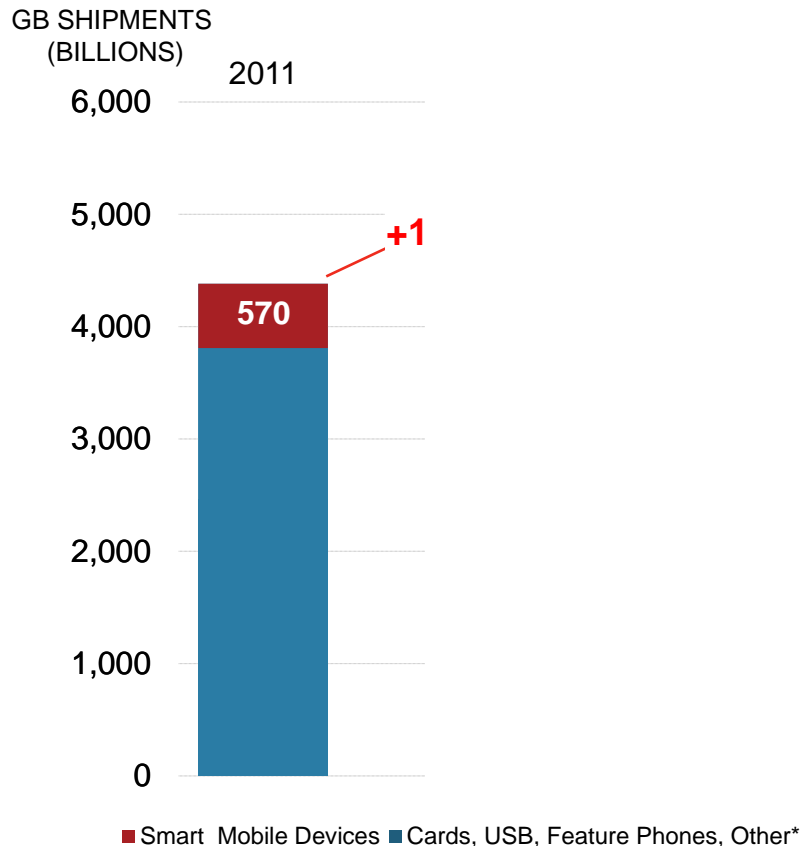


**MOBILITY**

**CONNECTIVITY**

**CONTENT**

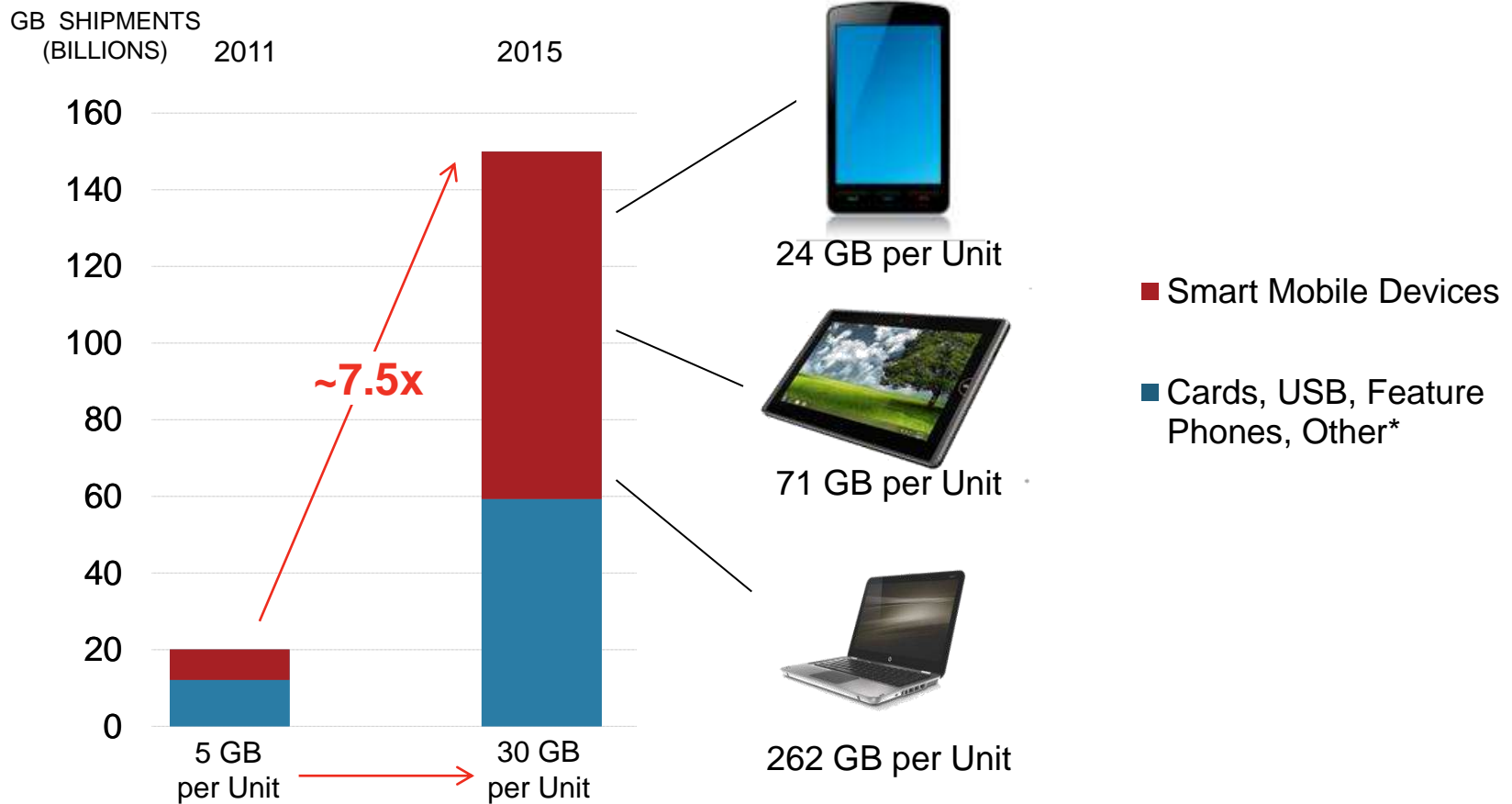
# Smart Mobile Devices Shipments Growing to 1.6B Annually in 2015...



\* Excluded categories with less than 0.5 GB/Unit in 2012 or less than 1.0 GB/Unit in 2015 (e.g. SmartCards)

Source: Gartner - Forecast Analysis: NAND Flash Update, 4Q11, December 2011

# ...Driving Demand for NAND Flash



\* Excluded categories with less than 0.5 GB/Unit in 2012 or less than 1.0 GB/Unit in 2015 (e.g. SmartCards)  
Source: Gartner - Forecast Analysis: NAND Flash Update, 4Q11, December 2011

# Highly Responsive Cloud Enables Smart Lifestyle



# SSDs Transforming the Data Center

REVENUE TAM ESTIMATED AT \$7.1 BIL IN 2015

## KEY ENTERPRISE REQUIREMENTS

- High performance
- High reliability
- Small footprint
- Low power
- Low total cost of ownership



NAND FLASH: A DISRUPTIVE FORCE

Source: Forward Insights, SSD Insights 4Q11, December 2011 and Forward Insights, NAND Insights 4Q11, December 2011

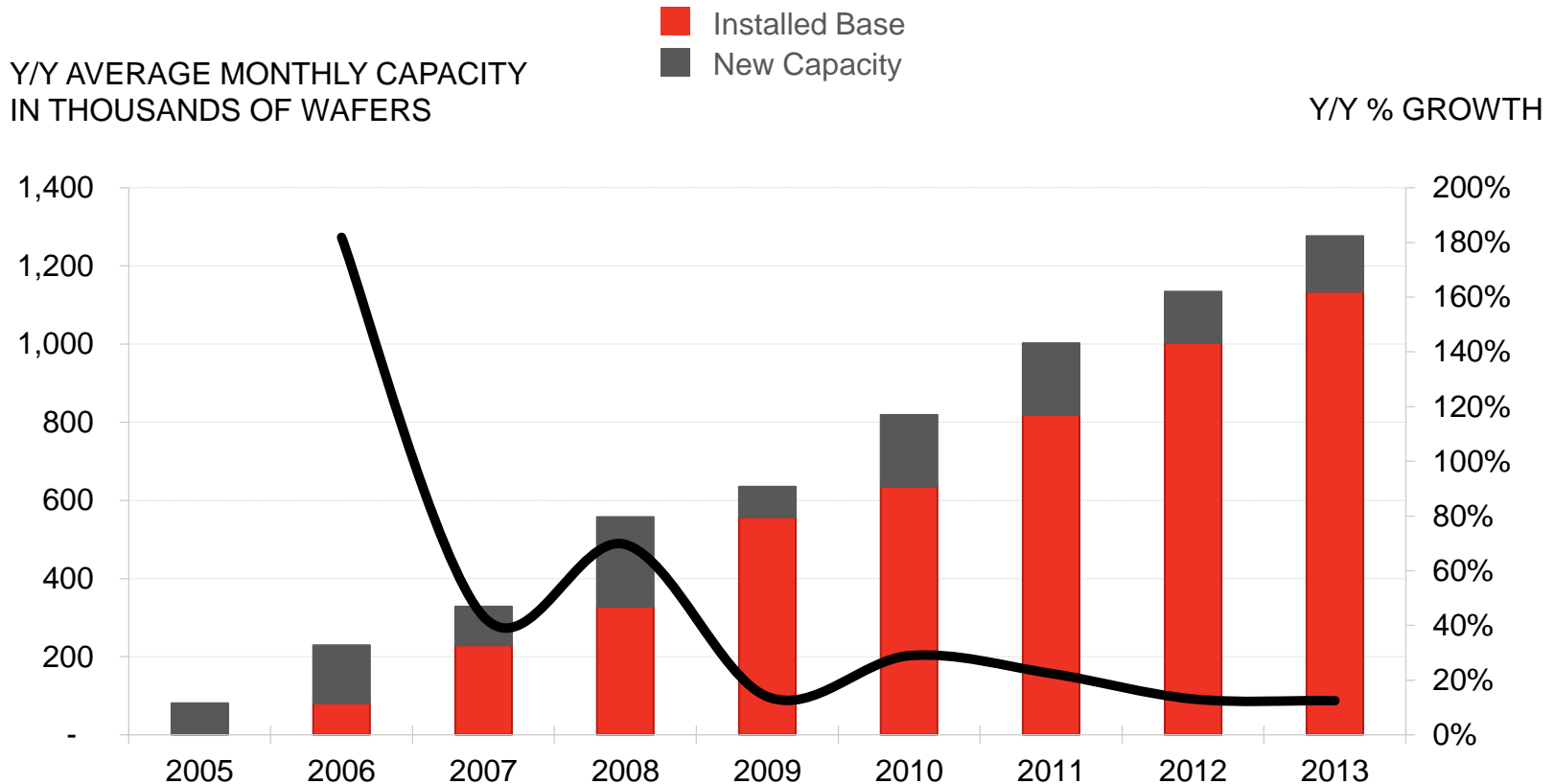
# \$46+ Billion Addressable Market in 2015 for SanDisk

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END MARKET (\$, BIL)	TAM – 2011*	TAM – 2015*
Mobile	\$11.8	\$19.1
Client SSD	\$2.9	\$11.1
Enterprise SSD	\$3.4	\$7.1
Consumer	\$9.2	\$9.2
Total	\$27.2	\$46.5

Source: Forward Insights, SSD Insights 4Q11, December 2011 and Forward Insights, NAND Insights 4Q11, December 2011

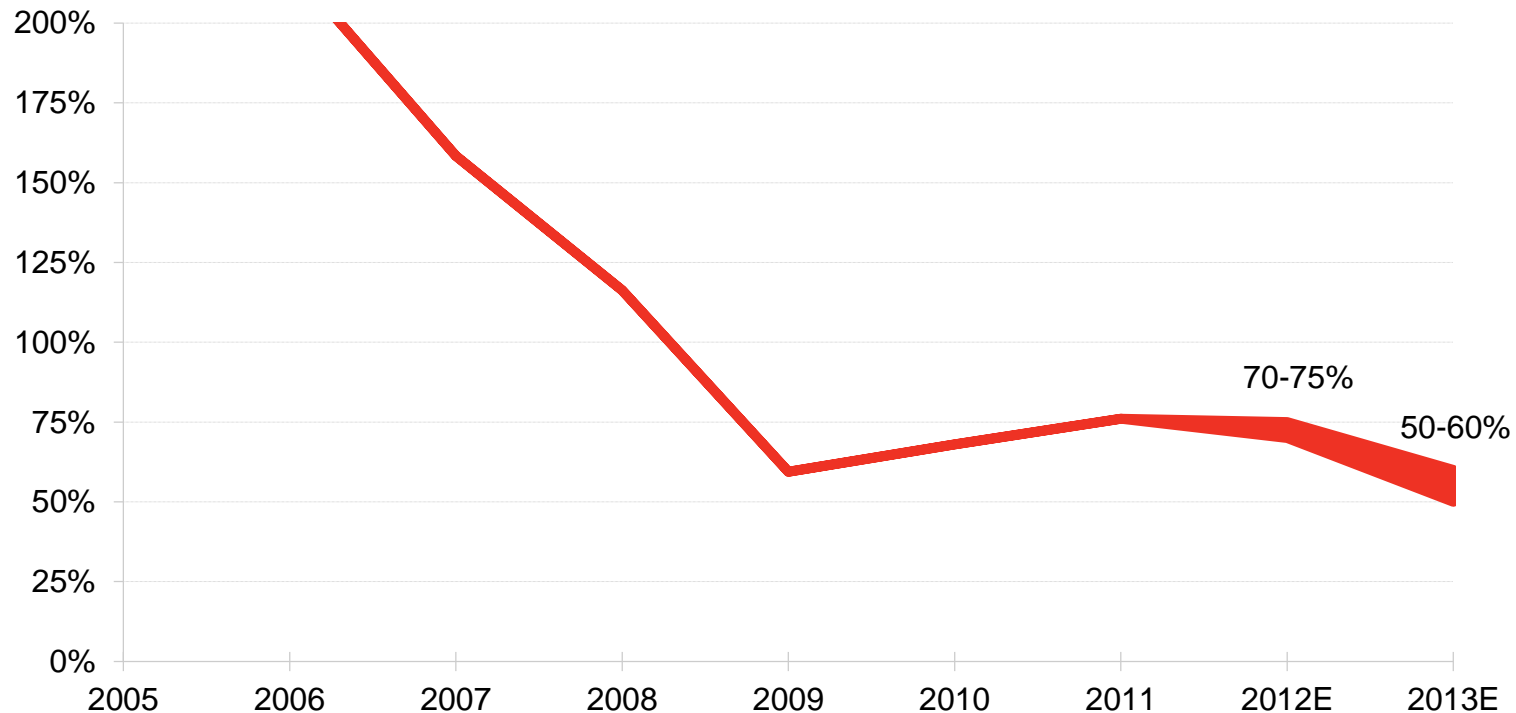
# Industry Capacity Growth Rate Slowing



Source: Graph prepared based on data from Forward Insights, February 2012

# Industry Bit Growth Rate Moderating

Y/Y % BIT GROWTH



Source: Graph prepared based on data from Forward Insights, February 2012  
SanDisk Estimates for 2012 and 2013

# Demand Supply Outlook

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- SECULAR DEMAND DRIVERS REMAIN VIBRANT
- INDUSTRY SUPPLY GROWTH RATE MODERATING
- EXPECTING OVERALL SUPPLY DEMAND BALANCE IN 2012 AND BEYOND

# SanDisk Uniquely Positioned to Win

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- **STRONG MARKET TRENDS**
- **STRENGTHENING BUSINESS PORTFOLIO**
- **VERTICAL INTEGRATION**
- **FINANCIAL STRENGTH**

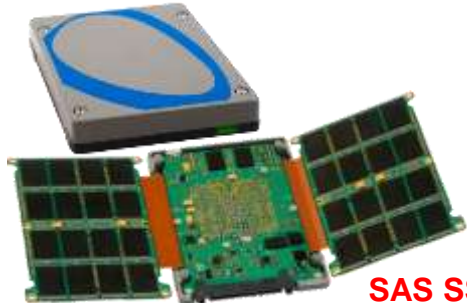




# Pliant Acquisition: Enterprise SSD Market Entry, Driving Growth

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## HIGHLY SUCCESSFUL INTEGRATION

Strategic	Technical Synergy	Operational	Financial
Market leading SAS product line  High-growth Market	Build SAS, SATA, PCIe enterprise portfolio  SNDK memory technology + Pliant's Systems Expertise	Captive NAND supply, cost structure & High-volume manufacturing capability	Fast revenue ramp  New growth driver  High-margin

# Accelerating Momentum in Enterprise SSDs: Strong Revenue Growth

KEY MILESTONES	BROADENING PRODUCT LINE-UP	EXPANDING CUSTOMER BASE
<p><b>May 25, 2011</b> SanDisk acquires Pliant Technology</p> <p><b>June 2011</b> Qualification and integration of 6Gb SAS SLC and MLC at HP</p> <p><b>December 2011</b> Sampling of Enterprise SATA SSD and PCIe SSD to Tier 1 OEMs</p>	 <p>SAS SSD</p> <p>SATA SSD</p> <p>PCIe SSD</p>	    <i>Engaged with Others</i>

# SanDisk Poised for Growth in Client SSDs

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Industry-Leading Power Management  
and Small Form Factor Development

Broad Product Portfolio for both  
OEM and Retail Channels

Expanding Customer Engagements  
and Increasing Revenue



DevSleep™  
μSSD™

**OEM**

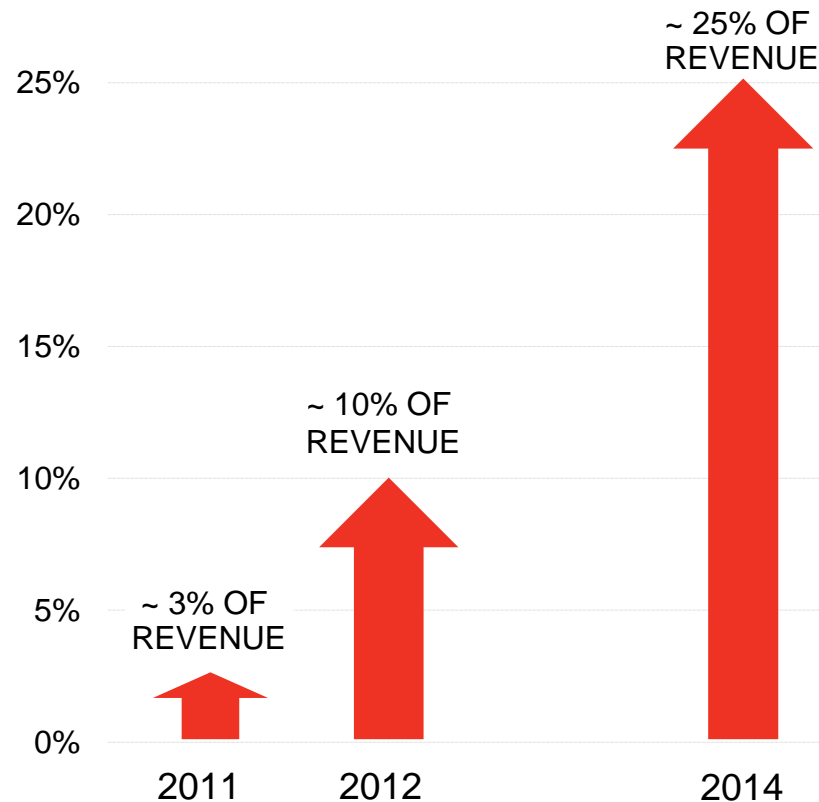


**Retail**



# 2012: Year of the SSD

SANDISK SSD REVENUE CONTRIBUTION  
GROWING FROM ~3% IN 2011 TO ~10% IN 2012



# Software: Adding Value to Our Solid State Drive Offerings

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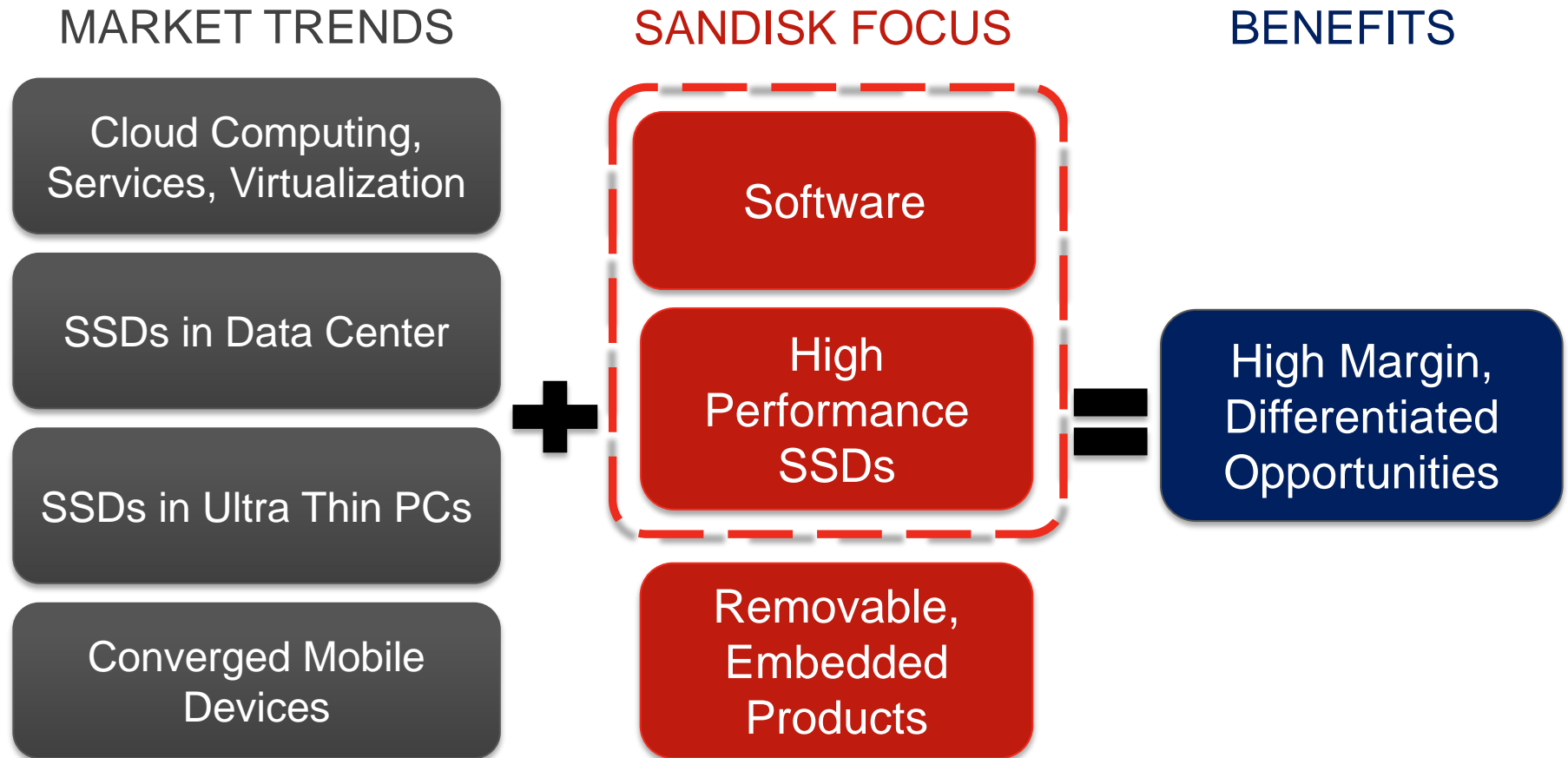
**CLIENT SSD**  
*ExpressCache®*  
*NowON™*  
*for laptops*



**ENTERPRISE SSD**  
*Active Data*  
*Management*



# Adding High Value Solutions to Portfolio

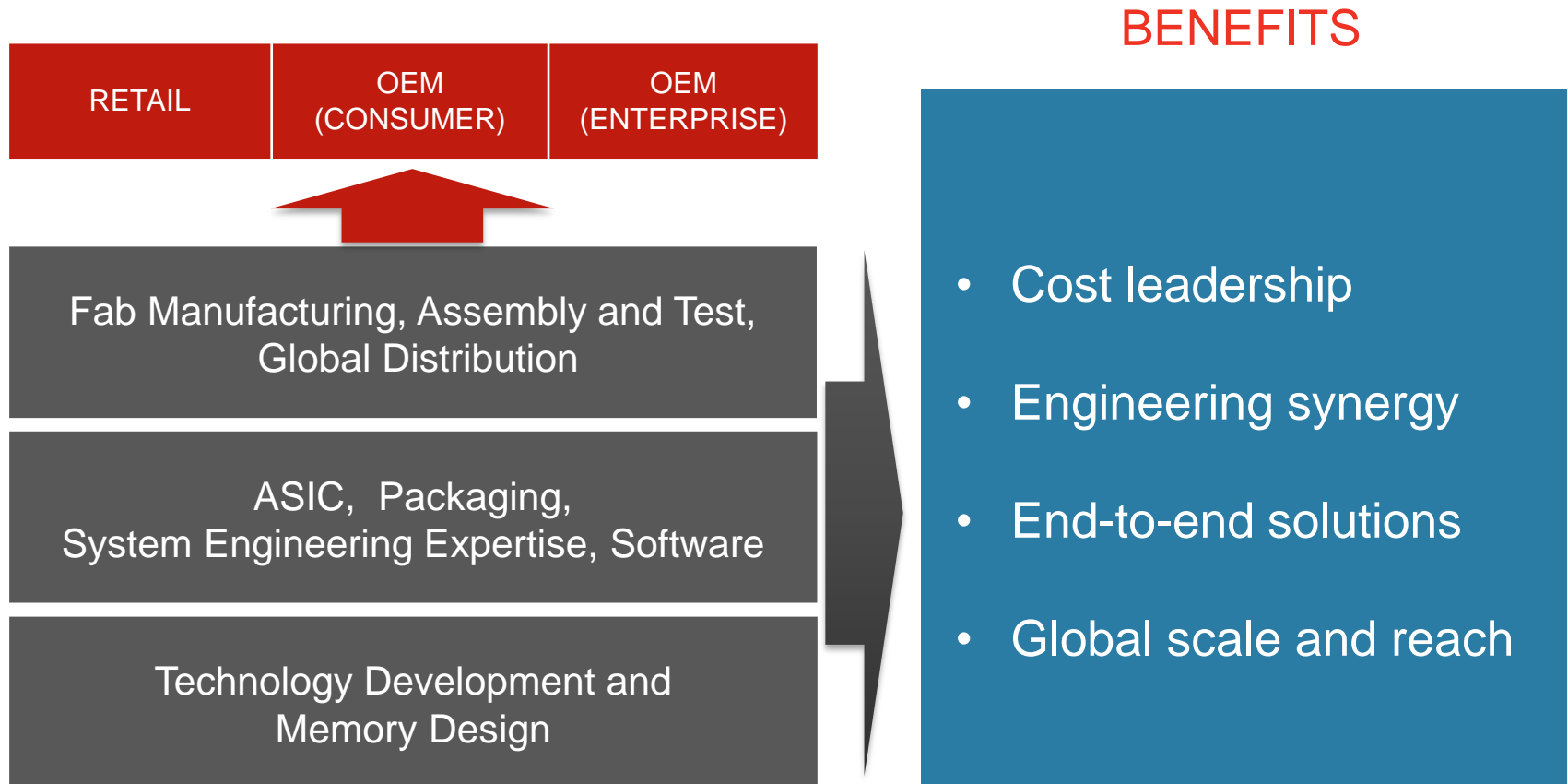


# SanDisk Uniquely Positioned to Win

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- **STRONG MARKET TRENDS**
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# SanDisk Business Model Benefits from Vertical Integration

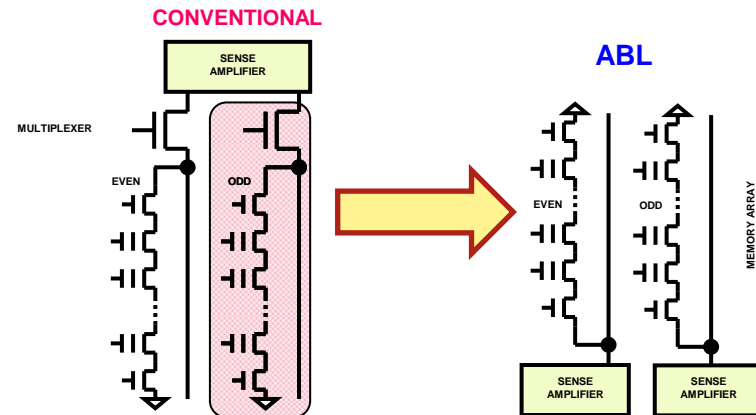


# Technology and Memory Architecture Leadership Lead to Competitive Advantage

SANDISK CONTINUES COST LEADERSHIP WITH THE SMALLEST X2 AND X3 DIE ON 19NM TECHNOLOGY NODE



19nm 128Gb X3 memory  
Leading die in production



ABL architecture provides  
performance leadership

# 3-Pronged Strategy Assuring Competitive Advantage Today and in the Future

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## PROMISING RESULTS IN TECHNOLOGY DEVELOPMENT IN 2011

### NAND Scaling

2013: 1Y nm    2014: 1Z nm    & ...

Dominant production technology for rest of the decade

### 3D Resistive RAM (ReRAM)

Good progress on Read/Write materials

Requires EUV; Production opportunity beyond 2015

Successor to NAND into the next decade

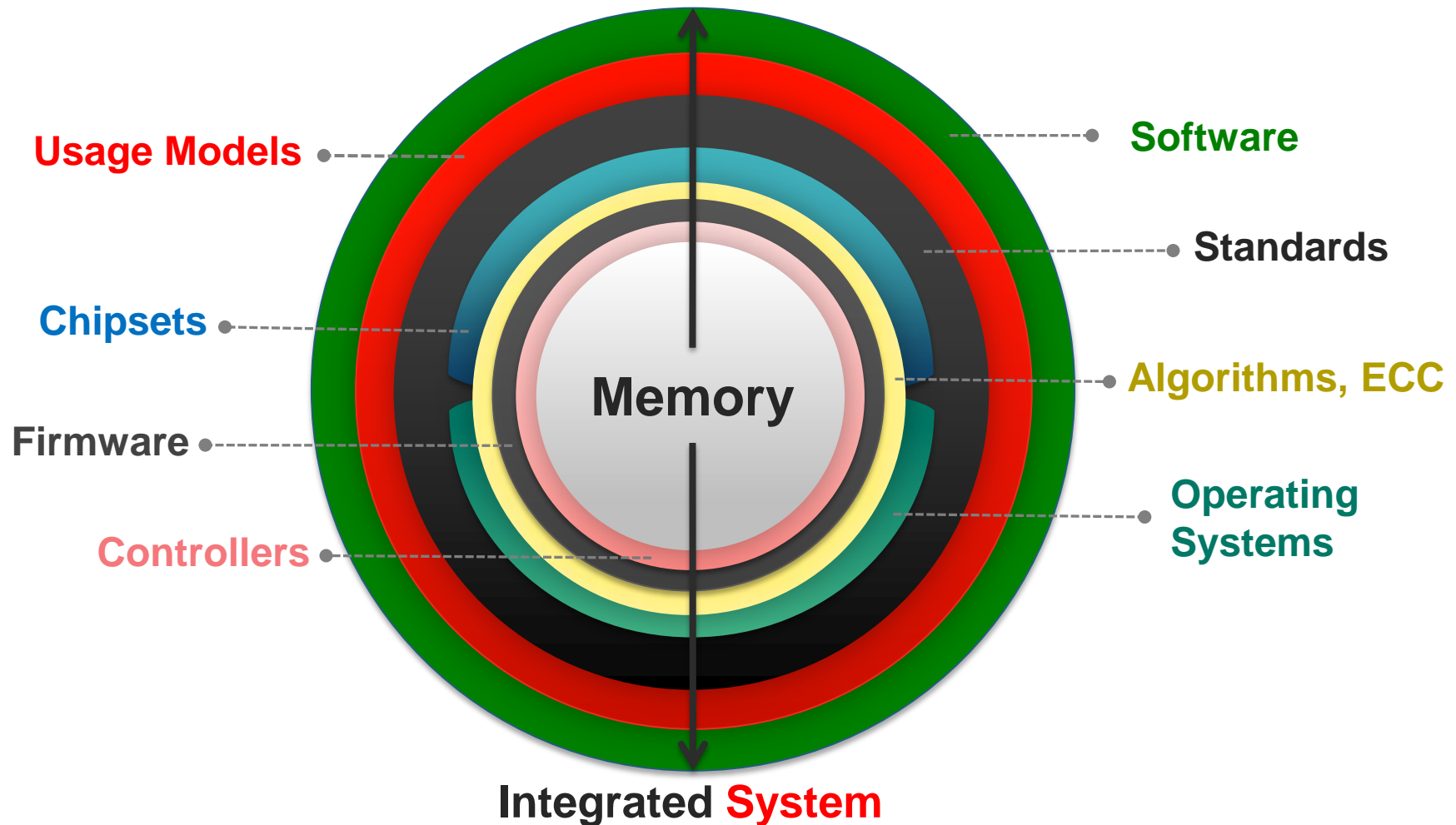
### BiCS 3D NAND

Collaboration with Toshiba started in 2011

Leverages existing fab infrastructure

Bridge to 3D ReRam

# SanDisk Systems Expertise: Key to Winning

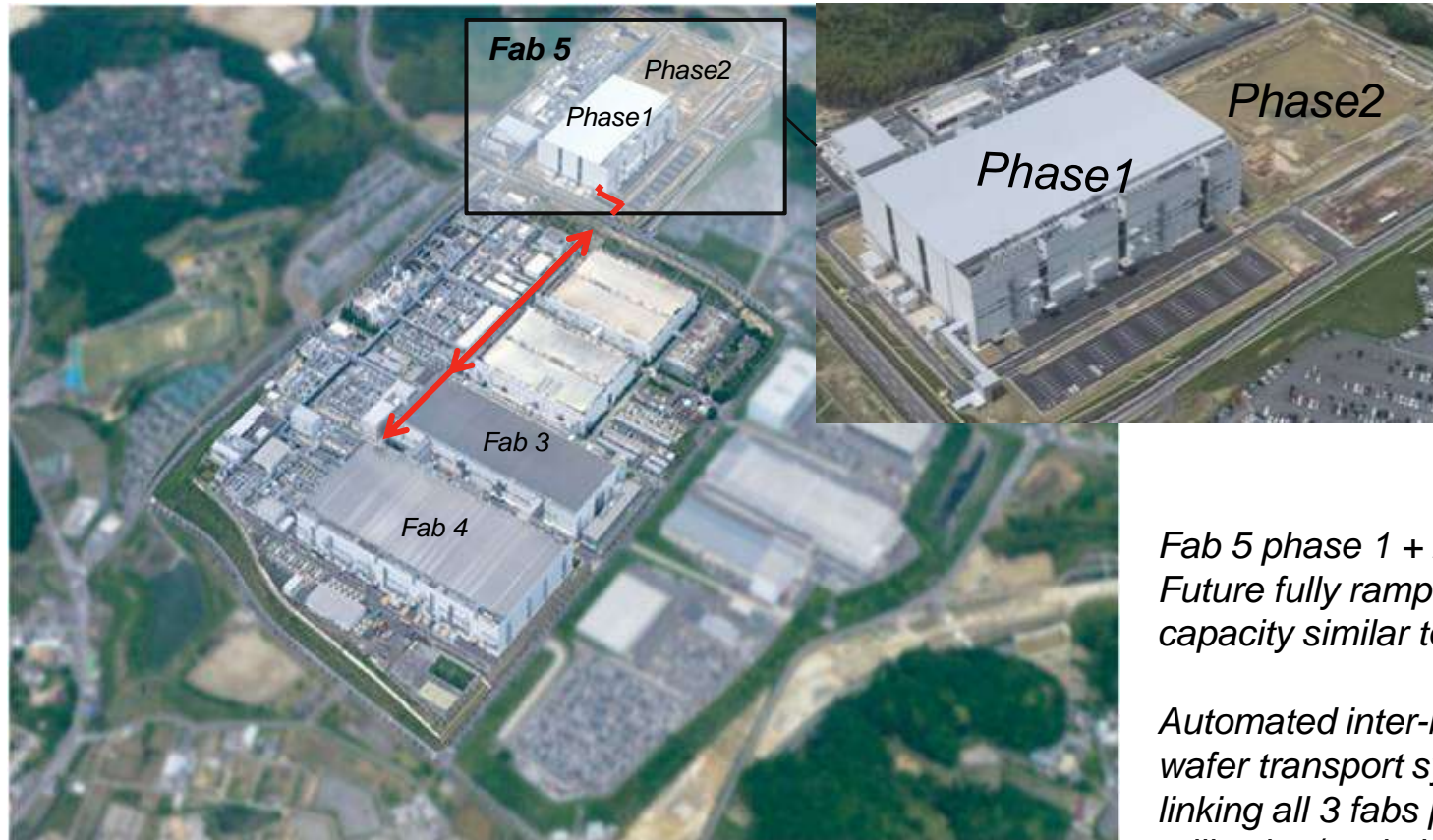


# R&D Investments Strengthen Our Core

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CATEGORY	INVESTMENTS	RESULTS
Memory Technology	<ul style="list-style-type: none"><li>▪ Investing \$500+ Mil/Year</li><li>▪ 3-pronged technology strategy leveraging 12-year Toshiba partnership</li><li>▪ StrongECC™</li><li>▪ Adaptive Flash Management™</li></ul>	<ul style="list-style-type: none"><li>▪ Cost leadership<ul style="list-style-type: none"><li>▪ 5 generations of X3 NAND</li><li>▪ &gt;50% X3 Utilization</li></ul></li><li>▪ Performance leadership<ul style="list-style-type: none"><li>▪ #1 in imaging, mobile cards</li><li>▪ Embedded share gains</li><li>▪ SSD solutions</li></ul></li><li>▪ 3700+ patents issued globally</li></ul>
Systems, Products		

# SanDisk-Toshiba JV: Industry Leading Manufacturing Scale



YOKKAICHI, JAPAN

*Fab 5 phase 1 + 2:  
Future fully ramped  
capacity similar to Fab 4*

*Automated inter-building  
wafer transport system  
linking all 3 fabs providing  
utilization/scale benefits*

# Captive Supply Outlook

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## ■ SANDISK 2012 SUPPLY OUTLOOK

- Fab 5 Phase 1 ramped to 30% in January 2012
  - Month-to-month evaluation on when ramp re-starts
- 19nm technology transition key driver of bit growth in 2012
- Bit growth expected to be slightly less than 2011

## ■ SANDISK 2013 & BEYOND CAPACITY CONSIDERATIONS

- Fab 5 Phase 1 capacity expansion driven by our demand requirements
- Fab 5 Phase 2 build no sooner than 2013
- Continued scaling of NAND to 1Y nm, 1Z nm, ...
- Possible introduction of BiCS 3D NAND, 3D ReRAM based on development progress

## ■ SANDISK COMMITTED TO PRUDENT CAPTIVE SUPPLY MANAGEMENT

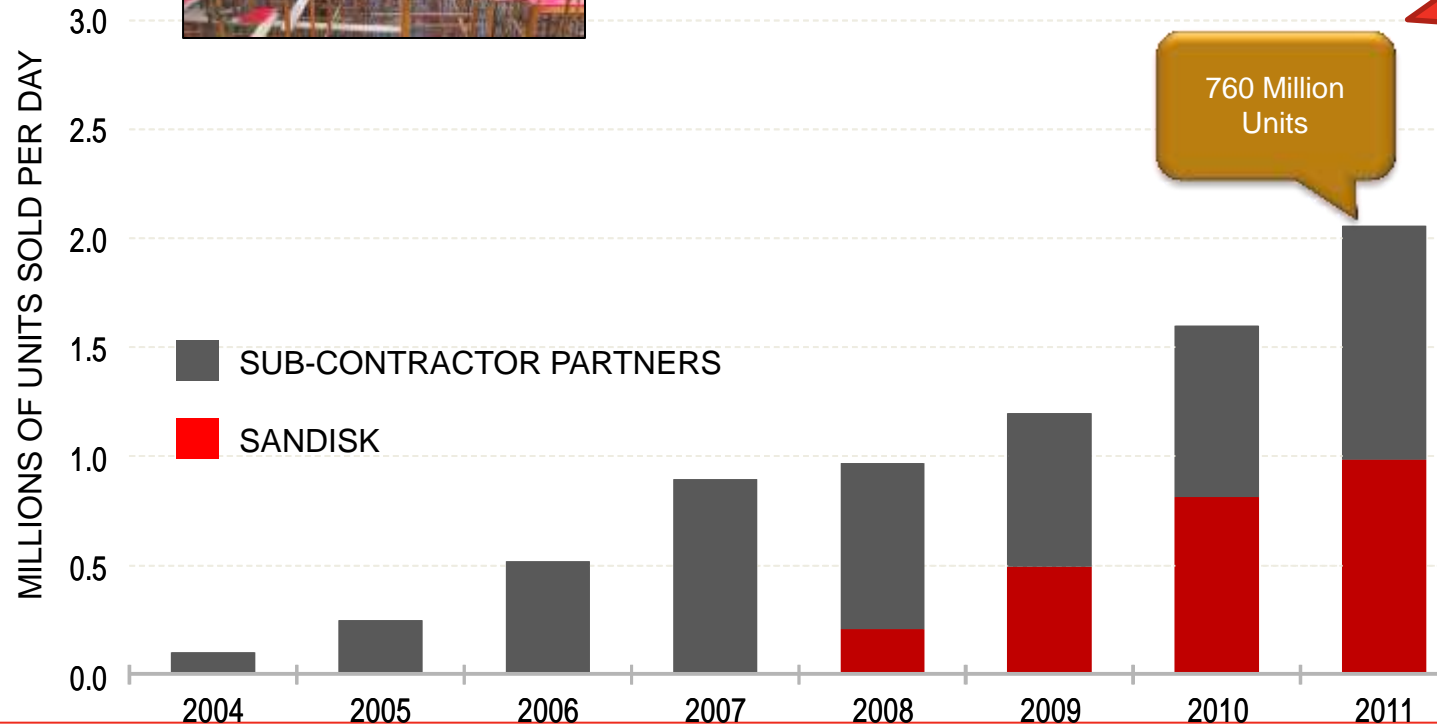
# Broad Assembly & Test Infrastructure Support Our Growing Scale of Operations



## SanDisk Shanghai Assembly/Test Facility:

### Driving Scale

- Expanding Assembly/Test Facility
- Plan to maintain current captive/non-captive assembly/test strategy



# SanDisk Uniquely Positioned to Win

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- **STRONG MARKET TRENDS**
- **STRENGTHENING BUSINESS PORTFOLIO**
- **VERTICAL INTEGRATION**
- **FINANCIAL STRENGTH**

# Operating with Financial Strength

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## ■ **STRONG BALANCE SHEET**

- Net cash balance of \$3.7 billion

## ■ **EXPECTING STRONG 2012**

- Revenue growth, strong profitability, cash flows

## ■ **WELL POSITIONED FOR FUTURE INVESTMENT OPPORTUNITIES**

- Technology Investments
- Manufacturing Investments
- Product/Solution Portfolio Investments

# Executing Well, Strengthening Position

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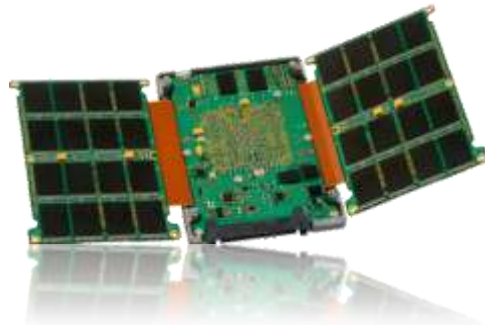
- DIVERSIFIED CUSTOMER AND CHANNEL STRATEGY WORKING WELL
- SIGNIFICANT ADDITIONS TO PORTFOLIO IN THE LAST YEAR:  
ENTERPRISE & CLIENT SSDs, SOFTWARE SOLUTIONS
- TECHNOLOGY DEVELOPMENT PROVIDING COMPETITIVE ADVANTAGE  
NOW AND IN THE FUTURE
- PRUDENT SUPPLY MANAGEMENT, EFFICIENT SCALE OF PRODUCTION
- WELL PLACED AT THE CONFLUENCE OF DYNAMIC SECULAR TRENDS

# Best is Yet to Come

# SUMIT SADANA

*Senior Vice President and Chief Strategy Officer*

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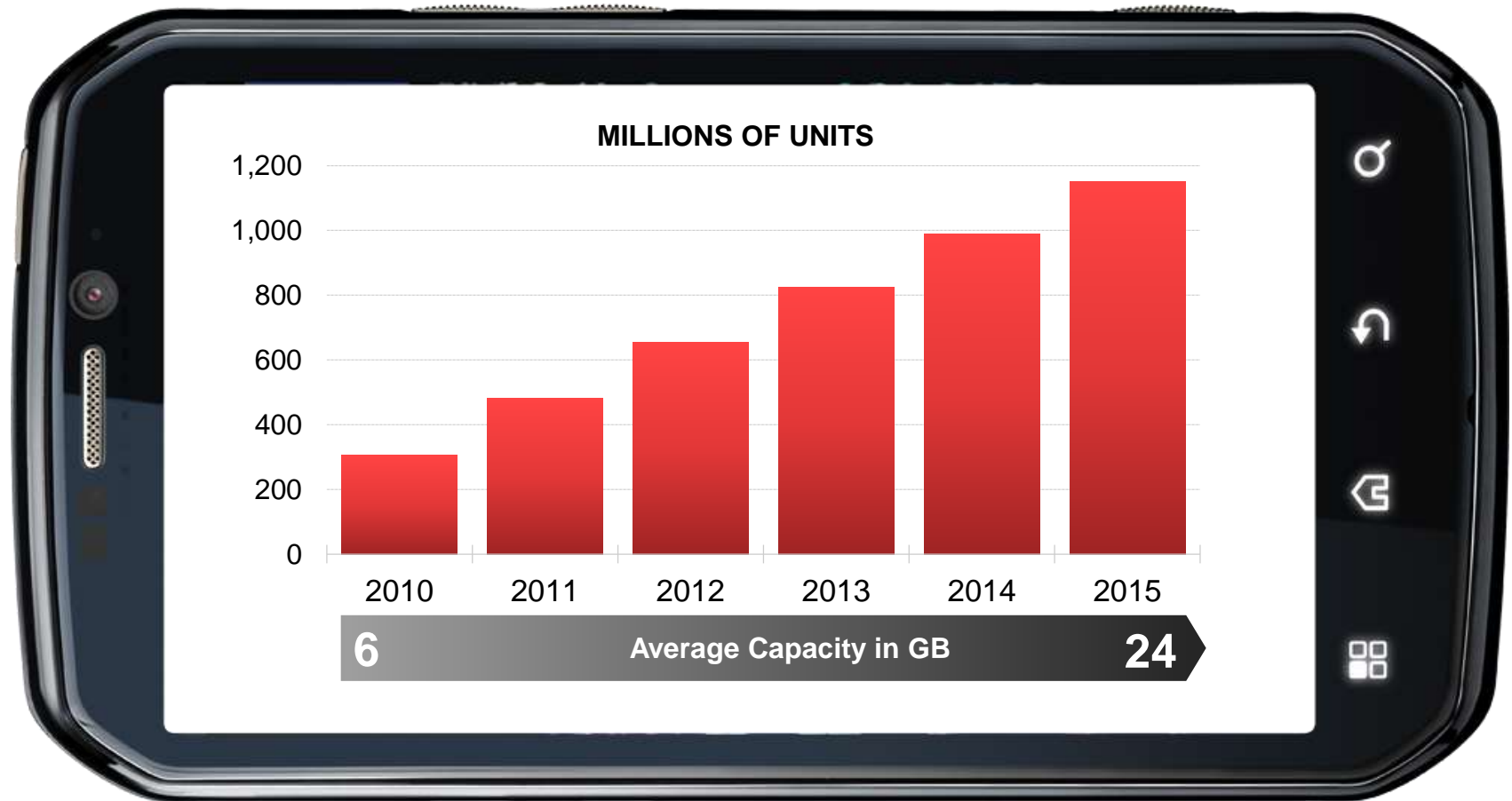




