



Nelson Chan

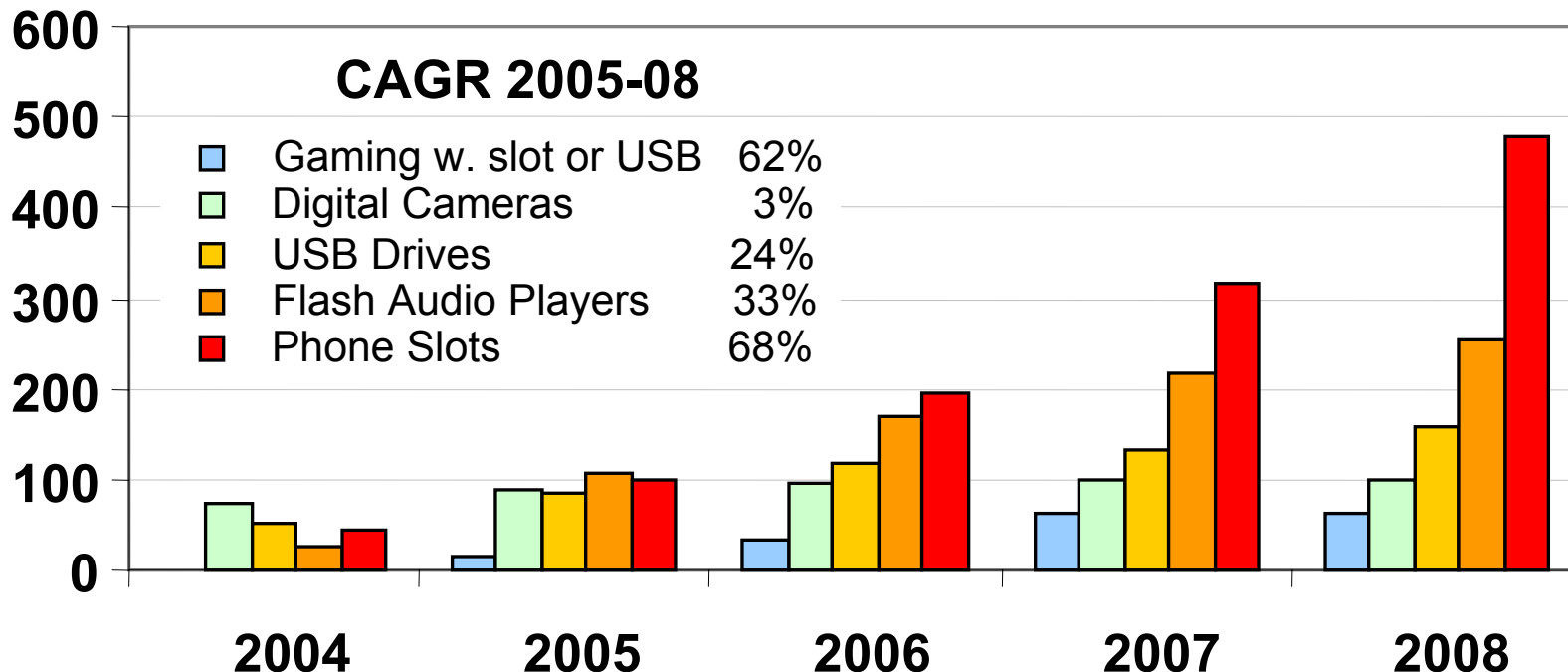
EVP, Consumer
Products Business
and Corporate
Marketing

SanDisk
iZi

Store Your World in Ours™

- ▣ Global Market Share Opportunities
- ▣ Global Sales Expansion
- ▣ Key Market Segments and Product Strategies
- ▣ Branding and Advertising

Million Units

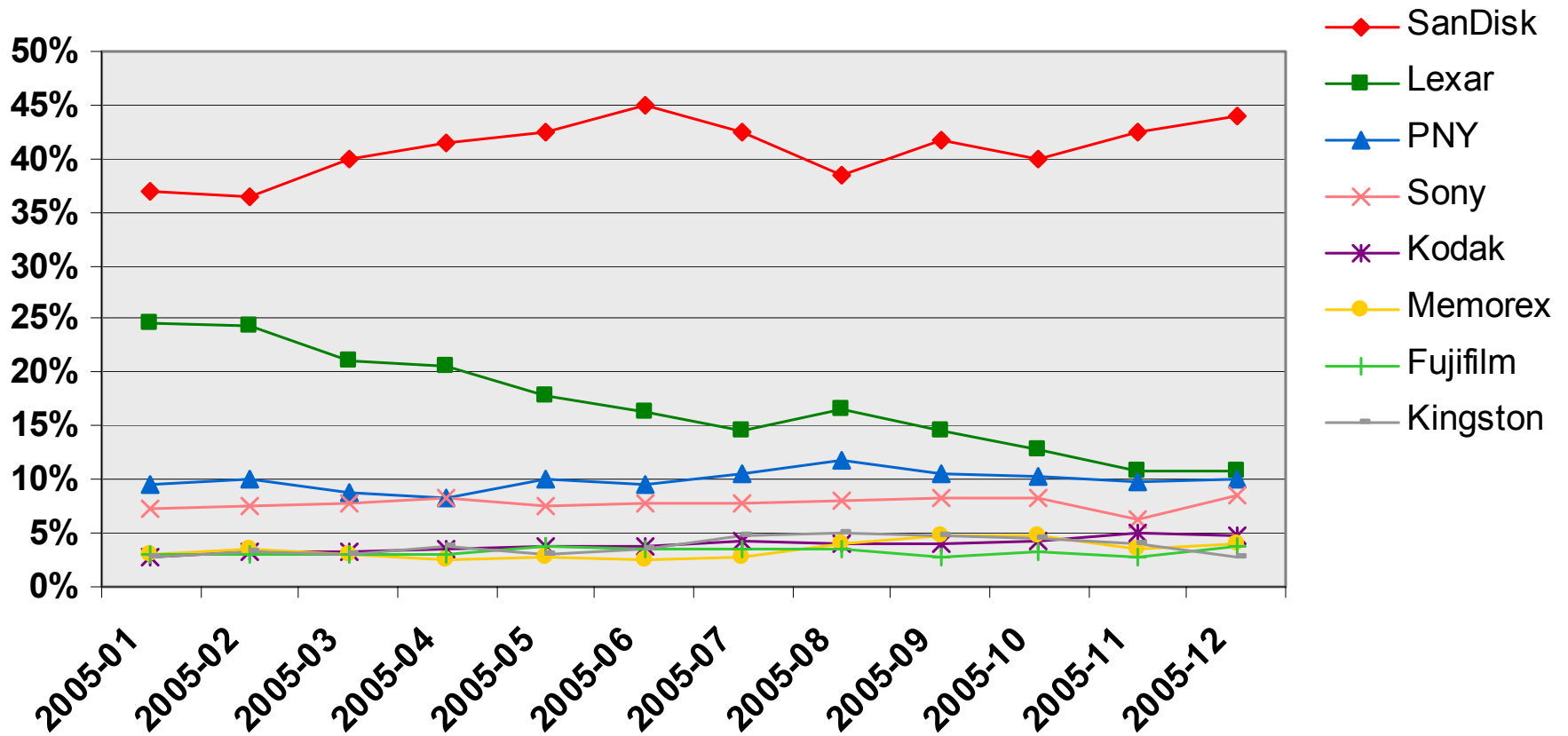


Sources: Gaming - IDC Jan06 / SanDisk, Flash Audio - Gartner Feb06 , DSCs - IDC Aug05/Feb06, UFDs - Gartner Feb06, Phone Slots - Strategy Analytics Feb06



Growing Market Share: Leader in U.S.