## Flash Everywhere

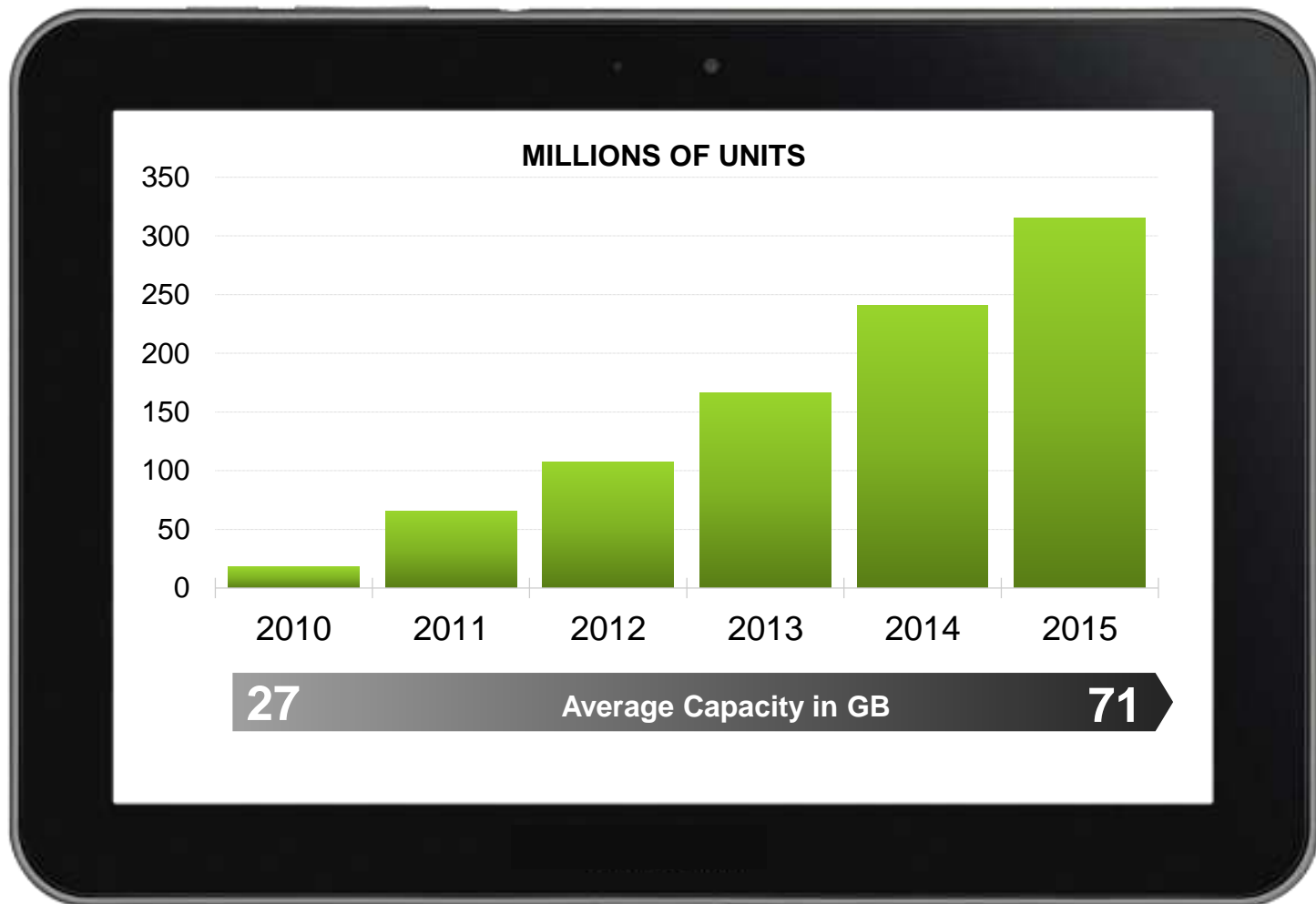


# Growth Driver 1: Smartphones



Source: Gartner December, 2011 - Forecast: Semiconductor Consumption by Electronic Equipment Type, Worldwide, 4Q11 Update

# Growth Driver 2: Tablets



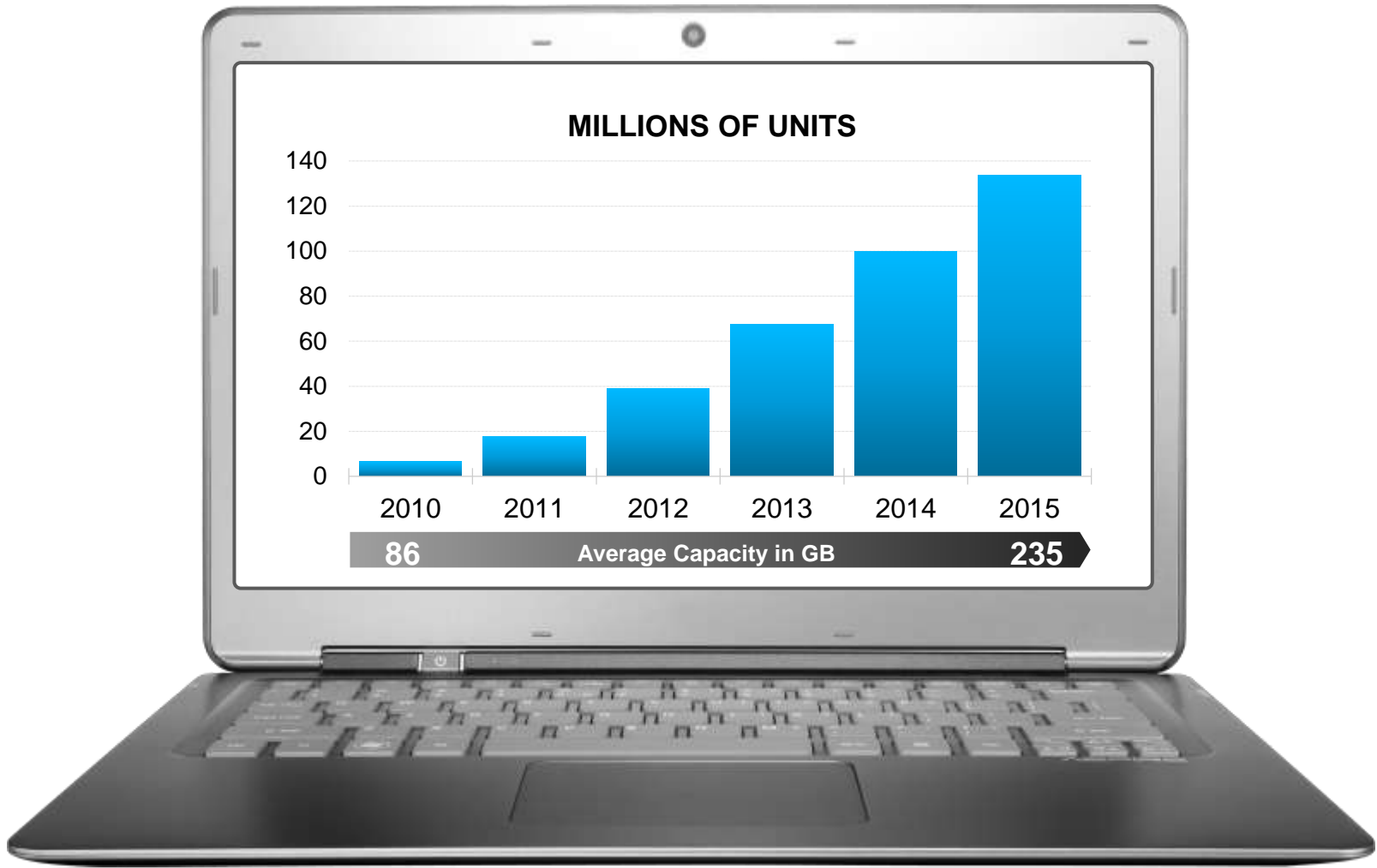
Source: Gartner December, 2011 - Forecast: Semiconductor Consumption by Electronic Equipment Type, Worldwide, 4Q11 Update



## Tablets: Compelling Use Cases

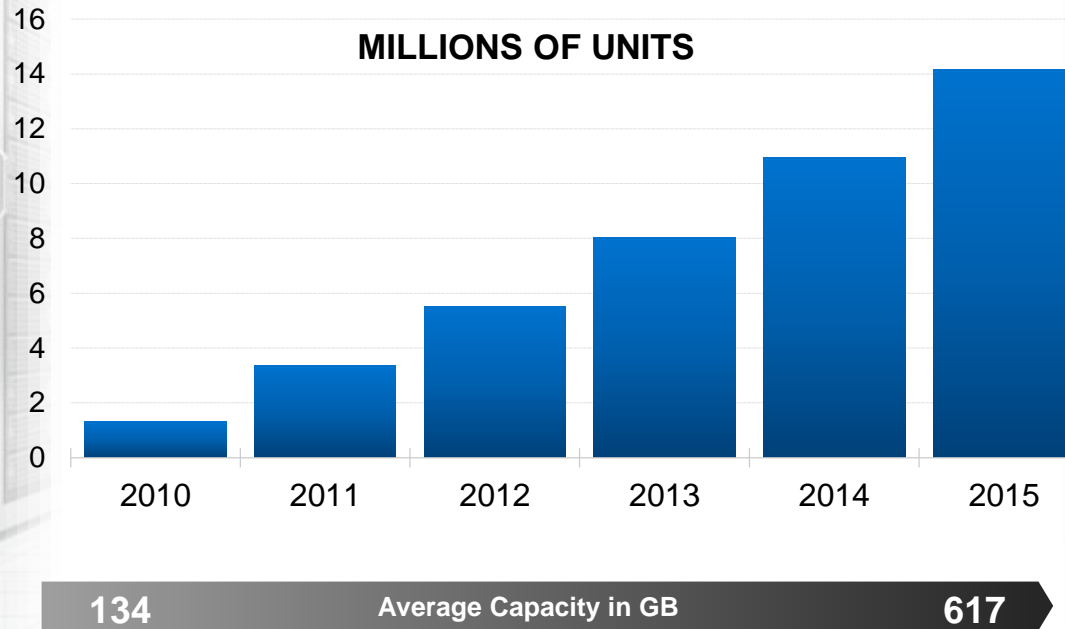


# Growth Driver 3: PC SSD



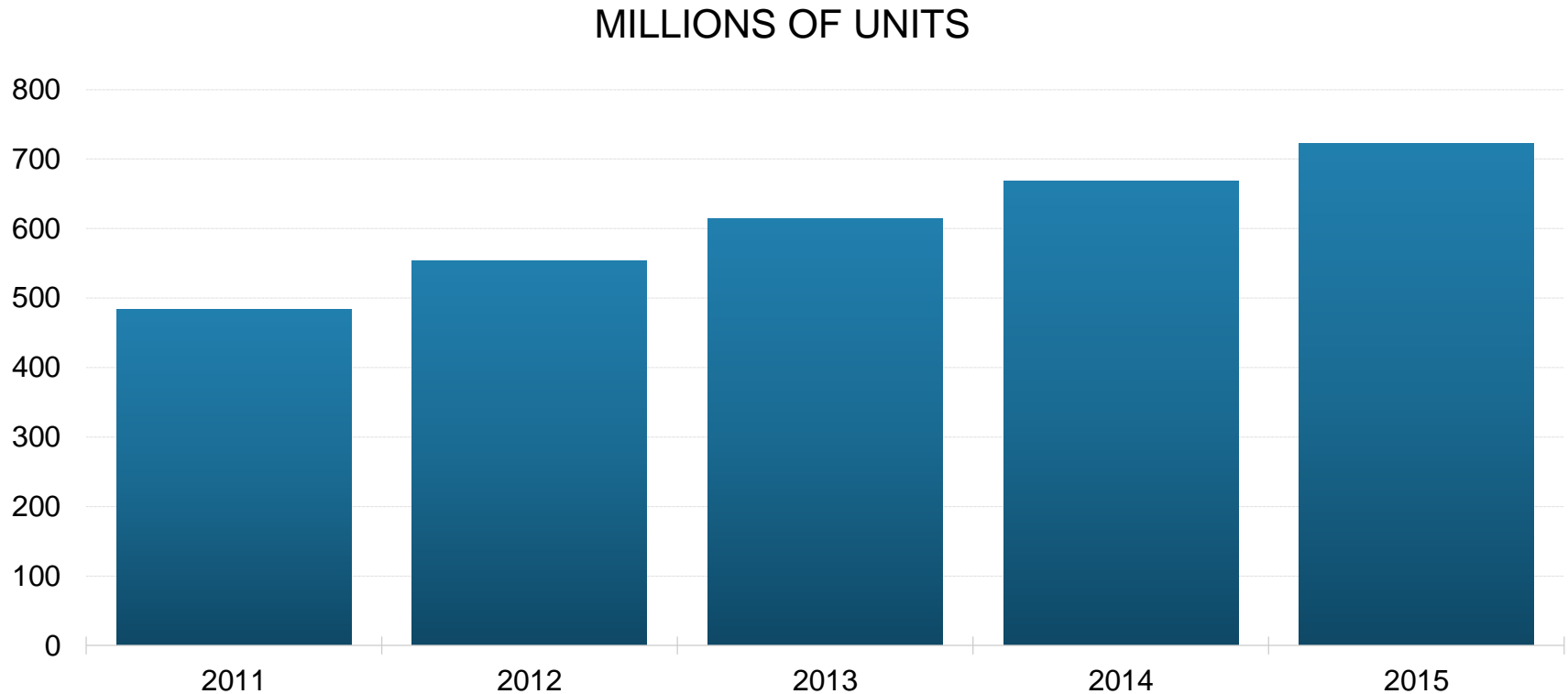
Source: Gartner December, 2011 - Forecast: Semiconductor Consumption by Electronic Equipment Type, Worldwide, 4Q11 Update

# Growth Driver 4: Enterprise SSD



Source: Gartner December, 2011 - Forecast: Semiconductor Consumption by Electronic Equipment Type, Worldwide, 4Q11 Update

# Emerging Markets Retail Unit Growth



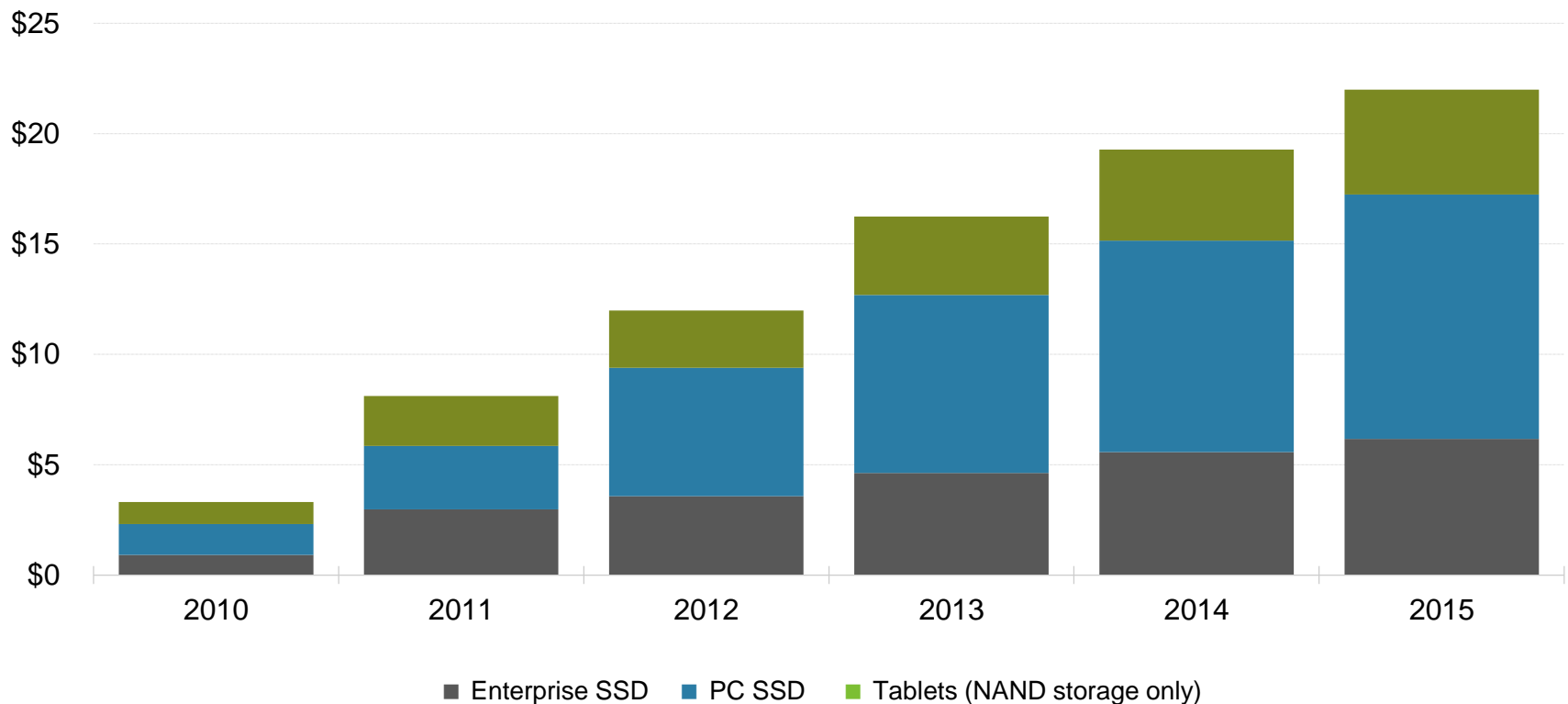
Includes Mobile, Imaging and USB products sold through retail channel

Source: SanDisk Market Intelligence estimates

Note: Emerging Markets includes Latin America, MEA, CIS, China, India, VIP

# Tablets and SSDs Drive Significant Revenue Opportunity

TOTAL AVAILABLE MARKET IN BILLIONS



Sources: Forward Insights SSD Insights, 4Q11 Update, December 2011 and Forward Insights NAND Insights, 4Q11 Update, December 2011



## Behind The Scenes



# Today's Mobile Connected World

Enterprise Servers & Storage



Data Networks



Client Devices



MAXIMUM PERFORMANCE

First Node

MAXIMUM MOBILITY

Last Node

# Mobile Video Growth is Skyrocketing

up to **60%** of total  
**mobile data was video** in 2011



Source: Bytemobile Mobile Analytics Report (2Q 2011)

# This Growth Presents Challenges

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mobile video  
**stalls up to 40% of the time\***



**80% Bail Out Rate**

Source: Bytemobile Mobile Analytics Report (2Q 2011)  
\* Depending on network conditions

Challenges become



Opportunities

# Caching to Improve User Experience

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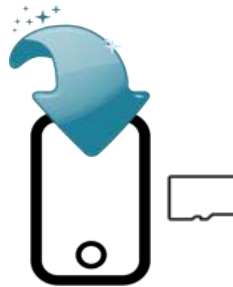
## Time Shifting

Utilize off peak network bandwidth (at night)



## Smart Caching

Rule-based caching to memory



## Load Shifting

Side-loading – Use the PC  
Preloading  
Downloading via WiFi



# Flash Accelerates the Link from the Cloud to You

Enterprise Servers & Storage

Data Networks

Client Devices



MAXIMUM PERFORMANCE

MAXIMUM MOBILITY

First Node

Last Node

# The Need for Cloud Data Delivered *Fast*



 **Cloud Services**



 **Data Analytics**

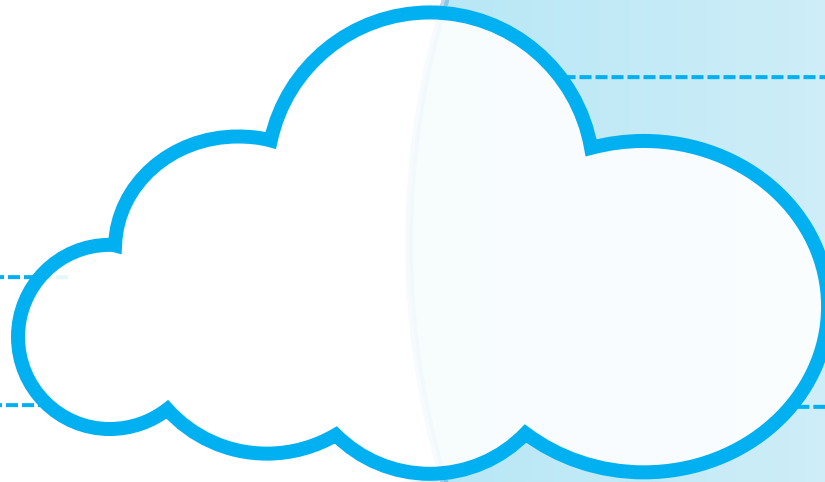


 **Content Delivery**

Flash enables the defining  
technology trends of our time

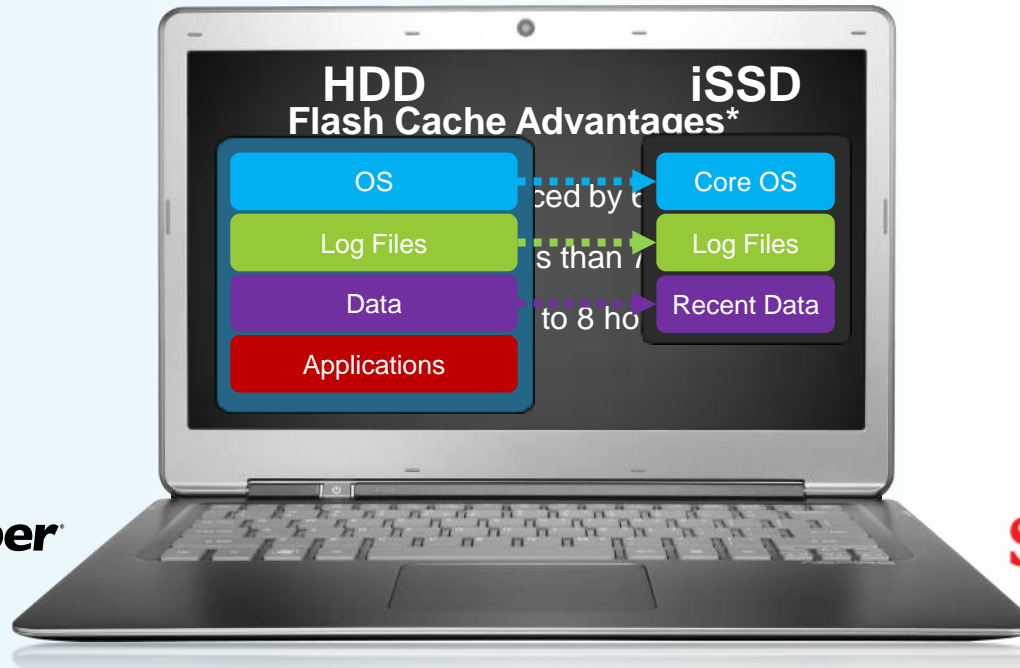
# SanDisk: Increasing Product Portfolio Value

Software: Products → Solutions  
Increasing Value to Customers



Caching software on the device  
improves performance  
and user experience

# Caching Solutions in Personal Computing



- World-wide exclusive rights
- Covering all consumer, mobile and enterprise computing applications
- Exclusive joint development agreement for next generation SSD solutions
- SanDisk will sell software as stand-alone or bundled solution broadly

\* Based on internal testing; Performance varies depending upon host device, OS and application

# SanDisk: Increasing Product Portfolio Value

Software: Products → Solutions  
Increasing Value to Customers



Caching software in the cloud  
keeps 'hot' data in flash



Caching software on the device  
improves performance  
and user experience

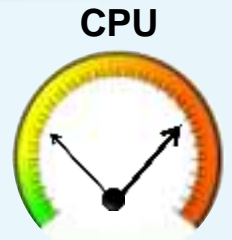
# SanDisk Acquires FlashSoft

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- Adds software to SanDisk's enterprise portfolio
- Industry-leading caching solution
- Dramatic application-level performance improvement
- Standalone software sale + Offered with SanDisk Enterprise flash products
- Supports Windows, Linux and VMWare platforms

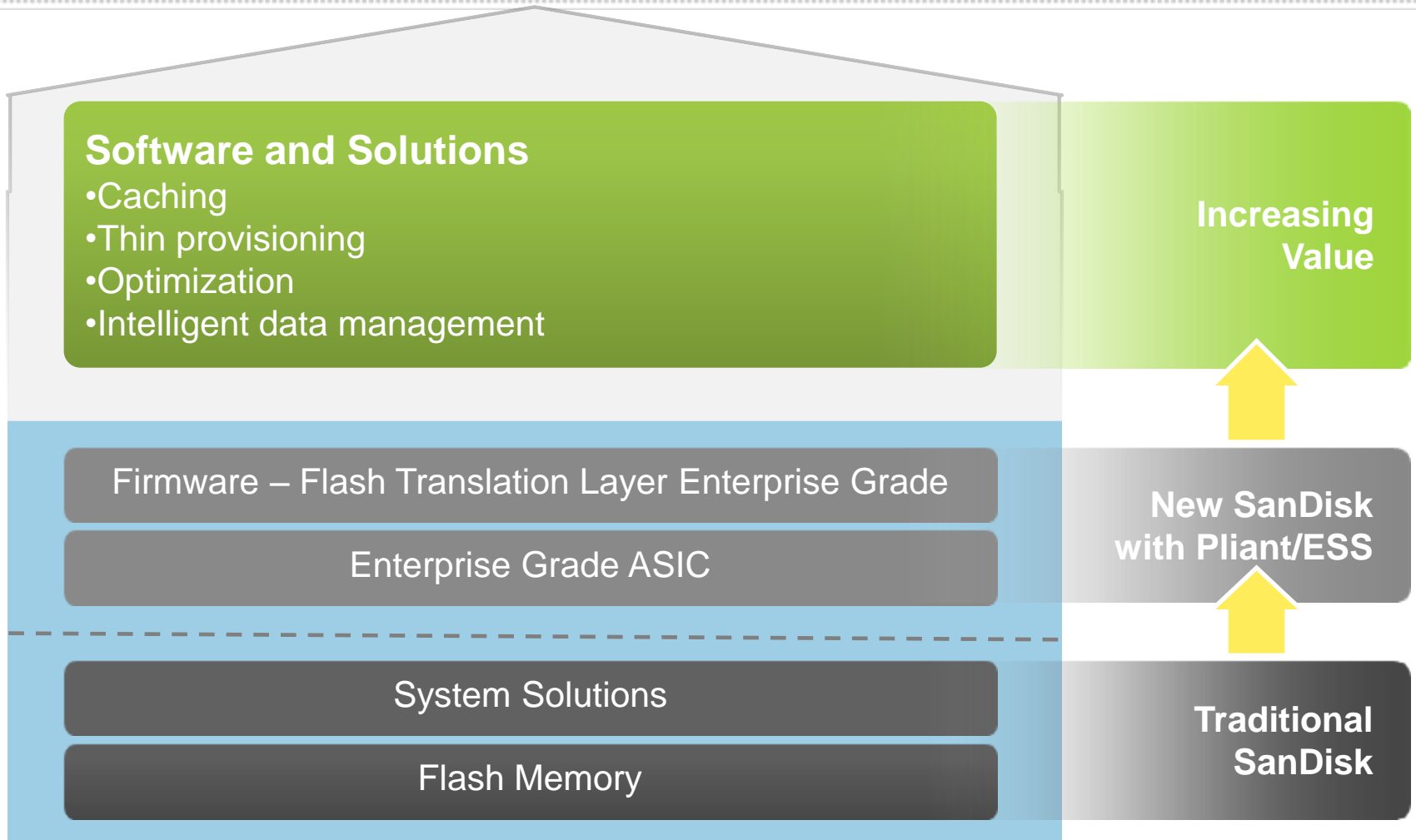


# Caching Solutions in Enterprise Computing

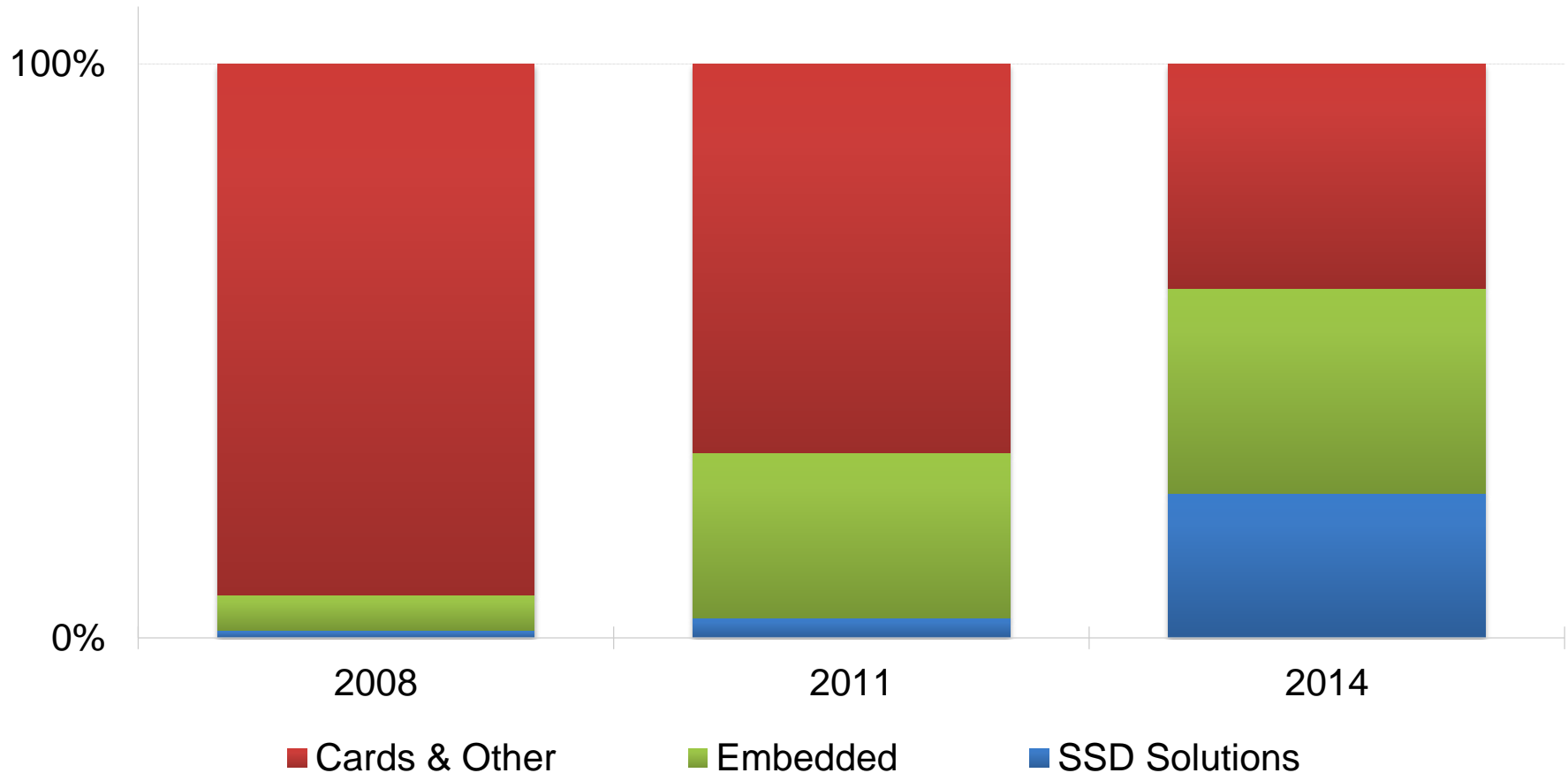


**Increase Virtual Machine Density in Cloud by 2X**

# SanDisk Evolving to Offer Full Value-added Solutions



# SanDisk Portfolio: Improving Mix of High-Value Solutions



Source: SanDisk

# SanDisk Strategy

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- Create Industry-leading, **High-Value** Flash Storage Solutions Leveraging our Innovative Technology
- Maintain Operational Excellence and Cost Leadership
- Diversify End-Markets, Customers and Channels
- Deliver Robust Business Model with High ROE

# Why SanDisk?

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Technology  
Leadership

Global Brand

Strong Talent,  
Culture

Secular  
Growth Trends

Solid Business  
Model

Excellent  
Execution

**SanDisk®**

# SHUKI NIR

*Senior Vice President, General Manager, Retail Business*



# Agenda

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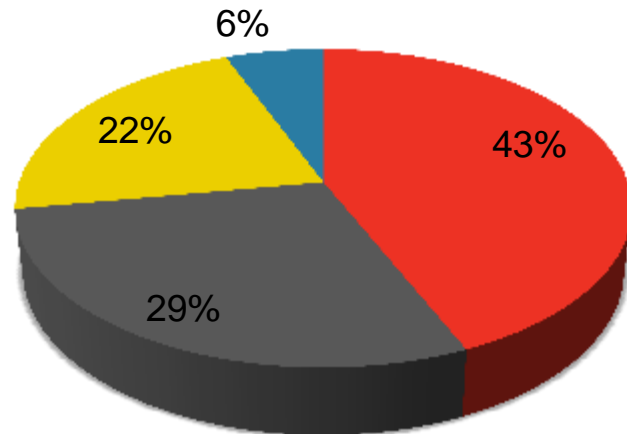
- The strength of SanDisk retail business
- The drivers for our success and how we continue building them
- Long-term SanDisk retail business growth

# SanDisk Retail Growth

Revenue **>\$1.8 BILLION**

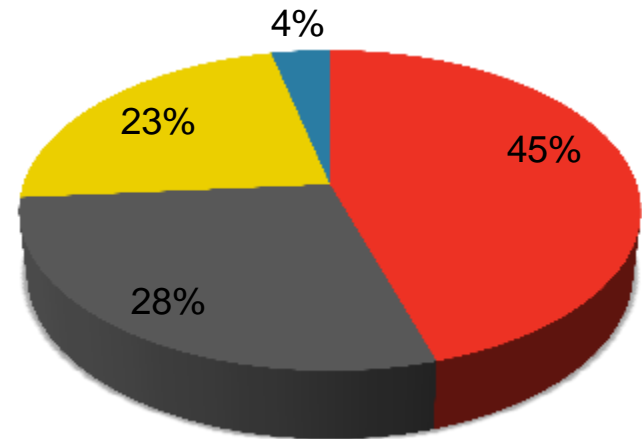
**>250,000** stores globally

RETAIL REVENUE BY REGION



■ Americas ■ Europe ■ APAC ■ Japan

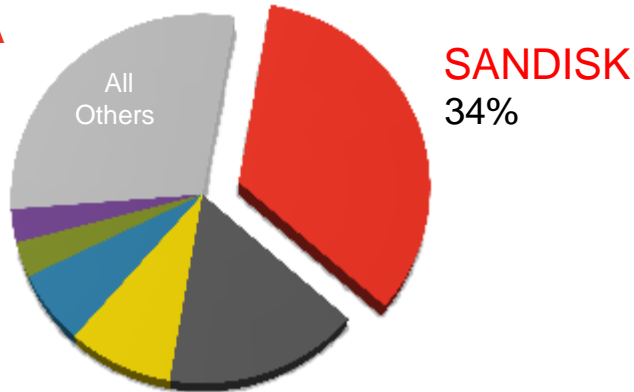
RETAIL REVENUE BY END MARKET



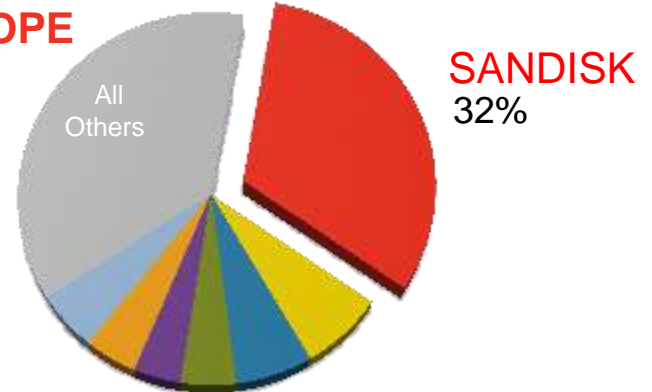
■ Imaging ■ USB Flash Drive ■ Mobile ■ Other

# SanDisk—The Clear Market Share Leader

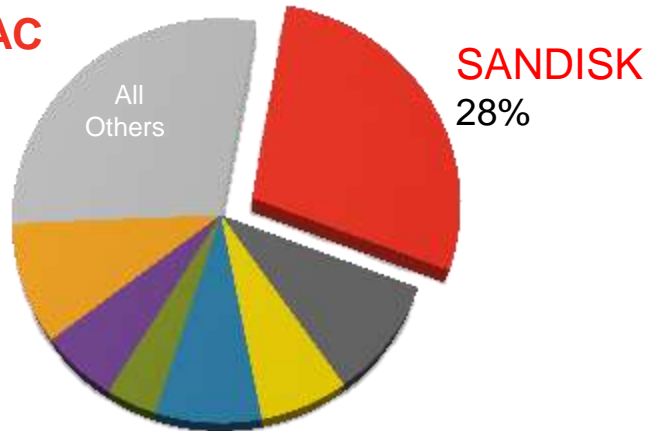
## USA



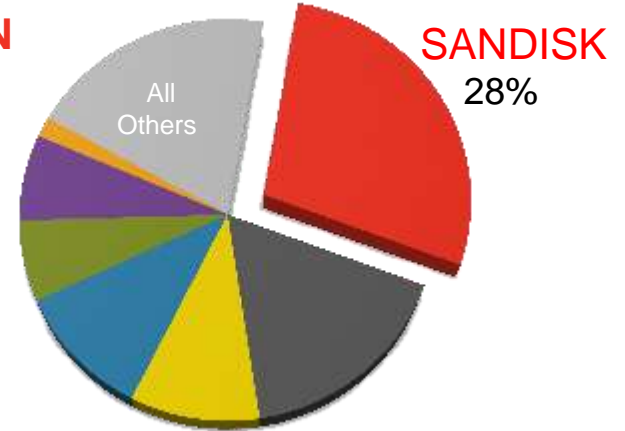
## EUROPE



## APAC



## JAPAN



Note: The above shares reflect 2011 Revenue shares by region. The total market is made up of Flash cards and USB Flash drives.  
Sources: The NPD Group/Retail Tracking Service, and GfK Retail and Technology, December 2011.

# SanDisk Is Sold in 19 Out of Top 20 CE Retailers in the US

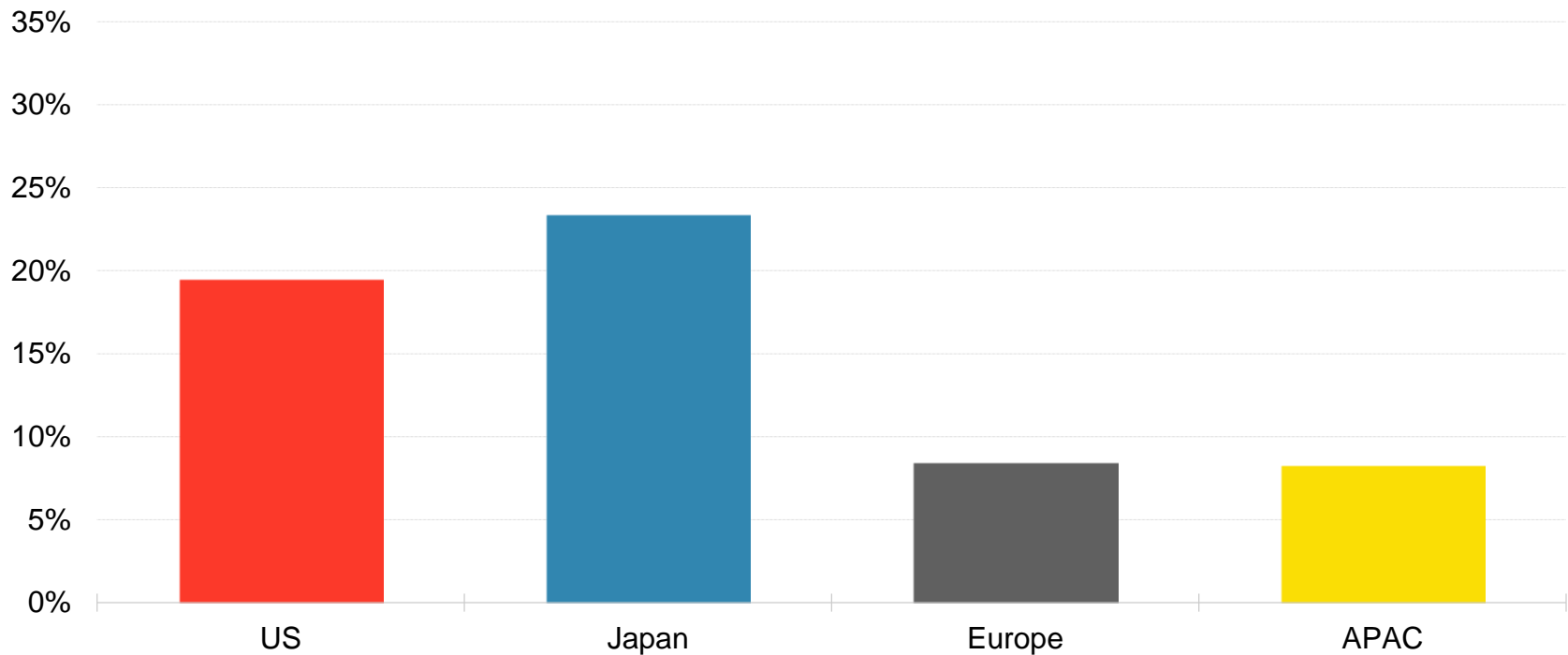


Based on ranking by TWICE, Top 100 Consumer Electronics Retailers, May 2011

# Consumers Willing to Pay More for SanDisk Brand and Quality

Premium is comparable to other leading worldwide retail consumer brands

PREMIUM IN % IN 2010-2011



The above data reflects SD 8GB average selling prices

Sources: The NPD Group/Retail Tracking Service, and GfK Retail and Technology, 2010-2011.

# Broadest and Most Recognized Product Line

## IMAGING



# COMPUTING

MOBILE/  
GAMING

## AUDIO/ VIDEO



# Addressing Consumer Needs— Mobility

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15<sub>mm</sub>

protrusion  
5.4<sub>mm</sub>

# Addressing Consumer Needs— Archiving

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Memory Vault – Made possible through SanDisk's vertical integration and system expertise.



Up to  
**100** years\*



\* For more information, see [www.sandisk.com/preserve](http://www.sandisk.com/preserve)

# Addressing Consumer Needs— Imaging

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**SanDisk Extreme Pro® SDXC™ UHS-I Card**

**95** MB/sec\*

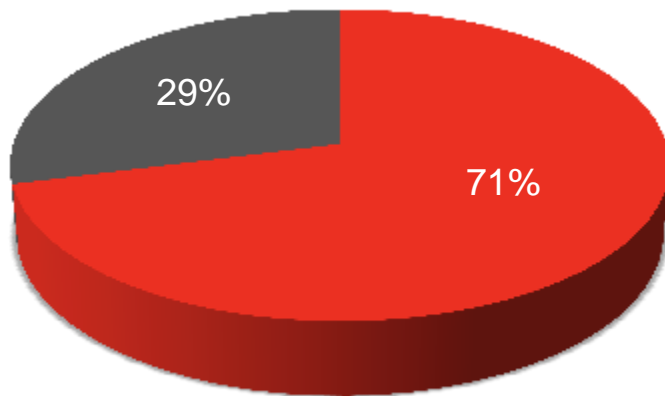


\* Up to 95 MB/s read; 90 MB/s write; Based on internal testing; performance may vary depending upon host device

# Segmentation Pays Off

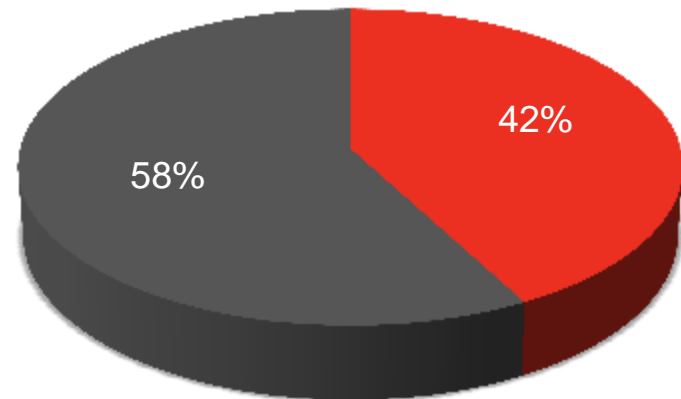
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RETAIL IMAGING  
UNITS SOLD—2011



■ Standard ■ High Performance

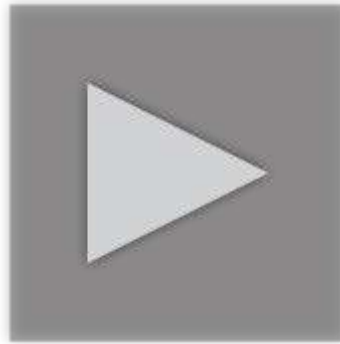
RETAIL IMAGING GROSS  
MARGIN \$ CONTRIBUTION—2011



■ Standard ■ High Performance

# What Our Customers Are Saying

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# SanDisk Retail Business

## Key Growth Drivers

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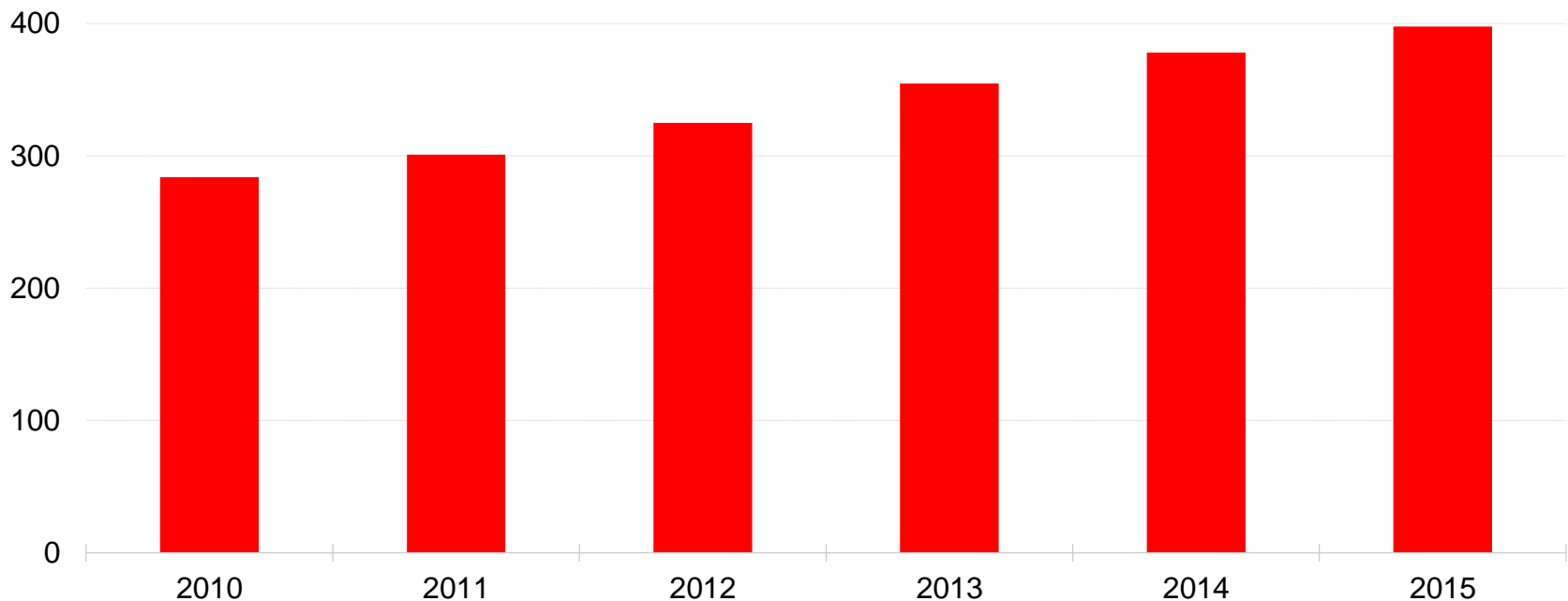
- Market share gains in established markets
- Market share gains and unit growth in after-market SSD
- Market share gains and unit growth in emerging markets

# Imaging Cards Market

## Large, Stable

- Improved video capabilities in cameras drive demand for faster and better cards
- Brands matter more in a mature market

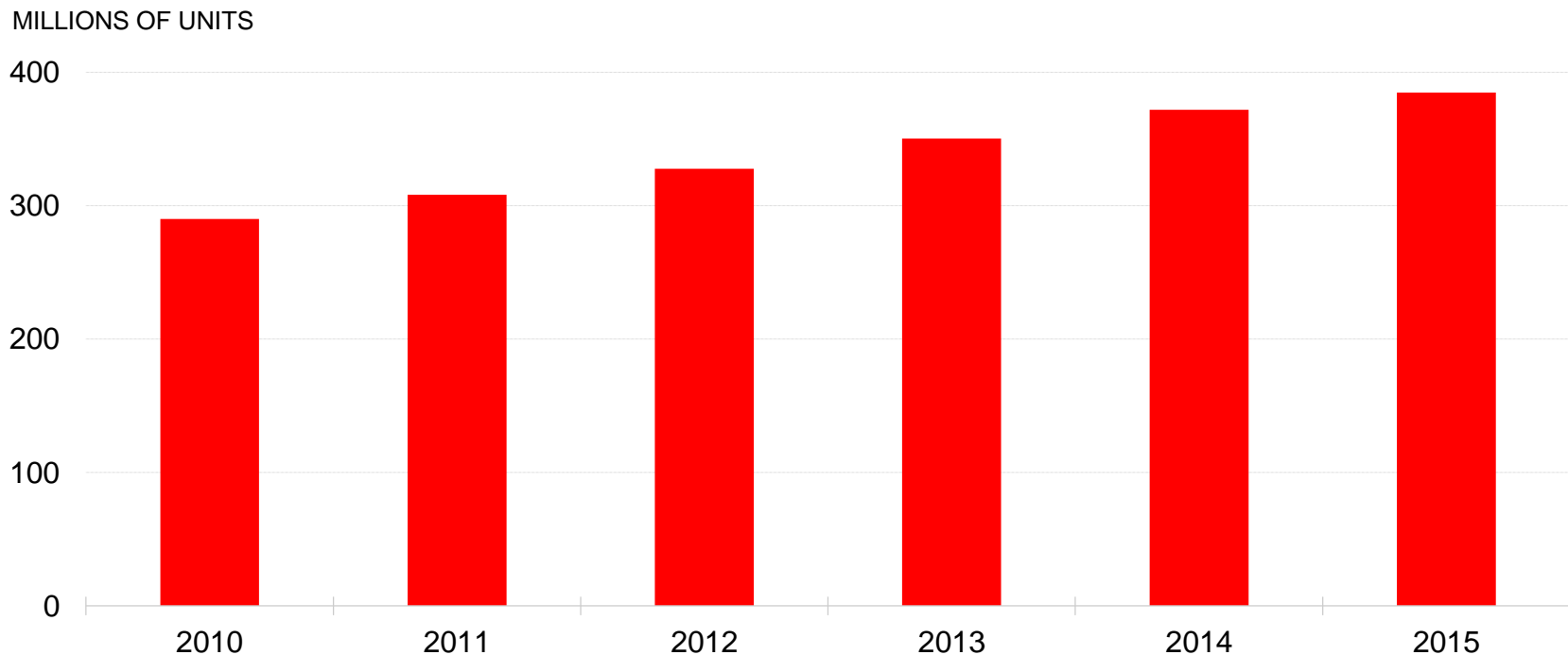
MILLIONS OF UNITS



Source: SanDisk estimates based on forecasts by iSuppli Data Flash Market Tracker 4Q11, Forward Insights, NAND Insights 4Q11.

# Growing USB Market

- Part of school lists in many countries
- The personal storage for people who do not own PCs in emerging markets

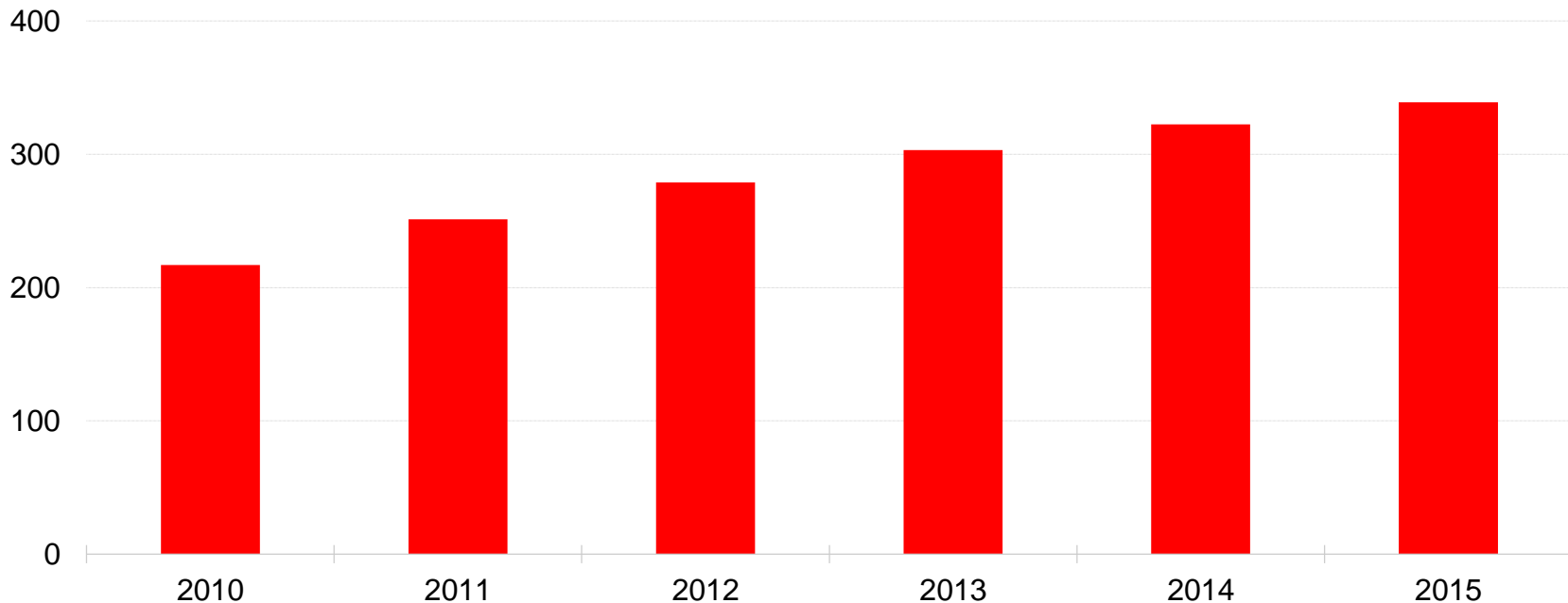


Source: SanDisk estimates based on forecasts by iSuppli Data Flash Market Tracker 4Q11, Gartner Forecast: Flash Cards and USB Flash Drives 4Q11, Forward Insights, NAND Insights 4Q11.

# Expanding Unit Opportunity in Mobile After-Market

- Growth in smart- and feature phones
- Improved cameras in handsets

MILLIONS OF UNITS

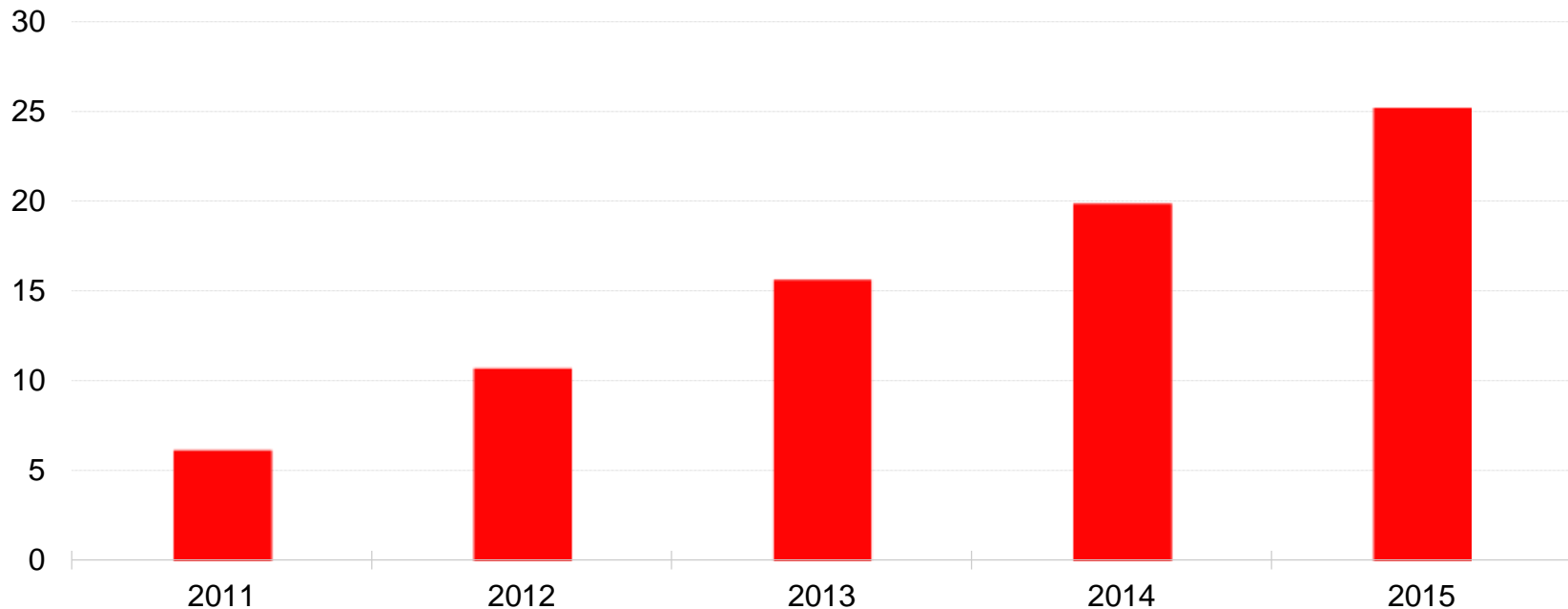


Source: SanDisk estimates based on forecasts by iSuppli Data Flash Market Tracker 4Q11, Strategy Analytics 3Q11

# Fast Growth in SSD After-Market

- SanDisk is well-positioned in this fast growing market
- Brand, quality, channel partners

MILLIONS OF UNITS

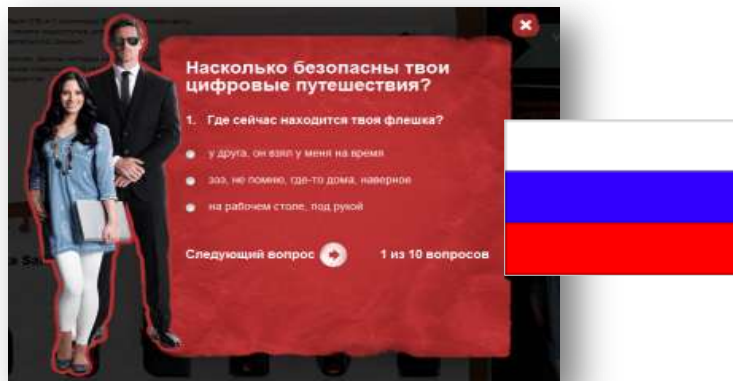


Source: Gartner December, 2011 - Forecast: Semiconductor Consumption by Electronic Equipment Type, Worldwide, 4Q11 Update

# Investing In Emerging Markets

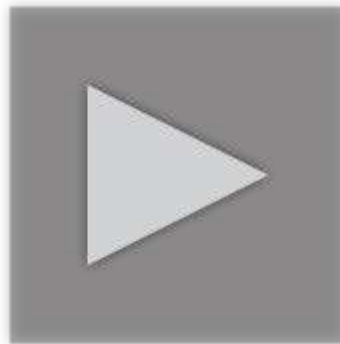
## Our focus has been on

- Addressing market needs through unique products
- Strengthening the brand through marketing campaigns



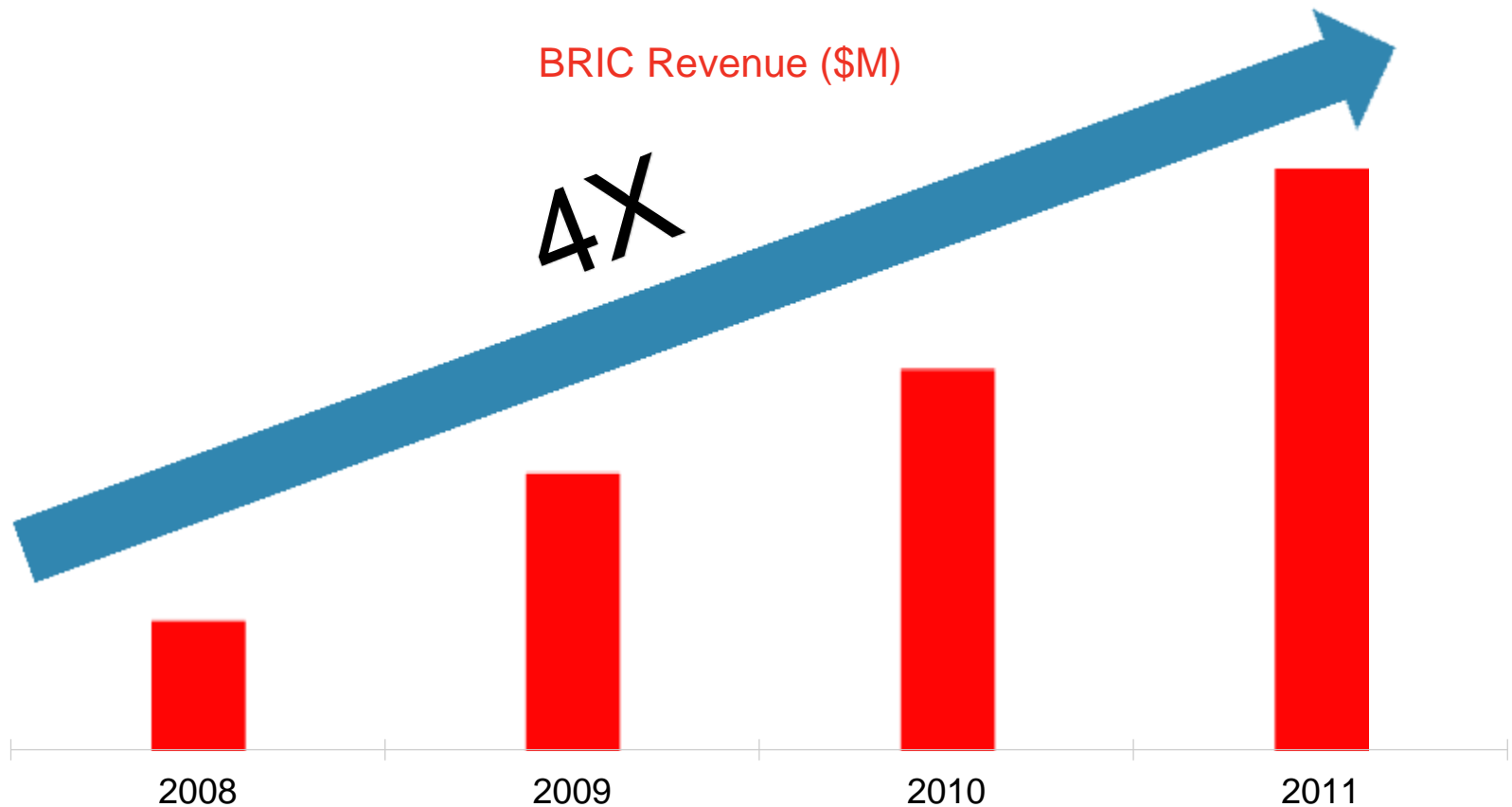
# Investing in Emerging Markets

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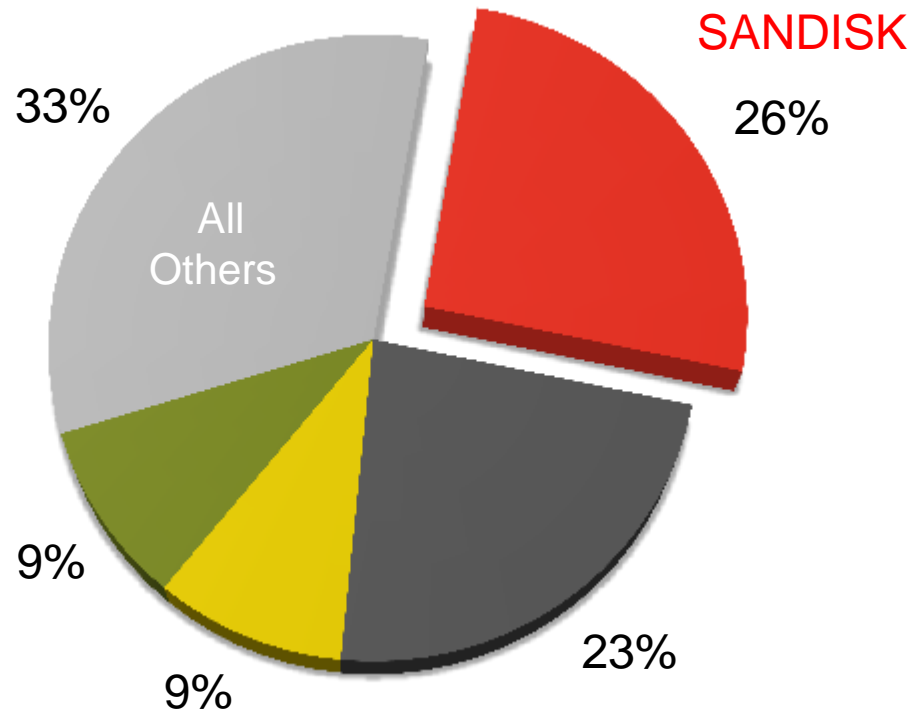


# Resulting in Strong Revenue Growth

---



# And Share Leadership



Note: The above shares reflect Revenue shares for Q1-Q3 2011. The total market is made up of Flash cards and USB Flash drives.  
Source: CMR India; Q1-Q3'11 data

# Why SanDisk Is Winning

---

## ■ Continued leadership in retail

- Clear market share leadership
- Broad product line targeted at specific consumer segments
- Brand and price premium through product innovation, high quality and in-store presence

## ■ Retail channels offer further opportunity

- Further gain share in the well established imaging market
- Emerging geographies grow and offer share opportunity
- SSD after-market is a perfect fit for SanDisk

## ■ Building further on a strong foundation

- Build on brand strength, trust and visibility
- Product portfolio expansion through innovation and differentiation
- Focus on emerging markets

# DAN INBAR

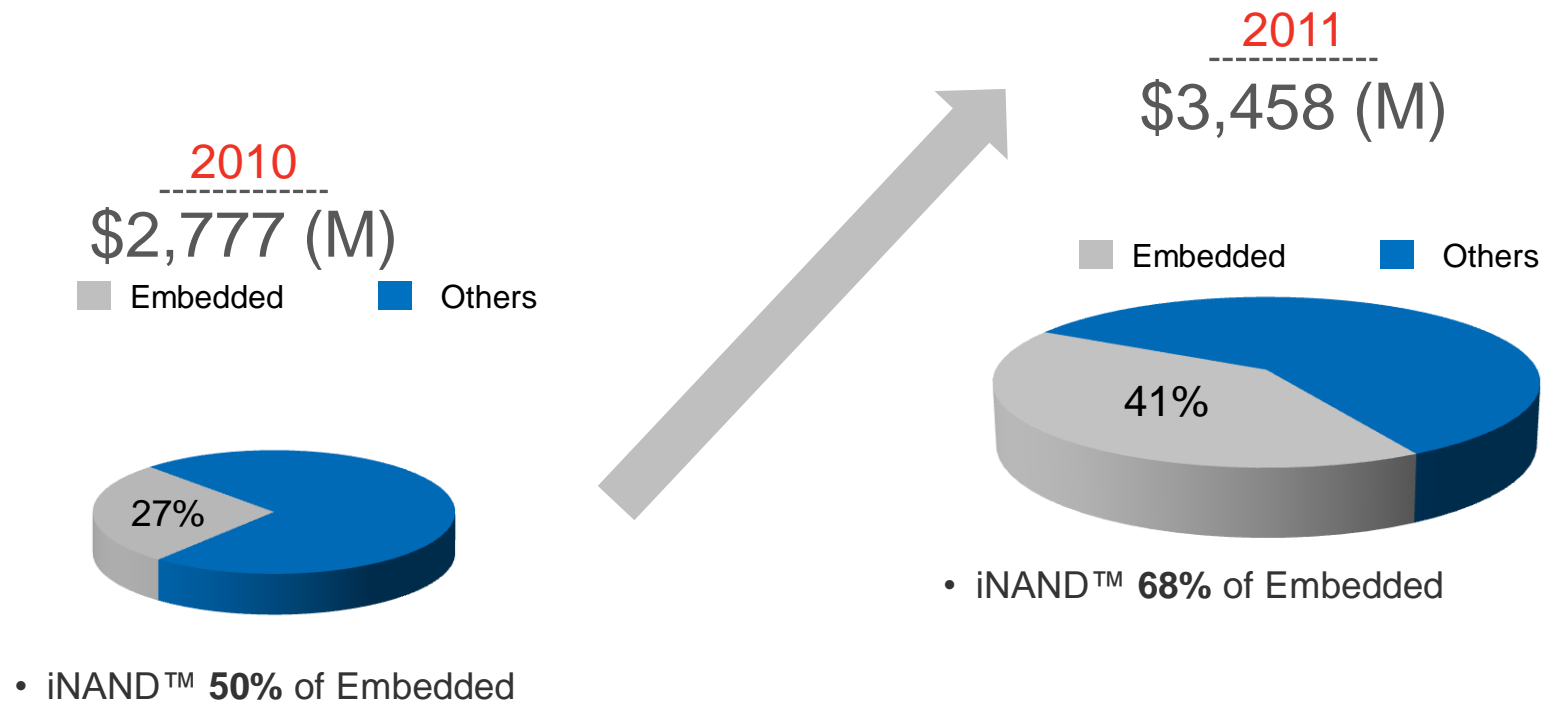
*Senior Vice President and General Manager, OEM*

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# OEM Revenue Growth Opportunities

OEM Business Grew 25% in 2011



Source: SanDisk

# Removable Cards Leadership

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**19nm**

First to Market 19nm X3

**45%**

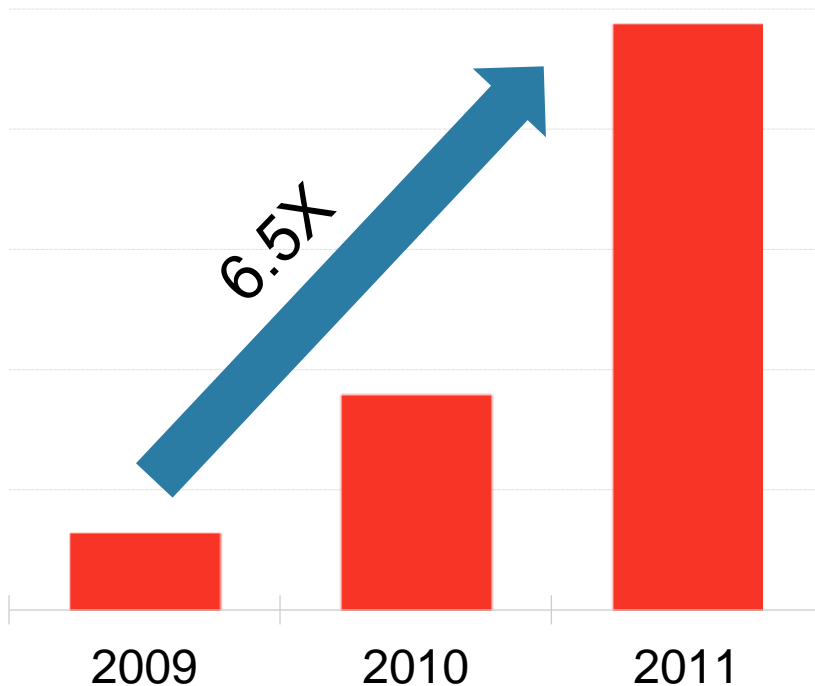
SanDisk Share Of OEM  
microSD™ for Smartphones\*



\*Source: Gartner Dec 2011 4Q11 NAND: Enabling Products OR Profits?

# Embedded Growth

## iNAND™ Revenues



**29%**

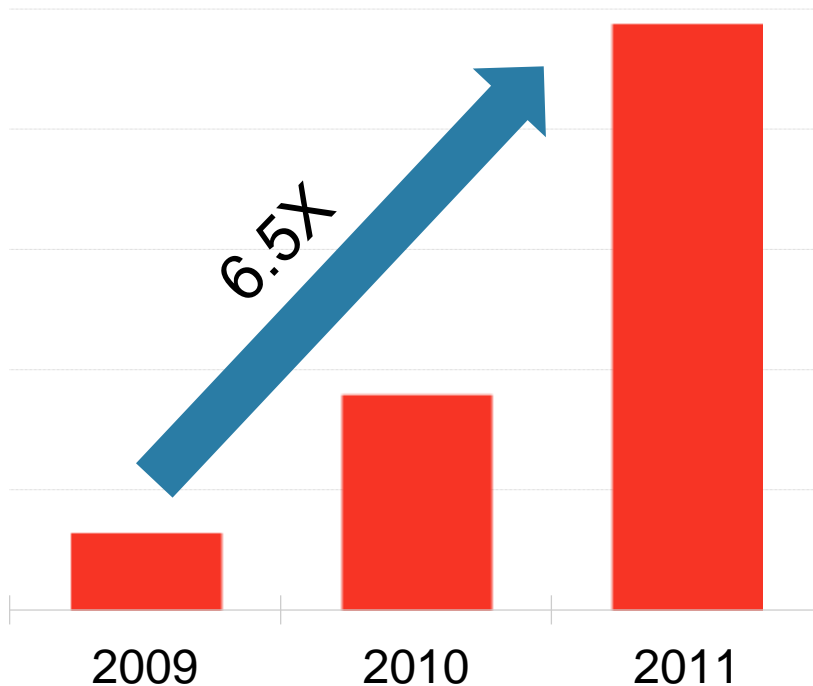
SanDisk Share Of  
e.MMC Smartphones\*



\*Source: Gartner Dec 2011 4Q11 NAND: Enabling Products OR Profits?

# Embedded Growth

## iNAND™ Revenues



**29%**

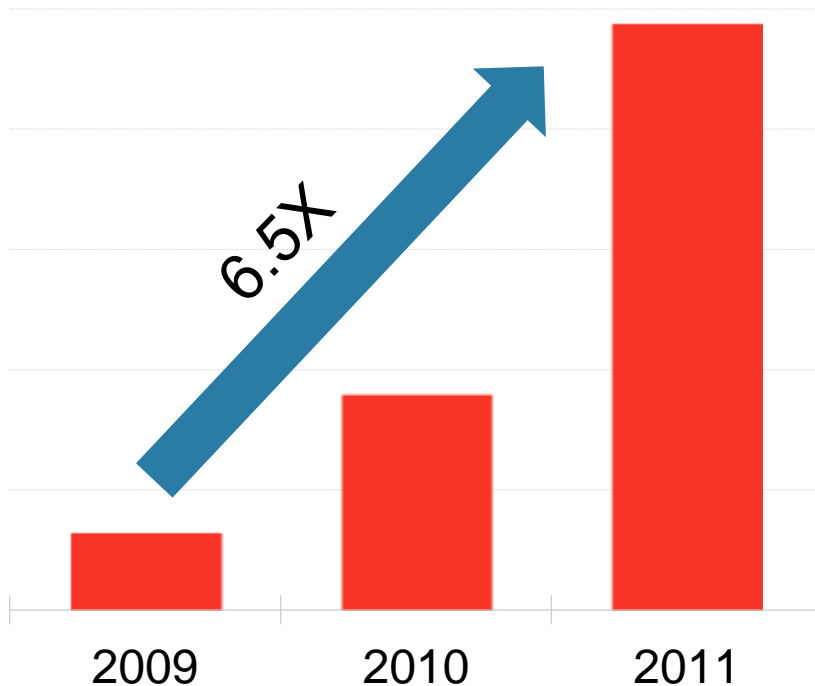
SanDisk Share Of  
e.MMC Smartphones\*



\*Source: Gartner Dec 2011 4Q11 NAND: Enabling Products OR Profits?

# Embedded Growth

## iNAND™ Revenues



**29%**

SanDisk Share Of  
e.MMC Smartphones\*



\*Source: Gartner Dec 2011 4Q11 NAND: Enabling Products OR Profits?

# iNAND™ X3 In Production

## MOBILE



## TABLETS



## CONSUMER ELECTRONICS



# How is SanDisk Winning?

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**Memory**

# How is SanDisk Winning?

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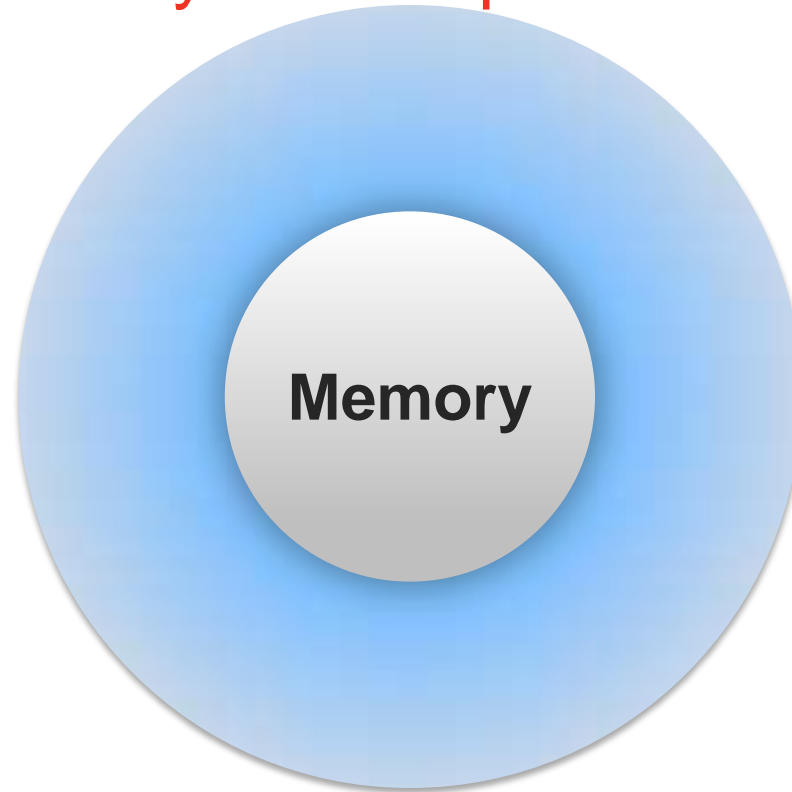
Memory



# How is SanDisk Winning?

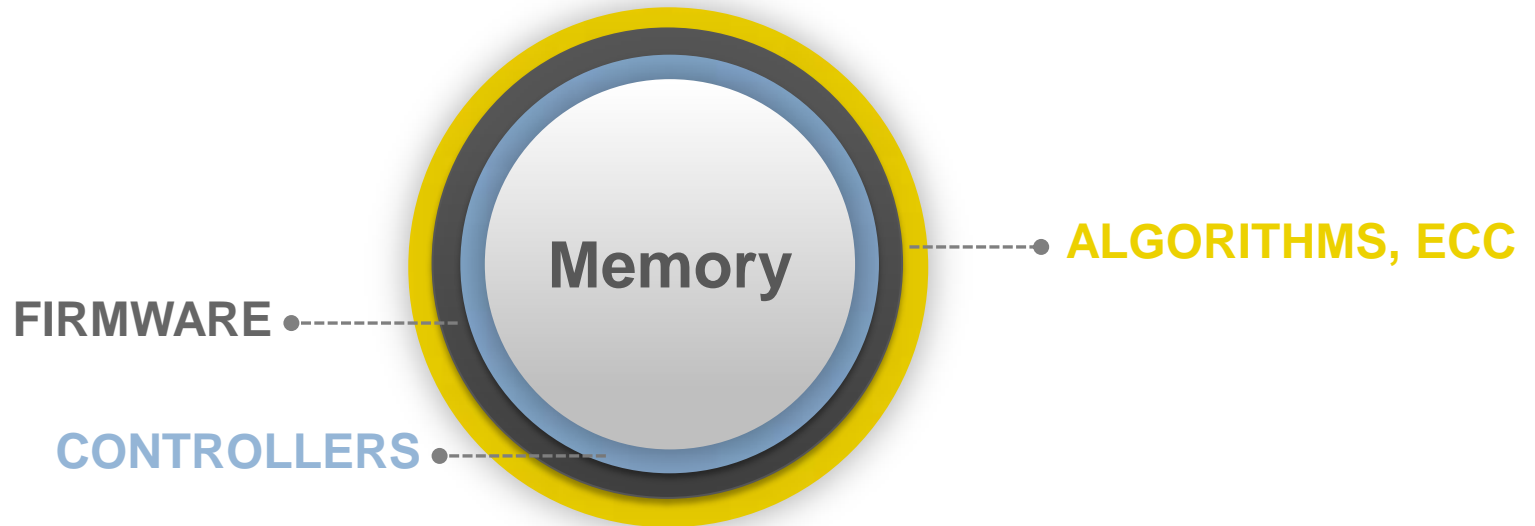
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System Expertise



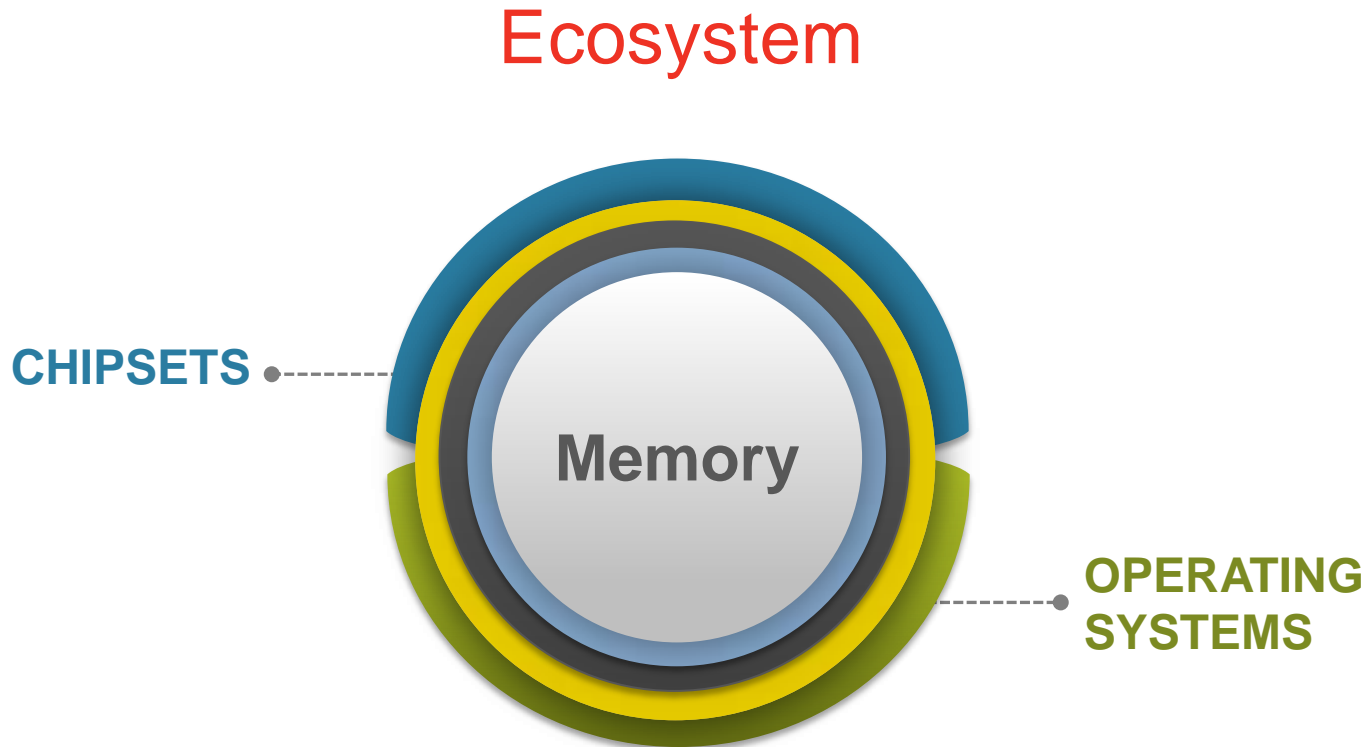
# How is SanDisk Winning?

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# How is SanDisk Winning?

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# Ecosystem

- 8 of the 10 leading mobile chipset makers\* spec SanDisk iNAND™
- Mobile Chipsets supporting SATA: 100% chose SanDisk® ISSD™ integrated storage device

## CHIPSET VENDORS



## OS VENDORS

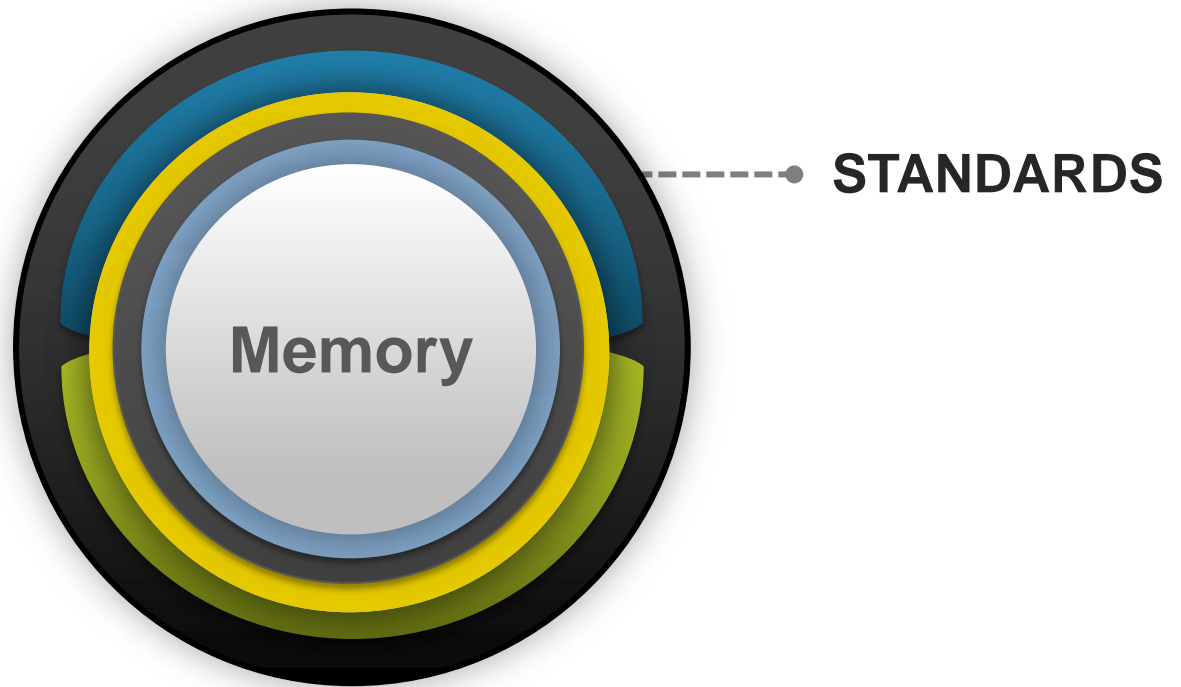


\*Source for Chipset Top 10 List: Strategy Analytics, "Smartphone Multi-Core Apps Processor Market Share", December 14, 2011

Video

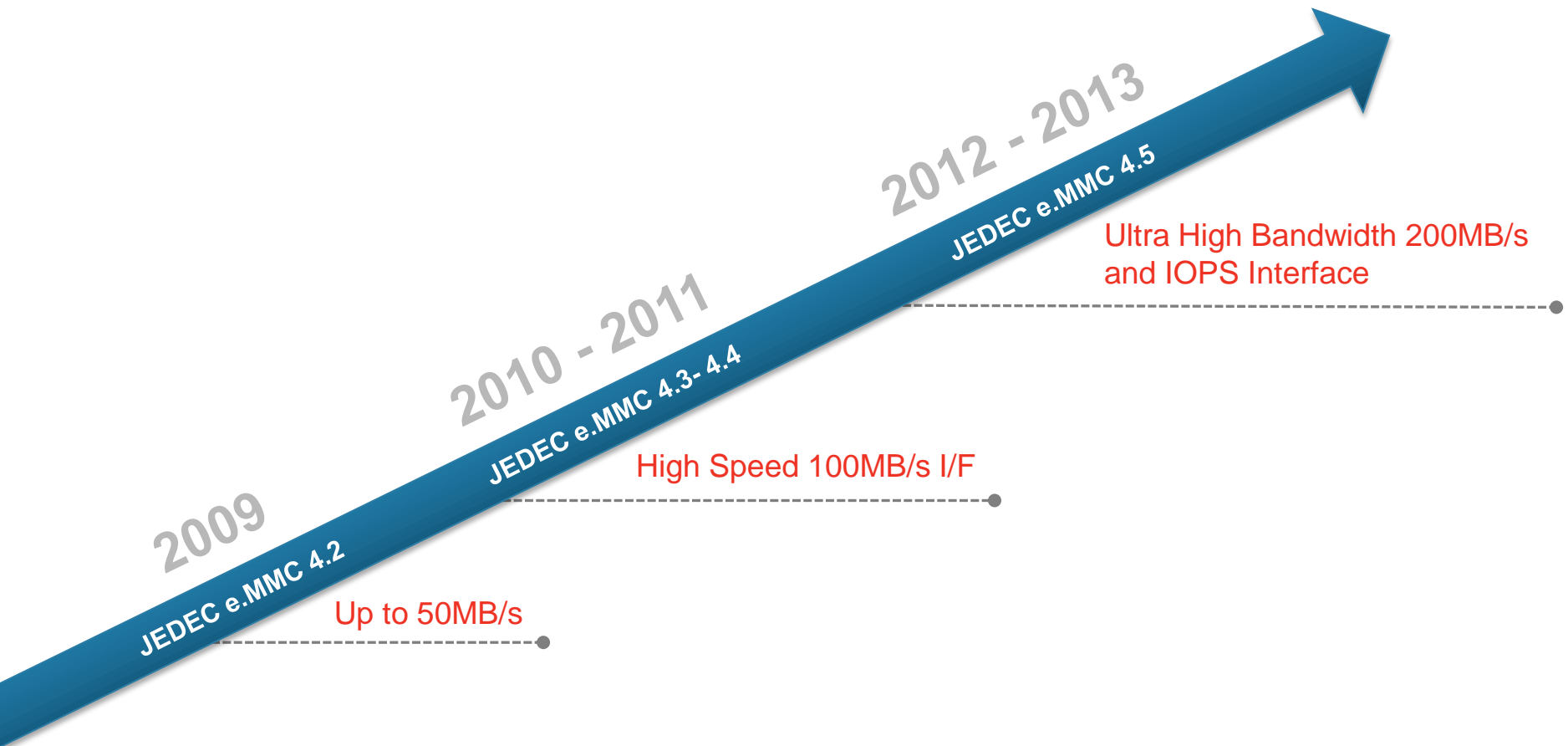
# How is SanDisk Winning?