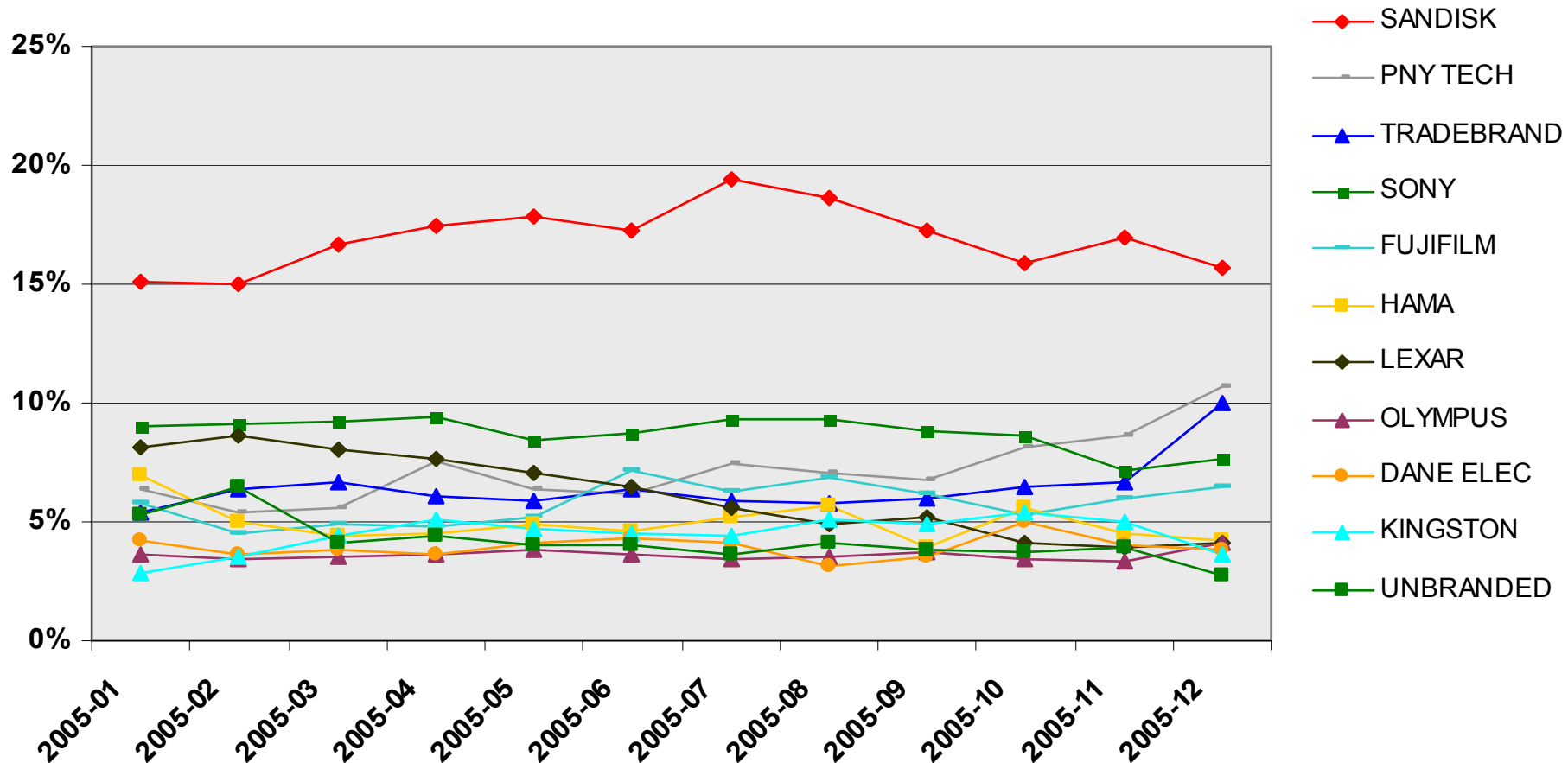
Retail Revenue Shares – Cards & UFDs



Source: NPD Group

Europe: Opportunity for Growth in 2006

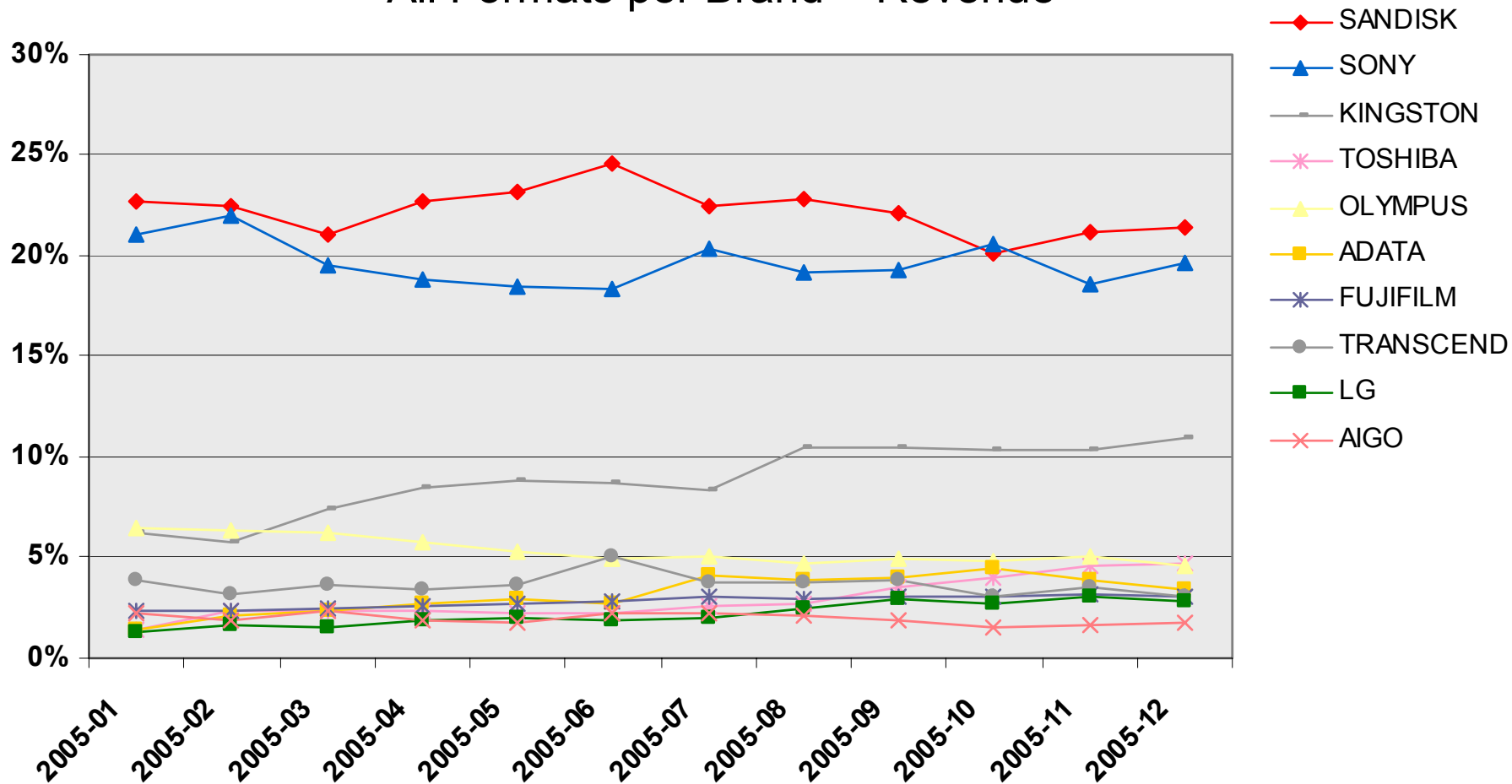
Retail Revenue Shares – Cards + UFDs



Source: GfK (France, Germany, UK)