---



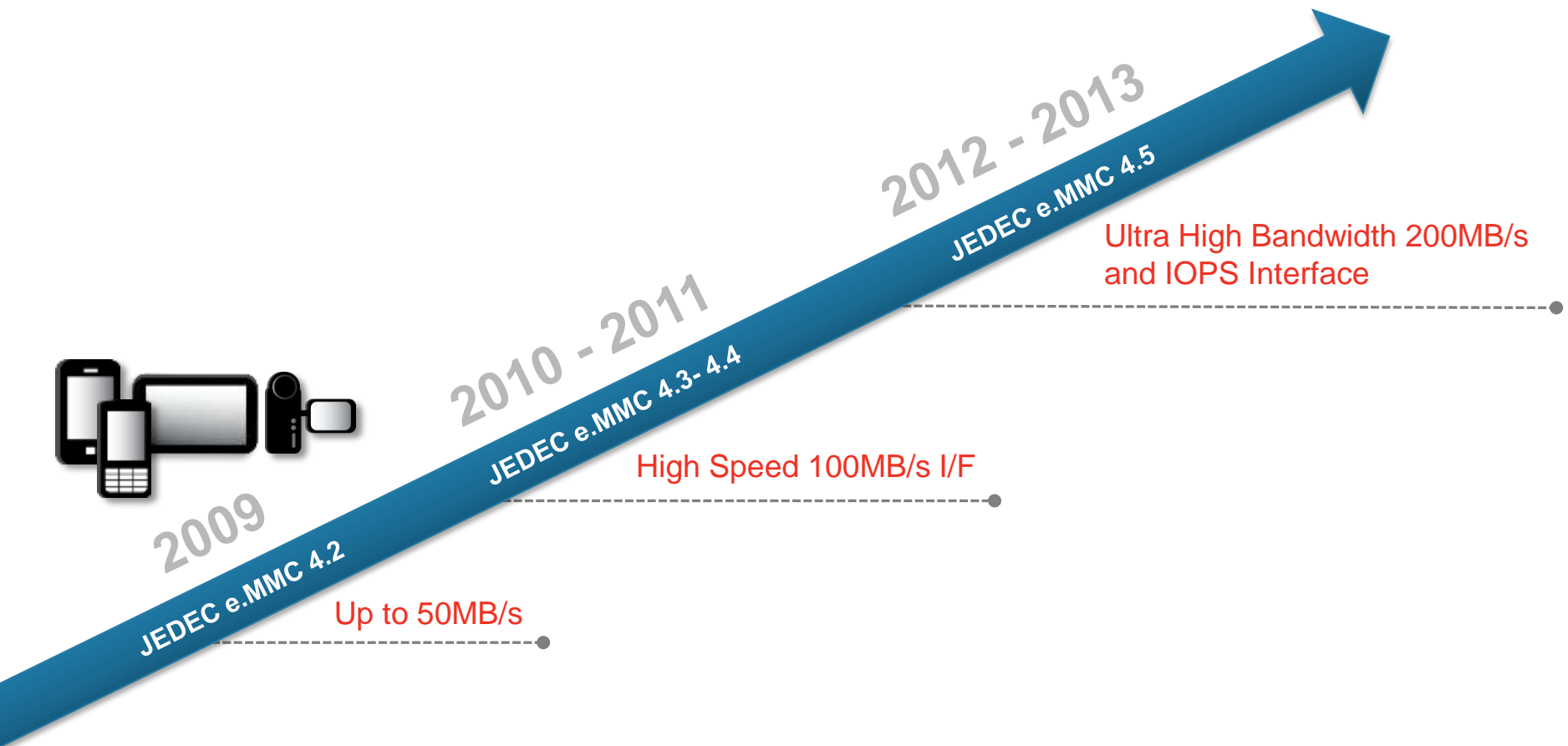
# Standards Requirements Are Growing

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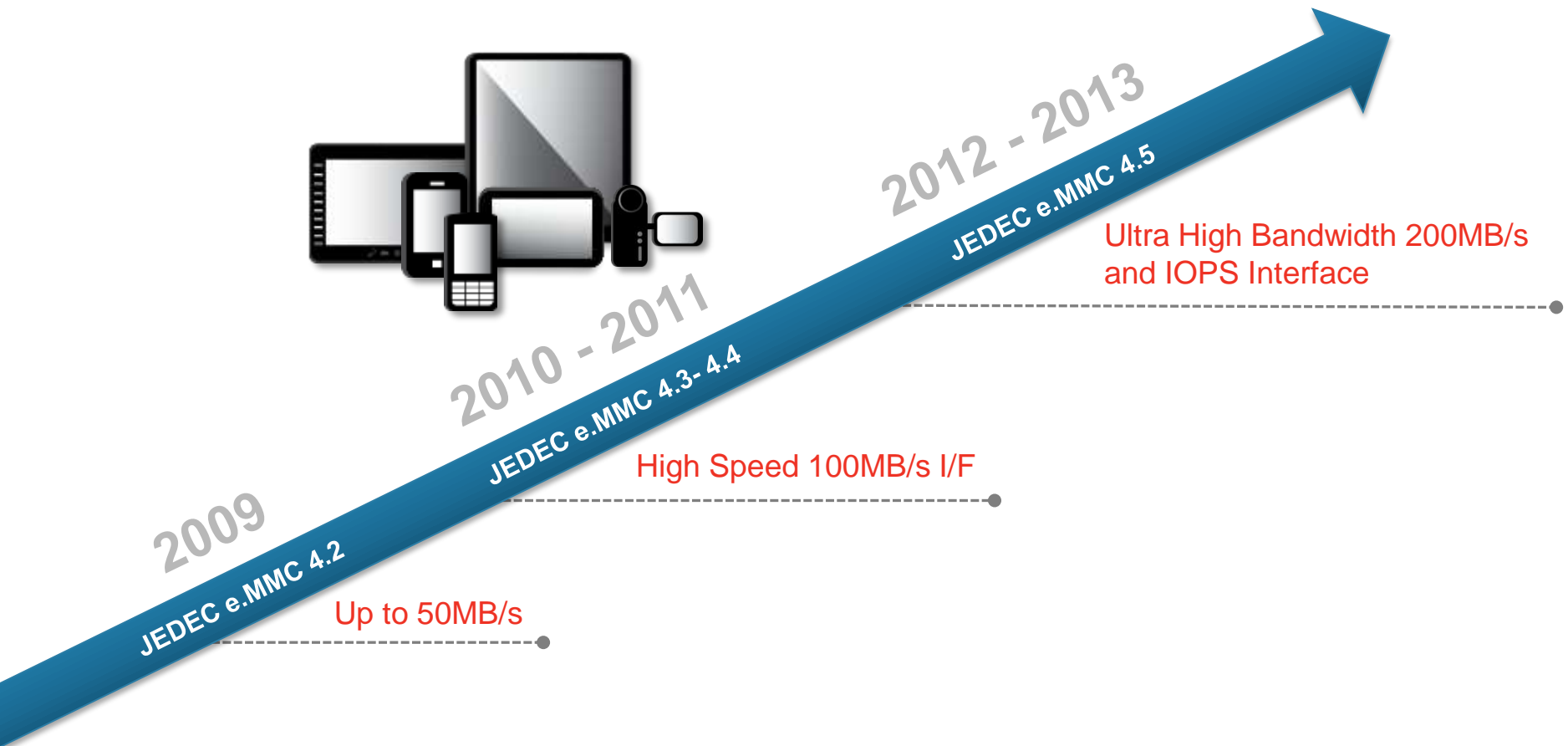


# Applications and Use Cases

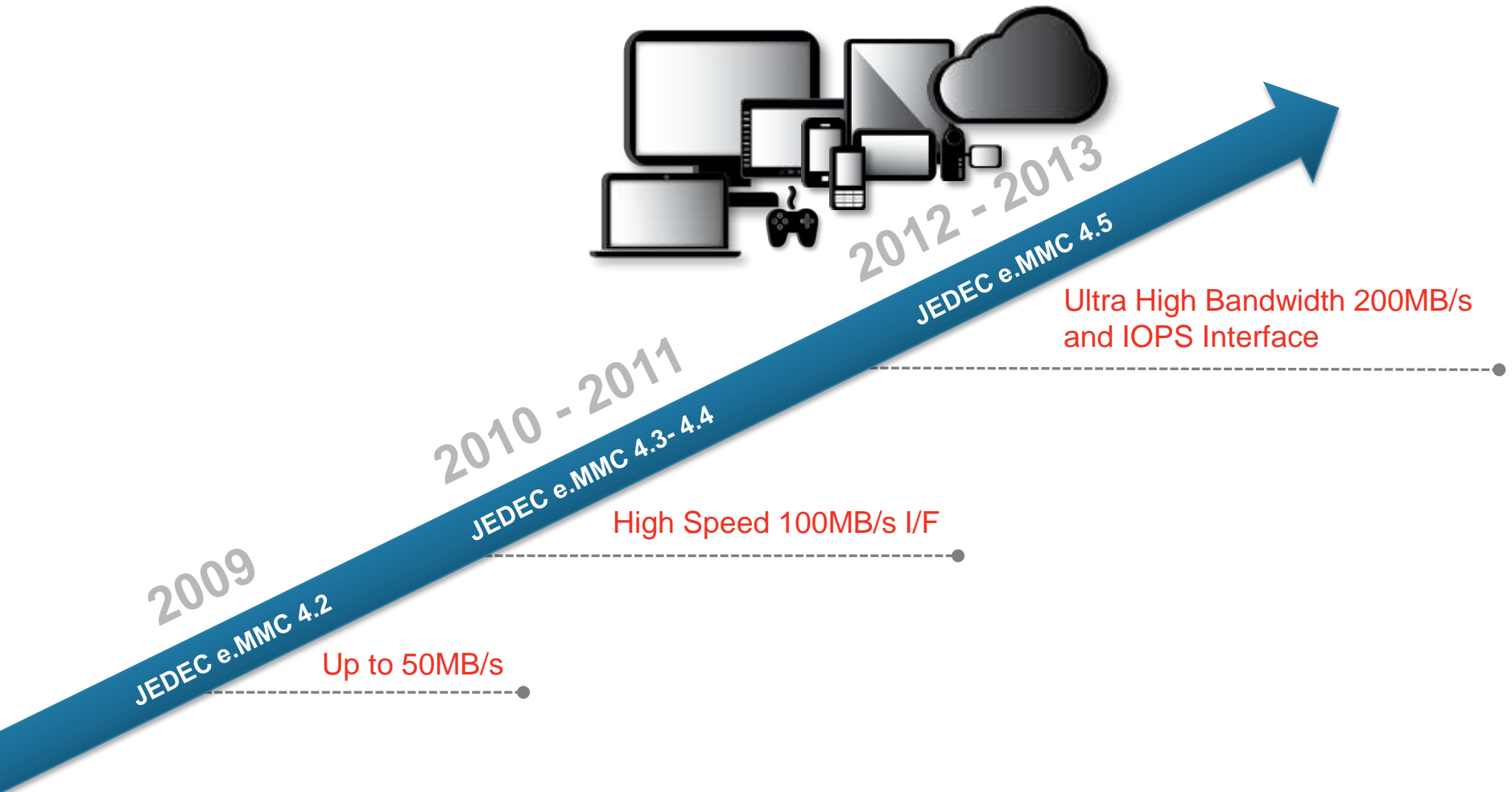
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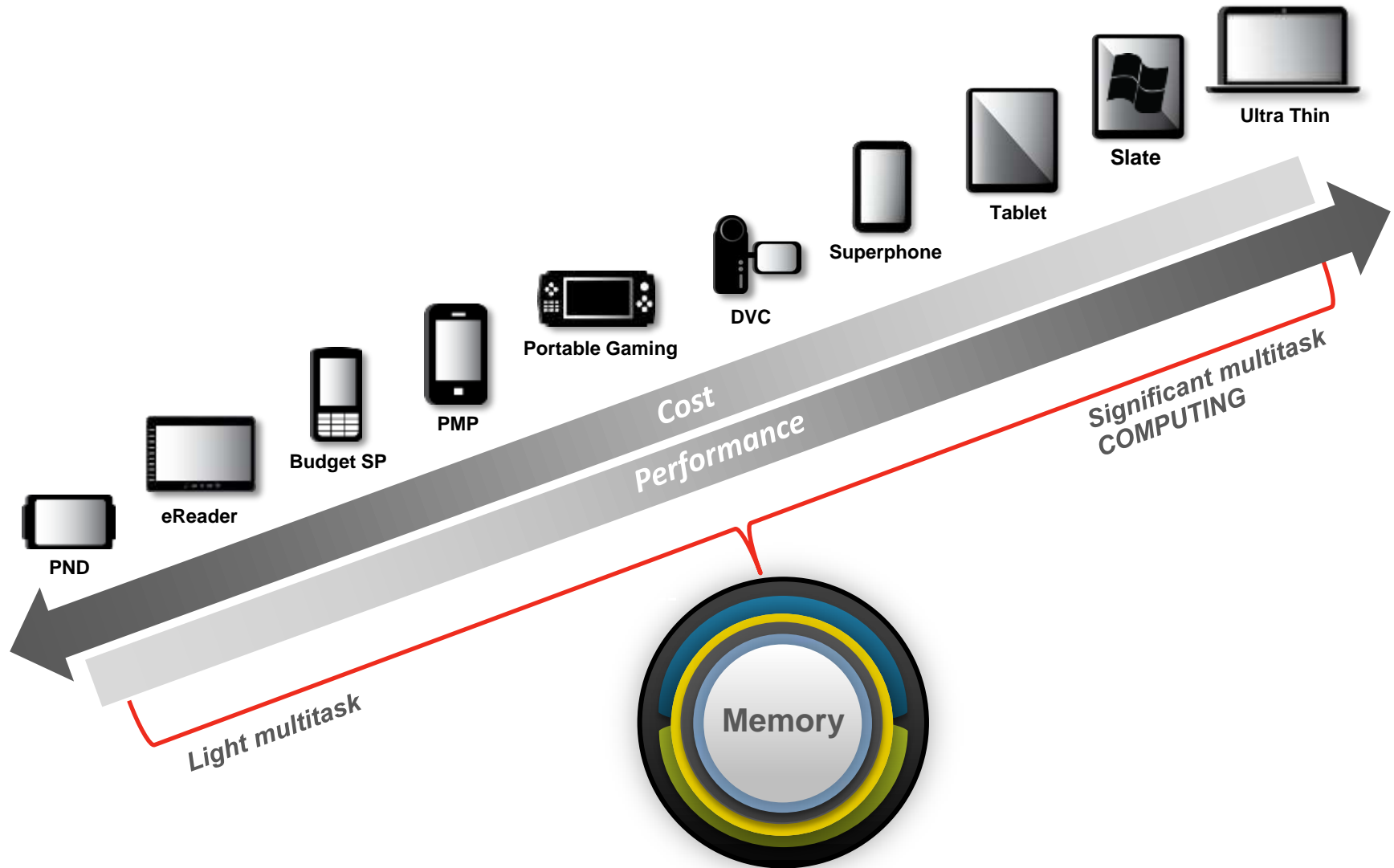
# More Applications and Use Cases



# Embedded Flash Is Everywhere



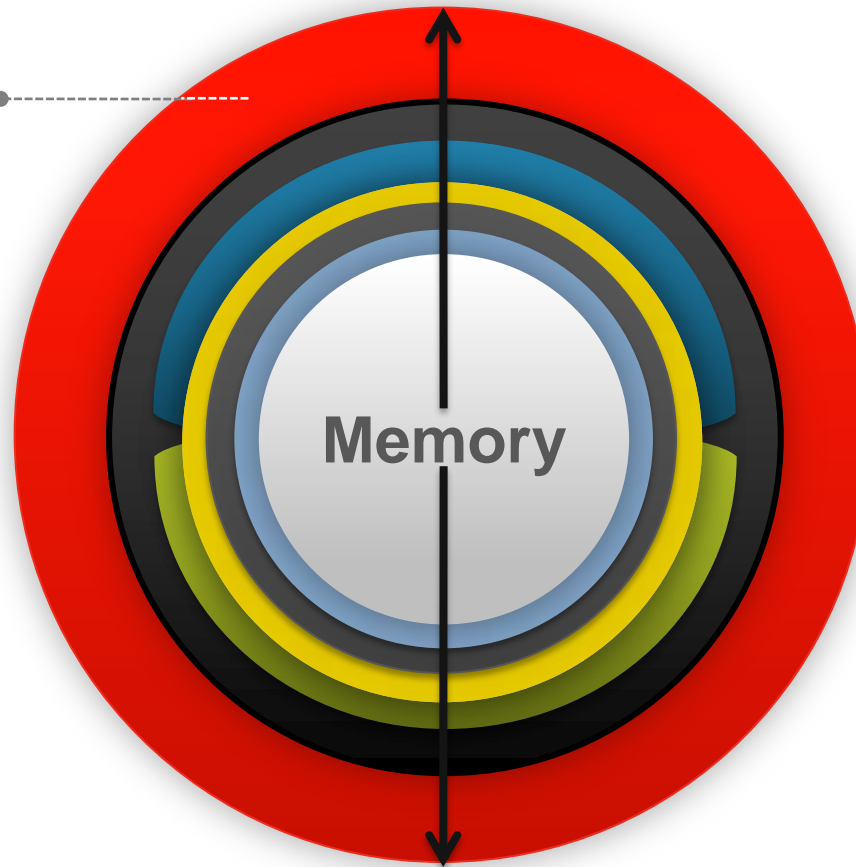
# Tough Balancing Act



# How Is SanDisk Winning?

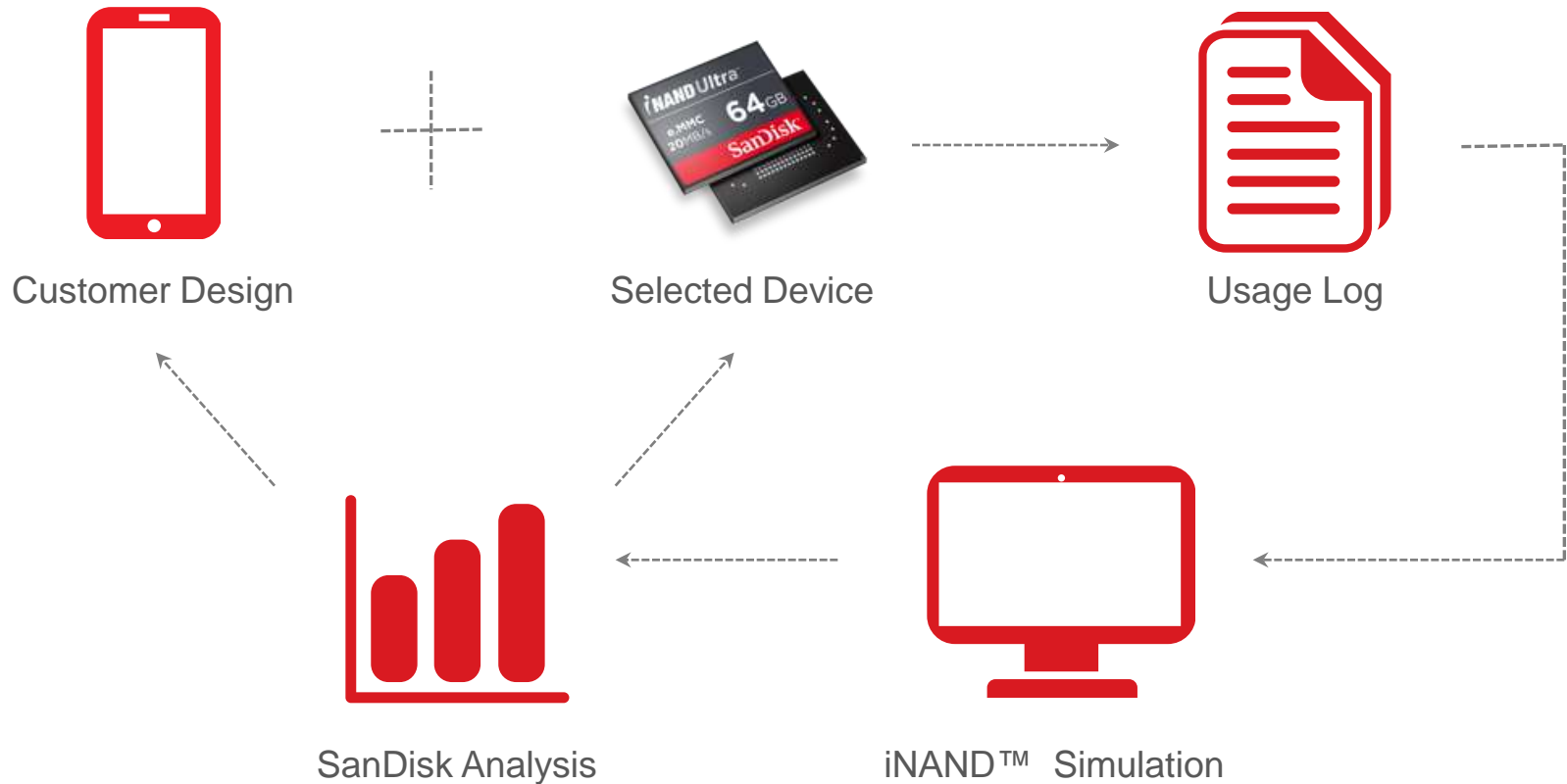
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Usage Models



Vertically Integrated **System**

# SanDisk Usage Analysis

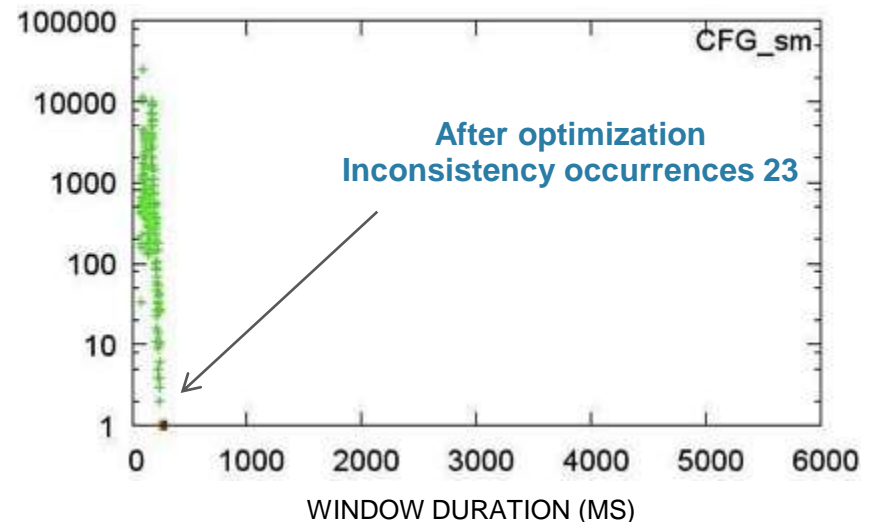
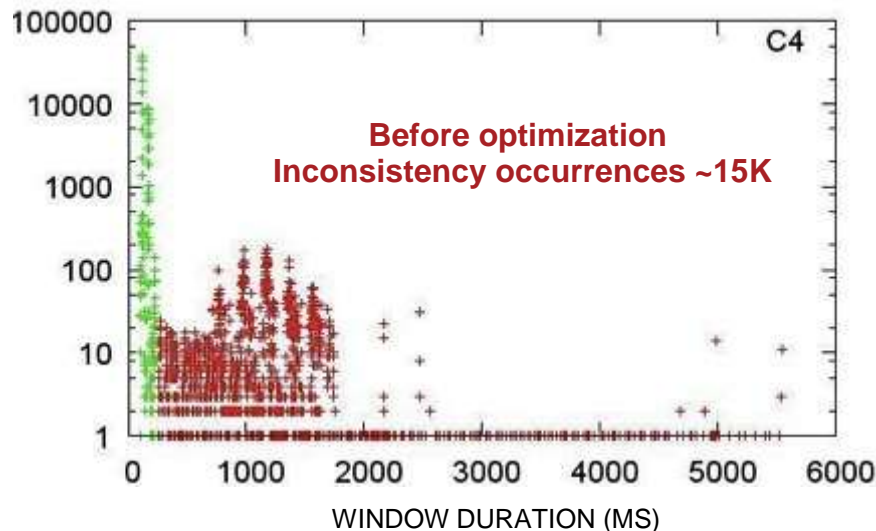


# iNAND™ Usage Optimization

- Inconstant performance affects the Mobile user experience
- Improved device responsiveness and system latency\*

256KB writes requiring more than 256ms – 14,423 occurrences

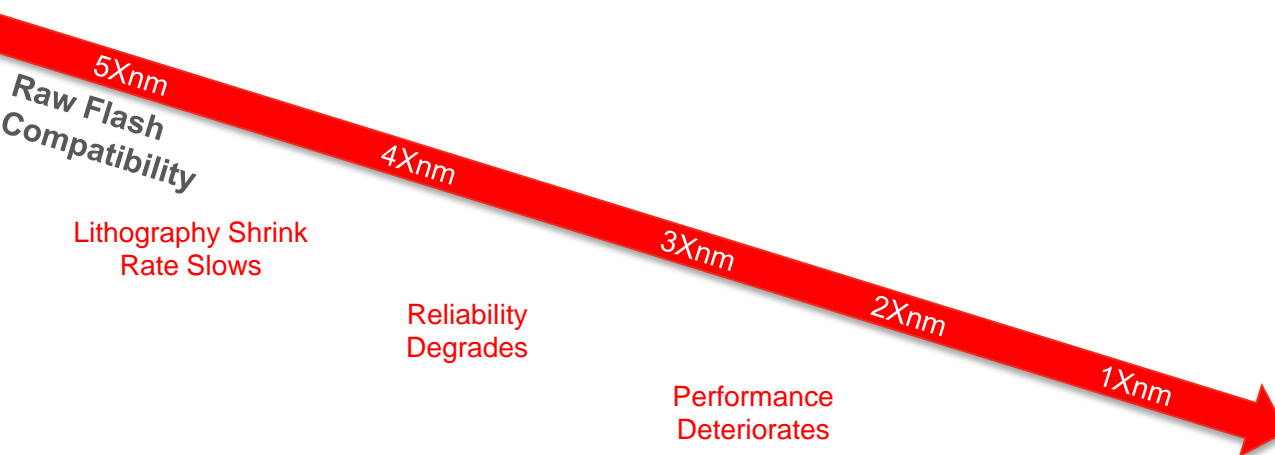
NUMBER OF MEASURED WINDOWS



\* Based on SanDisk testing and analysis

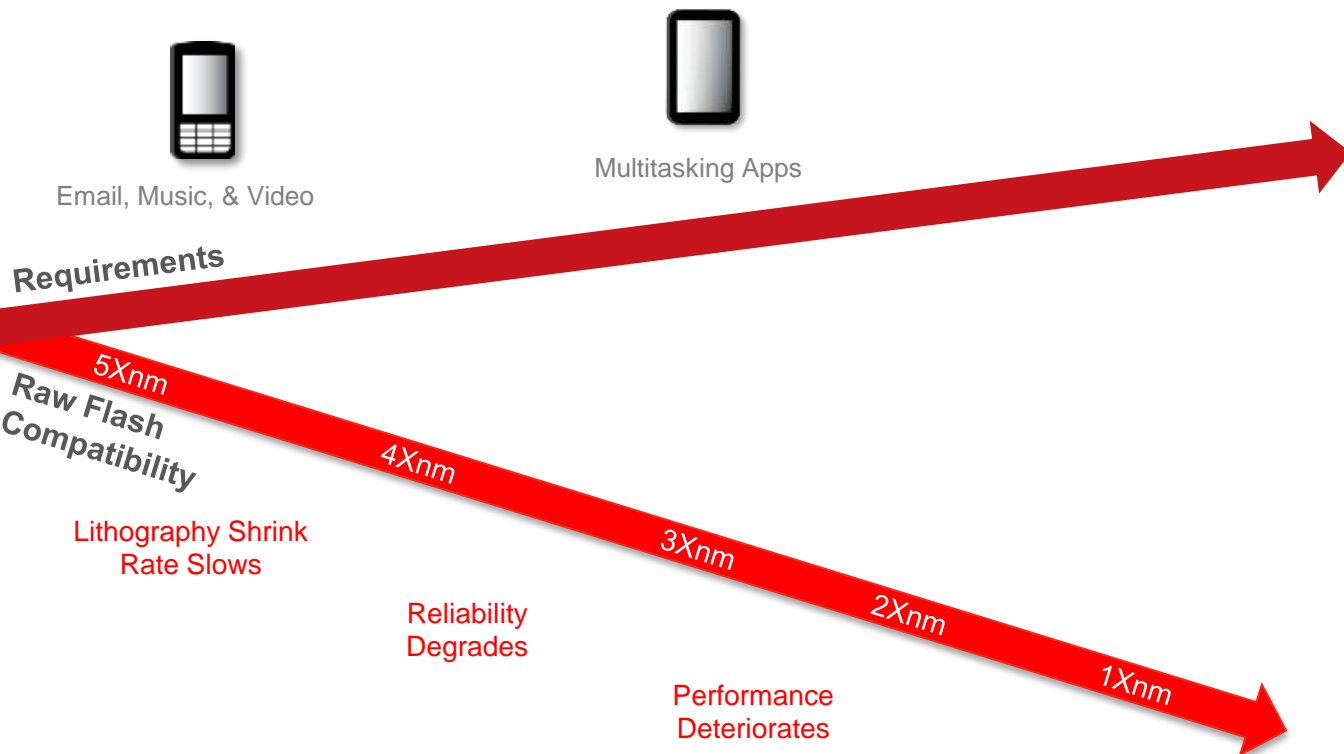
# SanDisk's Differentiation

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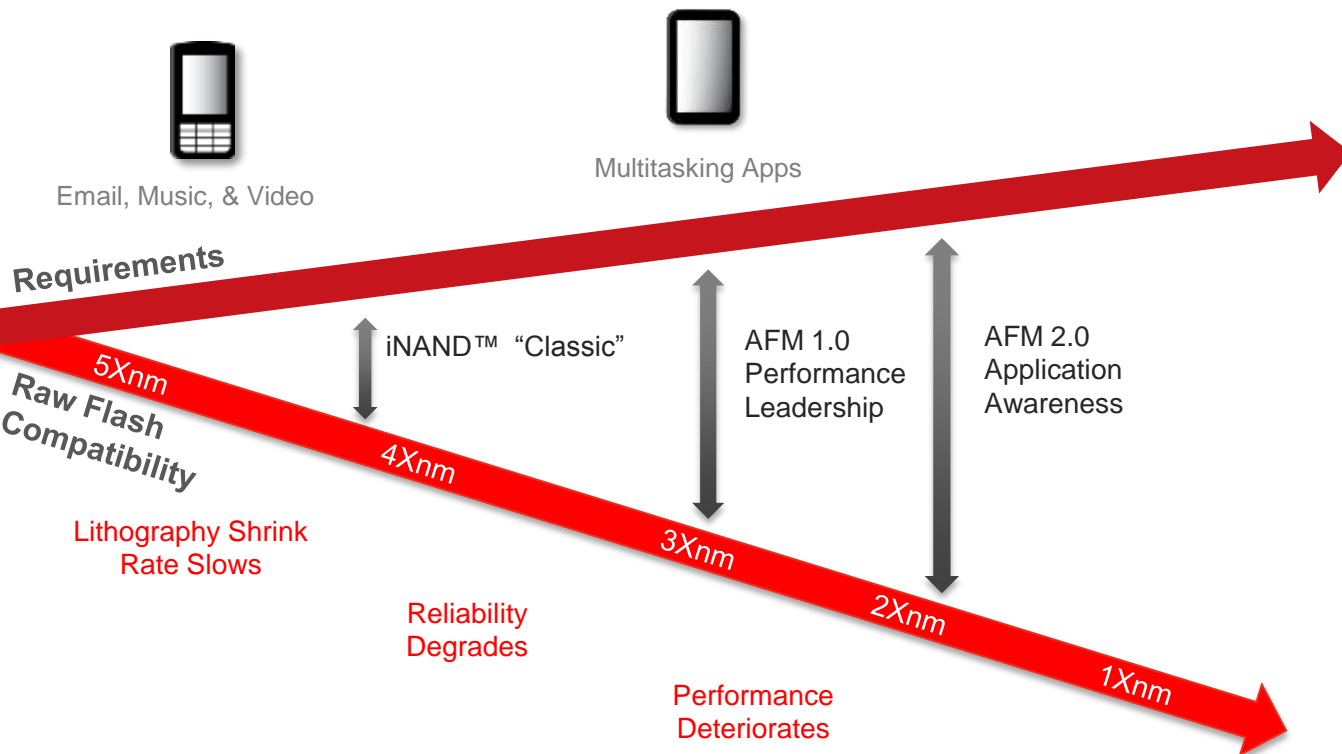
# SanDisk's Differentiation

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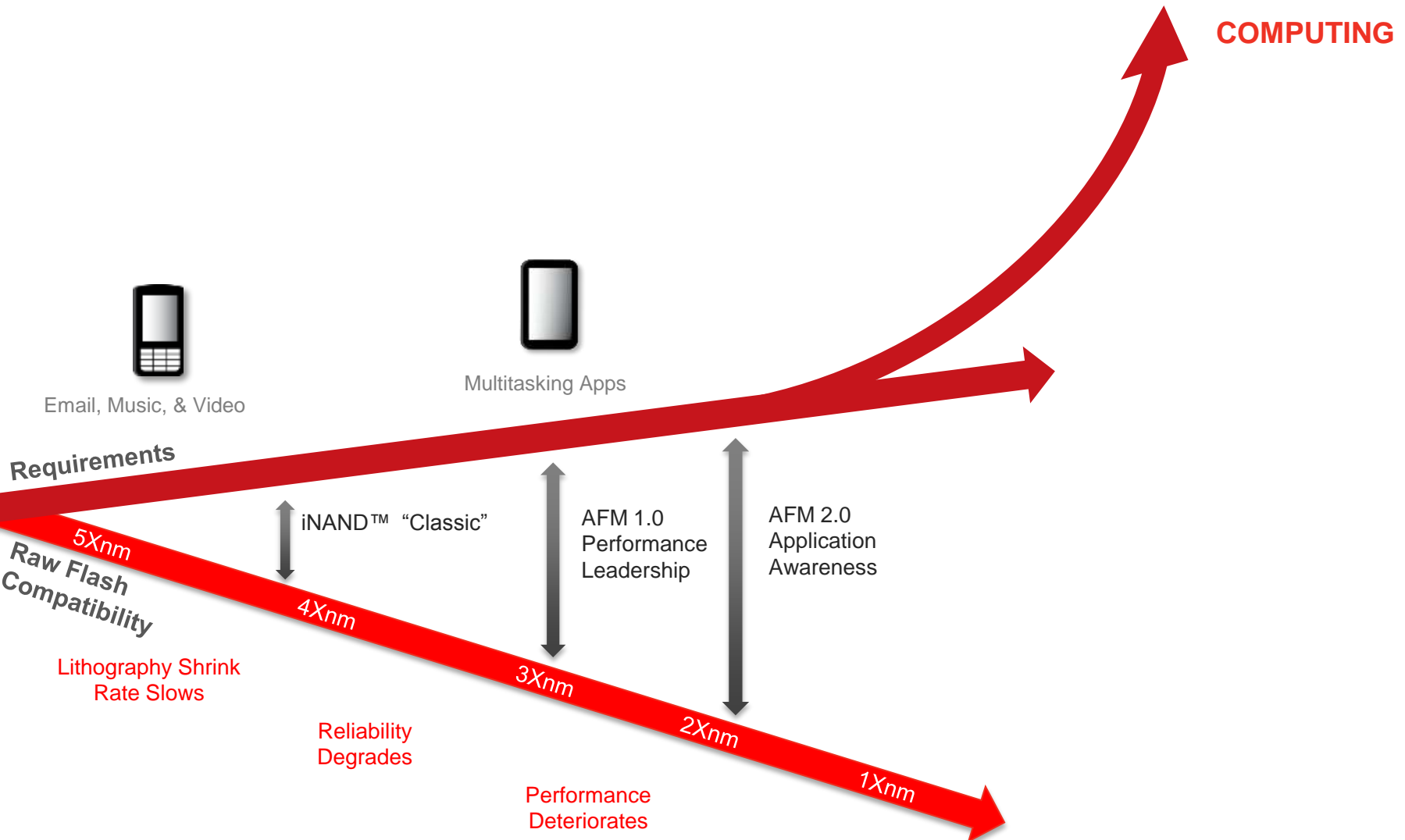


# SanDisk's Differentiation

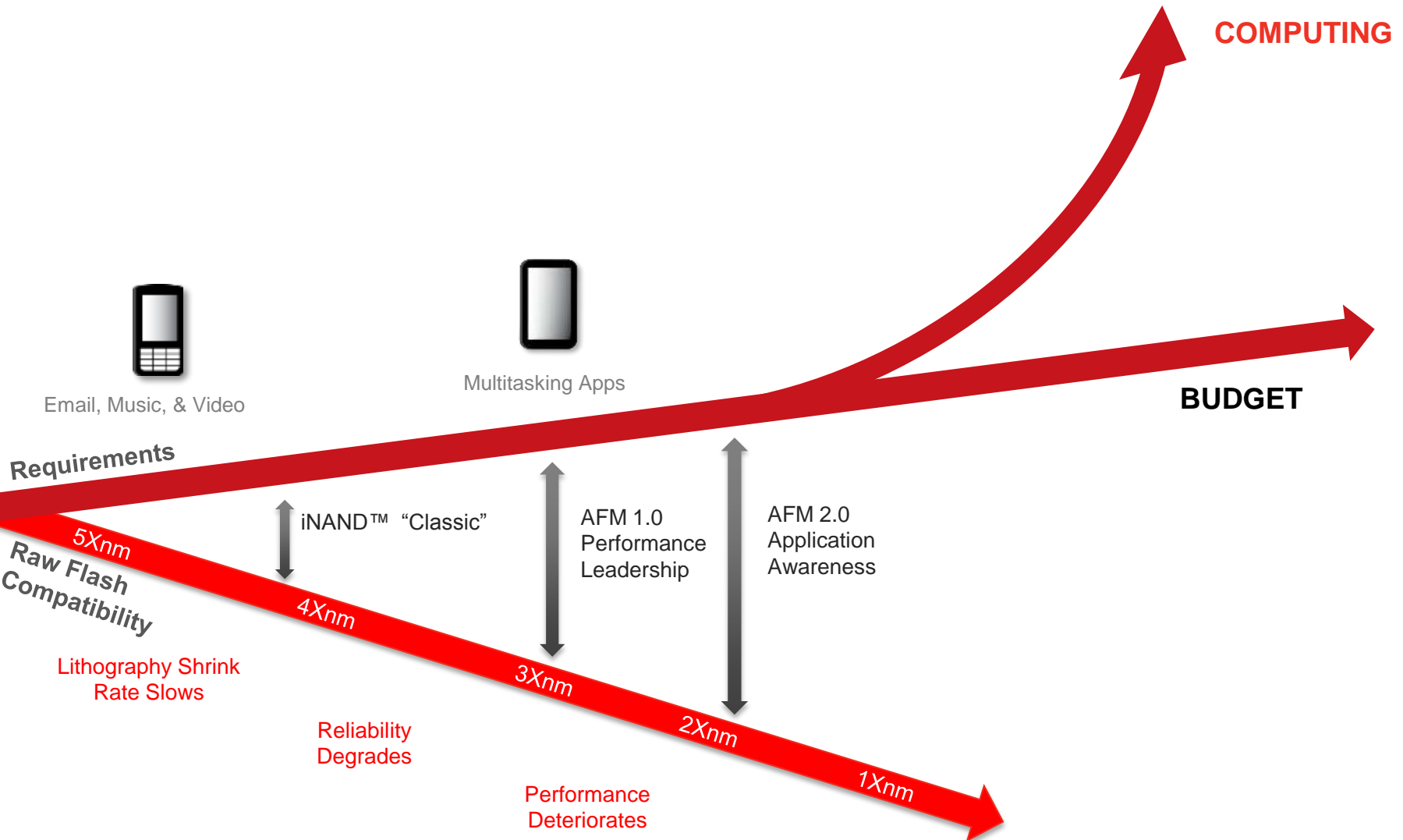
## Adaptive Flash Management™ Technology



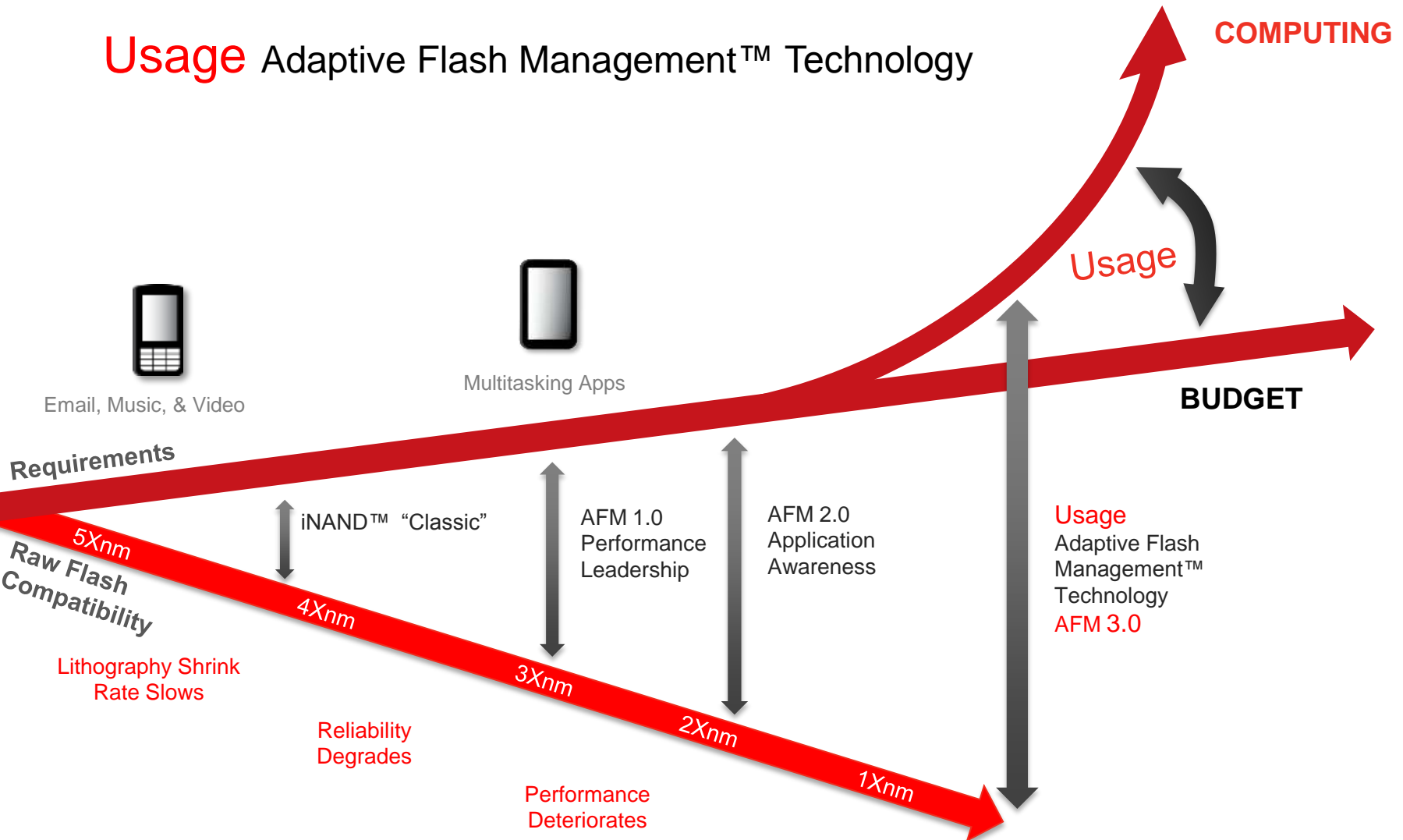
# SanDisk's Differentiation



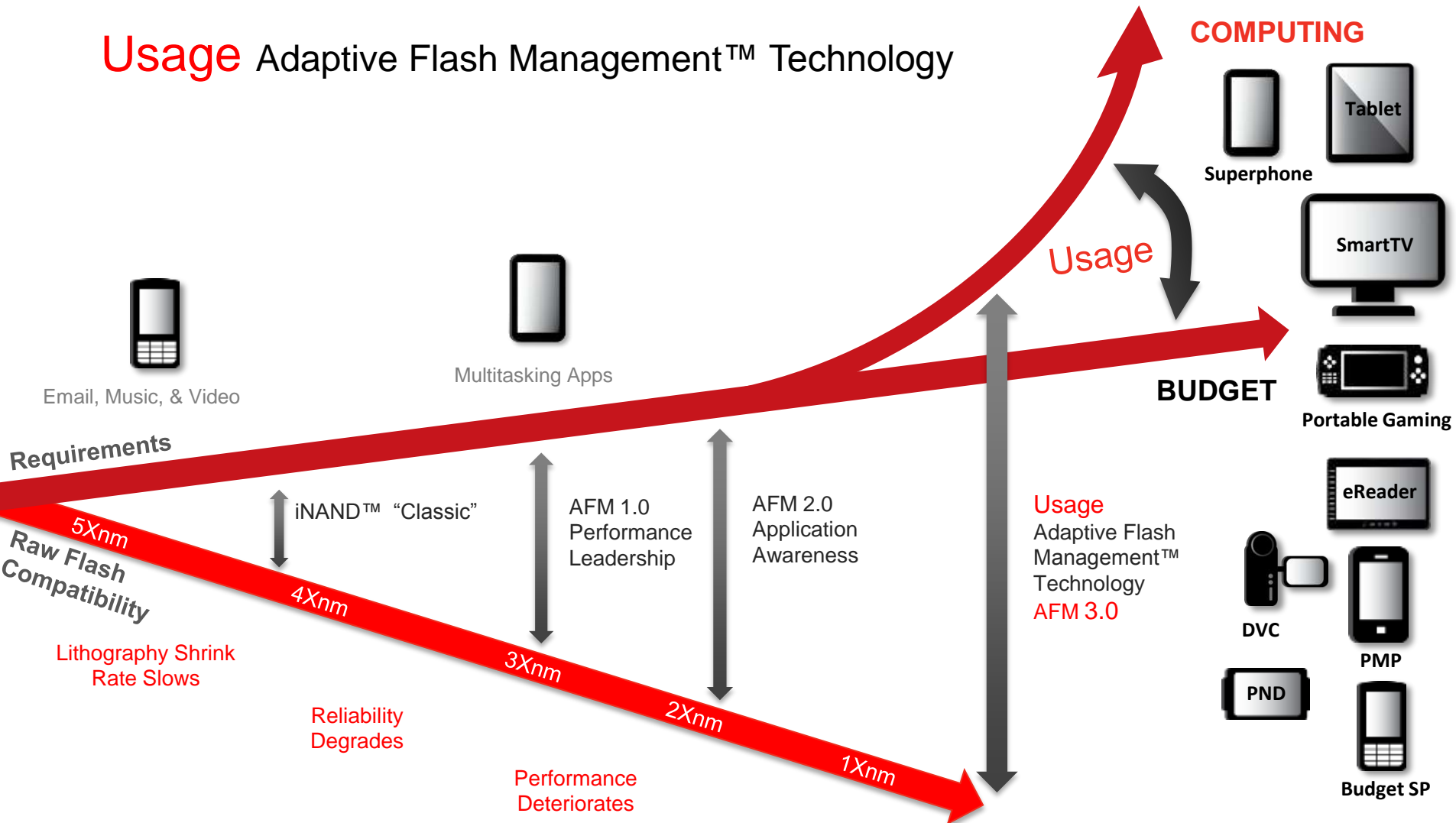
# SanDisk's Differentiation



# SanDisk's Differentiation



# SanDisk's Differentiation



# SanDisk's Differentiation

## Segmented Solutions

**SanDisk® iSSD™**  
Integrated Storage Device



8, 16, 32, 64, 128, 256 GB\*

**iNAND EXTREME™**



16, 32, 64 GB

**iNAND ULTRA™**



4, 8, 16, 32, 64 GB

**iNAND™ STANDARD**



4, 8, 16, 32, 64 GB



\* 1 gigabyte (GB) = 1 billion bytes

# Winning in Mobile and Tablets

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# 2011 e.MMC

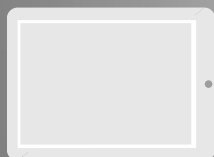
## iNAND™ QUALIFIED 2011 MODELS \*



**50+%** e.MMC Mobile



**60+%** e.MMC Android Mobile



**50+%** e.MMC Tablet

\* Based on embedded MLC e.MMC discrete designs of Tier I & II customers (excl. Apple) in Strategy Analytics SpecTRAX database (Dec. 2011), which were launched in 2011 compared to known iNAND™ design ins (by SanDisk)

# Leveraging Expertise into New Segments

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# Leveraging Expertise into New Segments

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# Smart TV Leading Design Wins

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2 Leading Smart TV Vendors already  
chose iNAND™



# Leading 2011 Designs across Segments

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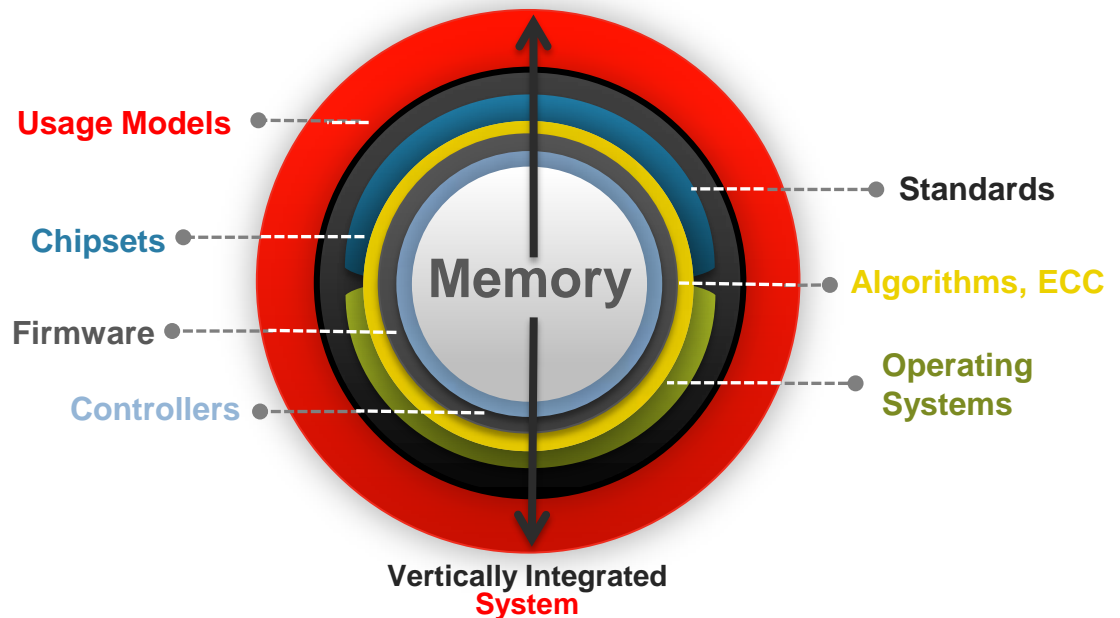
# Among Hundreds of iNAND™ Designs

---



# Why SanDisk Is Winning

- 1 System Expertise through Tight Integration
- 2 **USAGE** Adaptive Flash Management™
- 3 Expanding into new Segments



# KEVIN CONLEY

*Senior Vice President and General Manager, Client Storage Solutions*

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# Agenda

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- CLIENT SSD MARKET OPPORTUNITY
- SANDISK CLIENT SSD PORTFOLIO
- ULTRABOOKS:  
SSD AND CACHING SOFTWARE SOLUTIONS
- VERTICAL INTEGRATION ADVANTAGE