SanDisk APAC: Opportunity for Growth In 2006

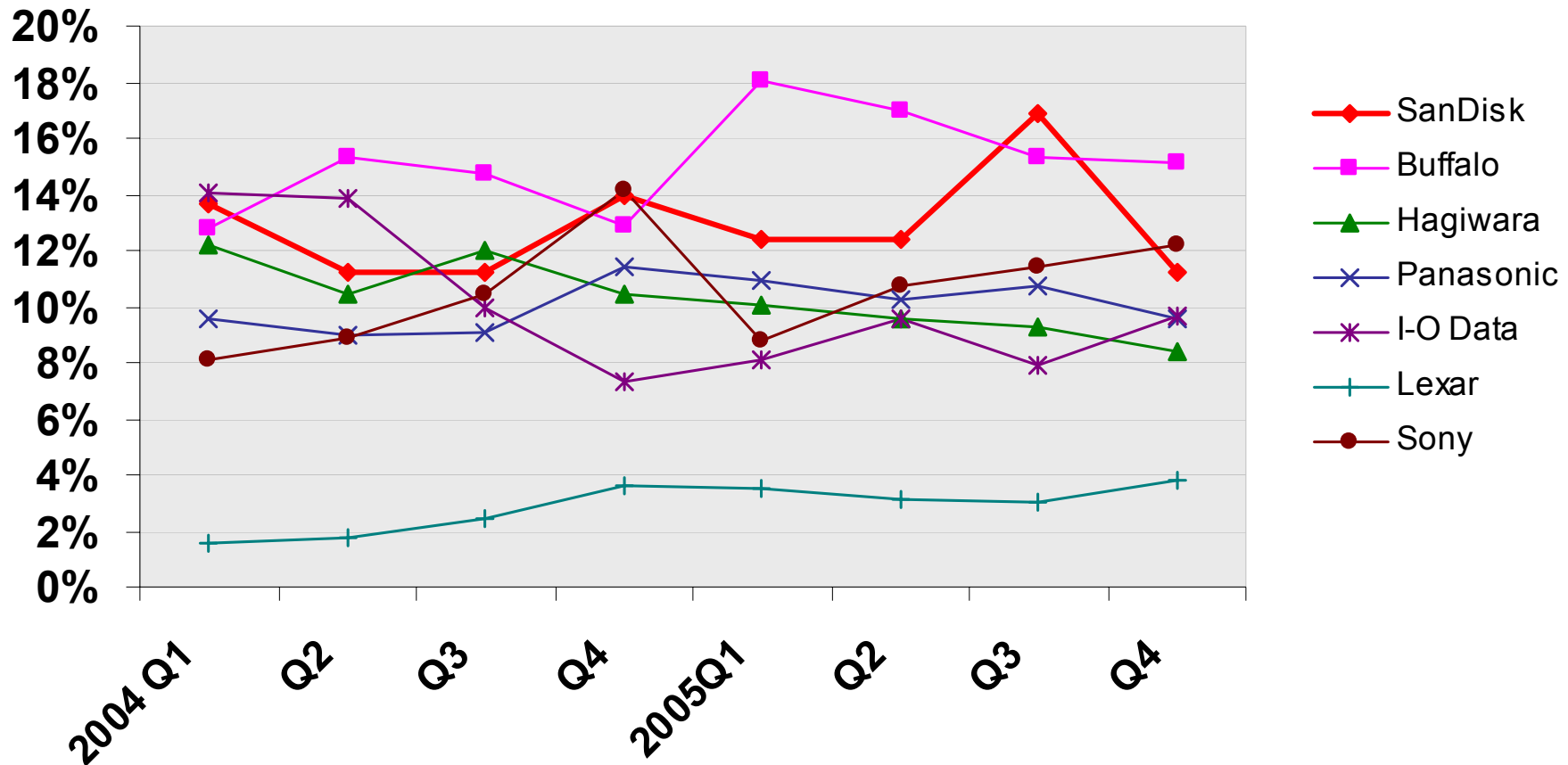
All Formats per Brand – Revenue





Japan: Opportunity to Lead In Highly Fragmented Market

All Formats per Brand – Shipments

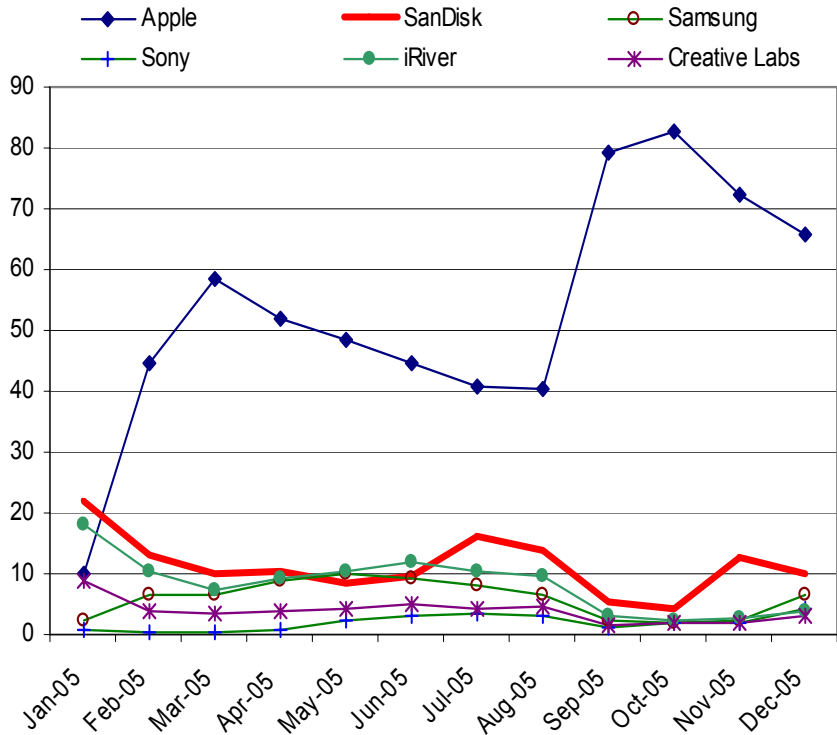


Source: TSR

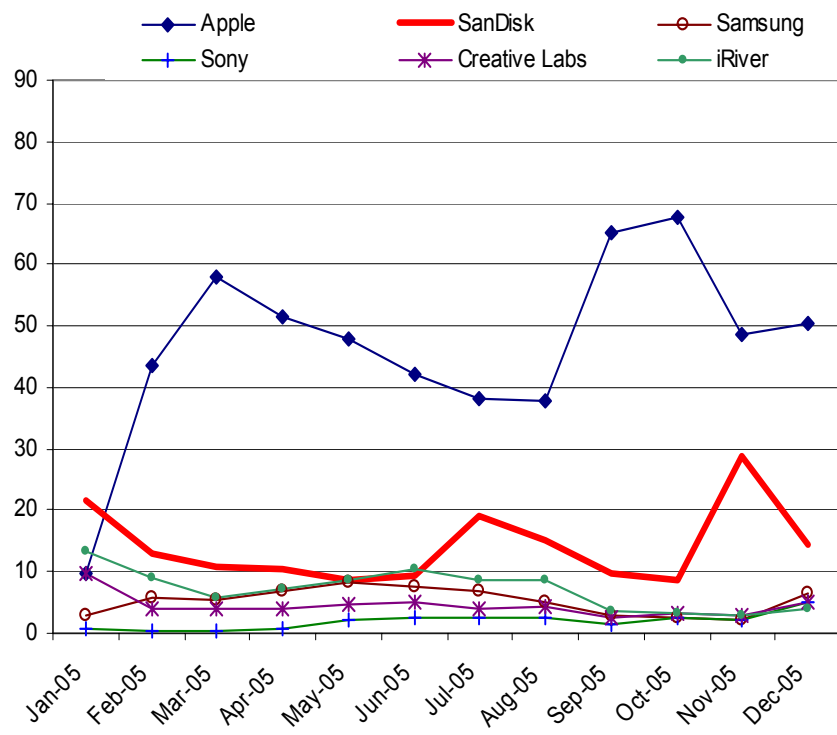


Flash Digital Audio Players: US Market Shares

Revenue Share



Unit Share





1

Be Everywhere where people will purchase
...with the broadest product offering



2

Own the Store – “Store in Store”
Segment, Differentiate, Promote, Train,
Merchandise



3

Build the Brand –
Predispose the Customer
to choose SanDisk



Worldwide Sales Structure: Aggressive Expansion Outside the US

**HQ –
Sunnyvale**

Retail/OEM

Direct/
Distribution

CE/Mobile
Photo
Food/Drug

US
Canada
Mexico

Sales Ops



Dublin

Retail/OEM

CE/Mobile/
Photo

Germany
UK, France
Nordic
S Europe
E Europe
Middle East
Africa

Sales Ops
Field Eng

Hong Kong

Retail/OEM

CE/Mobile

China
Taiwan
Korea
S Asia
India

Yokohama

Retail/OEM

CE/Mobile/
Photo

Sales Ops
Field Eng

Sydney

Retail

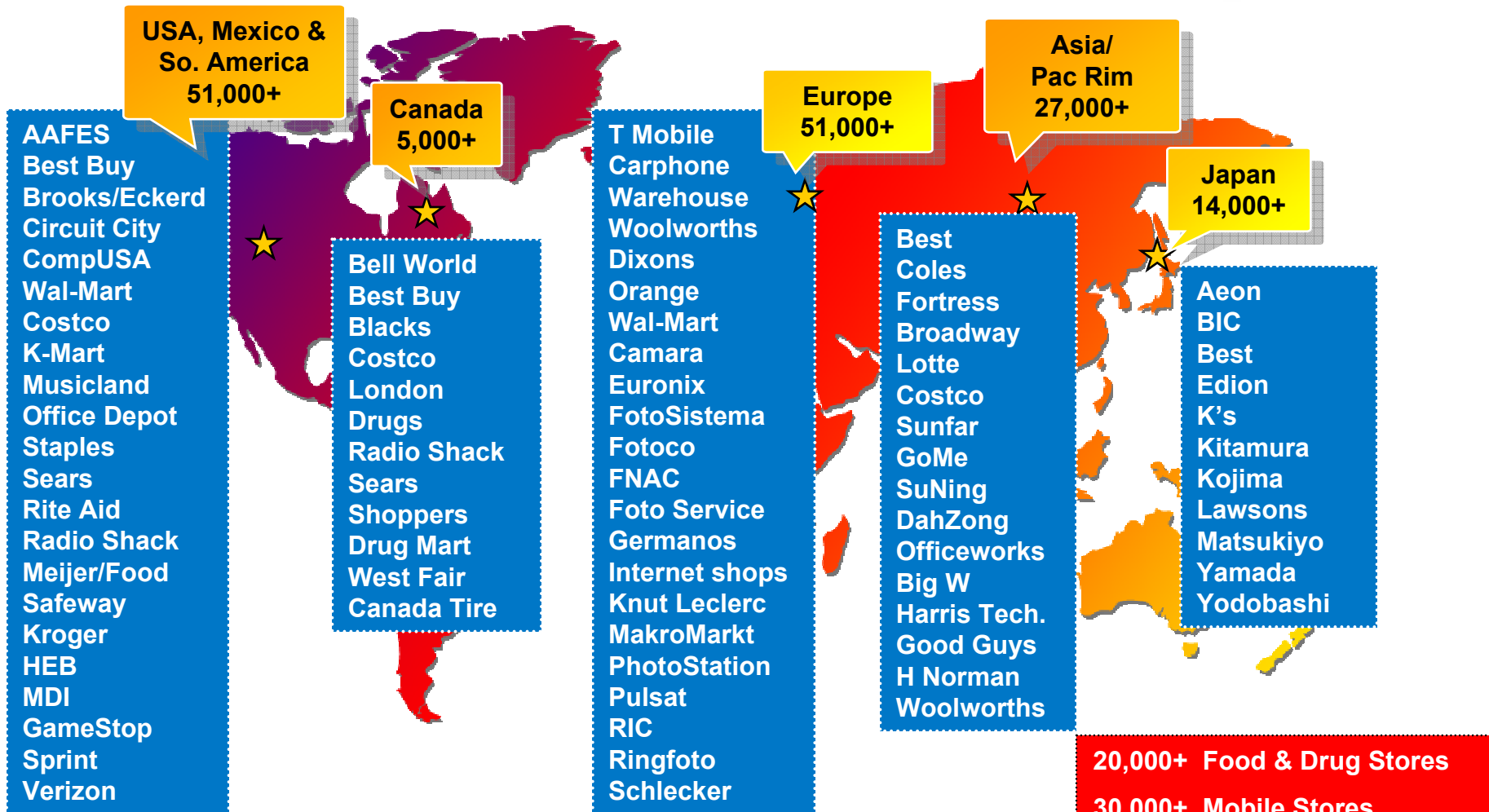
CE/Mobile/
Photo

Australia
New Zealand

- Doubling direct sales in EMEA and APAC (with focus on China)
- Added new sales team in Australia
- Regional marketing staff in EMEA, APAC and Japan



Global Reach: Over 150,000 Storefronts Worldwide



48,000 store fronts added in 2005!

Store Your World in Ours™





Differentiated and Segmented Strategy

Core

Emerging High Growth

Digital Imaging

Personal Data Storage

Digital Audio

Mobile Phones

Gaming

Best



SanDisk Extreme® Family



Cruzer® Titanium II



Sansa™e200



Memory Stick PRO Duo™



Memory Stick PRO Duo™

Better



SanDisk Ultra® Family



Cruzer® Micro II



Sansa™ c100



miniSD™



SD™

Good



Blue Family



Cruzer® Micro Skins



Sansa™ m200



MMCmobile™



microSD™



Shoot & Store™ Family



Cruzer® Mini



Sansa™ e100



iNAND™

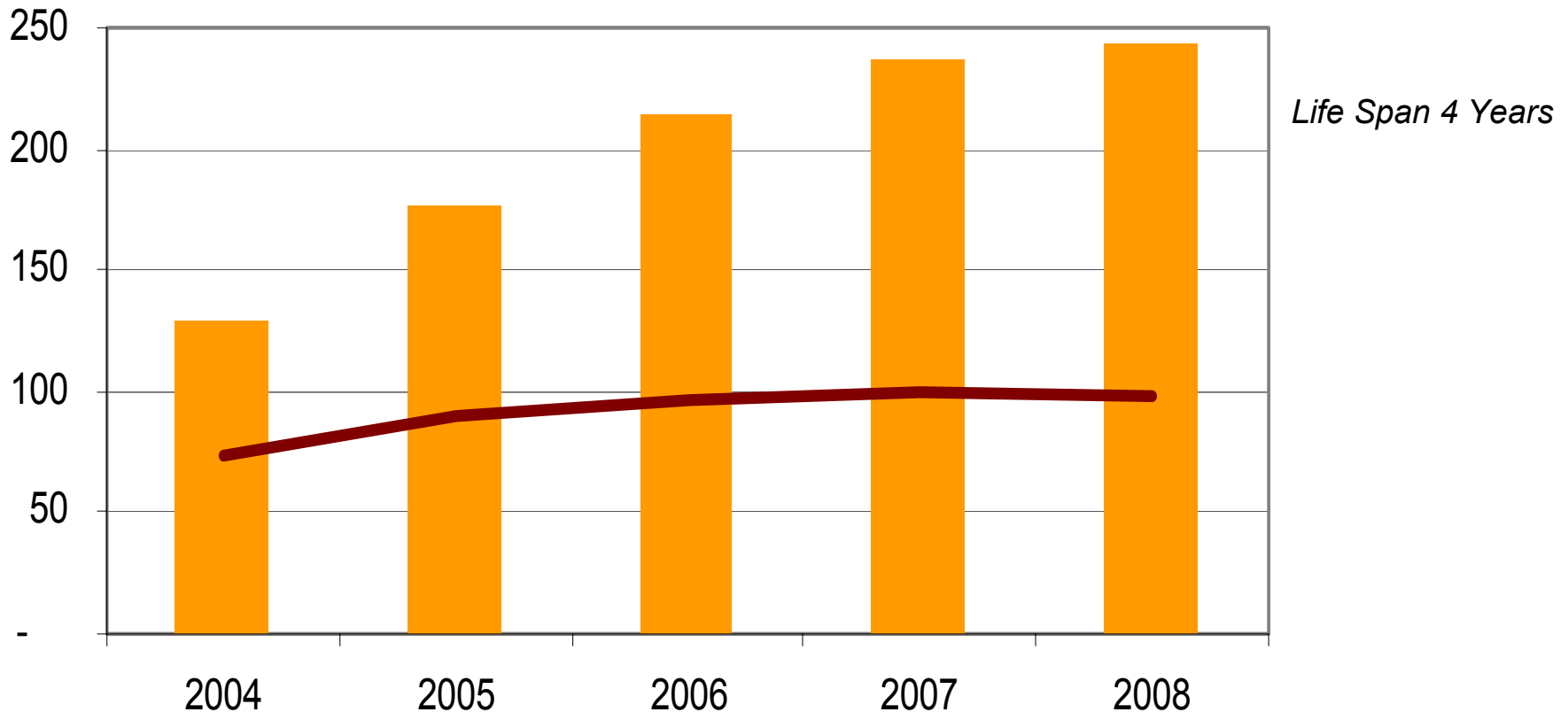


Cruzer Crossfire™



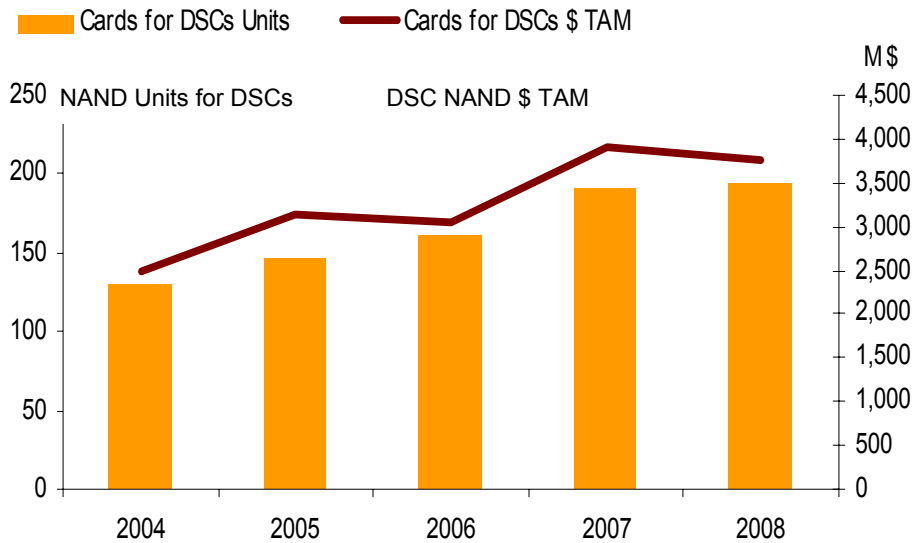
Digital Still Camera Market: Growing Installed Base

DSC Shipments & Installed Base
Installed Base 4 Years shipments

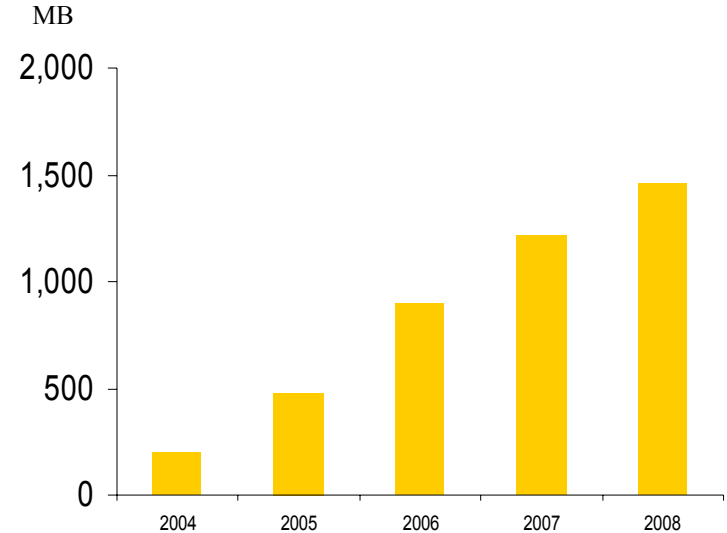


Source: DSCs-IDC Aug '05/Feb '06, Installed Base-SanDisk Estimates

Digital Camera Market



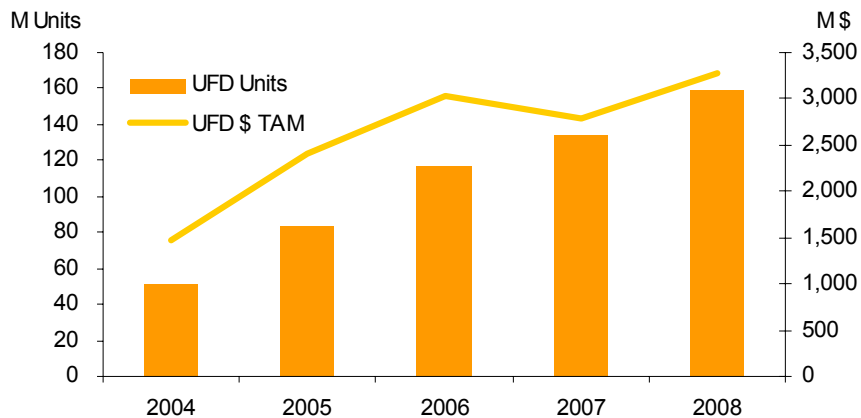
Average Capacities



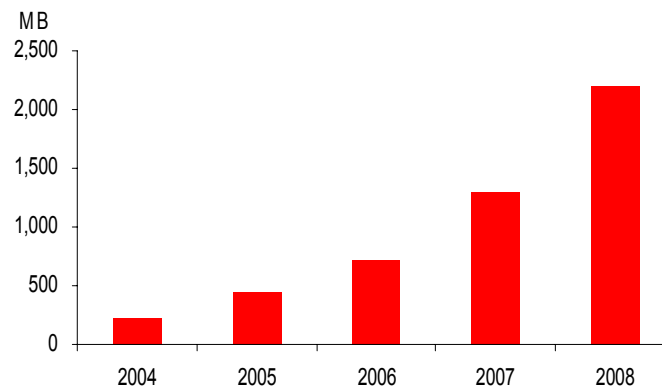
Multiplatform



USB Drive Market



Average Capacities



Source: Gartner Feb '06



USB Flash Drive Products



New Product



New Product

- Transform USB Drives from Today's 'Floppy Drive Replacement' into a Portable Personal Workspace
- Enable a Continuum of Online and Offline Activity
- Participate in the Shift from The PC-Centric Paradigm to Access of Data "Anytime, Anywhere"



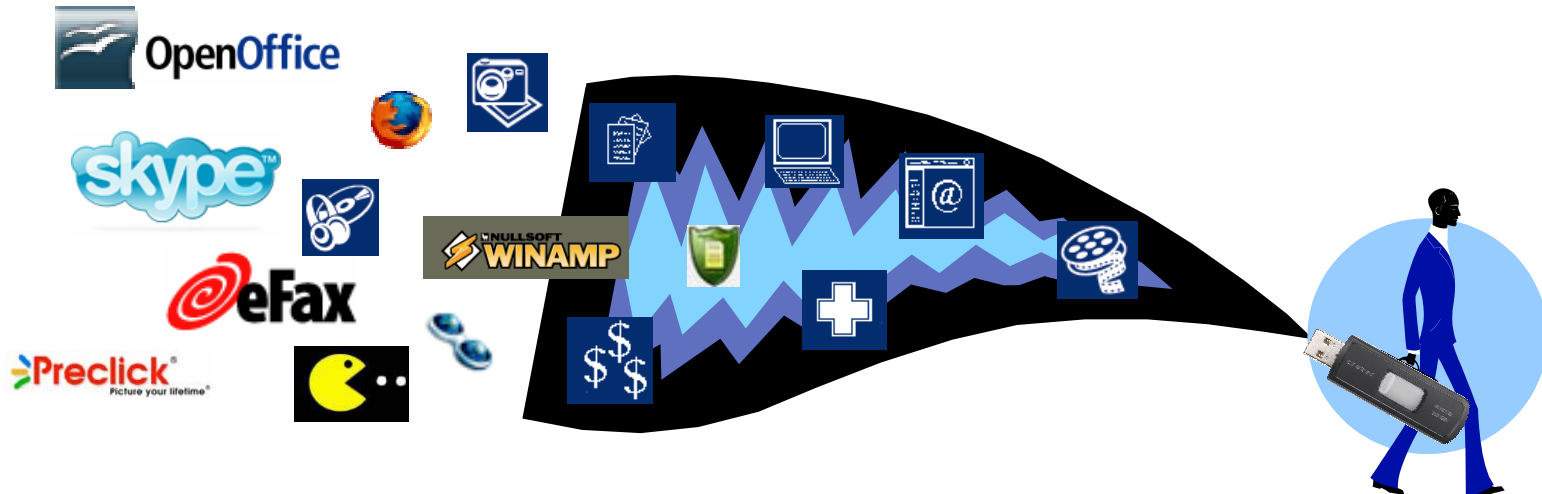
Home



Office

Friend's
HouseBusiness
CenterInternet
Cafe

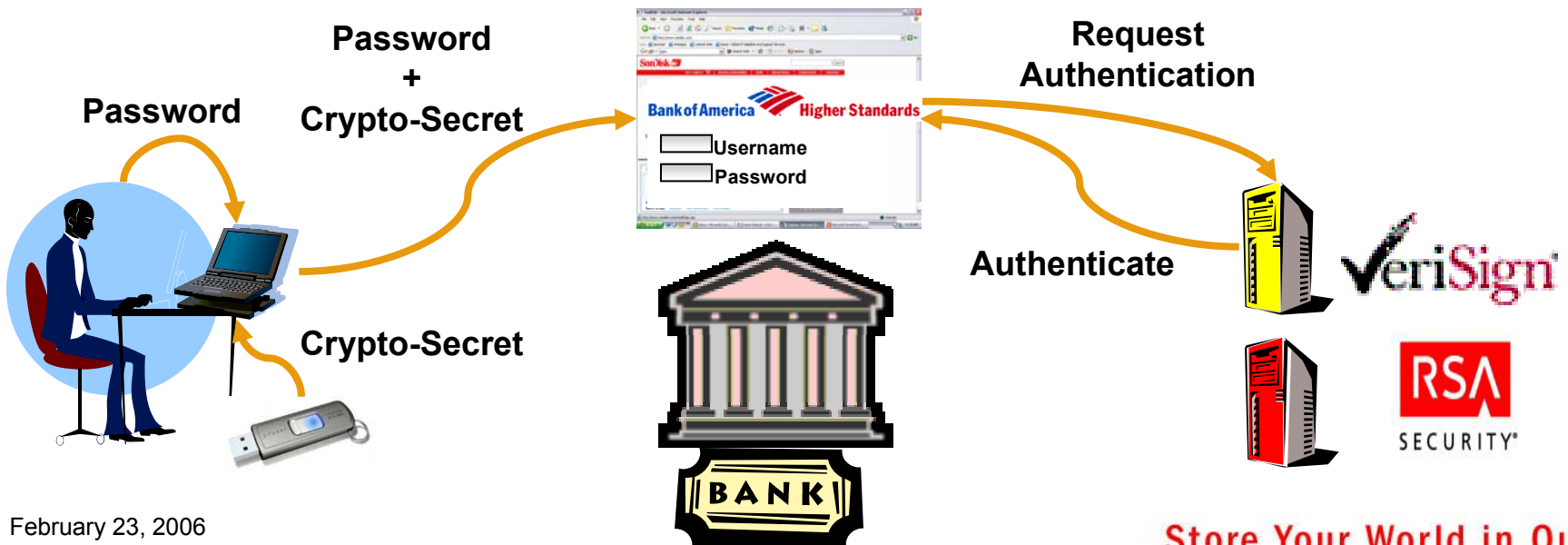
- Increases Average Drive Capacity Usage
- Expands the Market Through New Uses
- Meets Individual Needs Through Software Personalization