# SanDisk Target Client SSD Markets



## PC-SSD ONLY

High productivity and intensive application usage



## PC-DUAL DRIVE

HDD + SSD for affordable performance boost



## TABLET

Productivity tablets for content creation and gaming



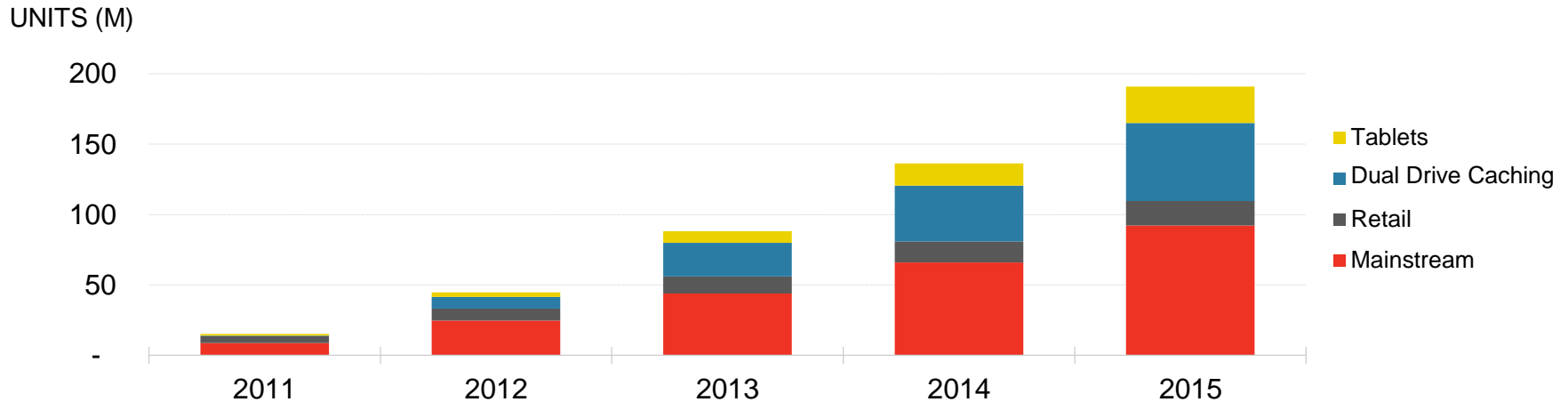
## PC UPGRADE

DIY, gamers, enthusiasts, IT

Ultrabook

# Different Adoption Curves

## SSD UNIT SHIPMENTS

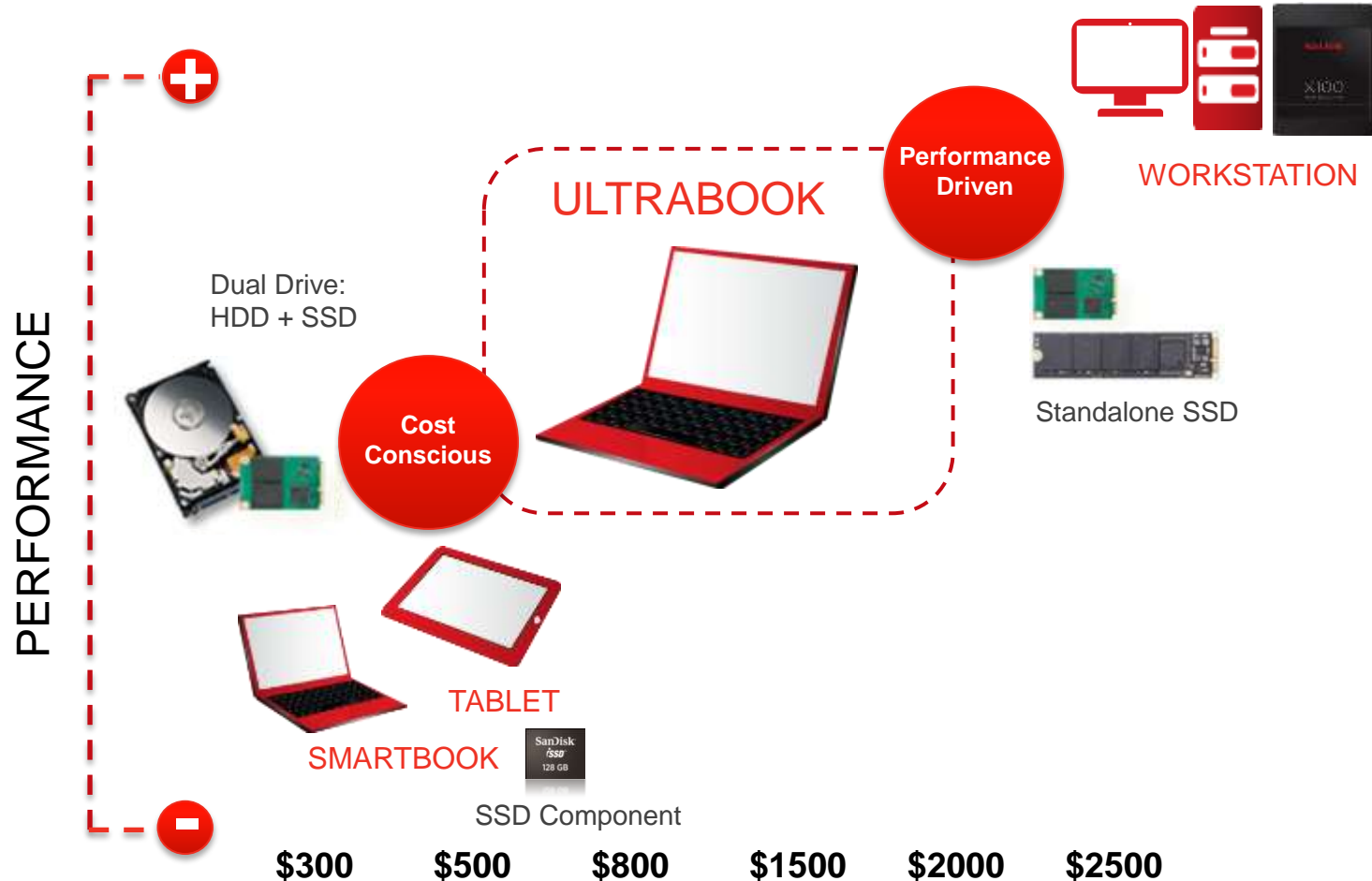


## SSD UNIT SHIPMENTS (MU)

	2011	2012	2013	2014	2015	CAGR
Mainstream	8.5	24.6	44	66	92	82%
Retail	4.8	8.6	12	15	17	38%
Dual Drive Caching	0.5	8.1	24	40	55	227%
Tablets	1.2	3.3	8.2	16	26	114%
<b>TOTAL</b>	<b>15</b>	<b>45</b>	<b>88</b>	<b>136</b>	<b>190</b>	<b>88%</b>

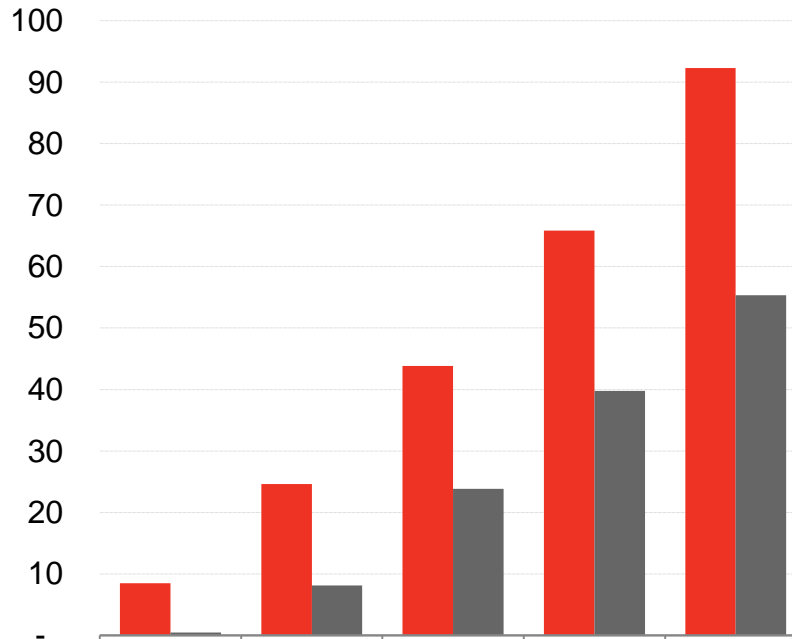
Source: Forward Insights, SSD Insights, 4Q11, December 2011

# SanDisk SSDs Meet Client Storage Needs

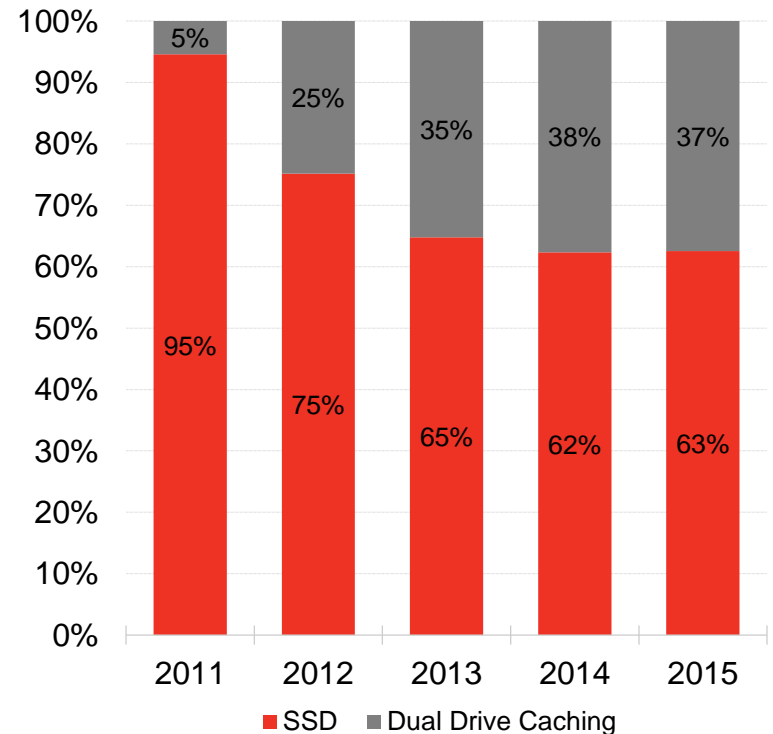


# Client SSD & Caching Market Forecast

UNITS (M)



	2011	2012	2013	2014	2015
SSD	8.5	24.6	43.8	65.8	92.3
Dual Drive Caching	0.5	8.1	23.8	39.8	55.3



Source: Forward Insights, SSD Insights, 4Q11, December 2011 (excluding Channel & Tablets)

# Addressing Diversified Requirements



## GOOD PERFORMANCE

Cost effective  
Lowest power consumption



## BETTER PERFORMANCE

High sequential performance  
Improved system responsiveness



## BEST PERFORMANCE

High sequential and random  
Highest capacity  
Benchmark leader

# SanDisk Client SSD Product Portfolio

## OEM PRODUCTS



Std. 2.5"  
X100



Std. 2.5"  
U100



Slim Light (MO-297)  
U100



mSATA  
X100 & U100



mSATA mini  
U100



SanDisk®  
iSSD™  
i100

## RETAIL PRODUCTS



Std. 2.5"  
SanDisk Extreme®



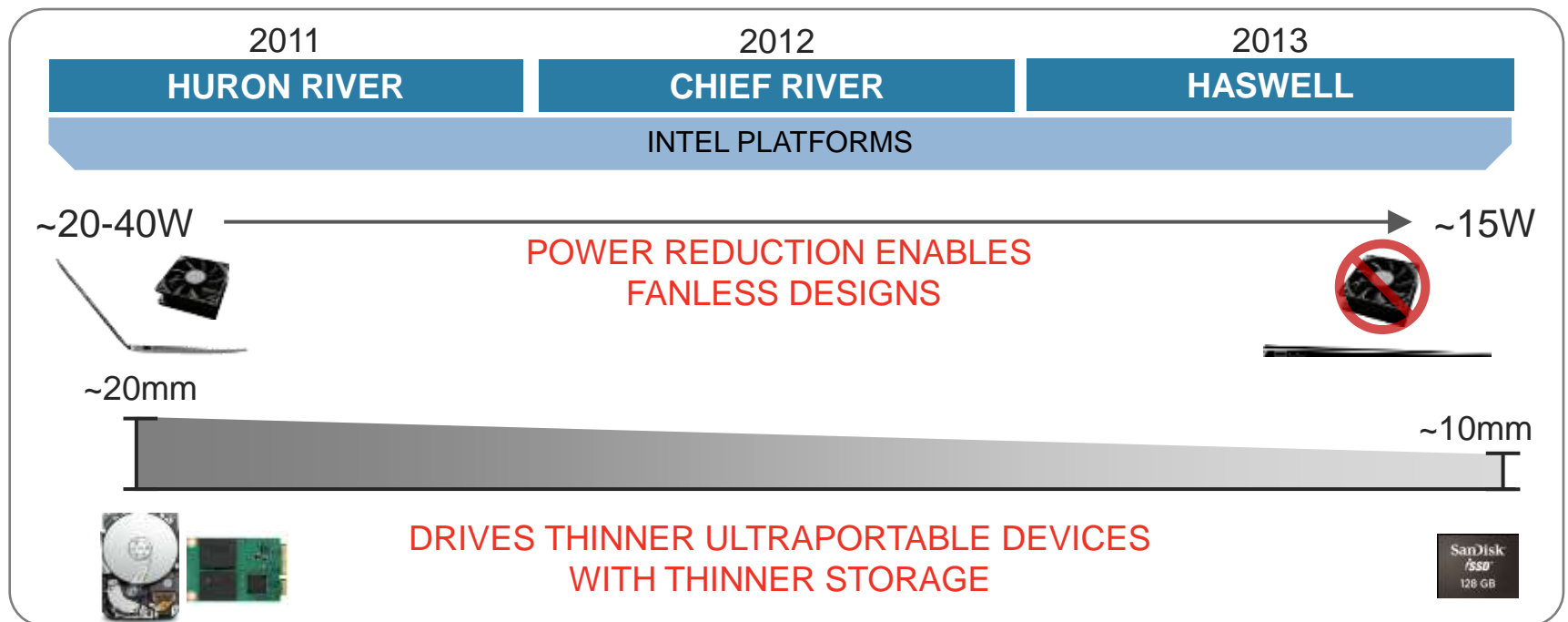
Std. 2.5"  
SanDisk Ultra

# Ultrabook™ Enabled by SSD Advantages

## ULTRABOOK GOALS:

## STORAGE CHALLENGES:

SLEEK THIN DESIGN	ALL DAY COMPUTING	ENHANCED USER EXP. AOAC INSTANT ON	2012 PRICING <\$799
FORM FACTOR FLEXIBILITY	POWER	PERFORMANCE	PRICE/CAPACITY



# Sleek Design Challenge Addressed

## SANDISK FORM FACTOR INNOVATION



**STANDARD 2.5"**  
100.5x69.85x7mm  
(Cased)



**SLIM LIGHT (MO-297)**  
54x39x3.28mm



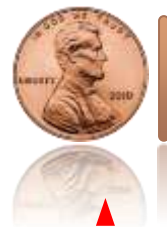
**mSATA**  
50.95x30x3.6mm



**mSATA mini**  
26.8x30x3.6mm



**uSSD**  
16x20x  
1.4-1.85mm  
(BGA)



**1 cent**  
19.05mm dia x  
1.55mm

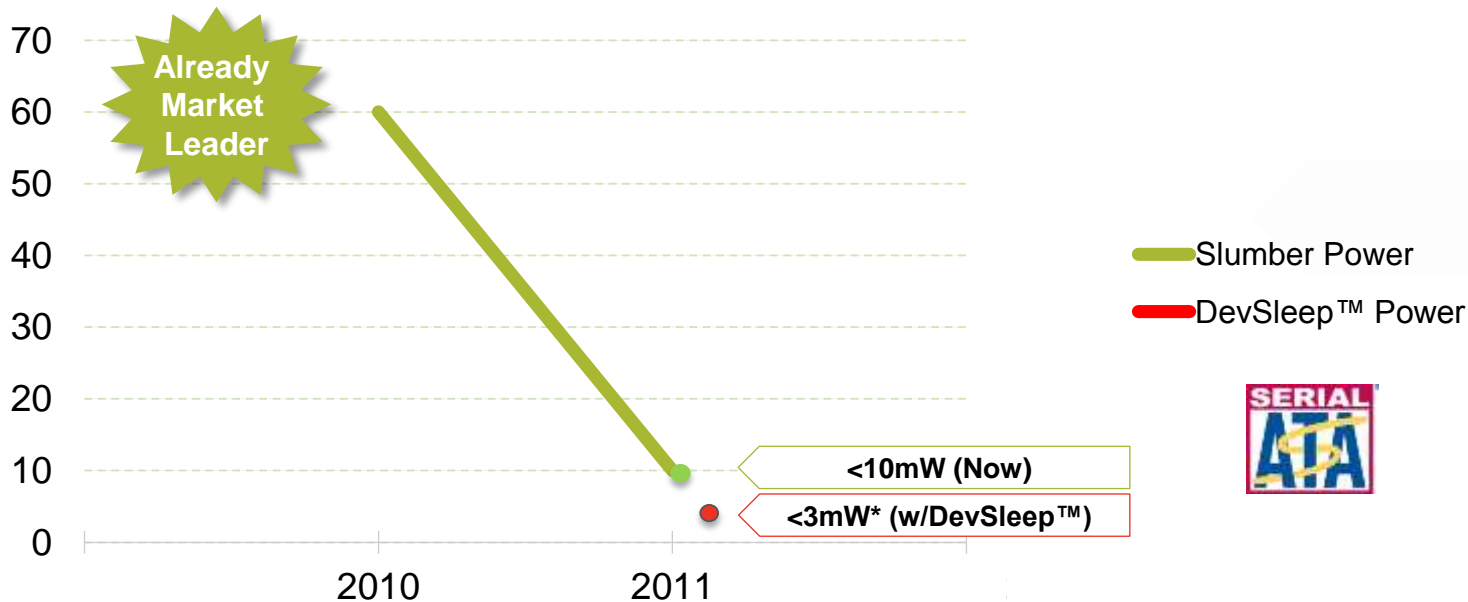
Not Actual Size

# Power Challenge Addressed

## INDUSTRY LEADING POWER SOLUTION

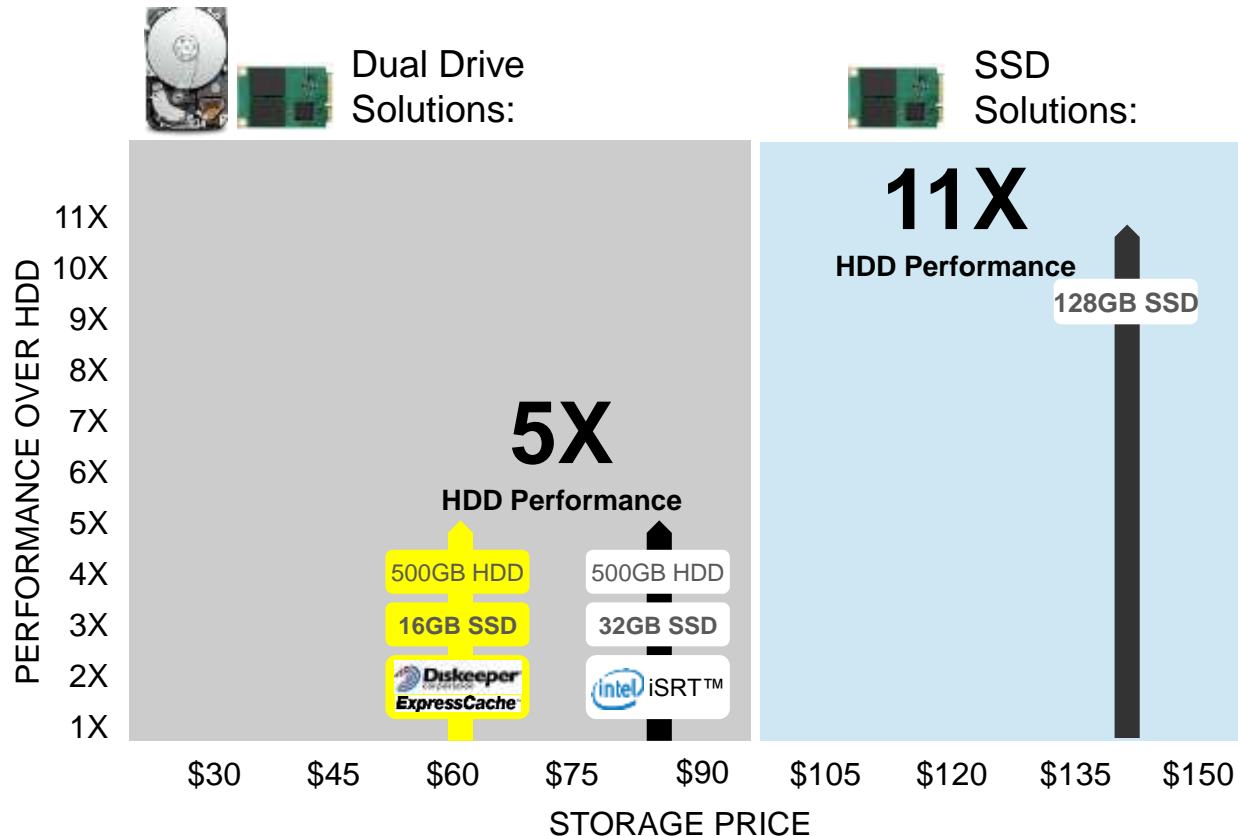
### SANDISK® U100 SSD AND SANDISK® iSSD™ I100

POWER CONSUMPTION [mW]



\* DevSleep has to be supported by host platform  
DevSleep wake up latency target is less than 30mS

# Performance & Price/Capacity Challenges Addressed



**Source:** SanDisk internal testing; PCMark Vantage, January 2012

**Platform:** Intel Z68 - i7 iRST 11.0.0.1032 Win7 32bit 4GB RAM

**Storage:** SanDisk SSD 32GB, 128GB, Seagate 7200.4 500GB

**Pricing:** Based on Forward Insights, SSD Insights, 4Q11, December 2011

# 2012 is the Year of the Ultrabook

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**ASUS**® ZENBOOK™ UX31

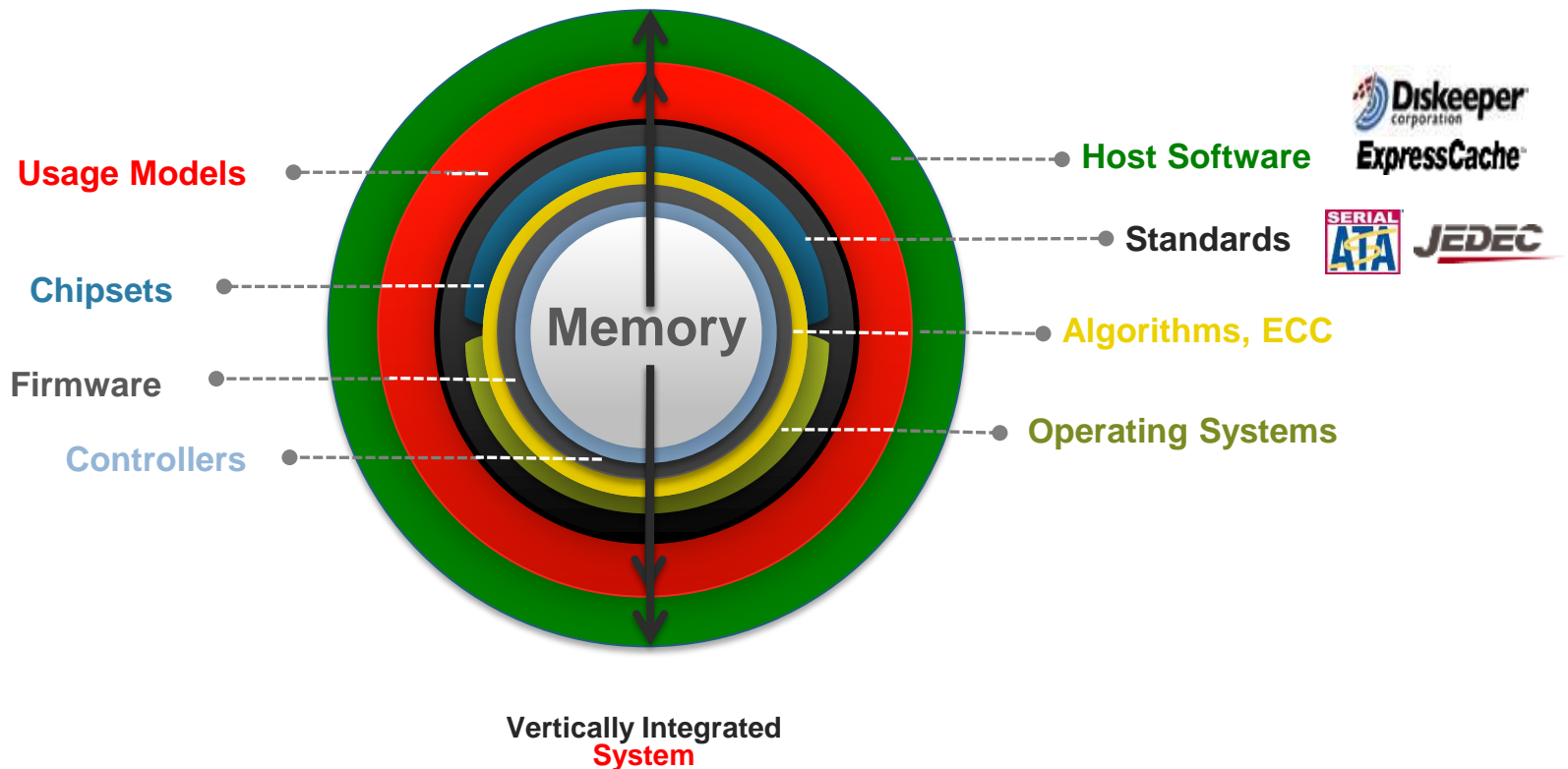


**SanDisk U100 256GB SSD**  
(Asus Custom Form Factor)

## OTHER SELECTED DESIGN WINS

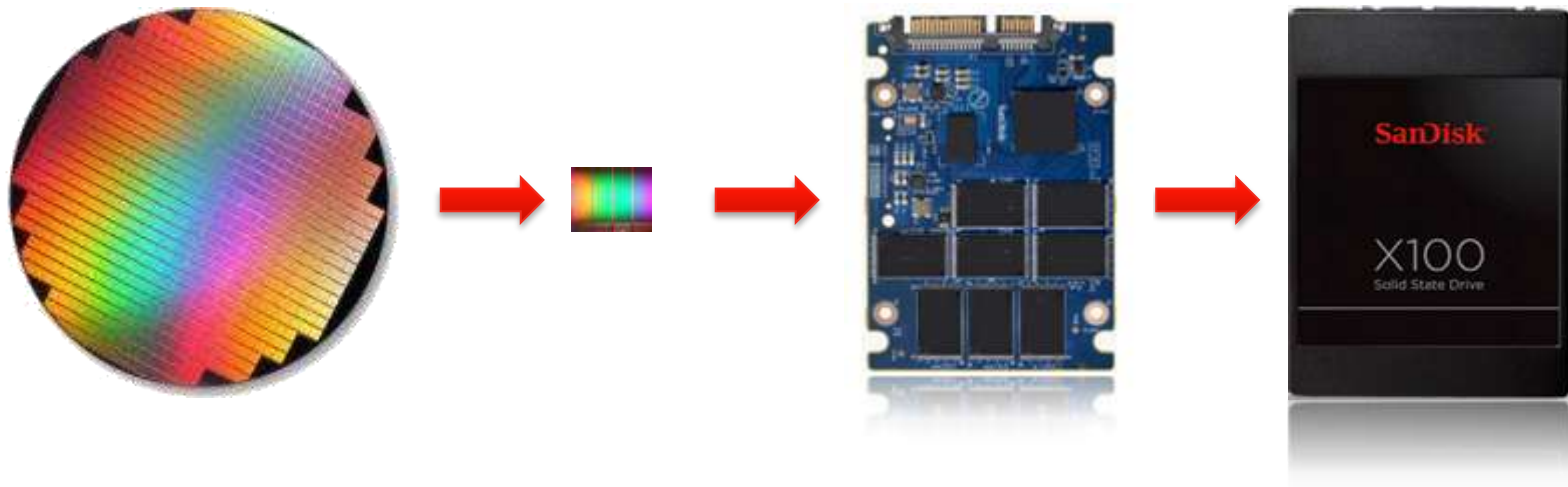


# SanDisk End-to-End System Expertise



# SanDisk SSD Vertical Integration

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# Why SanDisk Will Win

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## ■ BROAD CLIENT SSD PORTFOLIO

- Low Power Leadership
- Small Form Factor Innovation
- High Capacity / High Performance

## ■ ADDED VALUE THROUGH SOFTWARE

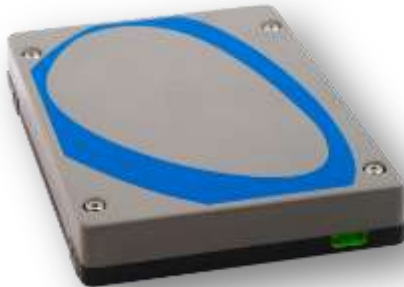
## ■ END-TO-END SYSTEM EXPERTISE

## ■ VERTICAL INTEGRATION

# GREG GOELZ

*Vice President and General Manager, Enterprise Storage Solutions*

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# Who Wants to Save Money? **Everyone!**



## Enterprise SSD Solutions Save Money

# CIO Storage Value Perspective

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## Critical Questions for Storage Solutions:

- How much information does it hold?
- How much work does it do?
- Does it meet my 'response time' requirements?
- How much does it cost?



# Old Approach: More HDDs = Performance

## HDD-ONLY CONFIGURATION

- Slower Mechanical Drives
- Inefficient I/O Transfer Rates
- Smaller Form Factor Drives
- Over-provisioning of HDDs
- Lower Capacity HDDs
- Latency and Bandwidth Issues



# New Approach: SSD + HDD = Cost Savings

## HDD-ONLY CONFIGURATION

- Slower Mechanical Drives
- Inefficient I/O Transfer Rates
- Smaller Form Factor Drives
- Over-provisioning of HDDs
- Lower Capacity HDDs
- Latency and Bandwidth Issues



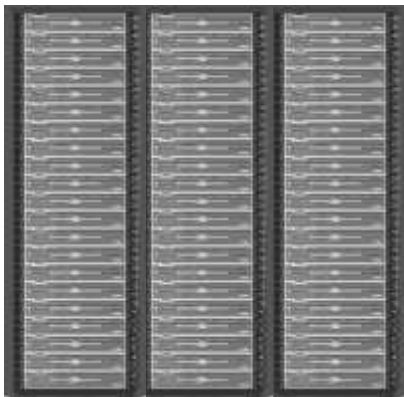
## HYBRID CONFIGURATION

- Faster I/O Performance
- Lower System Cost \$/GB
- Tiered Data Storage – ‘Hot’ Data on SSDs
- Improved Reliability
- Increased Capacity with a Smaller Footprint



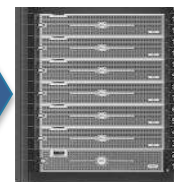
# A Customer Example

HP DL580 G5\* – AUG 19<sup>TH</sup> 2008



**\$1.10/  
TPM**

HP DL380 G7\*\* – MAY 4<sup>TH</sup> 2011



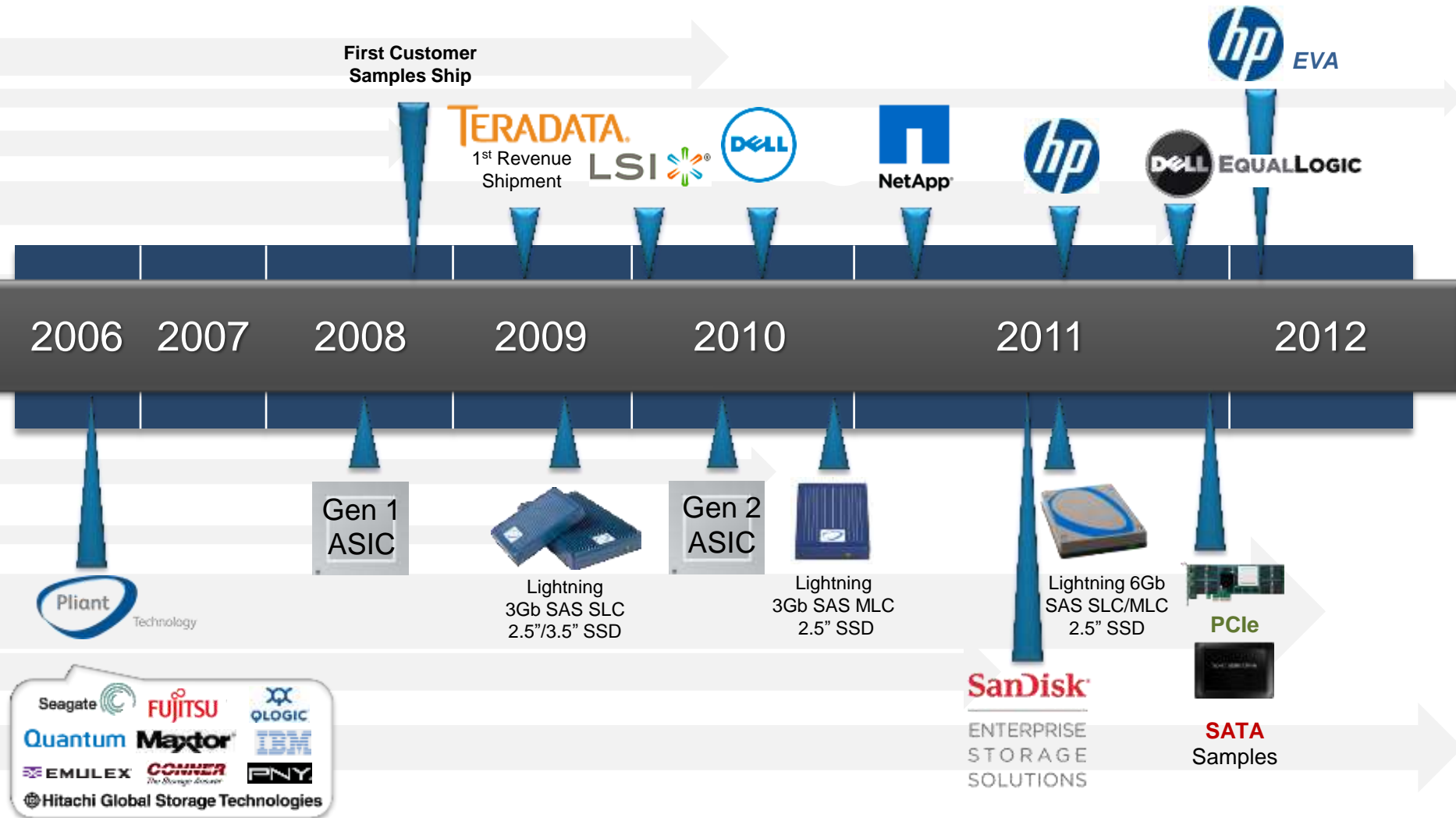
**\$0.65/  
TPM**

METRIC	IMPROVEMENT
Storage Capacity (Terabytes)	+74%
Number of Users	+65%
Performance (Transactions Per Minute, TPM)	+61%
Drive Power (Watts)	-79%
Footprint (Enclosures)	-77%
System Cost	-5%

\*HP ProLiant DL 580 G5, 2.67 GHz, 16MB L2, TPC Report, Hewlett Packard Company.

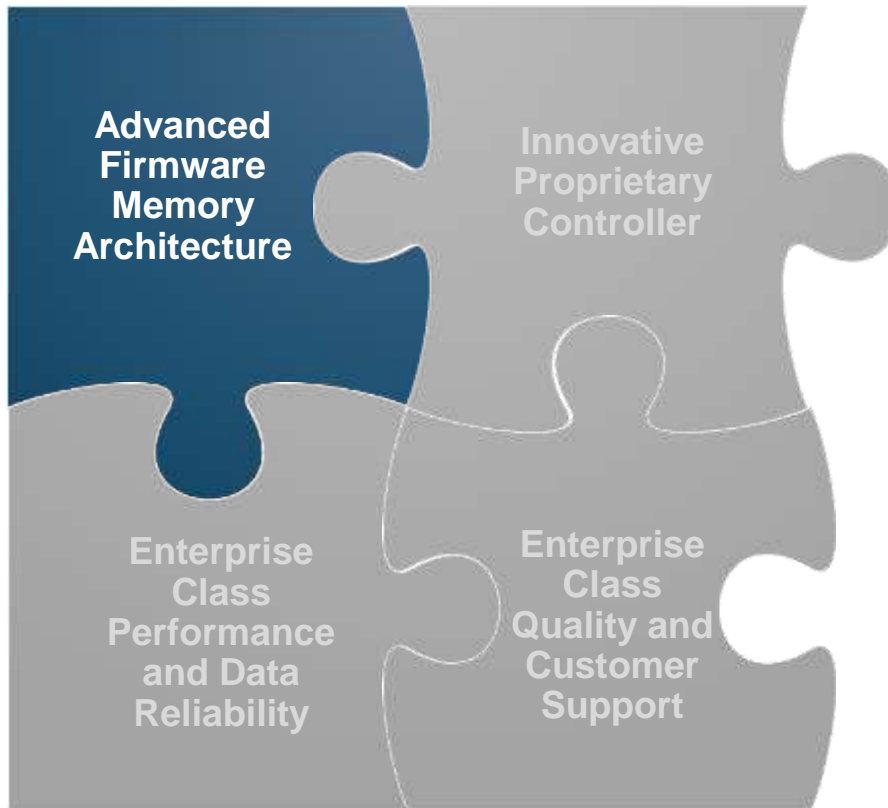
\*\*HP ProLiant DL 380 G7, 3.46 GHz, 12MB Cache, TPC Report, Hewlett Packard Company

# Pliant/SanDisk ESS Timeline



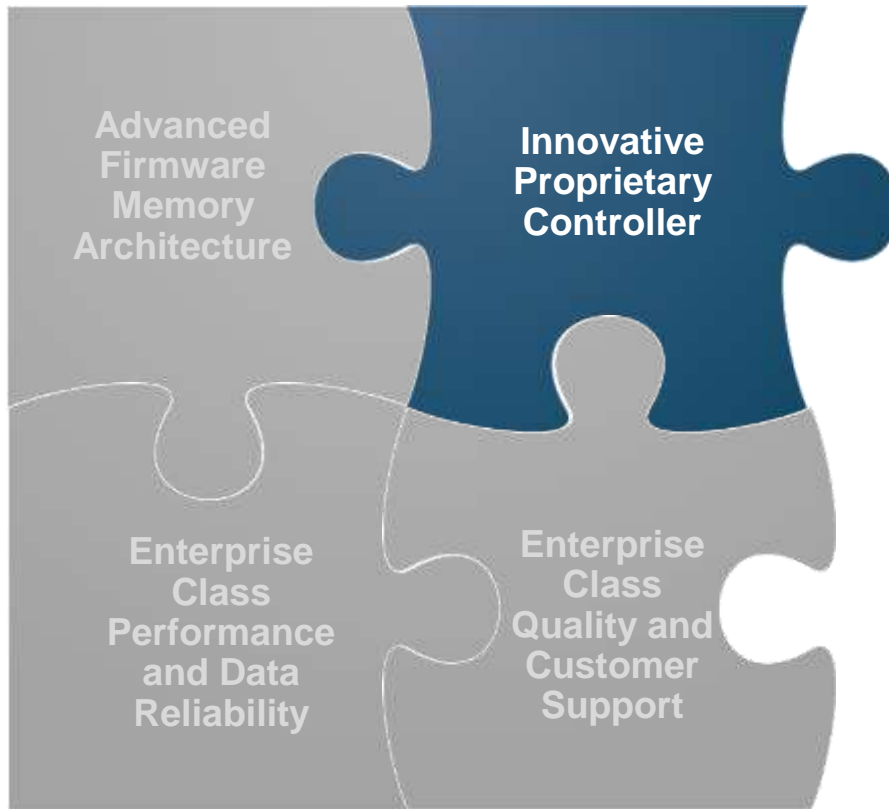
# SanDisk Differentiation

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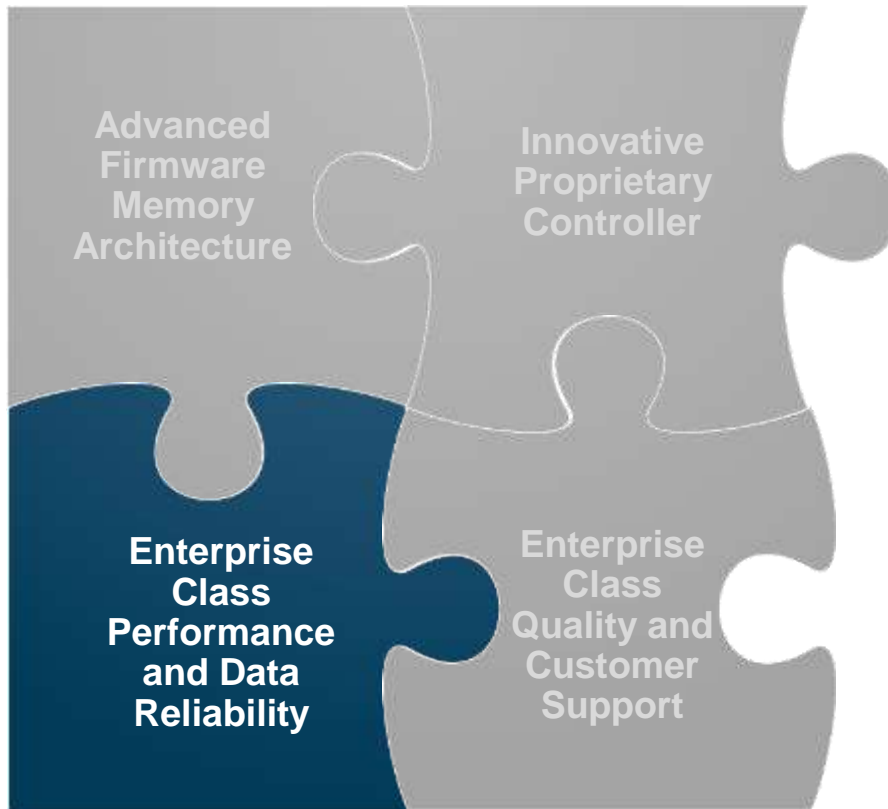
- **Highly Parallel and Scalable Architecture**
- **Deterministic Performance**
- **Software Flexibility**

# SanDisk Differentiation



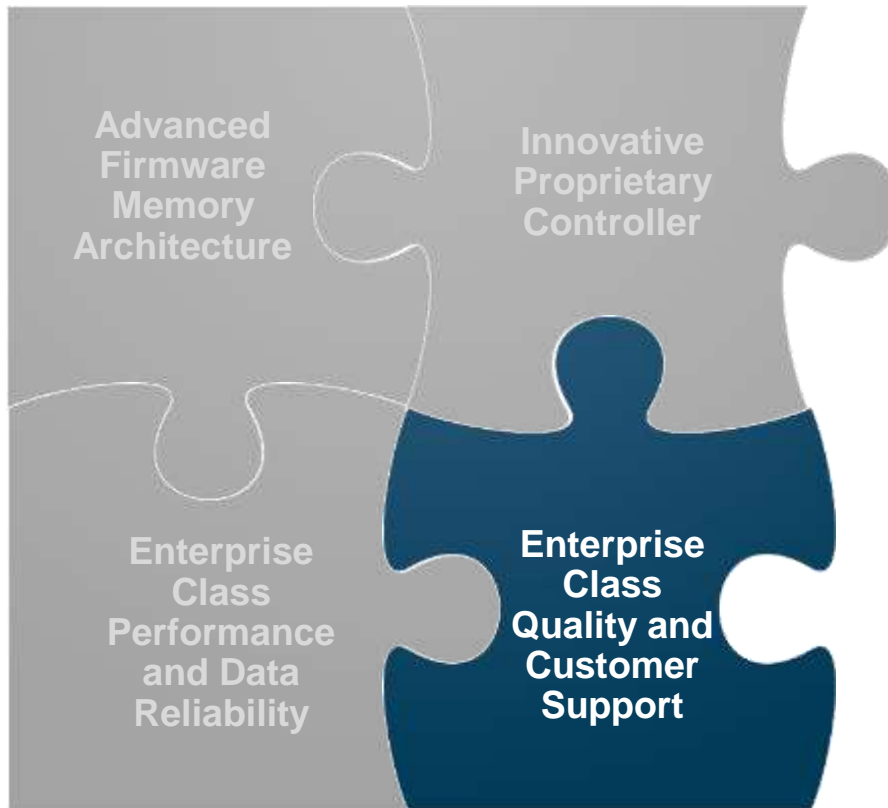
- **Innovative Proprietary Controller**
- **Multiple Independent CPUs**
  - Sustained Host I/O
  - Background Task Management
    - Garbage Collection
    - Patrol Read
    - Etc.

# SanDisk Differentiation



- **Predictable Sustained High Performance**
- **High I/O Transfer Rates**
- **End-to-End Data Protection**
  - Robust Error Correction
  - Intelligent Flash Management
  - Industry Standard T10 DIF

# SanDisk Differentiation



- **Experienced Enterprise Team and Processes**
- **Dedicated Account Teams**
- **Robust Testing and Qualifications**

# The Perfect Synergy

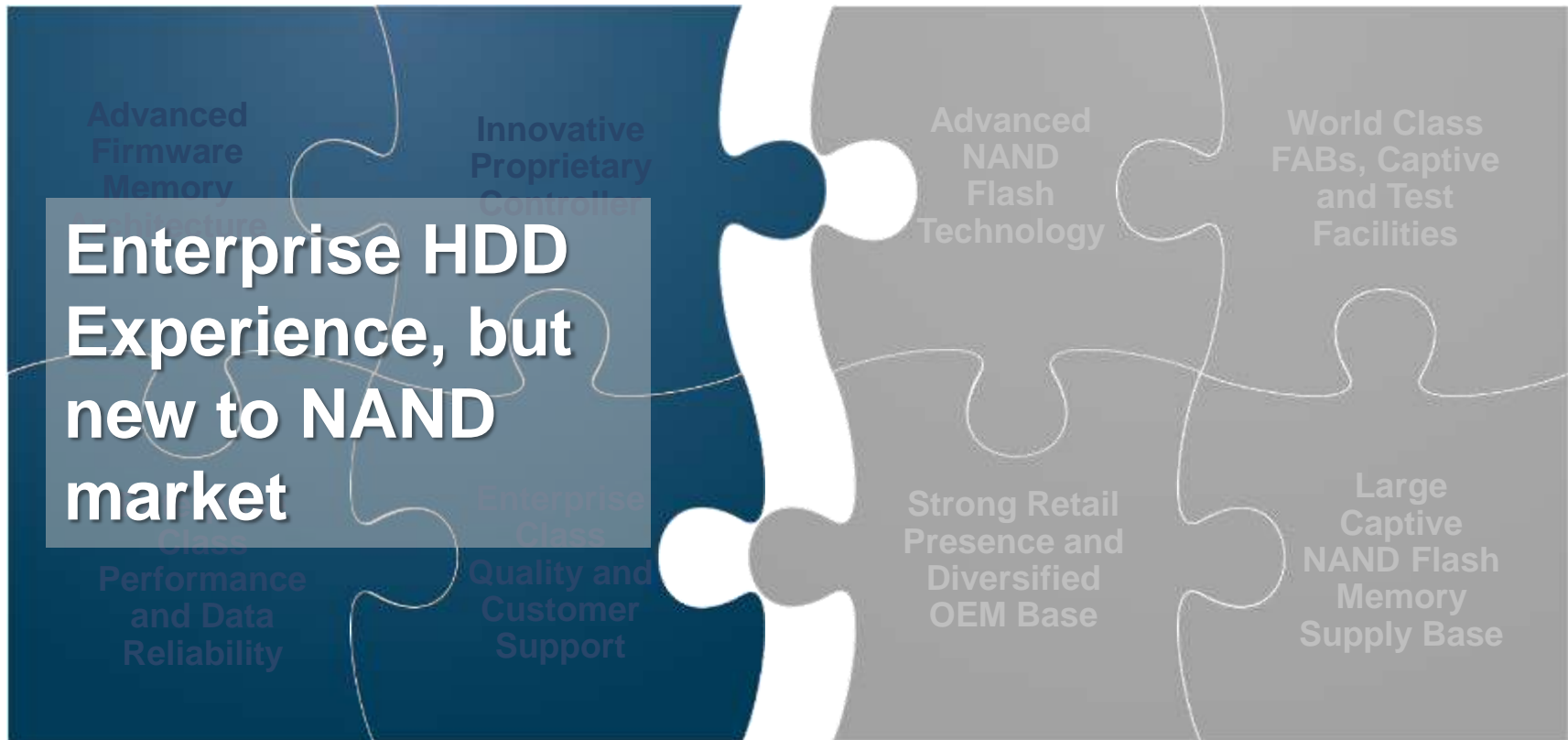


**SanDisk®**



# Non Captive NAND Competition

## HDD Suppliers



# Captive NAND Competition

## Flash Manufacturers



# Ahead of the Competition

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# Flash is Everywhere!



FIRST NODE

LAST NODE

# Enterprise SSD Interfaces



## Requirements

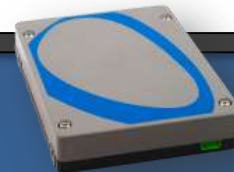
- Reliability, Reliability, Reliability
- High-end Predictable Performance
- Low Overall System Cost Solution

### SATA



- Lowest cost storage interface
- Single, half-duplex port
- Single host support

### SAS



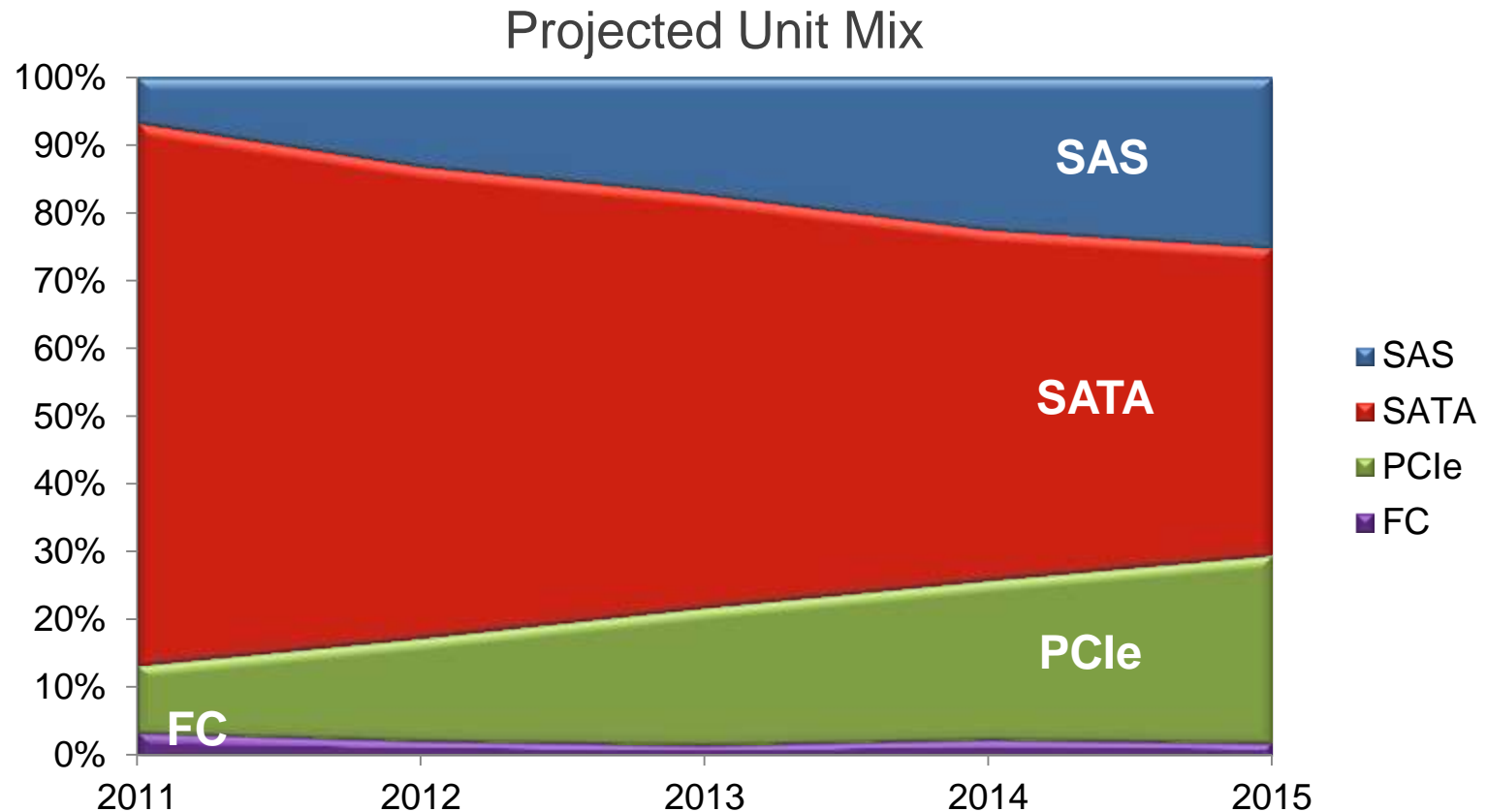
- High I/O performance
- Dual, full-duplex read & write data ports
- Multi-host support

### PCIe



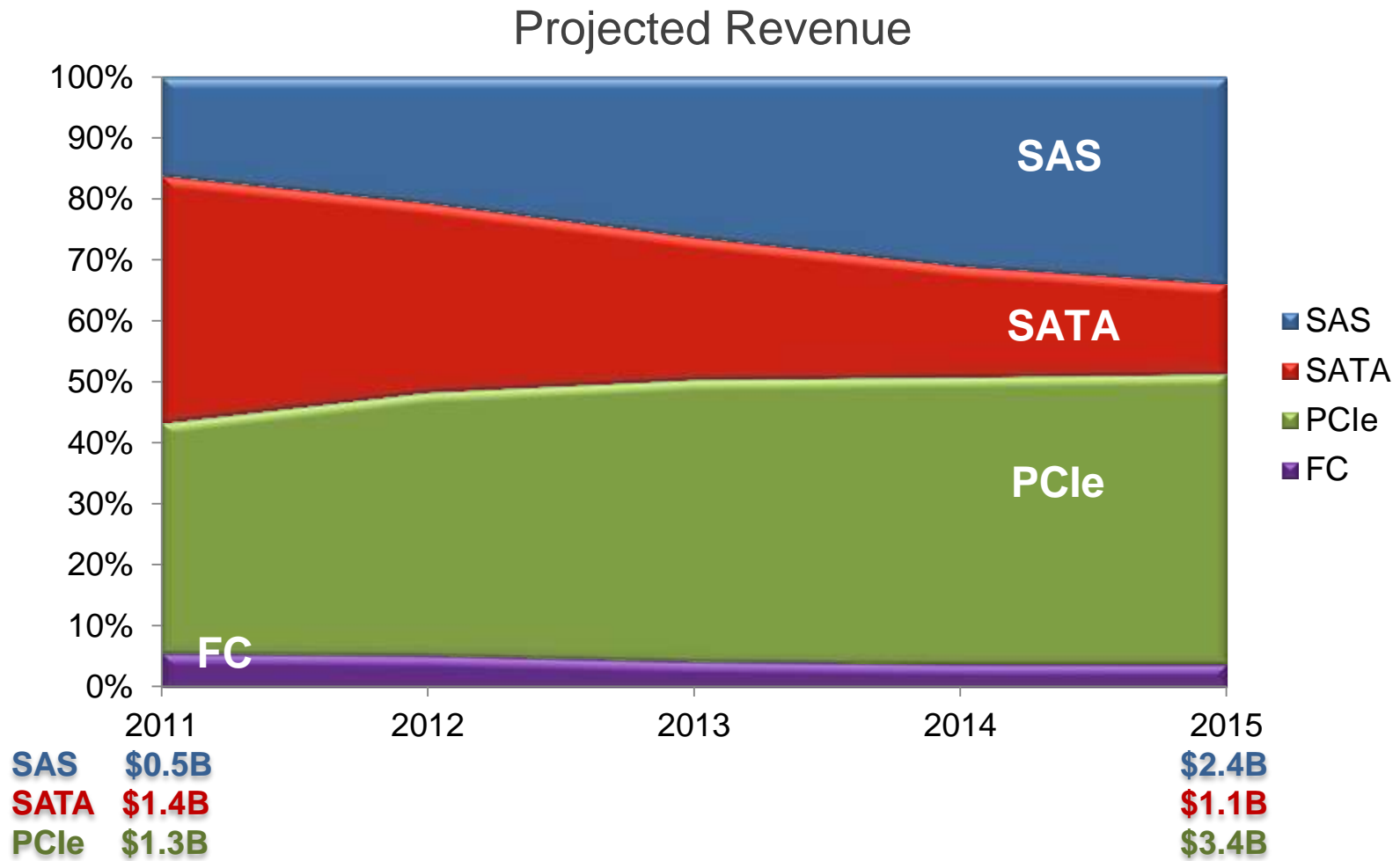
- Highest I/O performance
- Lowest latency
- “*DRAM extension*”

# Enterprise SSDs Interface Forecast



Source: Forward Insights, SSD Insights, 4Q11, December 2011

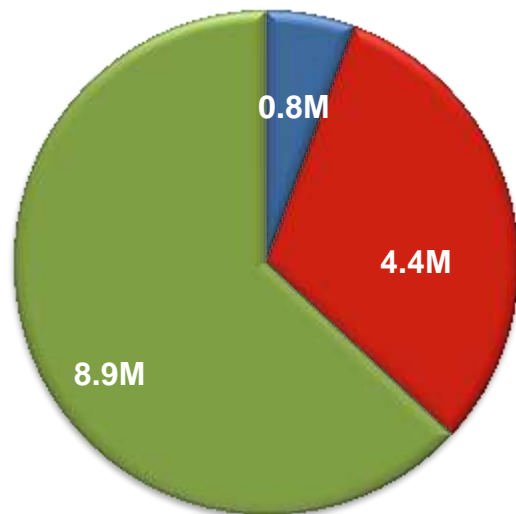
# Enterprise SSDs Interface Forecast



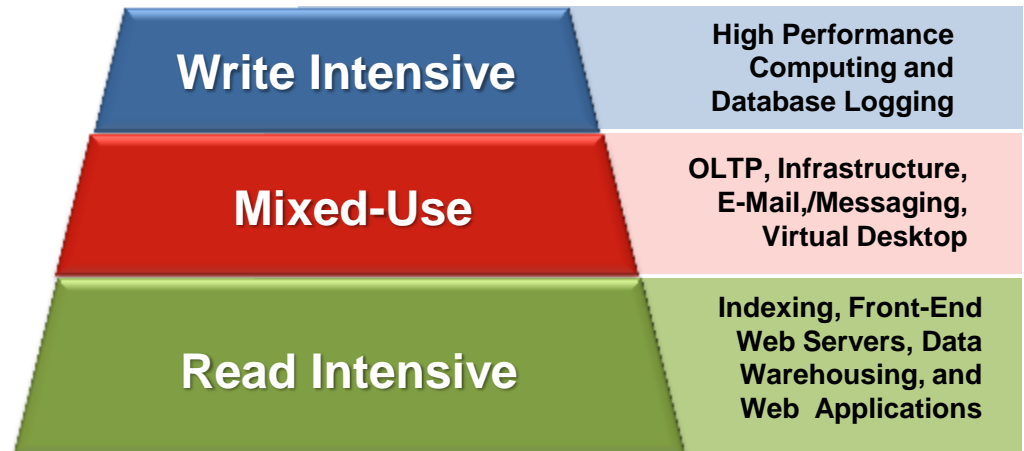
Source: Forward Insights, SSD Insights, 4Q11, December 2011

# Enterprise SSDs Units Driven by Workload Applications

2015 Workload  
Applications in Units



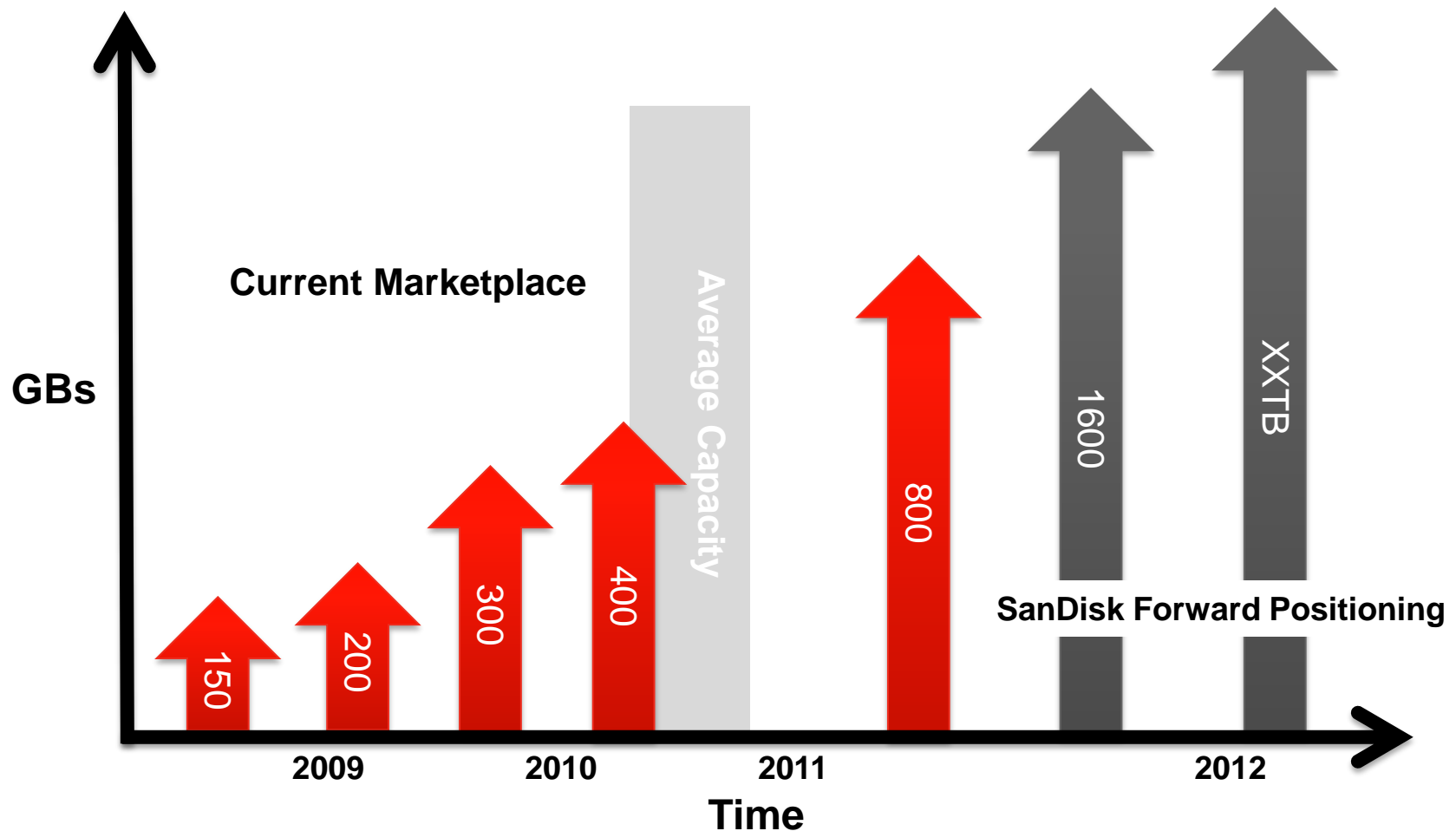
Workload Applications



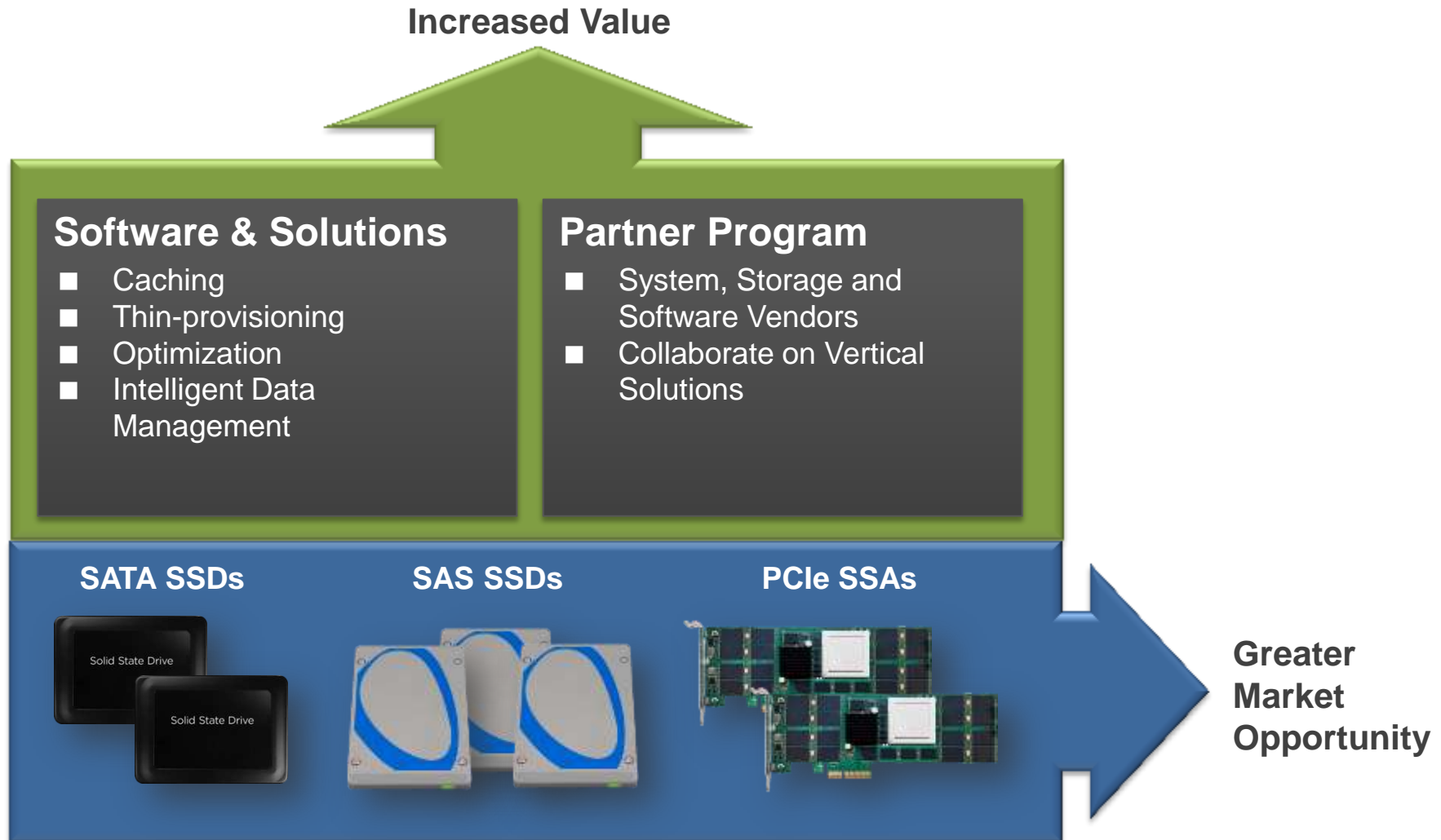
■ Write Intensive ■ Mixed Use ■ Read Intensive

Source: Gartner, December 2011, "Emerging Technology Analysis: Solid-State Appliances"

# Enterprises Demanding Higher Capacity



# Expanded Solutions Opportunity



# Expanding our Enterprise Solutions Portfolio

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**FlashSoft™**  
Active Data Management

**Caching  
Software**

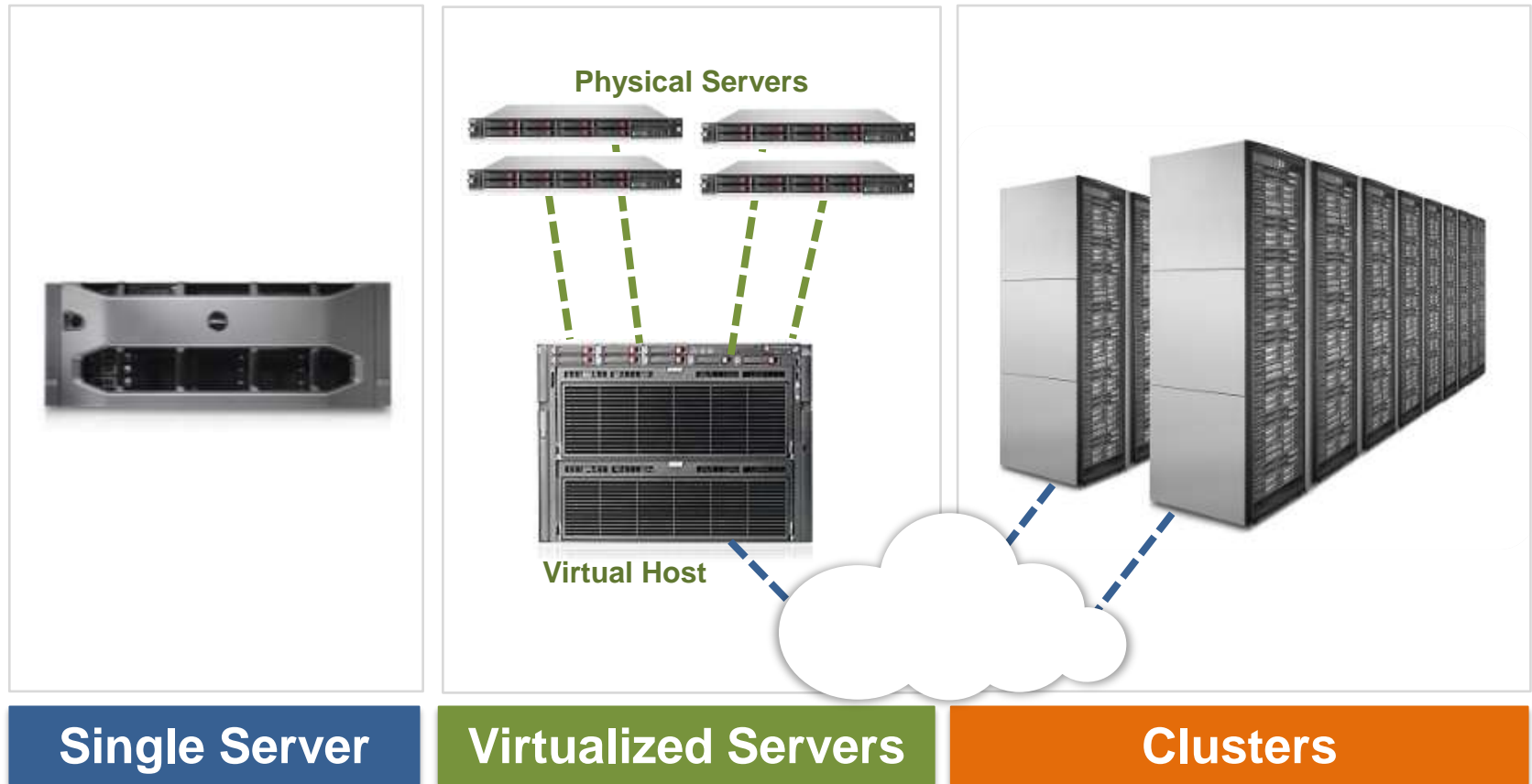


**SanDisk®**

**Leading Enterprise  
Storage Solutions**

**Independent Software Solutions to Enable Broad Market Penetration**

# Accelerating Servers



# Valued Customer Partnerships



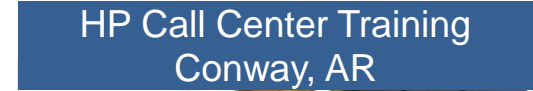
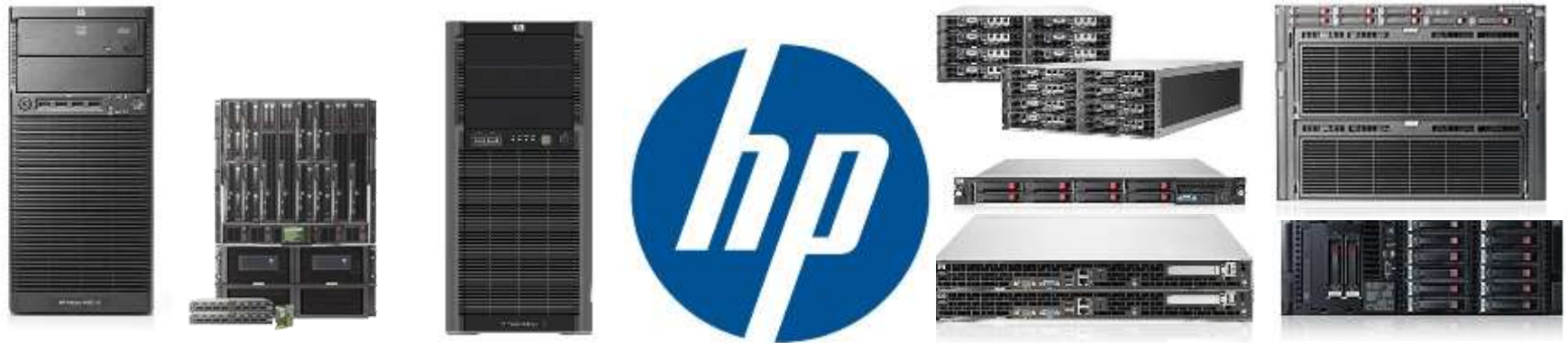
# TERADATA



October 24 – 28, 2010



# Valued Customer Partnerships



# Valued Customer Partnerships

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EqualLogic



PowerEdge



PowerVault



# Winning in the Enterprise

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- BIG Market (\$) Opportunity
- Reliability, Reliability, Reliability
- Predictable Performance reduces system costs
- Innovative products and leadership roadmap
  - Solutions increases value added
- Experienced enterprise team



# Why SanDisk Will Win?

## Lightning®-Fast Enterprise Solutions

Experienced  
Team and  
Flash Innovators



Perfect Synergy  
Of Enterprise  
and NAND



**SanDisk®**



Tier 1 OEM  
Value-Added  
Storage Solutions



TERADATA.

NetApp®



EQUALLOGIC

# RITU SHRIVASTAVA

*Vice President, Technology Development*

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# Agenda

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## ■ THREE PRONGED STRATEGY ASSURING COMPETITIVE ADVANTAGE

NAND Scaling

3D Resistive RAM (ReRAM)

BiCS 3D NAND

# SanDisk NAND Memory Roadmap

	2011	2012	2013	2014
256G				
128G		19nm X3	1Y X3	
64G	24nm X2, X3	19nm X2	1Y X2	

Note: Only lead products shown

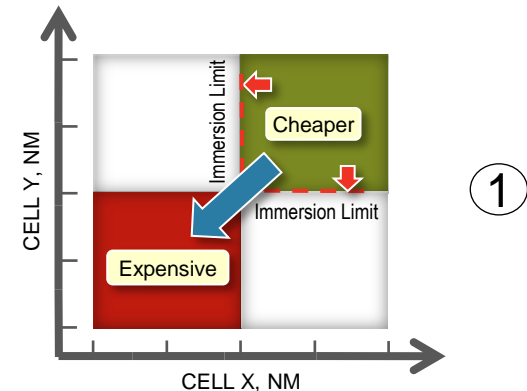
- NAND ROADMAP FROM LAST YEAR EXECUTED WELL
- INDUSTRY'S SMALLEST DIE SIZES AND HIGHEST DENSITY SHIPPED (BOTH X2 AND X3)
- 19NM 128Gb X3: HIGHEST DENSITY AND SMALLEST MONOLITHIC DIE IN THE WORLD
- SCALING BEYOND 1Y GENERATION...



# NAND Scaling Considerations

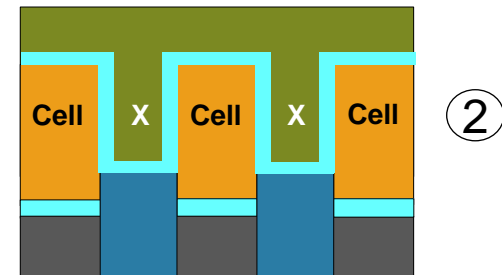
## ■ LITHOGRAPHY ①

- Careful scaling required to extend mainstream Lithography and keep manufacturing costs low



## ■ PHYSICAL LIMIT ②

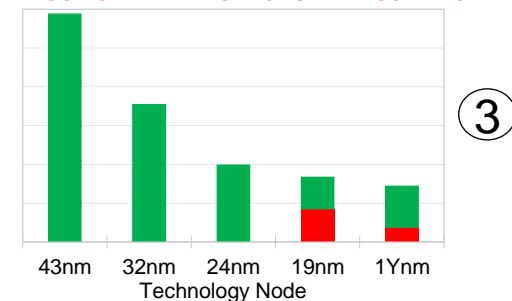
- Process innovations required to keep cell to cell interaction in check without changing proven cell structure



## ■ ELECTRICAL LIMIT ③

- Process innovations required to slow down reduction in # electrons in the cell and maintain reliability

REDUCTION IN # ELECTRONS WITH SCALING



# We See Further NAND Scaling Runway

---

## ■ WE BELIEVE NAND TECHNOLOGY WILL SCALE FOR A FEW MORE GENERATIONS

- The real limits for NAND scaling are still unknown
- Innovations in manufacturing process, memory design & test, and system level solutions will likely extend NAND roadmap further

## ■ DELIVER SMALLEST DIE, HIGHEST DENSITY, LOWEST COST THROUGH CELL, CIRCUIT AND ARCHITECTURE INNOVATIONS

# SanDisk NAND Memory Roadmap

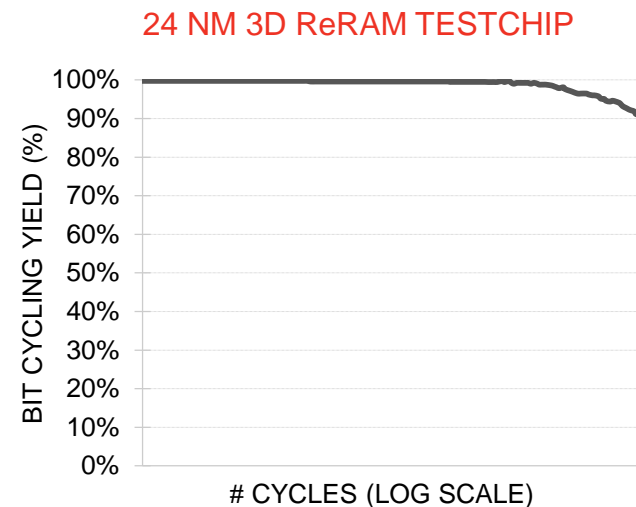


Note: Only lead products shown

- 1Y PRODUCTION IN 2013
- MAKING PROGRESS ON 1Z NAND, ...
- AGGRESSIVE POST NAND RESEARCH AND DEVELOPMENT

# Update in 3D Resistive RAM (ReRAM)

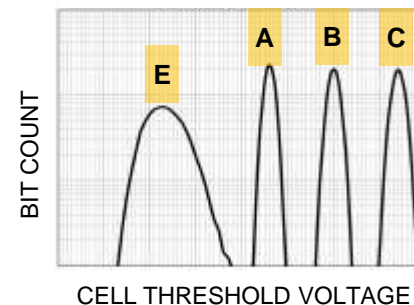
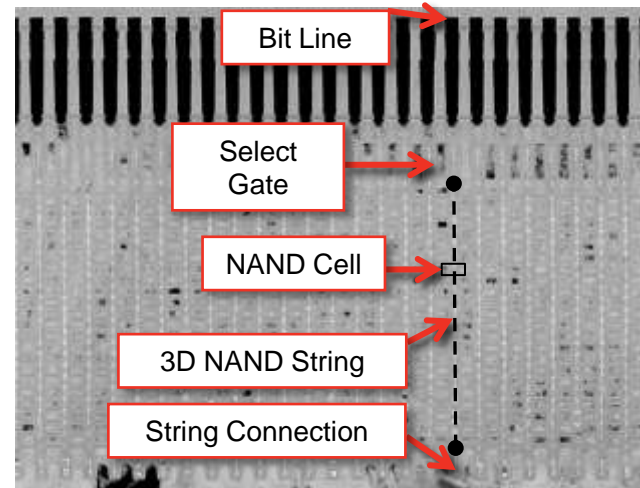
- READ/WRITE MECHANISM BASED ON MATERIAL RESISTANCE CHANGE (VS. ELECTRONS FOR NAND)
- ReRAM APPROACH IS THE BEST FOR LONG TERM SCALING
- CURRENT PROMISING APPROACHES REQUIRE EUV LITHOGRAPHY FOR HIGH-VOLUME MANUFACTURING
- GOOD PROGRESS TOWARDS ACHIEVING READ/WRITE CAPABILITY
  - Good cycling results shown on 24nm array test vehicle
- PRODUCTION OPPORTUNITY BEYOND 2015



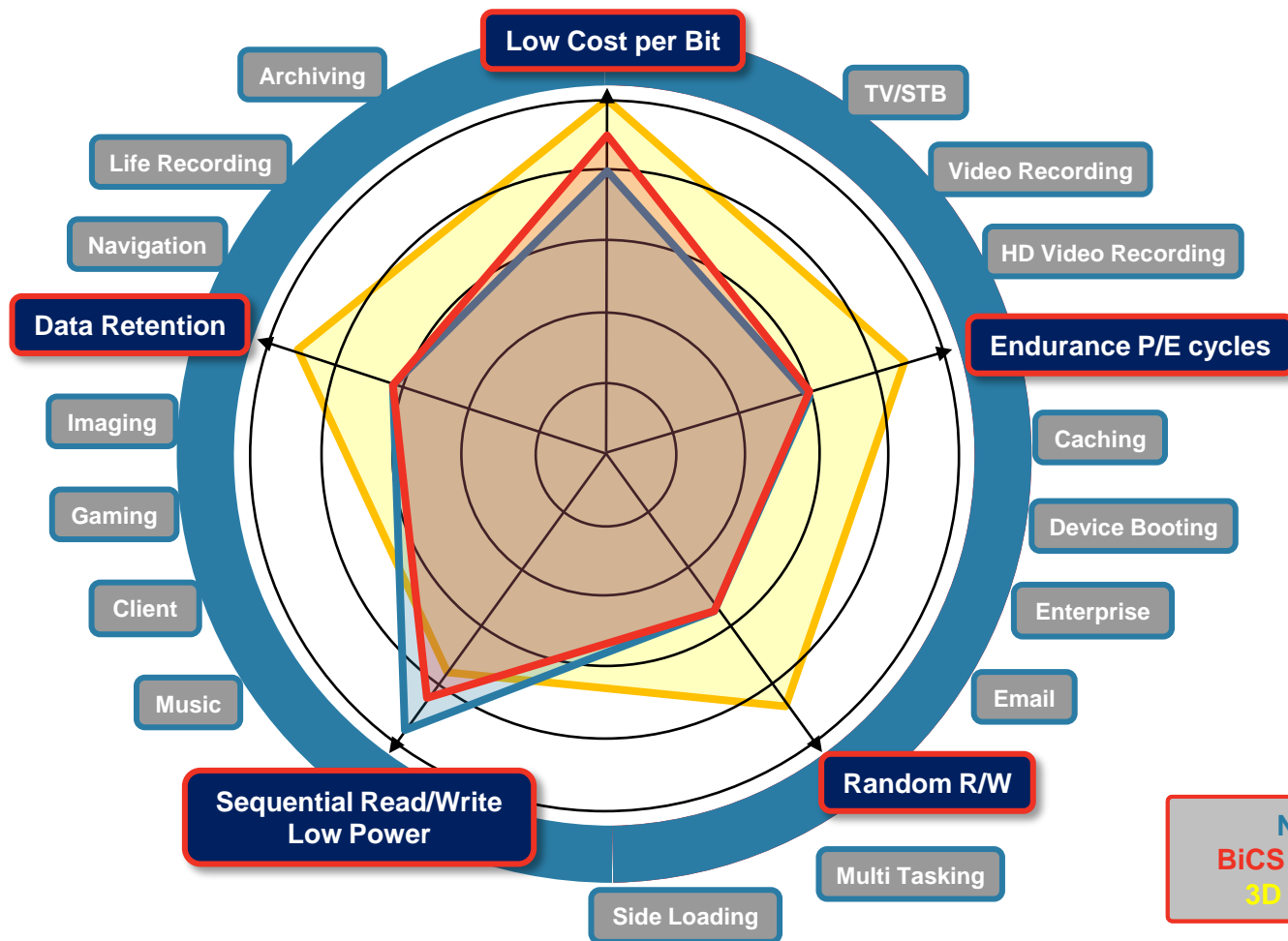
# Update on BiCS 3D NAND

- VERTICAL 3D NAND STRING STRUCTURE
- UTILIZES EXISTING WAFER FAB INFRASTRUCTURE
- DOES NOT NEED EUV
- KEY DEVELOPMENTS
  - 24-layer array development vehicle
  - Multi-level cell (MLC) functionality shown
- BRIDGE TO 3D ReRAM

24-LAYER BiCS TEST CHIP



# Market Based Technology Segmentation



# Key Technology Takeaways

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- GOOD PROGRESS ON 3-PRONGED STRATEGY: NAND SCALING, BiCS, 3D ReRAM
- NAND WILL BE THE DOMINANT PRODUCTION TECHNOLOGY FOR REST OF THE DECADE
- TECHNOLOGIES LIKELY TO CO-EXIST THIS DECADE
- 3D ReRAM SUCCESSOR TO NAND INTO THE NEXT DECADE

# JUDY BRUNER

*Executive Vice President, Administration and Chief Financial Officer*

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# Agenda

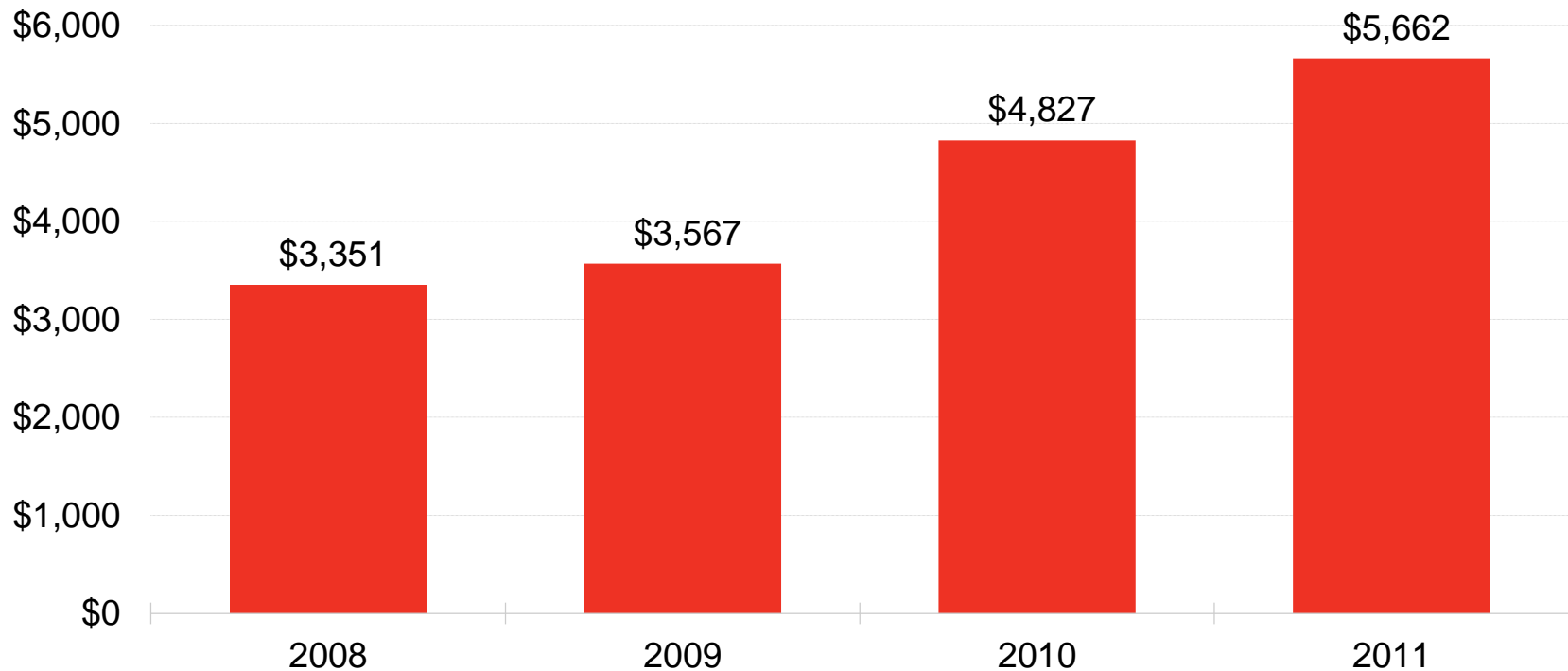
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- **OUTSTANDING FINANCIAL PERFORMANCE  
IN 2011**
- **DELIVERING STRONG PERFORMANCE  
IN 2012 & BEYOND**

# 2011 Revenue Up 17% to Record High

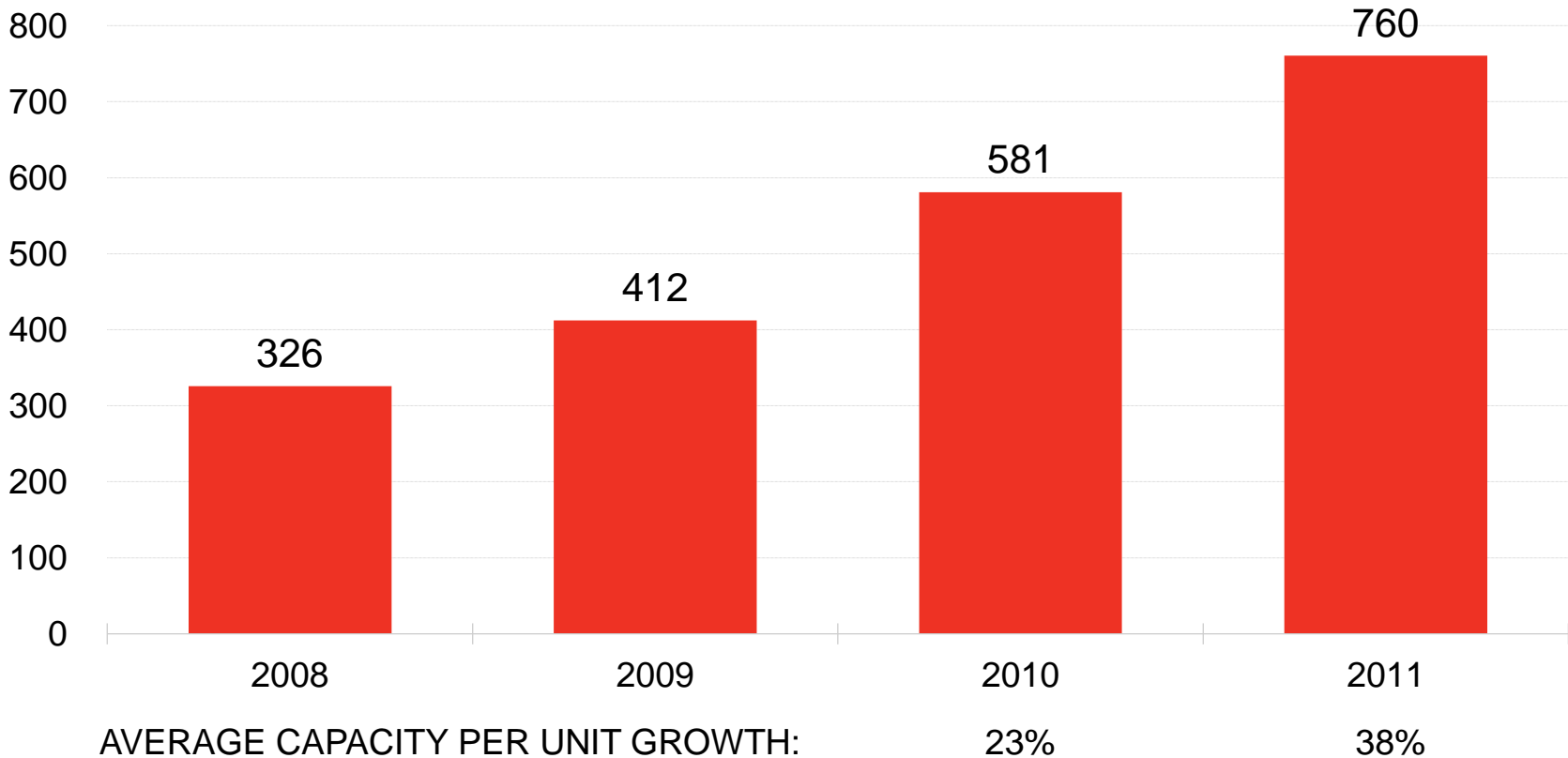
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IN MILLIONS



# 2011 Unit Sales of 760M, Up 31% Y/Y

IN MILLIONS



# Revenue Growth from Retail & OEM

## RETAIL:

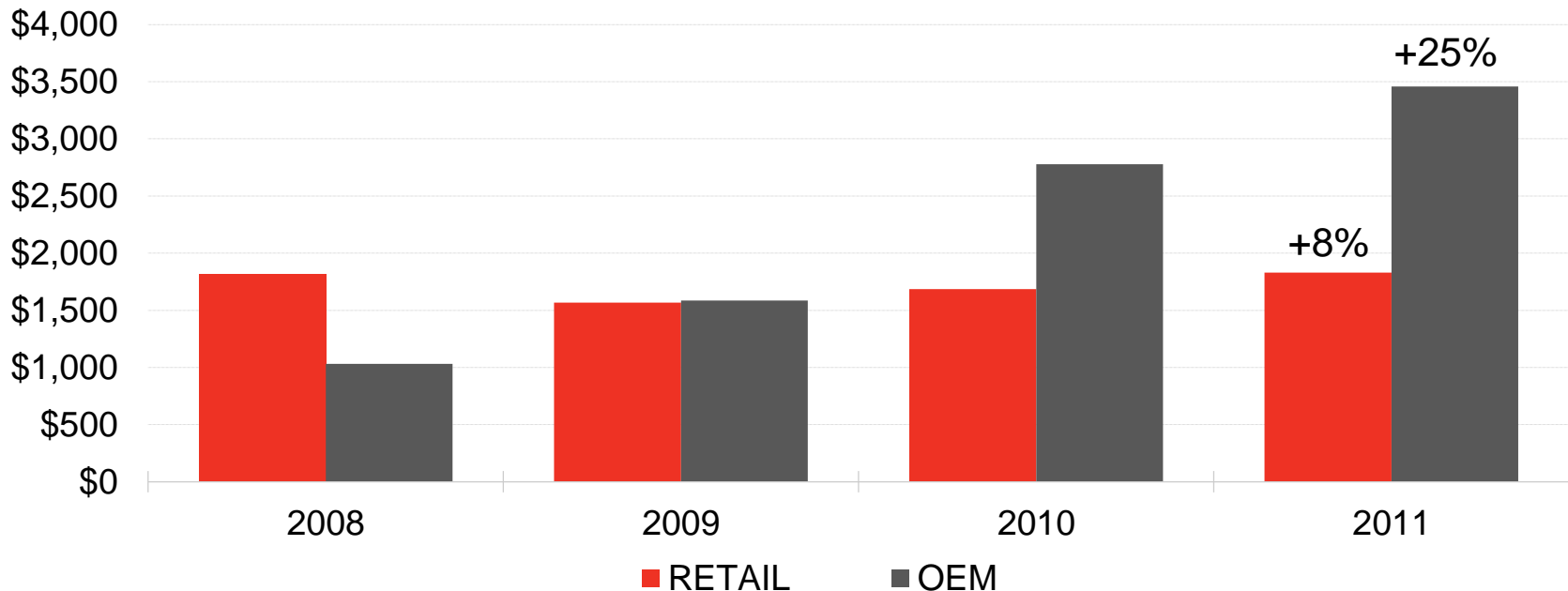
Growth driven by share gains in emerging markets