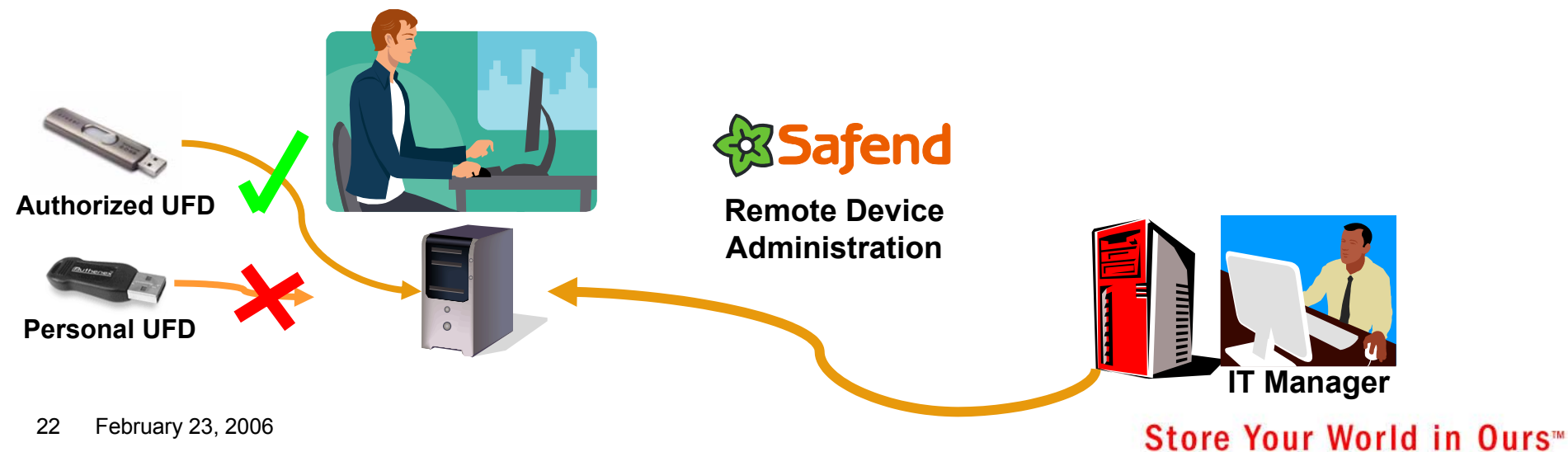


Growing the Market and Increasing Differentiation: Protection Against Online Fraud

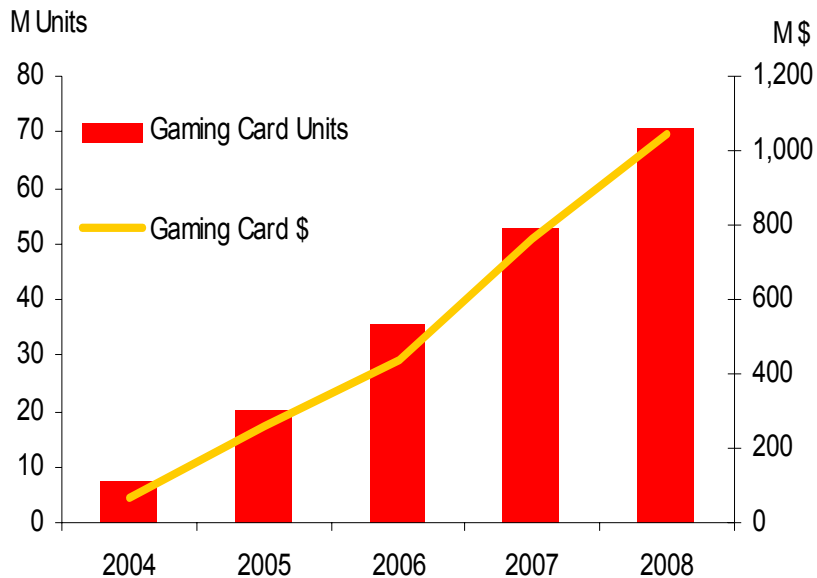
- ❖ Ideal for Many Online Applications (Banking, Trading, E-Commerce, etc.)
- ❖ Uses Highly Secure, Dual-Factor Authentication
- ❖ Partnering with the Security Industry's Leaders
 - RSA & Verisign



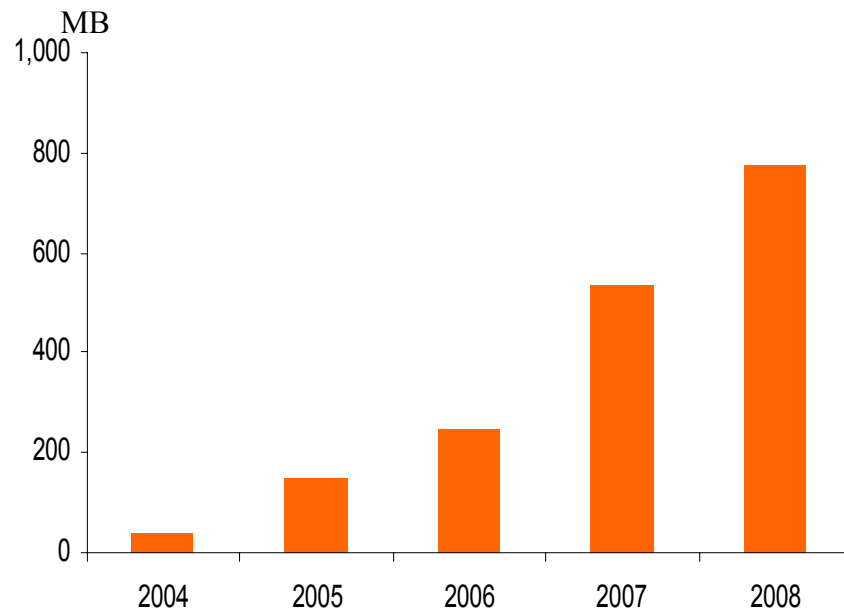
- SanDisk is Partnering with Key Companies to Provide Highly Secure Enterprise Solutions
- Goal – Ensure Sensitive Data Doesn't “Walk Out the Door” via an Unsecured USB Drive
- Working to Create the Right Solutions PLUS Provide Methods for Managing Fleets of Devices



Gaming Card Market



Average Capacities



Source: Web-Foot May '05

- ❖ All Major New In-Home Consoles are USB/Card Enabled
 - ❖ Content import, downloads and game saves are primary drivers