## OEM:

Growth driven by Mobile and SSDs

REVENUE  
IN MILLIONS

%s REPRESENT Y/Y  
CHANGE IN REVENUE

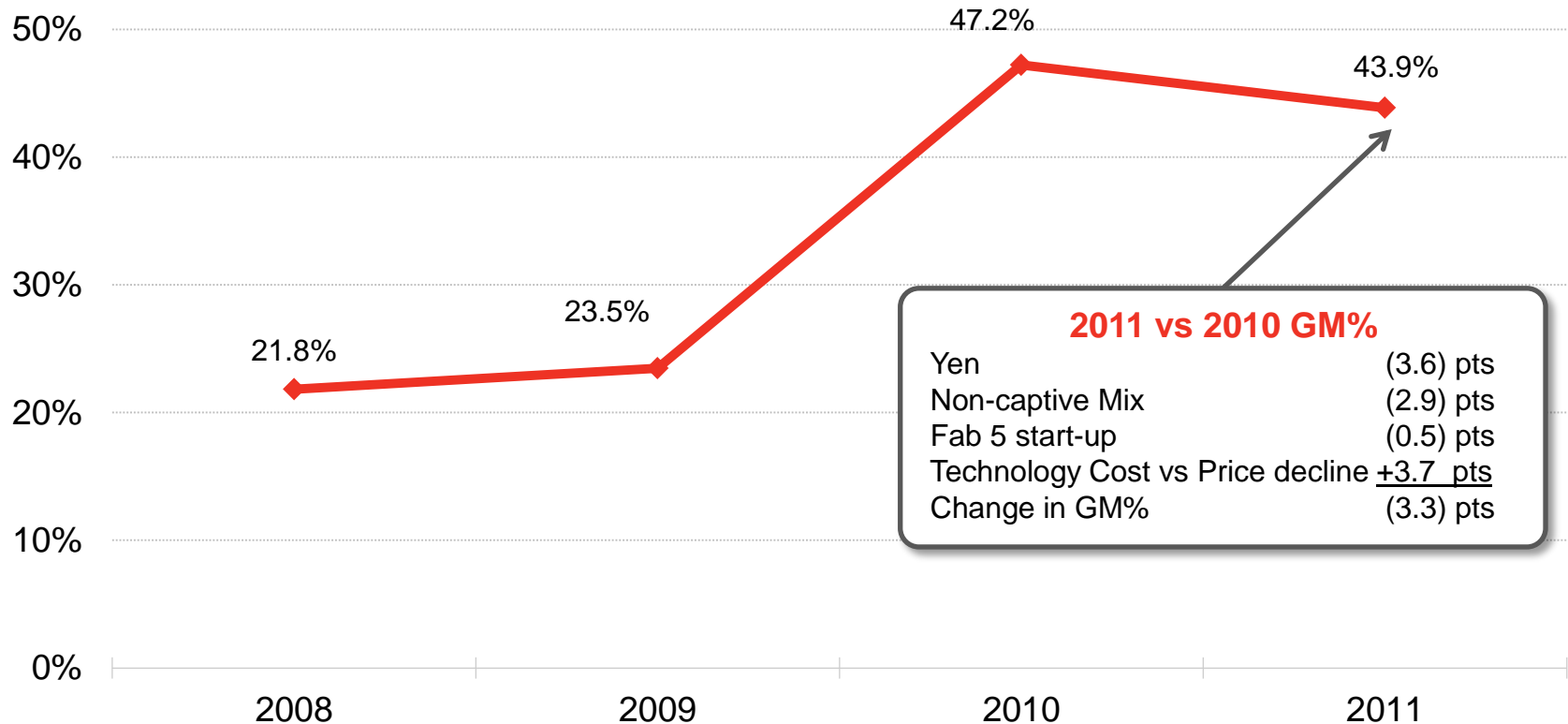


# Largest Increases in Revenue Mix from Mobile & SSDs

	REVENUE MIX		Y/Y REVENUE GROWTH
	2010	2011	
Mobile	50%	54%	26%
Imaging	22%	16%	-13%
USB	9%	9%	14%
AV/Gaming/GPS	4%	4%	18%
Solid State Drives	1%	3%	478%
Wafers	6%	7%	35%
License & Royalty	8%	7%	3%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>17%</b>

# Strong 2011 Gross Margin

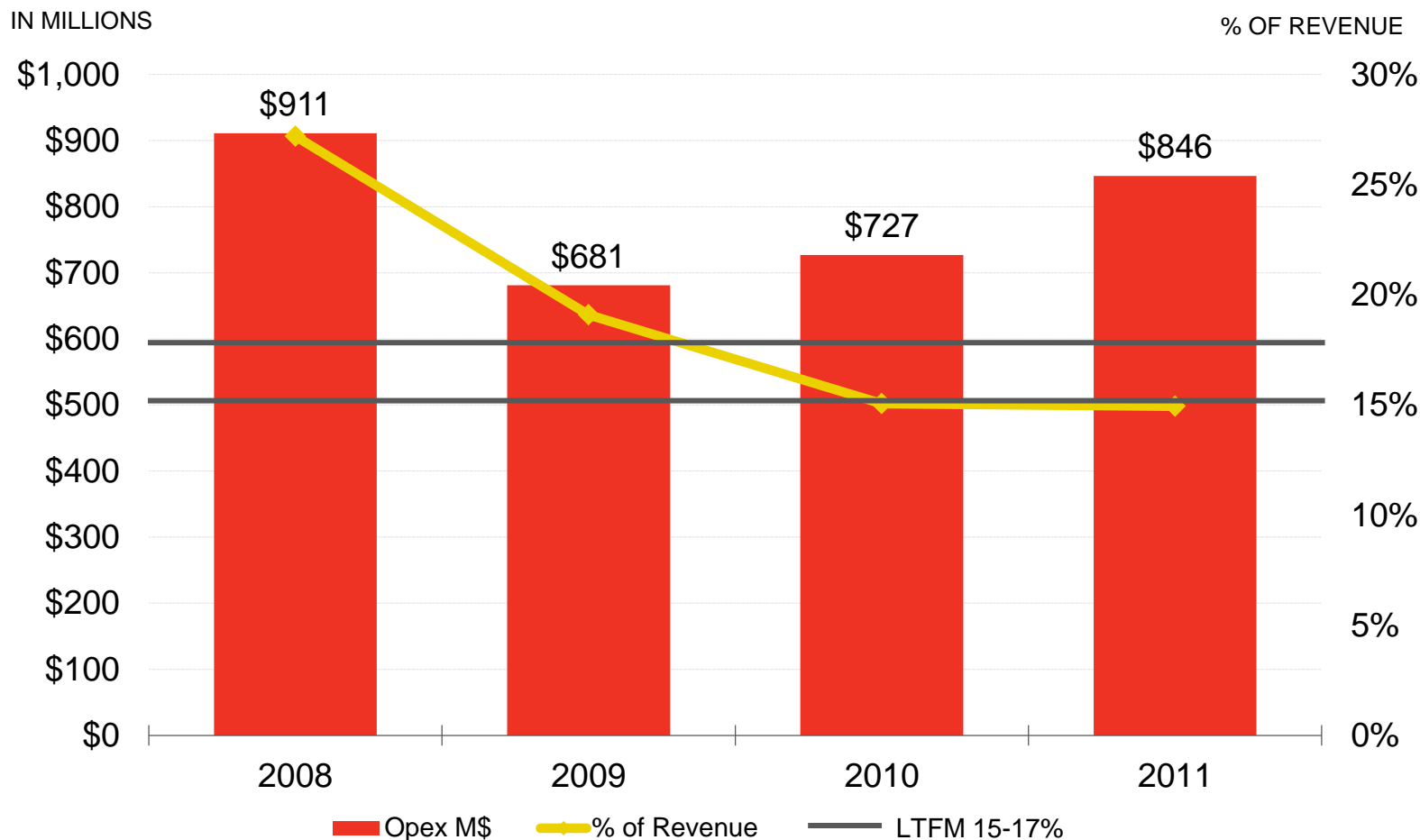
TOTAL GM%



Total Gross Margin calculated using Non-GAAP Cost of Sales adjusted as follows:

- 2008: excludes inventory reserves, fab impairment charges, and accruals for 2009 fab underutilization
- 2009: excludes inventory reserve benefits, and includes all costs for 2009 fab underutilization

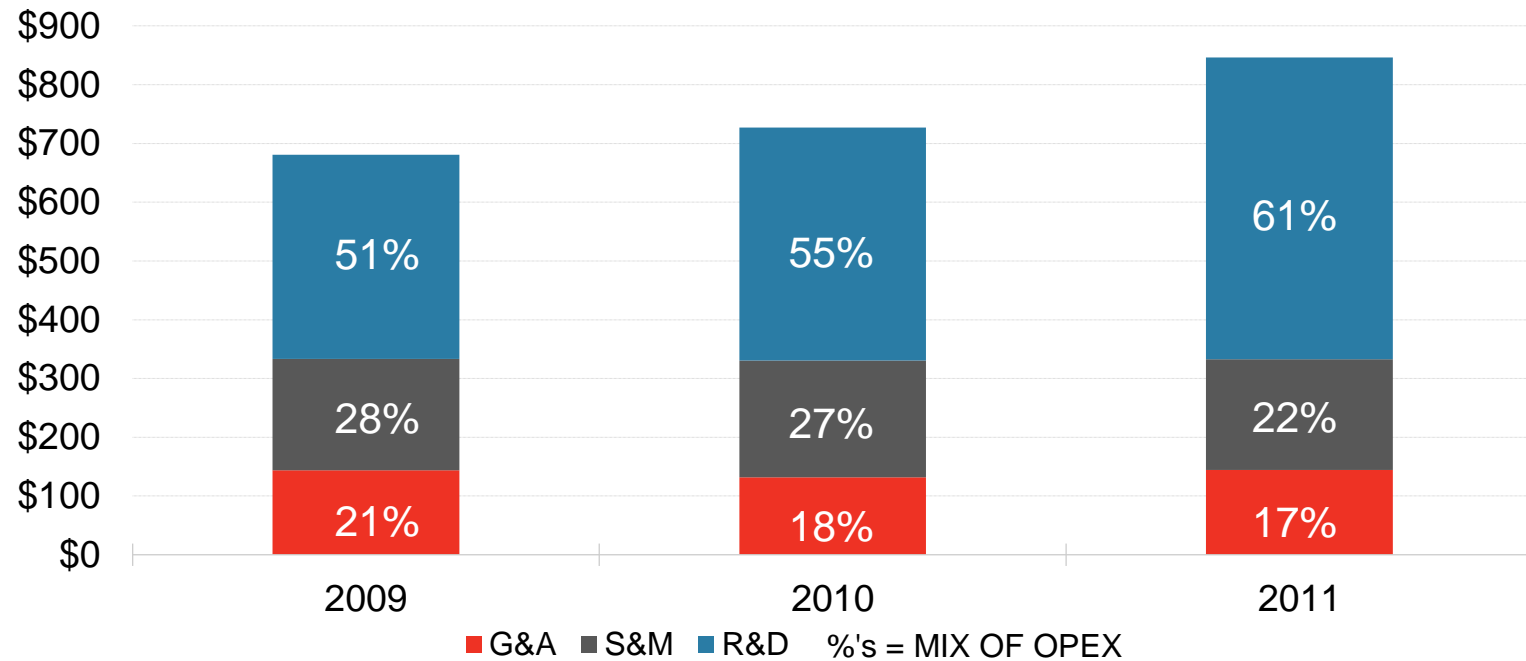
# Prudent Expense Growth



Non-GAAP excludes stock comp expense, acquisition amortizations, purchase accounting adjustments and impairments.

# Expense Growth Continues to Be Focused on R&D

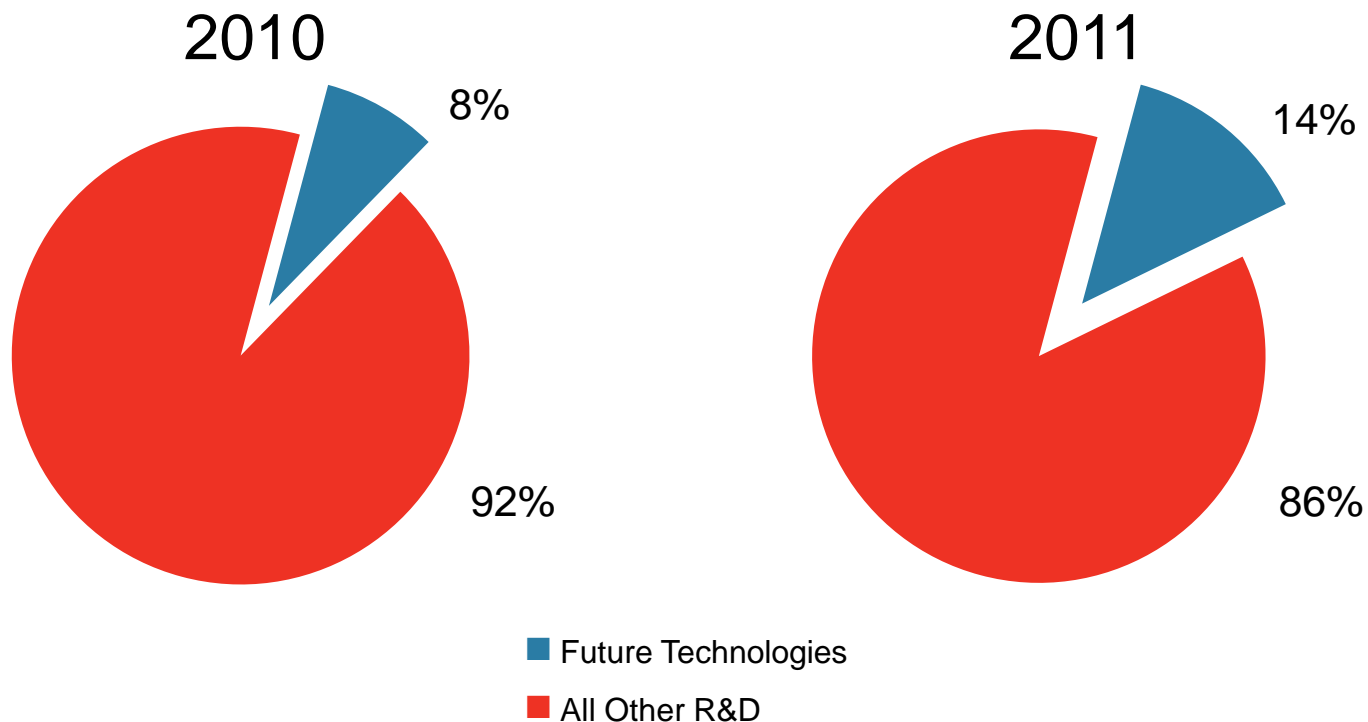
OPEX IN MILLIONS



Non-GAAP excludes stock comp expense, acquisition amortizations, purchase accounting adjustments and impairments.

# R&D Investment Focus

Increased share of R&D going to future technologies

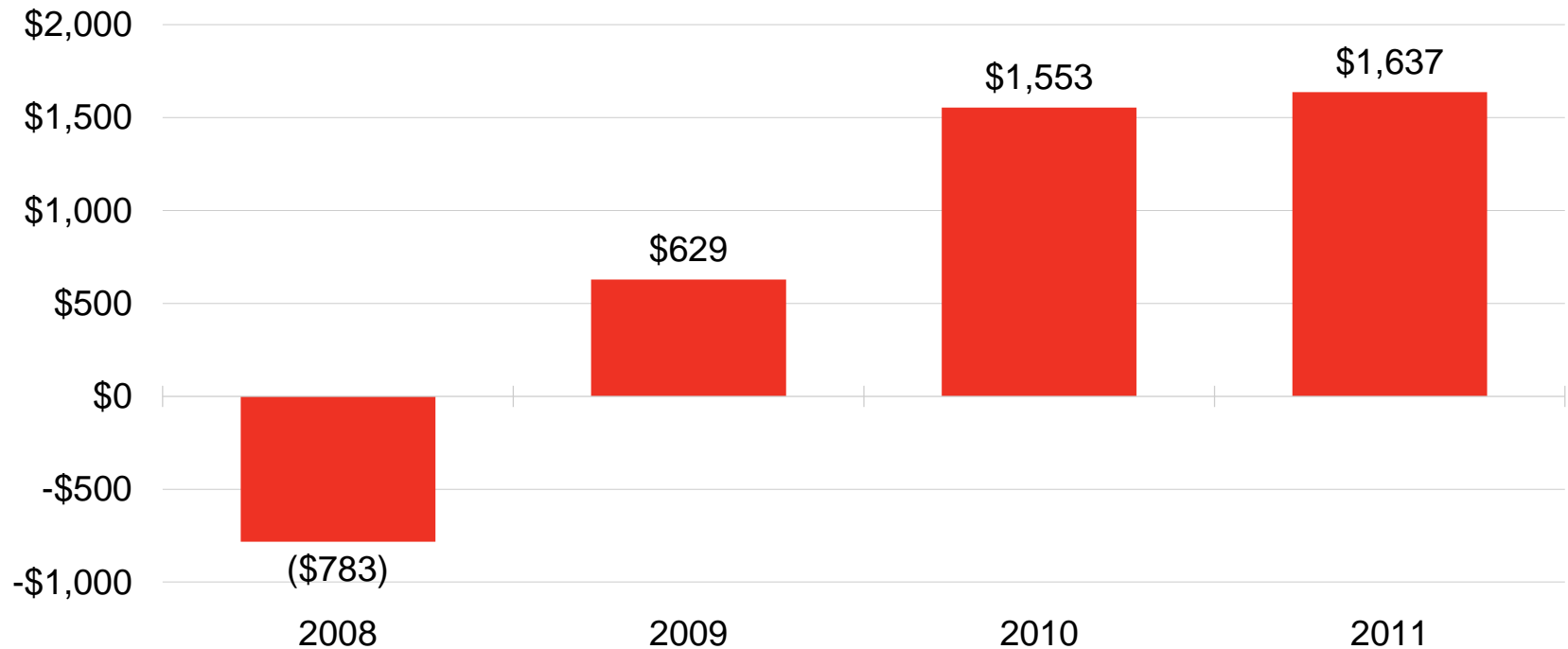


FUTURE TECHNOLOGIES = MEMORY TECHNOLOGIES BEYOND NAND

Non-GAAP excludes stock comp expense, acquisition amortizations, purchase accounting adjustments and impairments.

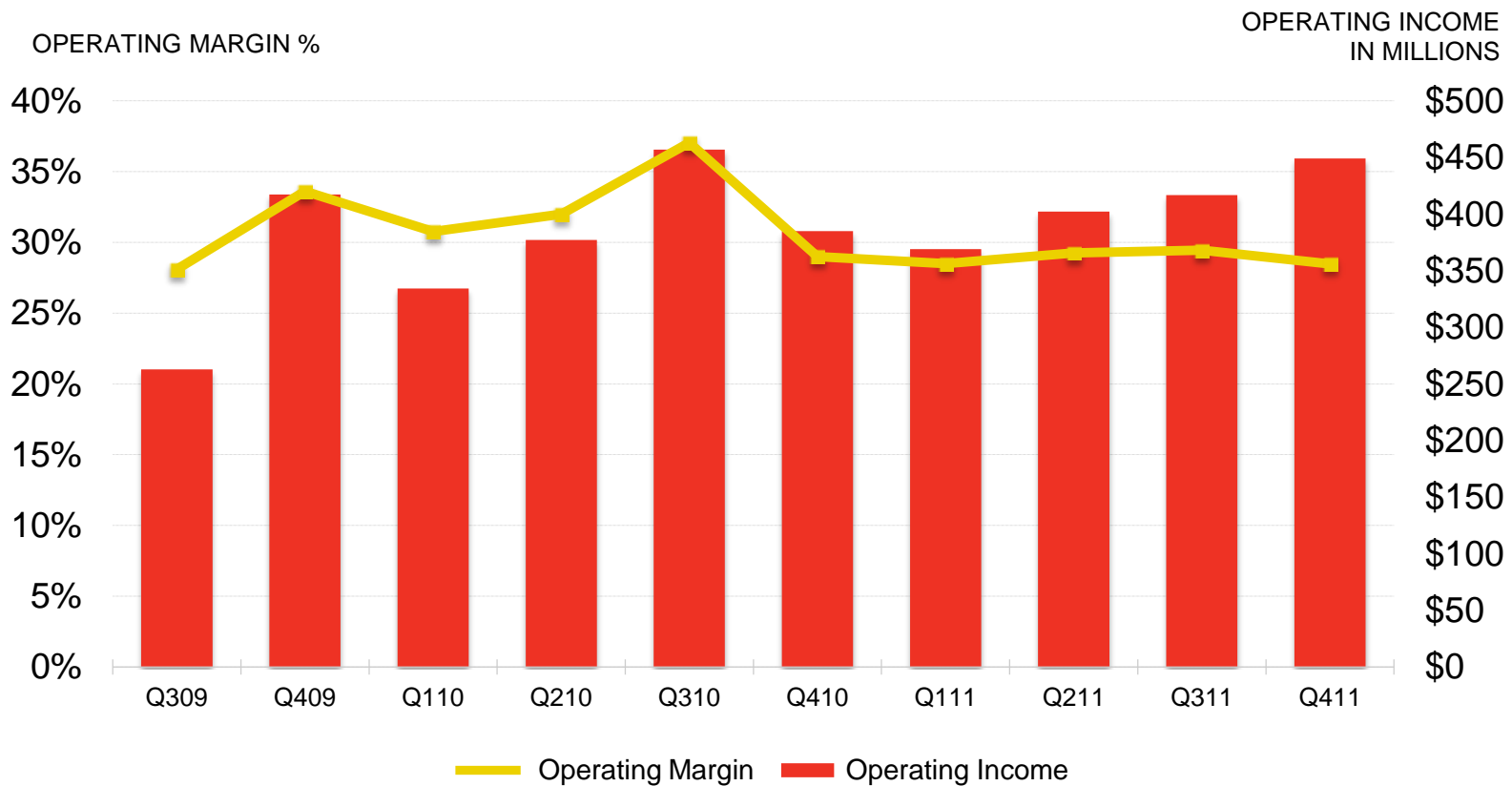
# Record Operating Income in 2011

IN MILLIONS



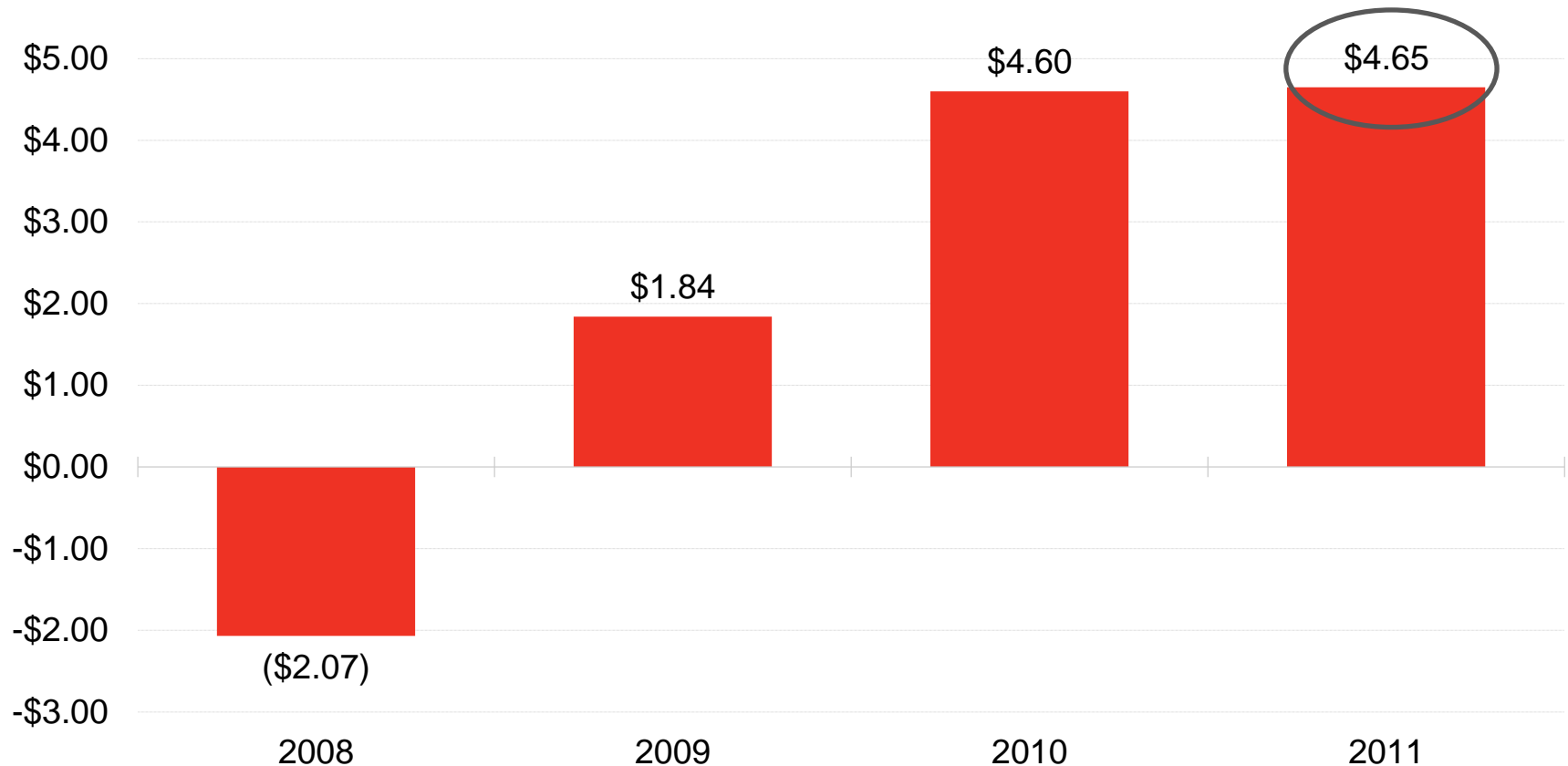
Non-GAAP excludes stock comp expense, acquisition amortizations, purchase accounting adjustments and impairments.

# Operating Margin 28%+ for 10 Quarters



Non-GAAP excludes stock comp expense, acquisition amortizations, purchase accounting adjustments and impairments.

# Record EPS in 2011



Non-GAAP excludes stock comp expense, acquisition amortizations, purchase accounting adjustments and impairments, non-cash economic interest expense, non-cash convertible debt repurchase expense and tax valuation allowances.

# 2011 Capital Investments

\$ IN MILLIONS

<b>CAPITAL INVESTMENTS</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Fab 3 & 4	\$1,433	\$310	\$944	\$558
Fab 5				617
<b>TOTAL JOINT VENTURE FABS</b>	<b>1,433</b>	<b>310</b>	<b>944</b>	<b>1,175</b>
SanDisk Non-Fab CapEx	184	60	108	193
<b>TOTAL CAPITAL INVESTMENTS</b>	<b>\$1,617</b>	<b>\$370</b>	<b>\$1,052</b>	<b>\$1,368</b>

## FUNDING

Sale of Tools/Restructuring of JVs	39	277		
JV Operating Cash Flow	207	55	892	818
JV Operating Lease Financing	945		52	291
Net Cash Outlay	426	38	108	259
<b>TOTAL FUNDING</b>	<b>\$1,617</b>	<b>\$370</b>	<b>\$1,052</b>	<b>\$1,368</b>

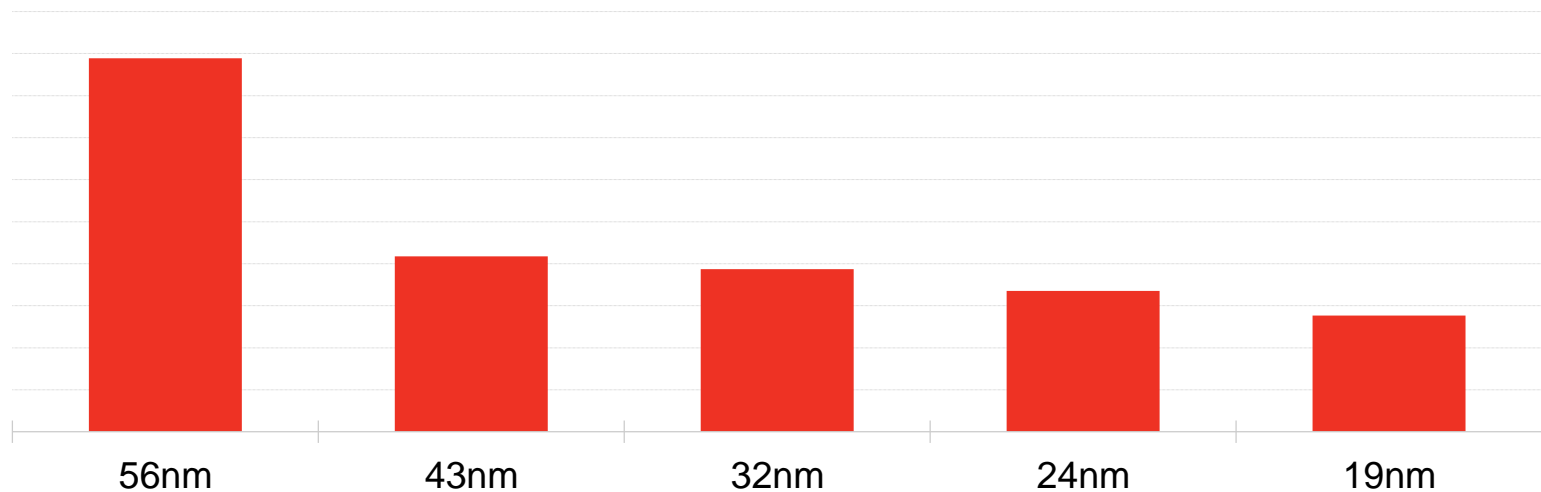
- **TECH TRANSITIONS = \$417 MILLION**
- **CAPACITY EXPANSION = \$758 MILLION (FAB 4 & FAB 5)**
- **\$818M FUNDING PROVIDED BY JVs:**
  - \$760M cash flow from depreciation
  - \$58M reduction in working capital

# Capex Efficiency for Technology Transitions Continues to Improve

## ENHANCING ROI FOR TECHNOLOGY TRANSITIONS

INCREMENTAL CAPEX \$/WAFER TO CONVERT  
TO NEXT GENERATION TECHNOLOGY

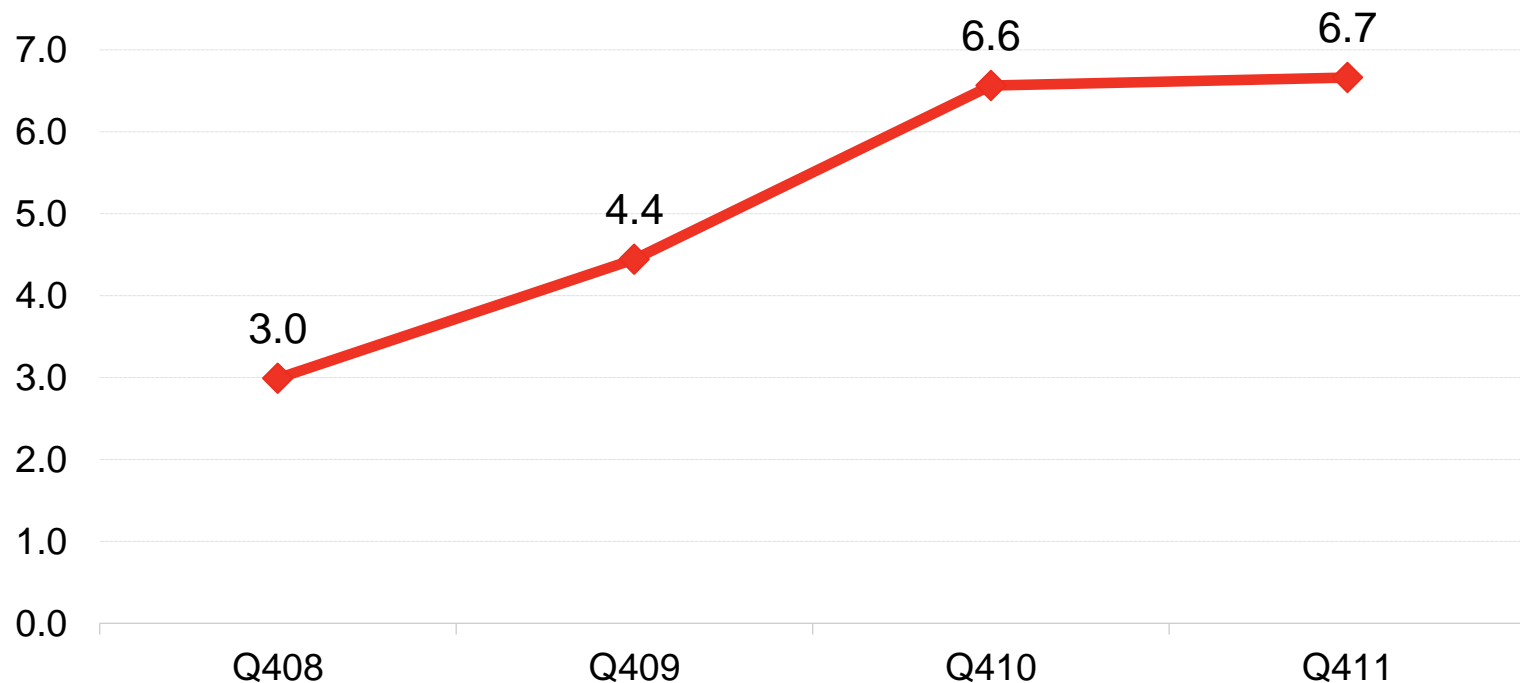
FAB 3 + FAB 4 LIFE TO DATE  
IRR >23%\* COMPARED TO  
WACC OF ~12%



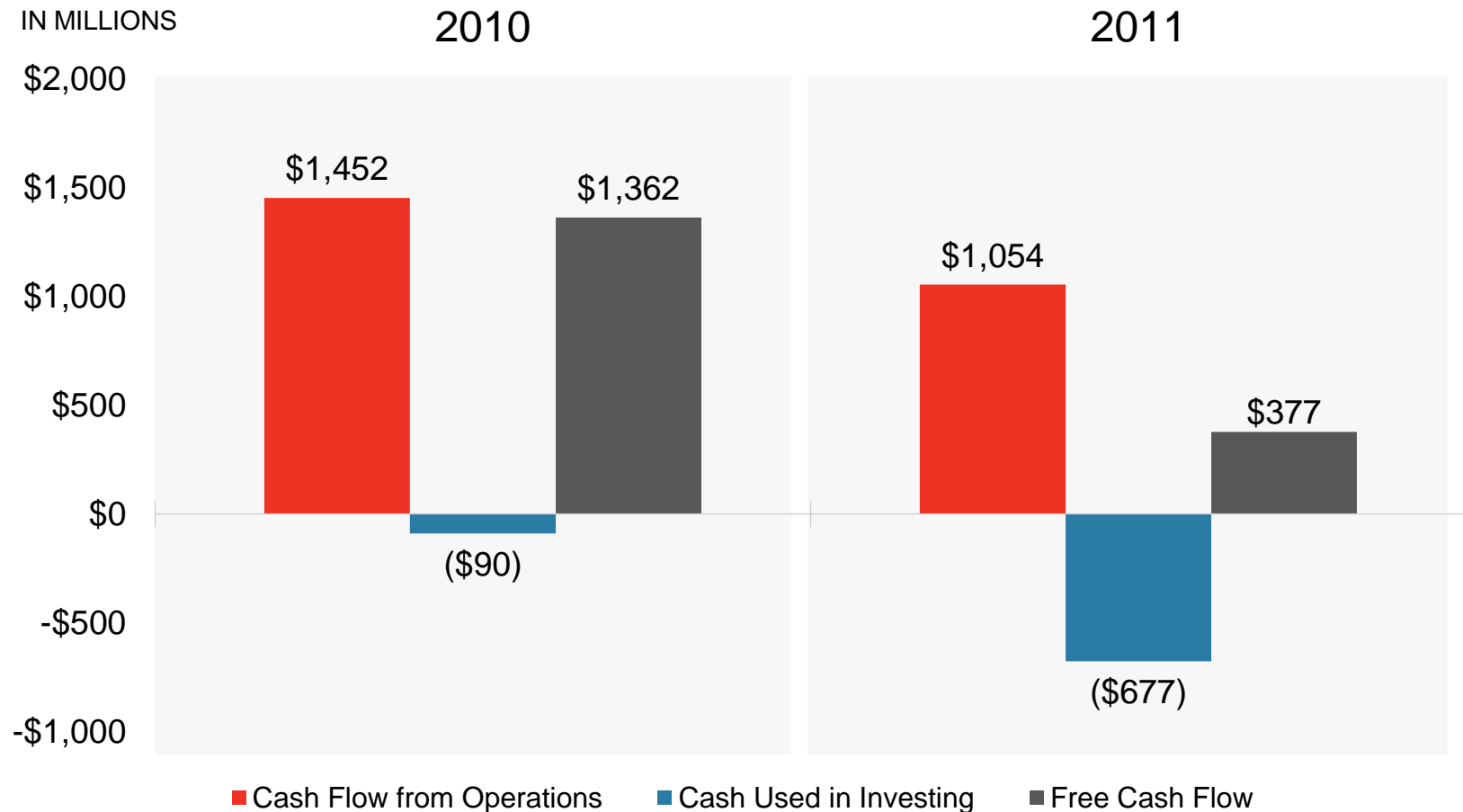
\* Calculated through 2011 with full allocation of costs and expenses, assuming Fab tools sold at end of 2011 for book value less 5% selling costs.

# Inventory Lean with Stable Turns

ANNUALIZED PB  
INVENTORY TURNS



# Generating Free Cash Flow After Increased Investments



# Elements of Free Cash Flow

\$ IN MILLIONS

<b>KEY ELEMENTS OF CASH FLOW FROM OPERATIONS:</b>	<b>2010</b>	<b>2011</b>	<b>COMMENTS</b>
Non-GAAP Pre-Tax Income	\$1,618	\$1,695	
Taxes Paid	(338)	(374)	
Non-Fab Depreciation	133	115	
Inventory reduction/(increase)	84	(159)	Inventory growth in line with revenue growth
Other working capital & non-cash adjustments	(45)	(223)	Prepaid expenses, non-trade receivables, other
<b>CASH FLOW FROM OPERATIONS</b>	<b>\$1,452</b>	<b>\$1,054</b>	
<b>KEY ELEMENTS OF CASH USED FOR INVESTING:</b>			
Capital contribution to Joint Ventures		(66)	Fab investments funded largely by JVs
SanDisk Capex	(108)	(193)	
M&A - Pliant		(318)	
Technology		(100)	
Sale of Assets	18		
<b>CASH FLOW FROM INVESTING</b>	<b>(90)</b>	<b>(677)</b>	
<b>FREE CASH FLOW</b>	<b>\$1,362</b>	<b>\$377</b>	

# Impact of Joint Ventures on SanDisk Cash Flow

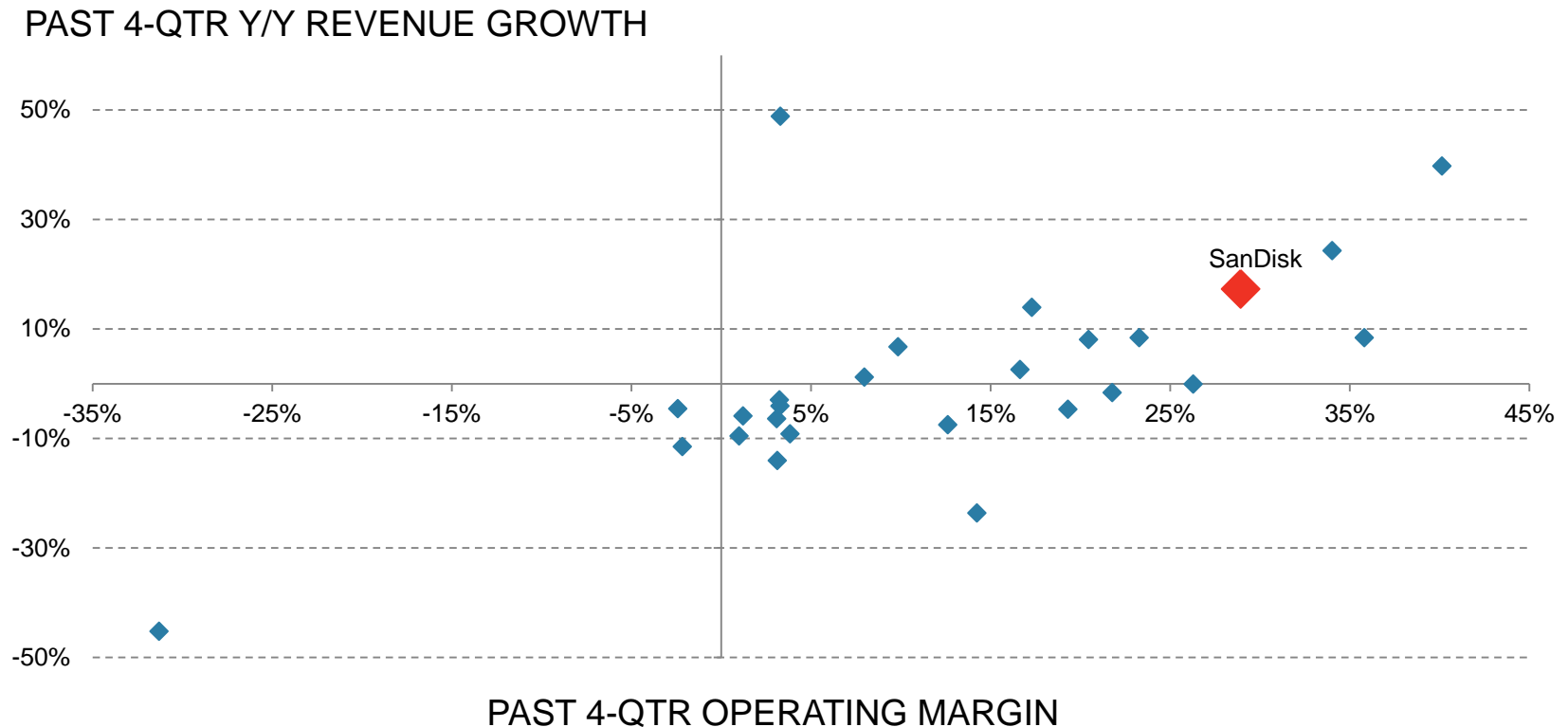
Pro-Forma Cash Flow represents estimated Cash Flow Statement as if SanDisk portion of Joint Ventures was Consolidated into SanDisk Results

## 2011 PRO-FORMA CASH FLOW

\$ IN MILLIONS

	SANDISK AS REPORTED	JOINT VENTURES ADJUSTMENTS	SANDISK PRO-FORMA
Depreciation		\$760	
Working Capital Changes		58	
<b>Cash Flow from Operations</b>	<b>\$1,054</b>	<b>\$818</b>	<b>\$1,872</b>
Joint Ventures Capex		(1,175)	
Joint Ventures Funding from SanDisk		66	
Operating Lease Funding		291	
<b>Cash Flow from Investing</b>	<b>(\$677)</b>	<b>(\$818)</b>	<b>(\$1,495)</b>
<b>Free Cash Flow</b>	<b>\$377</b>		<b>\$377</b>

# Attractive Combination of Growth and Profitability



Data reflects last 4 reported quarters for companies shown. Results measured on a non-GAAP basis where available. Companies reflect Top 25 Semiconductor Vendors by Revenue, Worldwide, Gartner December 9, 2011.