- ❖ Sony® PS3™

- ❖ CF, SD, and MS slot
- ❖ **6 USB** ports



- ❖ Microsoft® Xbox 360™

- ❖ Proprietary memory unit with USB interface
- ❖ **3 USB** ports



- ❖ Nintendo® Revolution

- ❖ SD slot
- ❖ **2 USB** ports





Gaming – Incremental Store Fronts and Shelf Space



New Products

EB GAMES™



GameStop.com

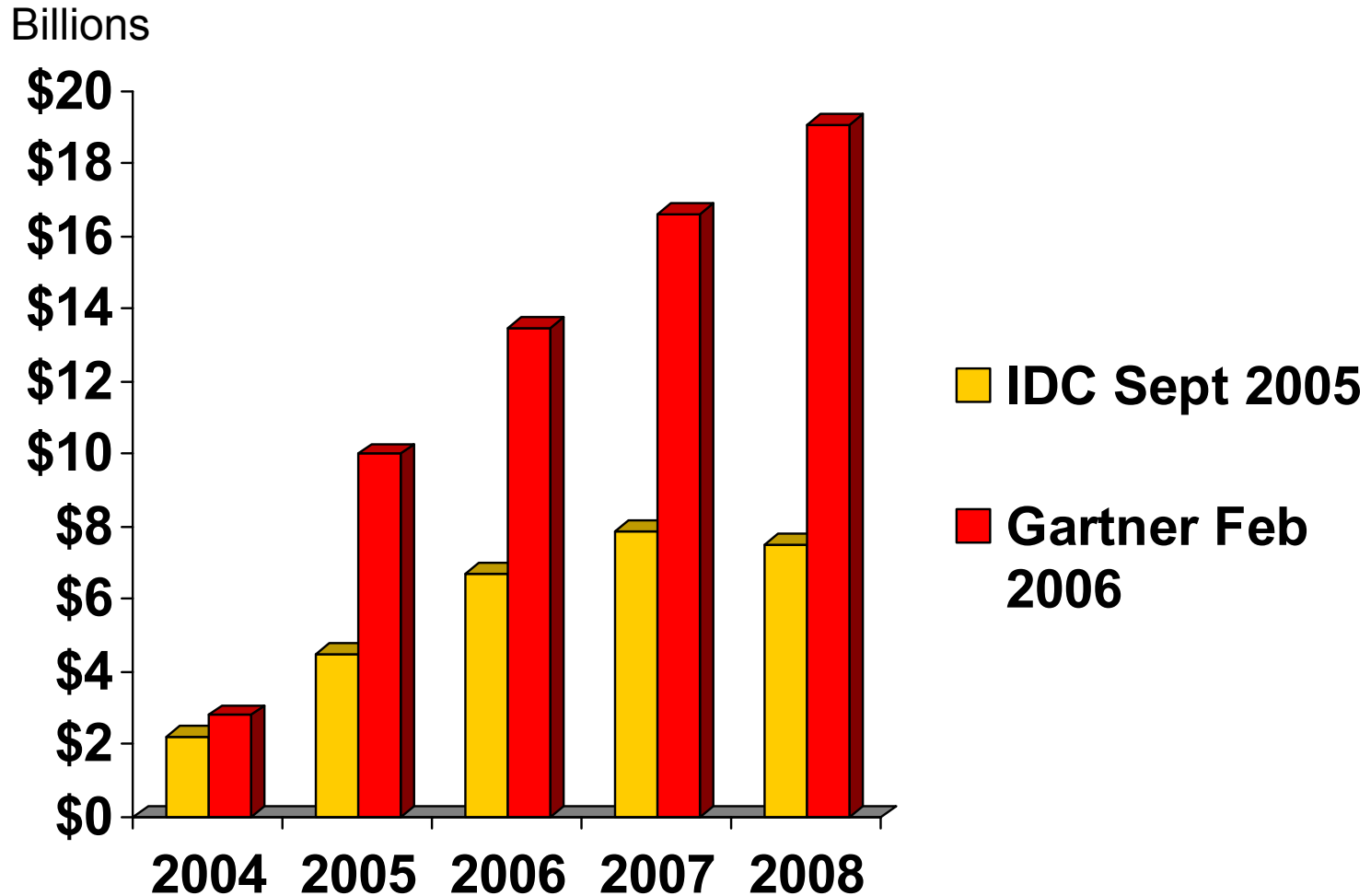
A BARNES & NOBLE Company

Dixons

MediaMarkt

LCD • PLASMA • TV • DVD • VIDEO • MP3 • ELECTRODOMÉSTICOS • INFORMÁTICA • FONO • CD • TELECOM





- Significant Cost Advantage Due to Vertical Integration
- Leverage Established Global Retail Sales Channels
 - Rapid global expansion – Europe and Asia
- Develop “Cool” Products at Very Attractive Price Points
 - “Good, Better, Best” product portfolio
 - Cards slots for expandability and portability
- Own the Market Sweet Spot: \$49-\$149
- Allow Customer Choice
 - Support of Microsoft PlaysForSure DRM (RealNetworks, Napster and Yahoo Music)

sansa™





Strong Channel Presence



“Own the store” – Educate, Promote and Merchandise

Promote Media Centers and “Store Within a Store” Concepts



“Dramatically Increase In-Store Adjacencies”

- ▣ Increase Sales in Established and New Markets
 - ▣ ~2% of revenues for branding and merchandising
- ▣ Building Global Brand Awareness
 - ▣ Engaging Grey San Francisco for global advertising and MetaDesign for brand identity communication
- ▣ Predispose Consumers to Buy SanDisk
 - ▣ Premium brand at everyday price

- ▣ Drive the Brand Globally
 - ▣ Focus on high growth geographies (EMEA, China, etc.)
- ▣ Focus Global Marketing Campaigns on Key Areas
 - ▣ SanDisk brand and products
 - ▣ Digital audio
 - ▣ Mobile (handsets)
 - ▣ High-performance card line (digital imaging)
- ▣ Promote Usage of Flash Cards in Mobile Phones and Drive Retail Attach Rates
- ▣ Establish SanDisk Brand in Digital Audio and Solidify #2 Position





Store Your World in Ours™

- ▣ Focusing on Multiple High-Growth Markets
- ▣ Unrivaled Product Lines
 - ▣ Both breadth and depth
 - ▣ Highly segmented and differentiated
 - ▣ Strong new product pipeline and innovation
- ▣ Drive Global Expansion and Market Share Gain
- ▣ Exceptional Channel Strength and Coverage
- ▣ Leveraging Key OEM and Retail Partnerships
 - ▣ Slots → Bundles → Aftermarket
- ▣ Investing to Build a Global Consumer Brand



Yoram Cedar

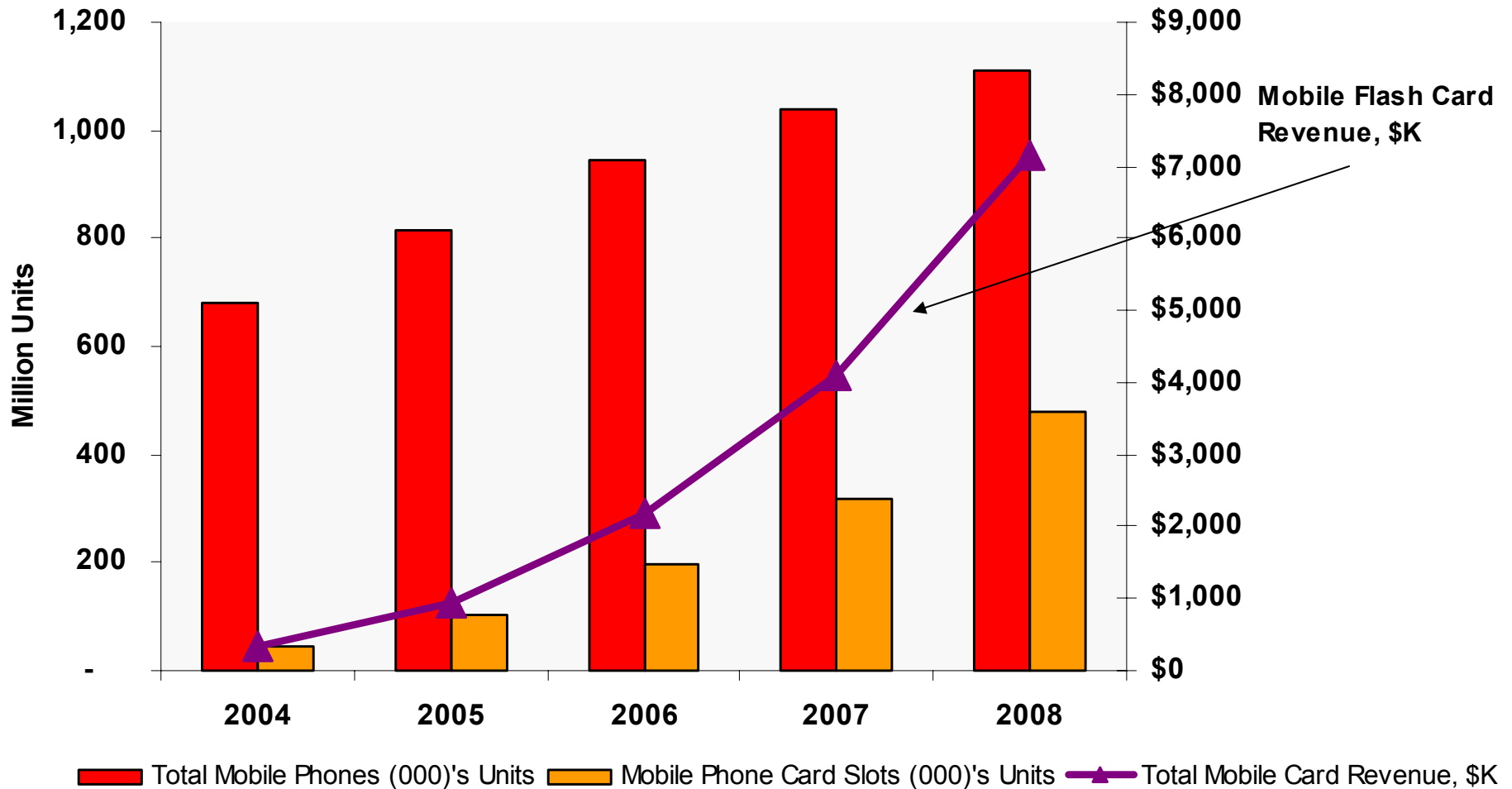
EVP of Handset
Business and
Corporate
Engineering

SanDisk
Z1

Store Your World in Ours™







Worldwide Mobile Phone Card TAM




Sources: Phones - Strategy Analytics,
Mobile Revenue - SanDisk, 2006

Memory Expansion

-  Digital audio
-  Personal images and video recording
-  Personal data backup
-  Variety of files (email, presentations...)

Protected Content Storage

-  Pre-loaded
-  Downloaded

Mobile User Authentication (Dual Factor Authentication)

-  Securely access the enterprise, banking and other sensitive services



Applications Are Storage Intensive

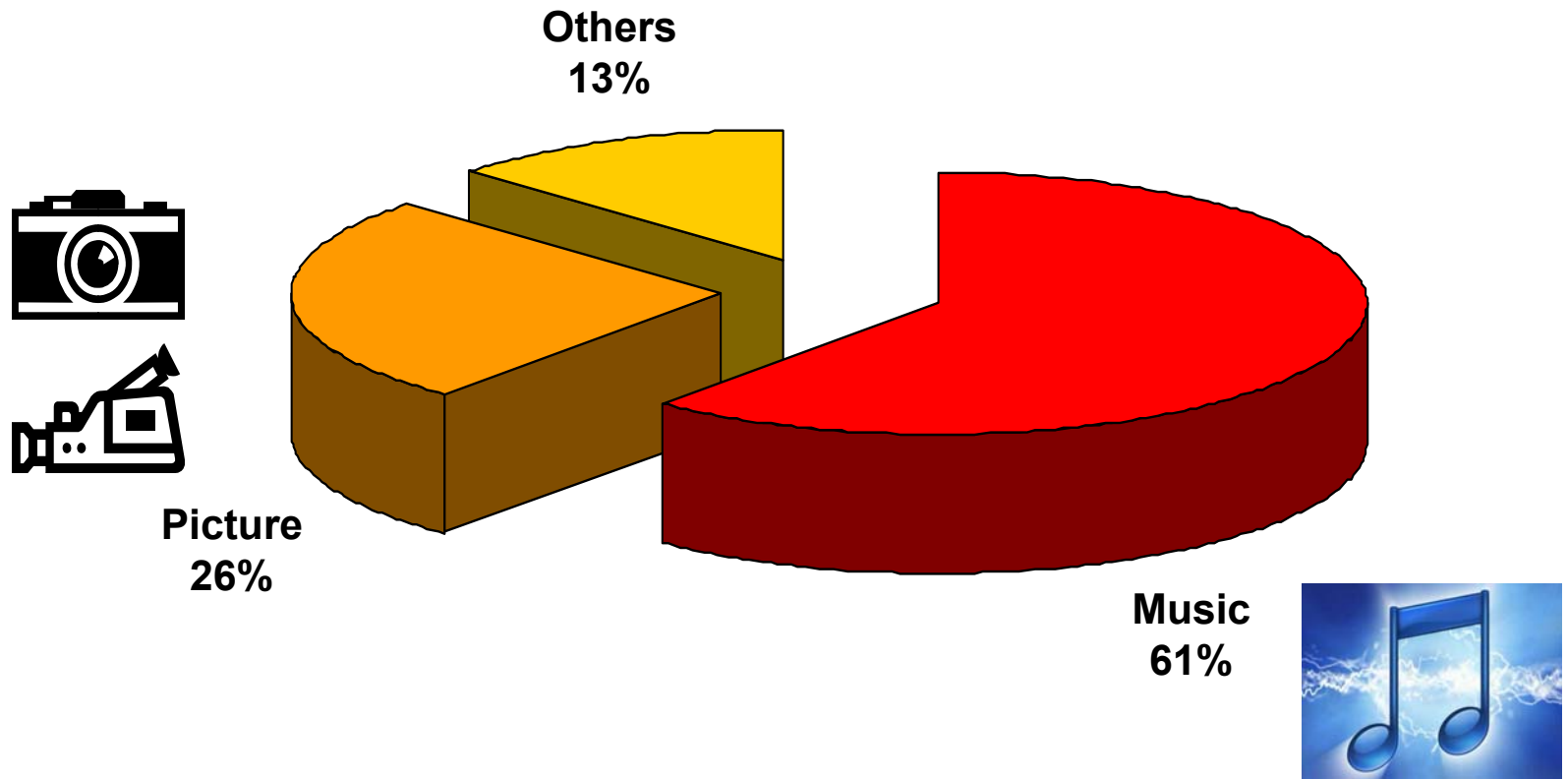
Content will follow successful CE Applications

Mobile Market

PC, CE Markets

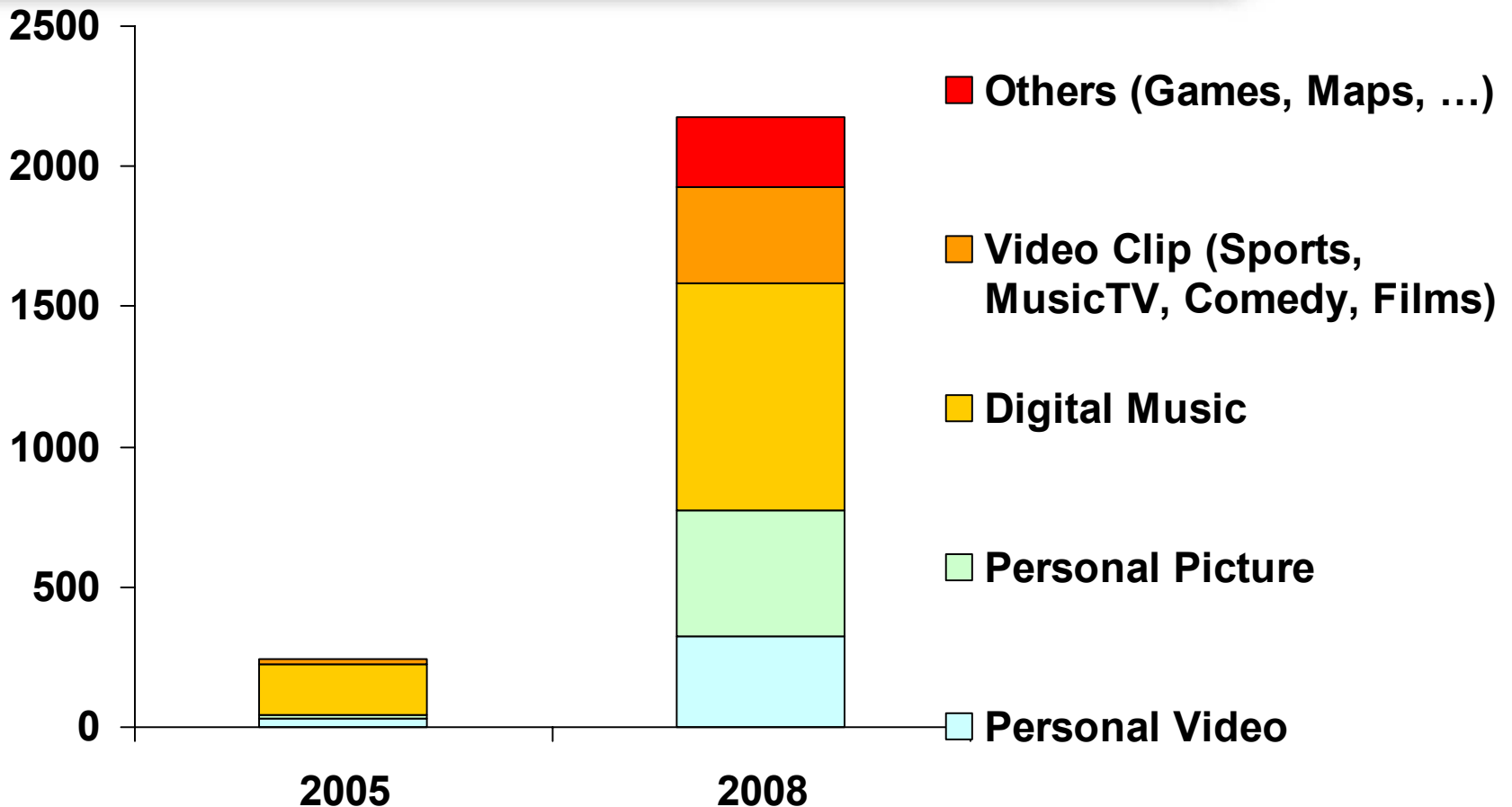


Worldwide Mobile Card Usage 2005 Retail





Applications Drive Retail Card Capacity

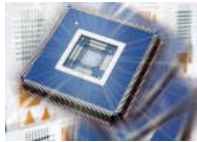


Digital Rights Management (DRM) Solutions Expected to Accelerate Consumption

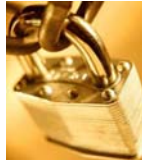
- ❖ Leverage Relationships with Mobile Phone Ecosystem
- ❖ Provide Leading Technical Expertise for Rapid Adoption and Time-to-Market
- ❖ Drive Content Security Solutions
- ❖ Support OEM → Support Retail



Mobile Phone Ecosystem Partnership to Drive Market Adoption



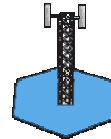
ASSP,
OS



Security



Content and
Service
Providers



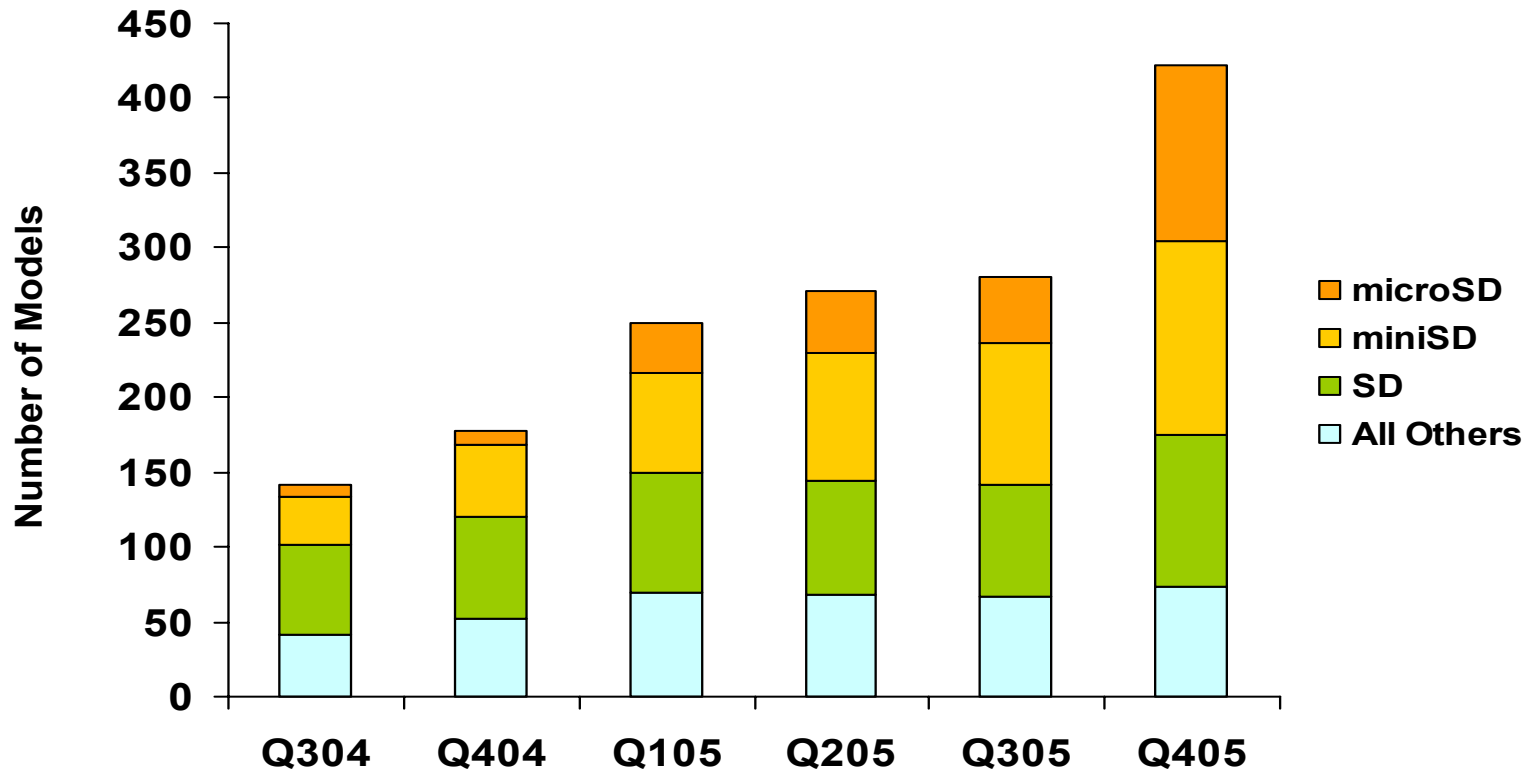
Mobile
Operators



Handset
Vendors



Flash Card Adoption in Handsets



Source: SanDisk, 2006

Store Your World in Ours™



Overwhelming Adoption of SD™ Formats



<u>Manufacturer</u>	<u>2005</u>
Nokia	RSMMC, miniSD, microSD
Motorola	SD, miniSD, microSD
Samsung	RSMMC, SD, miniSD, microSD
Siemens/BenQ	RSMMC, SD, microSD
LG	miniSD, microSD
SEMC	MS Pro Duo
PMC	miniSD
Alcatel	miniSD
NEC	miniSD, microSD
Kyocera	miniSD, microSD
Sharp	SD, miniSD
Sagem	miniSD, microSD
Philips	SD
Mitsubishi	MS Duo, miniSD
Sanyo	miniSD