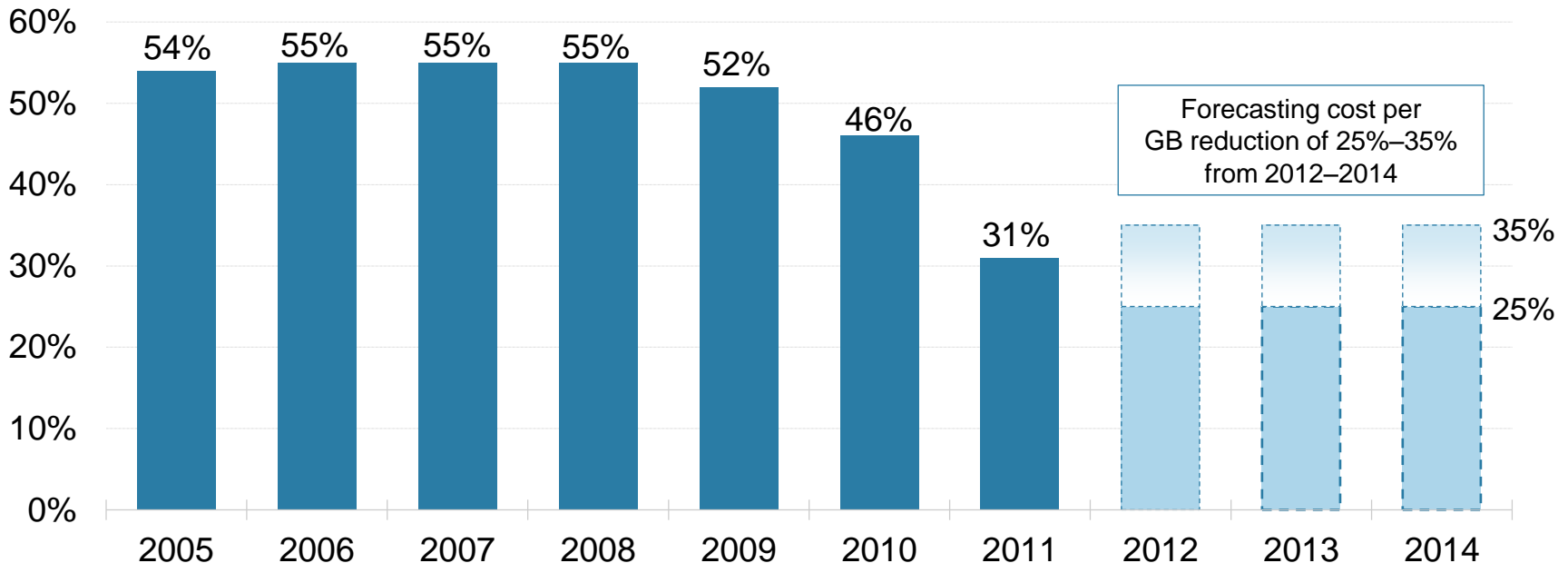
# Agenda

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- **OUTSTANDING FINANCIAL PERFORMANCE  
IN 2011**
- **DELIVERING STRONG PERFORMANCE  
IN 2012 & BEYOND**

# Cost Reduction Moving to a New Range with Increasing Complexity of NAND Scaling

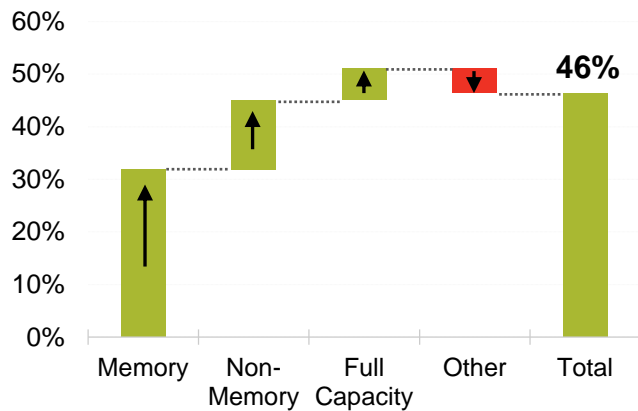
COST PER GB  
REDUCTION



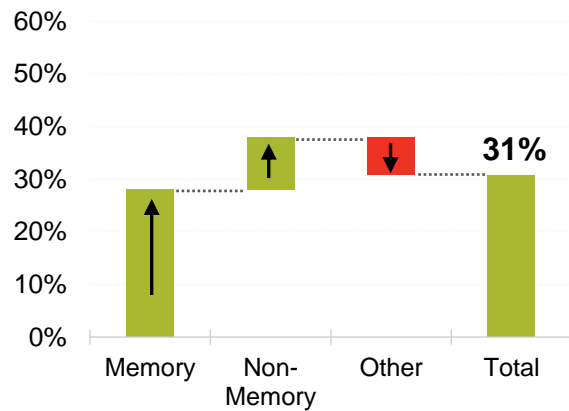
- Total Cost Reduction calculated using Non-GAAP Cost of Sales adjusted as follows:
  - 2008: excludes inventory reserves, fab impairment charges, and accruals for 2009 fab underutilization
  - 2009: excludes inventory reserve benefits, and includes all costs for 2009 fab underutilization

# Drivers of Cost Reduction

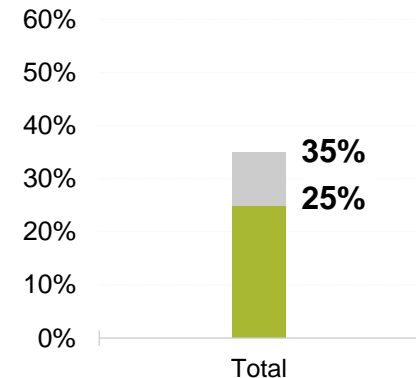
2010  
COST/GB REDUCTION



2011  
COST/GB REDUCTION



2012F – 2014F  
COST/GB REDUCTION



- Memory: node transition, X3 mix – on an equivalent currency basis
- Non-Memory: transformation costs and non-memory materials
- Other: FX, non-captive mix, start-up costs, power outage, earthquake, other period costs
- Increased scale and GB/unit benefit both memory and non-memory cost reductions

# Generating Strong Margins in Slower Cost Reduction Environment

---

## THREE KEY FOCUS AREAS

1. Strengthening portfolio mix
2. Continued leading edge technology position
3. Prudent capacity growth

# Generating Strong Margins in Slower Cost Reduction Environment

---

## **FOCUS AREA #1** **STRENGTHENING PORTFOLIO MIX**

### **a) PRODUCT DIVERSIFICATION**

- Significant increase in revenue mix from SSD solutions
- Continued strong growth in Embedded
- Maximize high performance products
- Maintain strong IP revenue stream

### **b) MARKET DIVERSIFICATION**

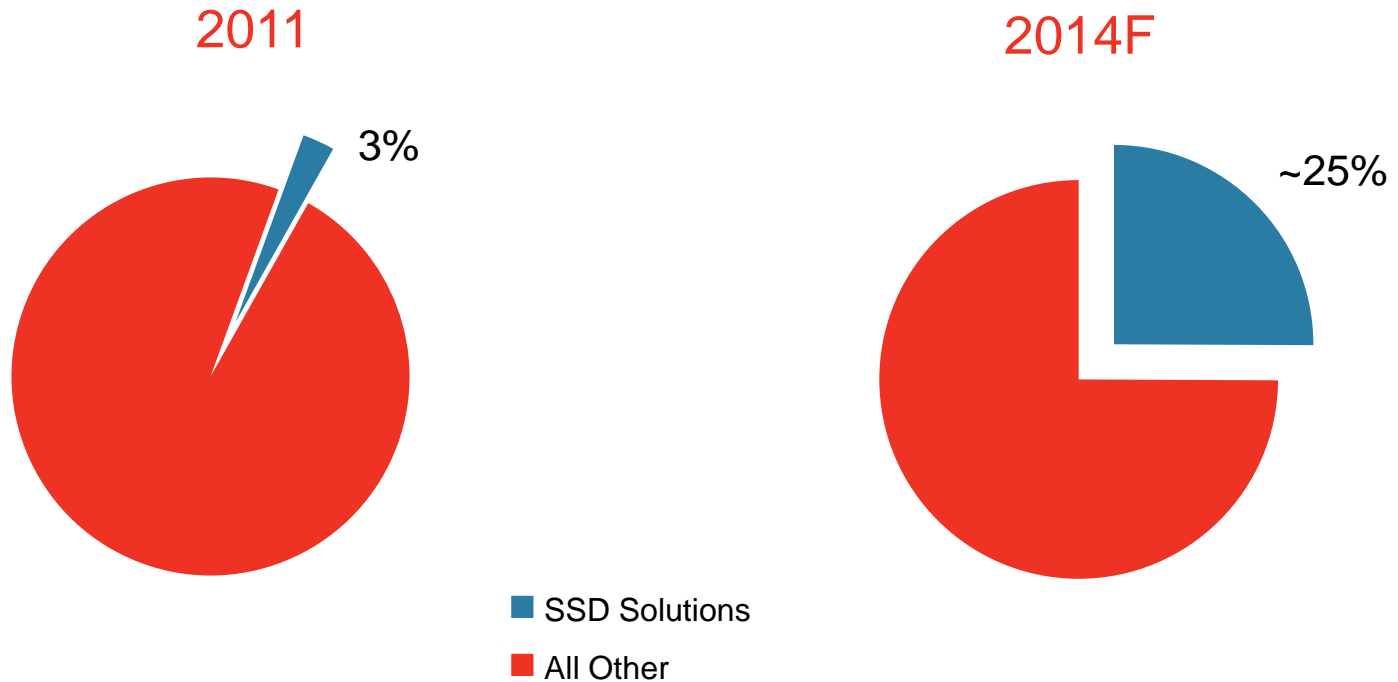
- Moving beyond consumer markets with Enterprise SSD solutions

### **c) CUSTOMER DIVERSIFICATION**

- PC OEM customers
- Enterprise + cloud customers
- Emerging market customers

# Revenue Diversification

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# Generating Strong Margins in Slower Cost Reduction Environment

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## FOCUS AREA #2

### CONTINUED LEADING EDGE TECHNOLOGY POSITION

- a) X3 leader
- b) Die size leader
- c) System-level leadership

### MAINTAIN STRONG INVESTMENT PRIORITY ON R&D

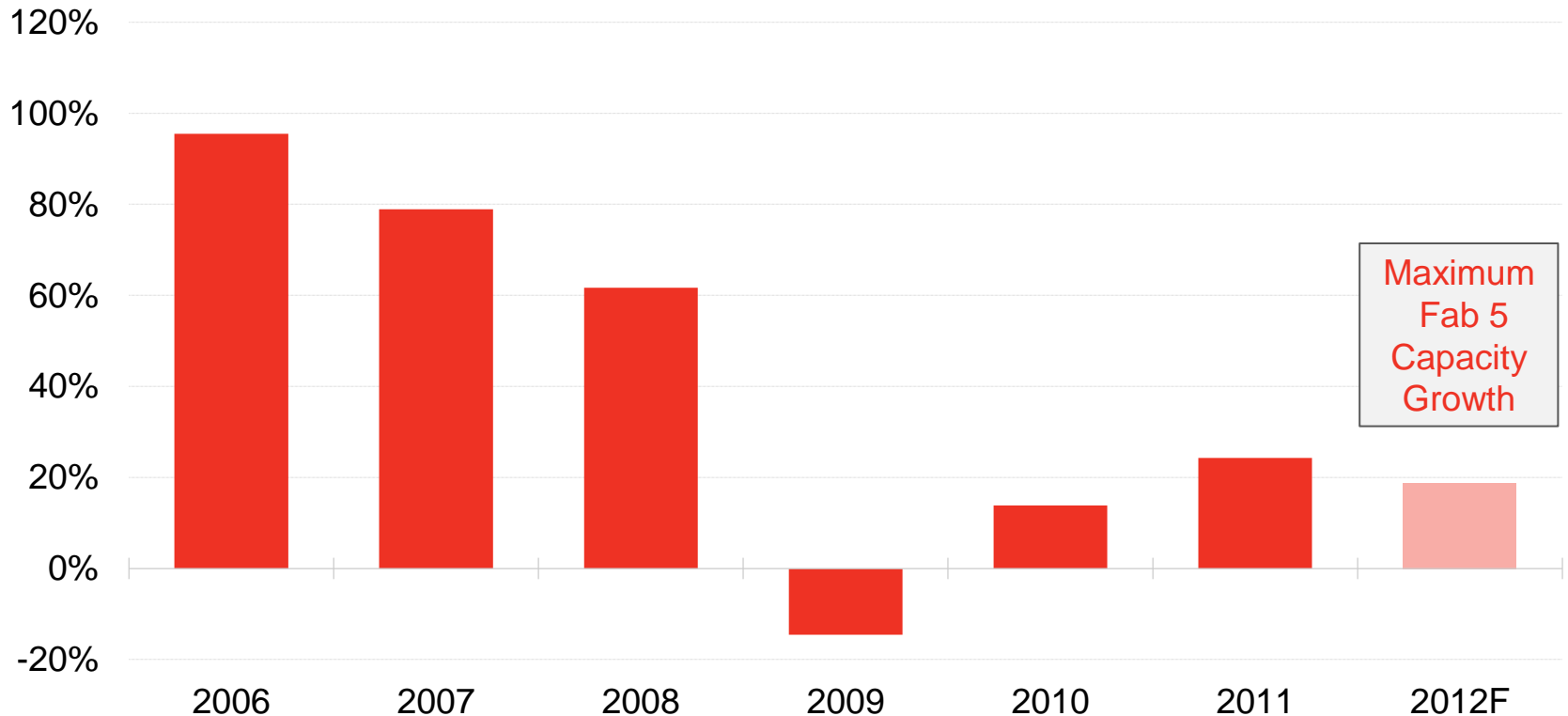
# Generating Strong Margins in Slower Cost Reduction Environment

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## FOCUS AREA #3 PRUDENT CAPACITY GROWTH

- Fab 5 Capacity Expansion Paused
  - Evaluating month by month
- 2012 Percentage Growth in Wafer Capacity will be below 2011 Level

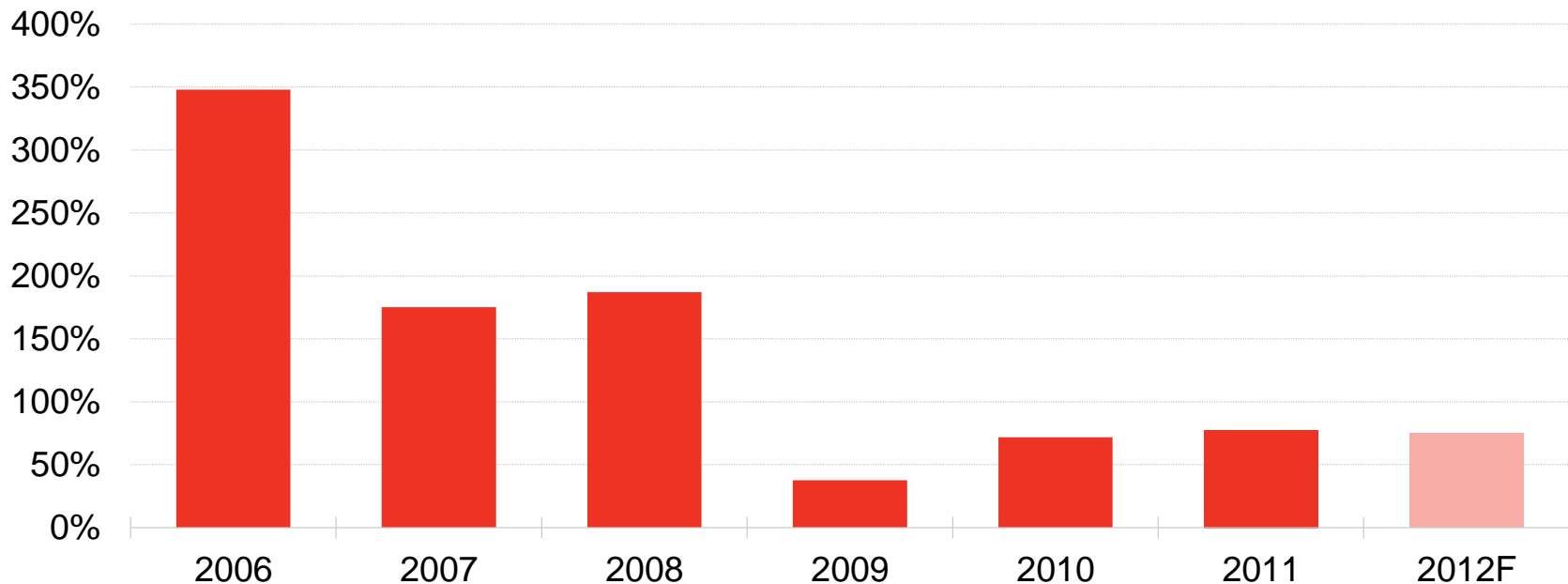
# Captive Wafer Capacity Y/Y Growth %



# Captive Supply Bit Growth

## ■ 2012 FORECAST: 19NM TRANSITION & PARTIAL YEAR FAB 5 PHASE 1 EXPANSION

CAPTIVE SUPPLY BIT GROWTH



## ■ SANDISK SUPPLY STRATEGY:

- Prudent Captive Growth
- Modest Non-Captive Supply Usage for Flexibility

# Delivering Strong Performance in 2012 & Beyond

---

**SECULAR DEMAND TRENDS ARE STRONG**

**THREE KEY FOCUS AREAS FOR STRONG MARGINS**

1. Strengthening portfolio mix
2. Continued leading edge technology position
3. Prudent capacity growth

# Recap of 2012 Forecast

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# 2012: Forecasting Solid Revenue Growth and Strong Profits

\$ in MILLIONS

	<b>LTFM<sup>(2)</sup></b>	<b>2011 RESULTS</b>	<b>2012 GUIDANCE</b>
<b>TOTAL REVENUE</b>	<b>100%</b>	<b>\$5,662</b>	<b>\$6,200 - \$6,600</b>
Total Gross Margin <sup>(1)</sup>	<b>35% - 41%</b>	<b>43.9%</b>	<b>39% - 42%</b>
R&D <sup>(1)</sup>	7% - 9%	9.1%	
S&M <sup>(1)</sup>	~5%	3.3%	
G&A <sup>(1)</sup>	~3%	2.5%	
Total Operating Expenses <sup>(1)</sup>	<b>15% - 17%</b>	<b>14.9%</b>	<b>~\$975 15% - 16%</b>
<b>OPERATING INCOME<sup>(1)</sup></b>	<b>20% - 24%</b>	<b>28.9%</b>	<b>23% - 27%</b>
Tax Rate		33%	32%

(1) All figures are Non-GAAP excluding stock comp expense, amortization of acquisition-related intangible assets, purchase accounting adjustments, and impairment of goodwill and acquisition-related intangible assets.

(2) LTFM = Long Term Financial Model to balance growth, profitability and cash flow, with adequate ROI on fab and other capital investments.

# 2012 Capital Investments

\$ IN MILLIONS

<b>CAPITAL INVESTMENTS</b>	<b>2011</b>	<b>2012</b>
<b>JOINT VENTURE FABS</b>	<b>\$1,175</b>	<b>\$650 - \$1,150</b>
SanDisk Non-Fab CapEx	193	450
<b>TOTAL CAPITAL INVESTMENTS</b>	<b>\$1,368</b>	<b>\$1,100-\$1,600</b>
<b>FUNDING</b>		
JV Operating Cash Flow	\$818	\$500 - \$700
JV Operating Lease Financing	291	200 - 400
Net Cash Outlay	259	400 - 500
<b>TOTAL FUNDING</b>	<b>\$1,368</b>	<b>\$1,100-\$1,600</b>

**SANDISK CASH  
OUTLAY EXPECTED  
TO BE SIMILAR TO  
NON-FAB CAPEX**

## ■ ESTIMATED JOINT VENTURE FUNDING:

- \$825M cash flow from depreciation
- (\$125M)-(\$325M) increase in working capital

## ■ FAB CAPEX EXPECTED TO BE FUNDED BY JV CASH FLOW AND LEASES

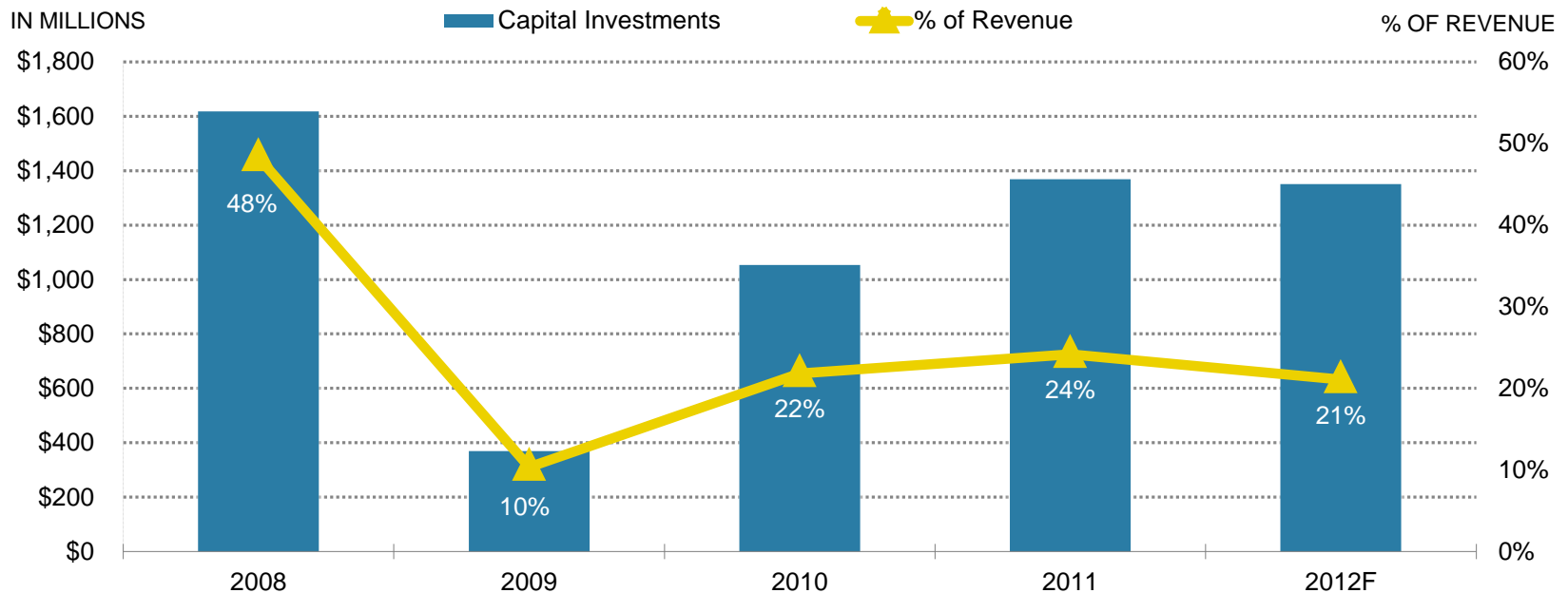
# Non-Fab Capital Investments

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\$ IN MILLIONS

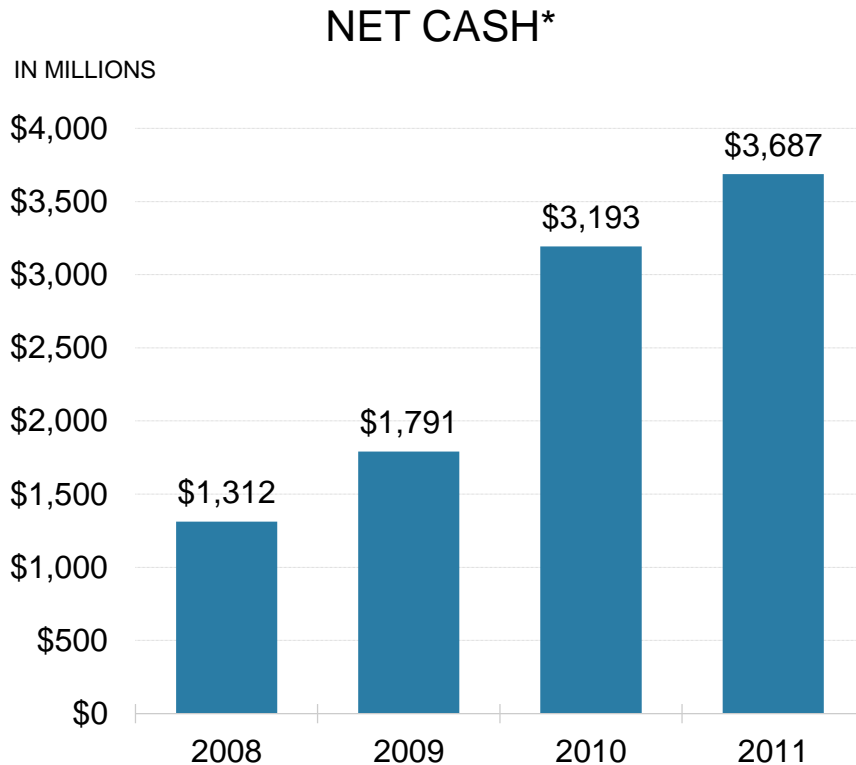
<b>2011 ACTUAL</b>	<b>\$193</b>	
<b>2012 INCREASES:</b>		
Manufacturing	80	Primarily test equipment
Headquarters Campus	150	Purchase of 5 buildings + renovation
Other	27	Primarily R&D and IT
<b>2012 FORECAST</b>	<b>\$450</b>	

# Capital Investment within Target Model of 20%-30% of Revenue



- 2012: % of revenue uses mid-point of forecasted capital investment and mid-point of forecasted revenue
- Capital Investments are funded by: JV Operating Cash Flow/Return of Capital, JV Operating Lease Financing and Net Cash Outlay

# Cash Investment Priorities



## ■ CAPEX – FAB AND NON-FAB

- Cash flow from operations forecasted to continue to exceed cash used for capex

## ■ M&A/TECHNOLOGY INVESTMENTS

- 2011 investments included:
  - Pliant \$318M
  - Technology \$100M
- 2012 to date:
  - FlashSoft

## ■ SHARE BUYBACKS

- Plan established Q4 2011
- ~\$60M repurchased through February 15, 2012

\* Net Cash = [Cash + Cash Equivalents + Short-term & Long-term Marketable Securities] LESS [Debt at Maturity Value]

# SanDisk Well Positioned for 2012 & Beyond

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- **STRONG SECULAR DEMAND TRENDS FOR FLASH**
- **PRUDENT & FLEXIBLE APPROACH TO SUPPLY GROWTH**
- **DIVERSIFYING PORTFOLIO MIX**
- **SUSTAINED TECHNOLOGY LEADERSHIP**
- **STRONG BALANCE SHEET PROVIDES OPPORTUNITIES**
- **SEASONED TEAM FOCUSED ON EXECUTION**

# SANJAY MEHROTRA

*President and Chief Executive Officer*

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# SanDisk Uniquely Positioned to Win

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- **STRONG MARKET TRENDS**
- **STRENGTHENING BUSINESS PORTFOLIO**
- **VERTICAL INTEGRATION**
- **FINANCIAL STRENGTH**

# Q&A

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# APPENDICES

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- 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

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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 (loss) and net income (loss) 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, amortization of acquisition-related intangible assets related to acquisitions of Matrix Semiconductor, Inc. in January 2006, msystems Ltd. in November 2006, MusicGremlin, Inc. in June 2008 and Pliant Technology, Inc. in May 2011, the impairment of goodwill and acquisition-related intangible assets, non-cash economic interest expense associated with the convertible debt, non-cash change in fair value of the liability component of the repurchased portion of the 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 impairment of goodwill and acquisition-related intangible assets, amortization of purchased intangible assets, share-based compensation, non-cash economic interest expense associated with our convertible debt, non-cash change in fair value of the liability component of the repurchased portion of the 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%
<b>Total revenues</b>	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%
<b>Net income</b>	<b>\$ 90,018</b>	<b>14.4%</b>	<b>\$ (12,941)</b>	<b>\$ (41,962)</b>	<b>\$ 35,115</b>	<b>5.6%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.44</b>				<b>\$ 0.17</b>	
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%
<b>Total revenues</b>	<b>719,185</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>719,185</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 117,558</b>	<b>16.3%</b>	<b>\$ (19,203)</b>	<b>\$ (2,714)</b>	<b>\$ (3,879)</b>	<b>\$ 91,762</b>	<b>12.5%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.58</b>					<b>\$ 0.45</b>	
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 Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk 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%
<b>Total revenues</b>	<b>751,385</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>751,385</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 123,614</b>	<b>16.5%</b>	<b>\$ (17,572)</b>	<b>\$ (2,761)</b>	<b>\$ (7,242)</b>	<b>\$ 96,039</b>	<b>12.3%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.61</b>					<b>\$ 0.47</b>	
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%
<b>Total revenues</b>	<b>1,163,695</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,163,695</b>	<b>100.0%</b>
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%
<b>Total cost of product revenues</b>	<b>729,932</b>	<b>62.7%</b>	<b>2,892</b>	<b>14,839</b>	<b>-</b>	<b>747,663</b>	<b>64.2%</b>
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%
<b>Total operating expenses</b>	<b>185,739</b>	<b>16.0%</b>	<b>27,900</b>	<b>190,853</b>	<b>-</b>	<b>404,492</b>	<b>34.8%</b>
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%
<b>Net income (loss)</b>	<b>\$ 191,670</b>	<b>16.5%</b>	<b>\$ (23,103)</b>	<b>\$ (203,708)</b>	<b>\$ (7,382)</b>	<b>\$ (42,523)</b>	<b>-3.2%</b>
<b>Net income (loss) per share, diluted</b>	<b>\$ 0.87</b>					<b>\$ (0.20)</b>	
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%
<b>Total revenues</b>	<b>3,257,525</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,257,525</b>	<b>100.0%</b>
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%
<b>Total cost of product revenues</b>	<b>1,995,222</b>	<b>61.2%</b>	<b>7,991</b>	<b>14,839</b>	<b>-</b>	<b>2,018,052</b>	<b>62.0%</b>
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%
<b>Total operating expenses</b>	<b>577,457</b>	<b>17.7%</b>	<b>92,650</b>	<b>243,032</b>	<b>-</b>	<b>913,139</b>	<b>28.0%</b>
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%
<b>Net income</b>	<b>\$ 522,860</b>	<b>16.1%</b>	<b>\$ (72,819)</b>	<b>\$ (251,145)</b>	<b>\$ (18,503)</b>	<b>\$ 180,393</b>	<b>5.5%</b>
<b>Net income per share, diluted</b>	<b>\$ 2.51</b>					<b>\$ 0.87</b>	
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)

	<b>SanDisk Consolidated Non-GAAP</b>	<b>% of Revenue</b>	<b>Share-based Compensation</b>	<b>Purchase Accounting Adjustments</b>	<b>Convertible Debt Interest</b>	<b>SanDisk Consolidated GAAP (d)</b>	<b>% of Revenue</b>
Product revenue	\$ 689,357	87.7%	\$ -	\$ -	\$ -	\$ 689,357	87.7%
License and royalty revenue	96,729	12.3%	-	-	-	96,729	12.3%
<b>Total revenues</b>	<b>786,086</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>786,086</b>	<b>100.0%</b>
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%
<b>Net income (loss)</b>	<b>\$ 44,835</b>	<b>5.7%</b>	<b>\$ (20,230)</b>	<b>\$ (25,180)</b>	<b>\$ (5,640)</b>	<b>\$ (6,215)</b>	<b>-0.8%</b>
<b>Net income (loss) per share, diluted</b>	<b>\$ 0.19</b>					<b>\$ (0.03)</b>	
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 Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk 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%
<b>Total revenues</b>	<b>827,032</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>827,032</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 71,842</b>	<b>8.7%</b>	<b>\$ (23,698)</b>	<b>\$ (19,660)</b>	<b>\$ (6,556)</b>	<b>\$ 21,928</b>	<b>2.7%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.30</b>					<b>\$ 0.09</b>	
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%
<b>Total revenues</b>	<b>1,037,423</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,037,423</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 129,803</b>	<b>12.5%</b>	<b>\$ (22,514)</b>	<b>\$ (22,651)</b>	<b>\$ (7,989)</b>	<b>\$ 76,649</b>	<b>7.4%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.54</b>					<b>\$ 0.32</b>	
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%
<b>Total revenues</b>	<b>1,245,825</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,245,825</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 161,629</b>	<b>13.0%</b>	<b>\$ (37,197)</b>	<b>\$ (18,622)</b>	<b>\$ (7,556)</b>	<b>\$ 98,254</b>	<b>7.9%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.69</b>					<b>\$ 0.42</b>	
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%
<b>Total revenues</b>	<b>3,896,366</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,896,366</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 408,109</b>	<b>10.5%</b>	<b>\$ (103,639)</b>	<b>\$ (86,113)</b>	<b>\$ (27,741)</b>	<b>\$ 190,616</b>	<b>4.9%</b>
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	
<b>Net income per share, diluted</b>	<b>\$ 1.73</b>					<b>\$ 0.81</b>	
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	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	SanDisk Consolidated	% of Revenue
	Non-GAAP					GAAP (d)	
Product revenue	\$ 724,051	85.2%	\$ -	\$ -	\$ -	\$ 724,051	85.2%
License and royalty revenue	125,916	14.8%	-	-	-	125,916	14.8%
<b>Total revenues</b>	<b>849,967</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>849,967</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 47,786</b>	<b>5.6%</b>	<b>\$ (15,188)</b>	<b>\$ (14,718)</b>	<b>\$ (6,920)</b>	<b>\$ 10,960</b>	<b>1.3%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.21</b>					<b>\$ 0.05</b>	
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%
<b>Total revenues</b>	<b>816,011</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>816,011</b>	<b>100.0%</b>
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%
<b>Total cost of product revenues</b>	<b>648,549</b>	<b>79.5%</b>	<b>2,009</b>	<b>14,582</b>	<b>-</b>	<b>665,140</b>	<b>81.5%</b>
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%
<b>Total operating expenses</b>	<b>224,451</b>	<b>27.5%</b>	<b>23,099</b>	<b>4,553</b>	<b>-</b>	<b>252,103</b>	<b>30.9%</b>
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%
<b>Net loss</b>	<b>\$ (22,341)</b>	<b>-2.7%</b>	<b>\$ (25,760)</b>	<b>\$ (19,776)</b>	<b>\$ (5,877)</b>	<b>\$ (73,754)</b>	<b>-9.0%</b>
<b>Net loss per share, diluted</b>	<b>\$ (0.10)</b>					<b>\$ (0.33)</b>	
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%
<b>Total revenues</b>	<b>821,497</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>821,497</b>	<b>100.0%</b>
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%
<b>Net loss</b>	<b>\$ (132,088)</b>	<b>-16.1%</b>	<b>\$ (14,698)</b>	<b>\$ (8,408)</b>	<b>\$ (10,705)</b>	<b>\$ (165,899)</b>	<b>-20.2%</b>
<b>Net loss per share, diluted</b>	<b>\$ (0.59)</b>					<b>\$ (0.74)</b>	
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 Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Impairments	SanDisk Consolidated GAAP (e)	% of Revenue
Product revenue	\$ 742,128	85.9%	\$ -	\$ -	\$ -	\$ -	\$ 742,128	85.9%
License and royalty revenue	121,749	14.1%	-	-	-	-	121,749	14.1%
<b>Total revenues</b>	<b>863,877</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>863,877</b>	<b>100.0%</b>
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%
<b>Net loss</b>	<b>\$ (359,331)</b>	<b>-41.6%</b>	<b>\$ (11,849)</b>	<b>\$ (6,957)</b>	<b>\$ 93,654</b>	<b>\$ (1,473,448)</b>	<b>\$ (1,757,931)</b>	<b>-203.5%</b>
<b>Net loss per share, diluted</b>	<b>\$ (1.59)</b>						<b>\$ (7.78)</b>	
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%
<b>Total revenues</b>	<b>3,351,352</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,351,352</b>	<b>100.0%</b>
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%
<b>Net loss</b>	<b>\$ (465,974)</b>	<b>-13.9%</b>	<b>\$ (67,495)</b>	<b>\$ (49,859)</b>	<b>\$ 70,152</b>	<b>\$ (1,473,448)</b>	<b>\$ (1,986,624)</b>	<b>-59.3%</b>
<b>Net loss per share, diluted</b>	<b>\$ (2.07)</b>						<b>\$ (8.82)</b>	
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 MusicGrenlin, 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), MusicGrenlin, 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%
<b>Total revenues</b>	<b>659,471</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>659,471</b>	<b>100.0%</b>
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%
<b>Net loss</b>	<b>\$ (108,463)</b>	<b>-16.4%</b>	<b>\$ (11,819)</b>	<b>\$ (2,156)</b>	<b>\$ (8,135)</b>	<b>\$ (77,422)</b>	<b>\$ (207,995)</b>	<b>-31.5%</b>
<b>Net loss per share, diluted</b>	<b>\$ (0.48)</b>						<b>\$ (0.92)</b>	
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 MusicGrenlin, 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%
<b>Total revenues</b>	<b>730,573</b>	<b>100.0%</b>	-	-	-	-	<b>730,573</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 82,948</b>	<b>11.4%</b>	<b>\$ (16,179)</b>	<b>\$ (2,153)</b>	<b>\$ (8,282)</b>	<b>\$ (3,827)</b>	<b>\$ 52,507</b>	<b>7.2%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.36</b>						<b>\$ 0.23</b>	
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 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 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%
<b>Total revenues</b>	<b>935,171</b>	<b>100.0%</b>	-	-	-	-	<b>935,171</b>	<b>100.0%</b>
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) (d)	6,122	0.7%
<b>Net income</b>	<b>\$ 175,511</b>	<b>18.8%</b>	<b>\$ (14,022)</b>	<b>\$ (2,154)</b>	<b>\$ (8,440)</b>	<b>\$ 80,398</b>	<b>\$ 231,293</b>	<b>24.7%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.75</b>						<b>\$ 0.99</b>	
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 MusicGrenlin, 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)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Convertible Debt Interest	Other	GAAP	% of 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%
<b>Total revenues</b>	<b>1,241,591</b>	<b>100.0%</b>	-	-	-	-	<b>1,241,591</b>	<b>100.0%</b>
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) -	3,133	(c) -	-	3,133	0.2%
Total cost of product revenues	632,700	55.4%	(a) 5,260	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%	14,058	(b) -	-	-	111,078	8.9%
Sales and marketing	56,383	4.5%	8,094	(b) -	-	-	64,477	5.2%
General and administrative	38,958	3.2%	10,090	(b) -	-	-	49,048	4.1%
Amortization of acquisition-related intangible assets	-	0.0%	-	292	(c) -	-	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)	(j) -	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) (e)	37,751	3.1%
<b>Net income</b>	<b>\$ 277,211</b>	<b>22.3%</b>	<b>\$ (27,289)</b>	<b>\$ (2,083)</b>	<b>\$ (9,122)</b>	<b>\$ 100,788</b>	<b>\$ 339,505</b>	<b>27.3%</b>
<b>Net income per share, diluted</b>	<b>\$ 1.18</b>						<b>\$ 1.45</b>	
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 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

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%
<b>Total revenues</b>	<b>3,566,806</b>	<b>100.0%</b>	-	-	-	-	<b>3,566,806</b>	<b>100.0%</b>
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%
Research and development	347,759	9.7%	36,399	(b) -	-	-	384,158	10.8%
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%
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)	88,491	2.5%
<b>Net income</b>	<b>\$ 427,207</b>	<b>12.0%</b>	<b>\$ (69,309)</b>	<b>\$ (8,546)</b>	<b>\$ (33,979)</b>	<b>\$ 99,937</b>	<b>\$ 415,310</b>	<b>11.6%</b>
<b>Net income per share, diluted</b>	<b>\$ 1.84</b>						<b>\$ 1.79</b>	
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 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 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%
<b>Total revenues</b>	<b>1,086,663</b>	<b>100.0%</b>	-	-	-	-	<b>1,086,663</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 225,042</b>	<b>20.7%</b>	<b>\$ (12,236)</b>	<b>\$ (2,157)</b>	<b>\$ (8,770)</b>	<b>\$ 32,812</b>	<b>\$ 234,691</b>	<b>21.6%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.95</b>						<b>\$ 0.99</b>	
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%
<b>Total revenues</b>	<b>1,179,068</b>	<b>100.0%</b>	-	-	-	-	<b>1,179,068</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 257,800</b>	<b>21.9%</b>	<b>\$ (10,863)</b>	<b>\$ (2,156)</b>	<b>\$ (8,951)</b>	<b>\$ 22,064</b>	<b>\$ 257,894</b>	<b>21.9%</b>
<b>Net income per share, diluted</b>	<b>\$ 1.08</b>						<b>\$ 1.08</b>	
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%
<b>Total revenues</b>	<b>1,233,673</b>	<b>100.0%</b>	-	-	-	-	<b>1,233,673</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 310,853</b>	<b>25.2%</b>	<b>\$ (14,584)</b>	<b>\$ (2,634)</b>	<b>\$ (11,221)</b>	<b>\$ 39,678</b>	<b>\$ 322,092</b>	<b>26.1%</b>
<b>Net income per share, diluted</b>	<b>\$ 1.30</b>						<b>\$ 1.34</b>	
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 MusicGremlin, 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%
<b>Total revenues</b>	<b>1,327,403</b>	<b>100.0%</b>	-	-	-	-	<b>1,327,403</b>	<b>100.0%</b>
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%)
<b>Net income</b>	<b>\$306,628</b>	<b>23.1%</b>	<b>\$(13,187)</b>	<b>\$(1,957)</b>	<b>\$(14,257)</b>	<b>\$208,238</b>	<b>\$485,465</b>	<b>36.6%</b>
<b>Net income per share, diluted</b>	<b>\$1.27</b>						<b>\$2.01</b>	
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 MusicGrenlin, 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%
<b>Total revenues</b>	<b>4,826,807</b>	<b>100.0%</b>	-	-	-	-	<b>4,826,807</b>	<b>100.0%</b>
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	-	- (a)	-	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%
<b>Net income</b>	<b>\$1,100,323</b>	<b>22.8%</b>	<b>\$(50,870)</b>	<b>\$(8,904)</b>	<b>\$(43,199)</b>	<b>\$302,792</b>	<b>\$1,300,142</b>	<b>26.9%</b>
<b>Net income per share, diluted</b>	<b>\$4.60</b>						<b>\$5.44</b>	
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%
<b>Total revenues</b>	<b>1,294,200</b>	<b>100.0%</b>	-	-	-	-	<b>1,294,200</b>	<b>100.0%</b>
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%
<b>Net income</b>	<b>\$ 250,580</b>	<b>19.4%</b>	<b>\$ (10,208)</b>	<b>\$ (3,249)</b>	<b>\$ (14,837)</b>	<b>\$ 1,838</b>	<b>\$ 224,124</b>	<b>17.3%</b>
<b>Net income per share, diluted</b>	<b>\$ 1.03</b>						<b>\$ 0.92</b>	
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%
<b>Total revenues</b>	<b>1,374,993</b>	<b>100.0%</b>	-	-	-	-	<b>1,374,993</b>	<b>100.0%</b>
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)
<b>Total cost of product revenues</b>	<b>752,218</b>	<b>58.7% (a)</b>	<b>1,089</b>	<b>8,254</b>	<b>-</b>	<b>-</b>	<b>761,561</b>	<b>59.4% (a)</b>
Product gross profit	529,742	41.3% (a)	(1,089)	(8,254)	-	-	520,399	40.6% (a)
<b>Total gross profit</b>	<b>622,775</b>	<b>45.3%</b>	<b>(1,089)</b>	<b>(8,254)</b>	<b>-</b>	<b>-</b>	<b>613,432</b>	<b>44.6%</b>
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%
<b>Total operating expenses</b>	<b>220,417</b>	<b>16.0%</b>	<b>13,269</b>	<b>730</b>	<b>-</b>	<b>-</b>	<b>234,416</b>	<b>17.0%</b>
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%
<b>Net income</b>	<b>\$ 278,045</b>	<b>20.2%</b>	<b>\$ (11,009)</b>	<b>\$ (5,697)</b>	<b>\$ (15,110)</b>	<b>\$ 2,161</b>	<b>\$ 248,390</b>	<b>18.1%</b>
<b>Net income per share, diluted</b>	<b>\$ 1.14</b>						<b>\$ 1.02</b>	
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 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.

(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%
<b>Total revenues</b>	<b>1,416,032</b>	<b>100.0%</b>	-	-	-	-	<b>1,416,032</b>	<b>100.0%</b>
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)
<b>Total cost of product revenues</b>	<b>789,181</b>	<b>59.7% (a)</b>	<b>1,284</b>	<b>13,186</b>	<b>-</b>	<b>-</b>	<b>803,651</b>	<b>60.8% (a)</b>
Product gross profit	532,723	40.3% (a)	(1,284)	(13,186)	-	-	518,253	39.2% (a)
<b>Total gross profit</b>	<b>626,851</b>	<b>44.3%</b>	<b>(1,284)</b>	<b>(13,186)</b>	<b>-</b>	<b>-</b>	<b>612,381</b>	<b>43.2%</b>
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%
<b>Total operating expenses</b>	<b>209,931</b>	<b>14.9%</b>	<b>14,445</b>	<b>1,878</b>	<b>-</b>	<b>-</b>	<b>226,254</b>	<b>15.9%</b>
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%)
<b>Income before income taxes</b>	<b>436,182</b>	<b>30.8%</b>	<b>(15,729)</b>	<b>(15,064)</b>	<b>(42,840)</b>	<b>-</b>	<b>362,549</b>	<b>25.6%</b>
Provision for income taxes	143,940	10.2%	(3,977) (e)	1,296 (e)	(15,658) (e)	3,695 (e)	129,296	9.1%
<b>Net income</b>	<b>\$ 292,242</b>	<b>20.6%</b>	<b>\$ (11,752)</b>	<b>\$ (16,569)</b>	<b>\$ (27,182)</b>	<b>\$ (3,695)</b>	<b>\$ 233,253</b>	<b>16.5%</b>
<b>Net income per share, diluted</b>	<b>\$ 1.20</b>						<b>\$ 0.96</b>	
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

Three months ended January 1, 2012 (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	\$ 1,473,444	93.4%	\$ -	\$ -	\$ -	\$ -	\$ 1,473,444	93.4%
License and royalty revenues	103,476	6.6%	-	-	-	-	103,476	6.6%
Total revenues	1,576,920	100.0%	-	-	-	-	1,576,920	100.0%
Cost of product revenues	900,635	61.1%	(a) 1,358	-	-	-	901,993	61.2%
Amortization of acquisition-related intangible assets	-	-	(a) -	13,186 (b)	-	-	13,186	0.9%
Total cost of product revenues	900,635	61.1%	(a) 1,358	13,186	-	-	915,179	62.1%
Product gross profit	572,809	38.9%	(a) (1,358)	(13,186)	-	-	558,265	37.9%
Total gross profit	676,285	42.9%	(1,358)	(13,186)	-	-	661,741	42.0%
Research and development	136,299	8.6%	10,929	-	-	-	147,228	9.3%
Sales and marketing	52,380	3.3%	2,847	-	-	-	55,227	3.5%
General and administrative	38,448	2.4%	3,298	-	-	-	41,746	2.6%
Amortization of acquisition-related intangible assets	-	-	-	1,877 (b)	-	-	1,877	0.1%
Total operating expenses	227,127	14.4%	17,074	1,877	-	-	246,078	15.6%
Operating income	449,158	28.5%	(18,432)	(15,063)	-	-	415,663	26.4%
Other income (expense)	24,187	1.5%	-	-	(21,316) (c)	-	2,871	0.2%
Income before income taxes	473,345	30.0%	(18,432)	(15,063)	(21,316)	-	418,534	26.5%
Provision for income taxes	156,204	9.9%	(7,878) (d)	(1,840) (d)	(7,655) (d)	(1,520) (d)	137,311	8.7%
Net income	\$ 317,141	20.1%	\$ (10,554)	\$ (13,223)	\$ (13,661)	\$ 1,520	\$ 281,223	17.8%
Net income per share, diluted	\$ 1.29						\$ 1.14	
Diluted shares used in computing net income per share	246,595						246,543	
Effective tax rate	33.0%						32.8%	

(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) 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).

(c) Incremental interest expense related 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.

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

# Reconciliation of Non-GAAP to GAAP Statement of Operations

Twelve months ended January 1, 2012 (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	\$ 5,287,555	93.4%	\$ -	\$ -	\$ -	\$ -	\$ 5,287,555	93.4%
License and royalty revenues	374,590	6.6%	-	-	-	-	374,590	6.6%
<b>Total revenues</b>	<b>5,662,145</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,662,145</b>	<b>100.0%</b>
Cost of product revenues	3,178,583	60.1% (a)	4,674	-	-	-	3,183,257	60.2% (a)
Amortization of acquisition-related intangible assets	-	- (a)	-	39,742 (b)	-	-	39,742	0.8% (a)
Total cost of product revenues	3,178,583	60.1% (a)	4,674	39,742	-	-	3,222,999	61.0% (a)
Product gross profit	2,108,972	39.9% (a)	(4,674)	(39,742)	-	-	2,064,556	39.0% (a)
Total gross profit	2,483,562	43.9%	(4,674)	(39,742)	-	-	2,439,146	43.1%
Research and development	513,196	9.1%	34,177	-	-	-	547,373	9.7%
Sales and marketing	188,829	3.3%	10,593	-	-	-	199,422	3.5%
General and administrative	144,100	2.5%	13,666	-	-	-	157,766	2.8%
Amortization of acquisition-related intangible assets	-	-	-	4,485 (b)	-	-	4,485	0.1%
Total operating expenses	846,125	14.9%	58,436	4,485	-	-	909,046	16.1%
Operating income	1,637,437	28.9%	(63,110)	(44,227)	-	-	1,530,100	27.0%
Other income (expense)	58,008	1.0%	-	-	(111,354) (c)	-	(53,346)	(0.9%)
Income before income taxes	1,695,445	29.9%	(63,110)	(44,227)	(111,354)	-	1,476,754	26.1%
Provision for income taxes	557,437	9.8%	(19,587) (d)	(5,698) (d)	(40,564) (d)	(1,824) (d)	489,764	8.6%
<b>Net income</b>	<b>\$ 1,138,008</b>	<b>20.1%</b>	<b>\$ (43,523)</b>	<b>\$ (38,529)</b>	<b>\$ (70,790)</b>	<b>\$ 1,824</b>	<b>\$ 986,990</b>	<b>17.4%</b>
<b>Net income per share, diluted</b>	<b>\$ 4.65</b>						<b>\$ 4.04</b>	
Diluted shares used in computing net income per share	244,568						244,553	
Effective tax rate	32.9%						33.2%	

(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 technology, developed technology, customer relationships and trademarks related to acquisition of Matrix Semiconductor, Inc. (1/06) and Pliant Technology, Inc (5/11).

(c) Incremental interest expense related 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, and non-cash change in fair value of the liability component of the repurchased portion of the 1% Sr. Convertible Notes due 2013.

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

# Summary of Q1 2012 and Fiscal Year 2012 Forward Non-GAAP and GAAP Guidance

PROVIDED ON 1/25/12

(in millions, except for percentages)

	Q1 2012		Fiscal Year 2012	
	Non-GAAP	GAAP	Non-GAAP	GAAP
Total Revenues	\$1,300 - \$1,350	\$1,300 - \$1,350	\$6,200 - \$6,600	\$6,200 - \$6,600
Total Gross Margin <sup>(2)</sup>	39% - 42%	38% - 41%	39% - 42%	38% - 41%
Operating Expenses <sup>(3)</sup>			~ \$975	~ \$1,055
Operating Margin			23% - 27%	21% - 25%
Other Income (Expense) <sup>(4)</sup>	~ \$5	~ \$(17)	~ \$20	~ \$(70)
Tax Rate			~ 32%	~ 32%

- <sup>(1)</sup> 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](http://www.sandisk.com/ir). This guidance is exclusive of any one-time transactions and does not reflect the effect of any acquisitions, divestitures or similar transactions that may be completed after January 25, 2011.

**Non-GAAP excludes the following items:**

- <sup>(2)</sup> Estimate of share-based compensation and amortization of acquisition-related intangibles to be included in total cost of product revenues.
- <sup>(3)</sup> Estimate of share-based compensation and amortization of acquisition-related intangibles to be included in operating expenses.
- <sup>(4)</sup> 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.

# Reconciliation of Non-GAAP to GAAP for Long-term Financial Model

	Long-Term Target Financial Model Non-GAAP	Adjustments To Reconcile To GAAP <sup>(1)</sup>	GAAP
Total Revenue	100%	-	100%
Total Gross Margin	35% - 41%	(1%)	34% - 40%
R&D	7% - 9%	1%	8% - 9%
S&M	~5%	-	~5%
G&A	~3%	-	~3%
Total Operating Expenses	15% - 17%	1%	16% - 18%
Operating Income	20% - 24%	(2%)	18% - 22%

<sup>(1)</sup> Estimated stock compensation expense, amortization of acquisition-related intangibles assets, purchase accounting adjustments, and impairment of goodwill and acquisition-related intangible assets.

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