 SD format adopter

Source: SanDisk, 2006

Store Your World in Ours™

OEM Business

Customers and Strategy for Growth



Sony Ericsson



MOTOROLA

NOKIA
CONNECTING PEOPLE



Life's Good

NEC

SIEMENS
mobile

SHARP

 **SAGEM**



- Added Value and Functionality
 - Customization
 - Security and DRM
- Collaboration on Future Designs
 - Design know-how
 - Custom solutions
- All Relevant Form Factors
- Embedded Solutions as Needed
- Retail Strength



Retail Business

Most Comprehensive Mobile Card Line Up



- Partner with Retailers and Market Drivers to Increase Adoption Rates
 - In-Store education
 - Joint promotion
 - Customized content (e.g., Verizon VCast)
- 35k Storefronts and Growing
- Broad Product Offering
 - All major form factors

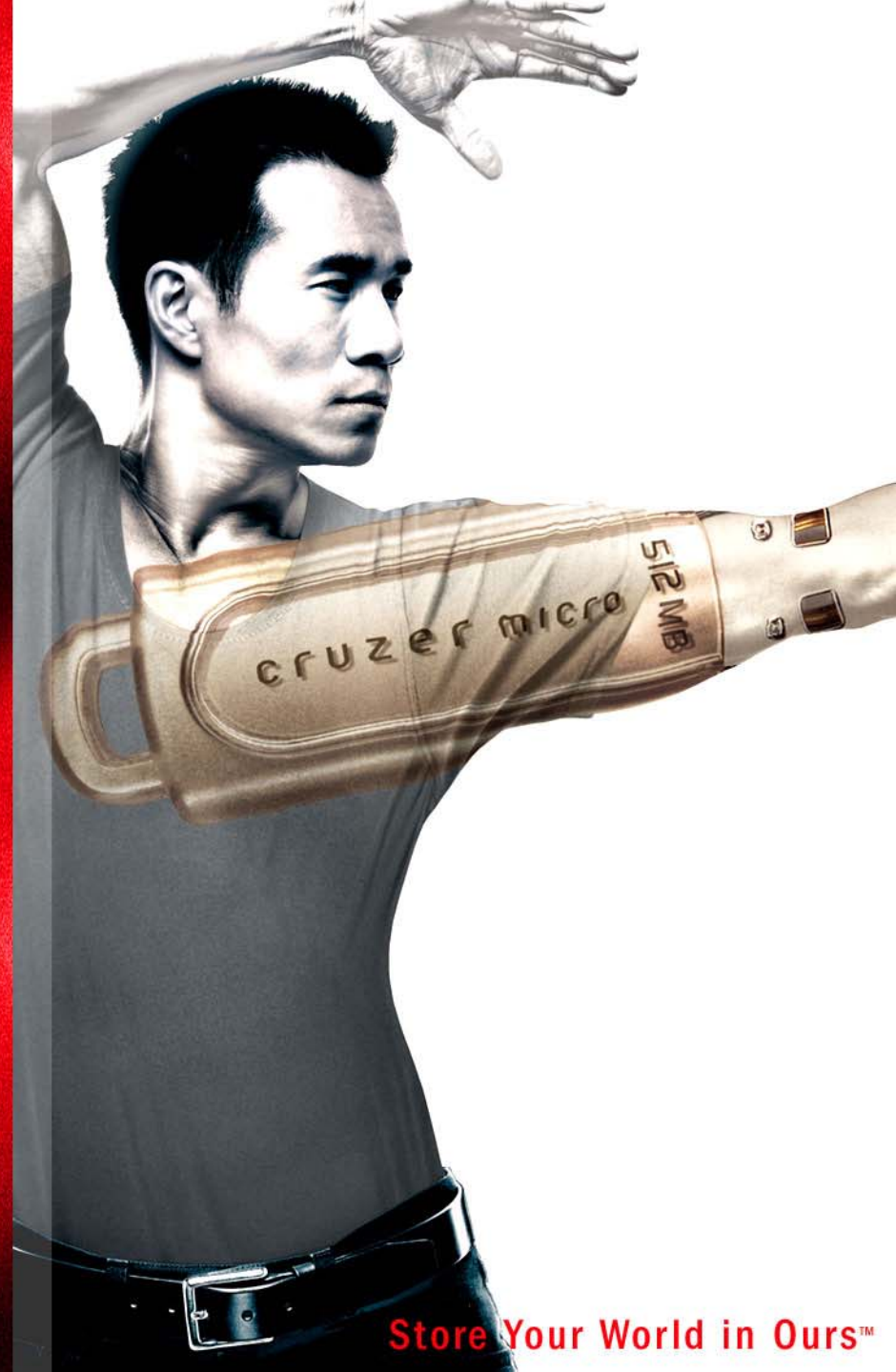
- Huge Addressable Market
 - Projected \$7B TAM in 2008

- Technology and Product Leadership
 - Pioneer of mobile cards
 - Right solutions to satisfy and grow market

- Channel Strength
 - Right customers; Right channels



New Technologies for Emerging Markets



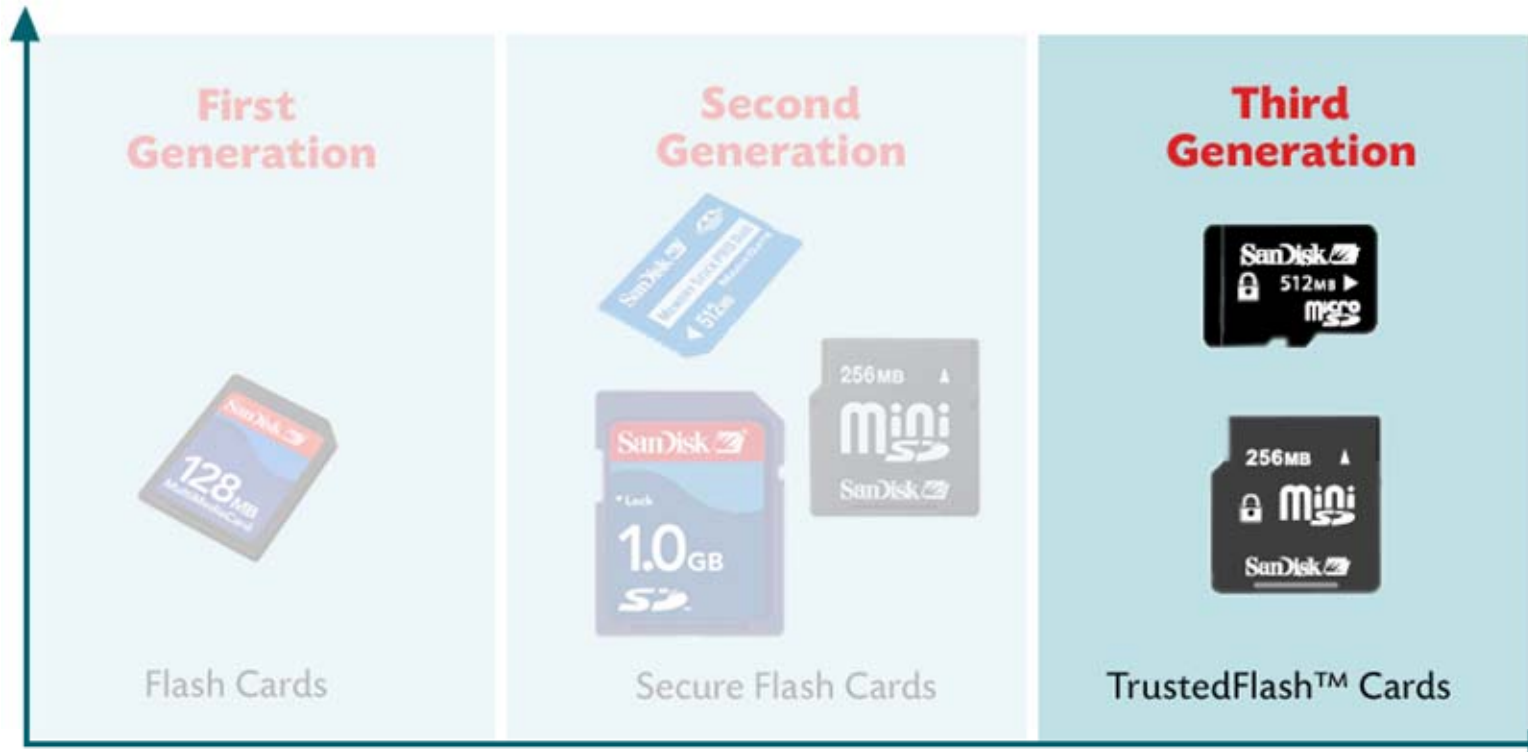
Store Your World in Ours™



Third Generation Flash Cards

TrustedFlash™ Technology

Accelerating Consumption of Storage/Capacity



- ✓ Card-Based Content Protection and Digital Rights Management (DRM) Solution
- ✓ State-of-Art Security Architecture



Content Goes Mobile TrustedFlash Technology

Third
Generation



TrustedFlash™ Cards

Mobile Content TAM Projected for 2007



Music – \$ 9B



Games – \$ 5B



Video – \$ 10B



- ▣ Portability
- ▣ Ease of Use
- ▣ Flexibility
- ▣ Increased Security

Source: Arc Group, IDC, iSuppli, Strategy Analytics, Gartner



Mobile User Authentication (Dual-Factor Authentication) TrustedFlash Technology

Third
Generation



TrustedFlash™ Cards

Credentials are stored in
card tamper-resistant area



On-Line Users:*

2005	270M
2010	1B

Mobile Enterprise

- Authenticate employees to provide VPN access
- No key fob required

Mobile and PC Banking

- Authenticate users to banks for secure access through PC and mobile
- No dedicated token required

e-Commerce

- Authenticate buyers to merchants for both mobile and PC e-commerce

TrustedFlash Value Proposition

- Consumer: Can Own Content and Play on Multiple Devices
- Content Owner/Distributor: Content Safely Stored on Card
- MNO: Consumers can Seamlessly Upgrade Handsets
- Handset Manufacturer: No Need to Design-in Costly Security and Tamper Resistance – Zero Liability for Content Protection



TM



Store Your World in Ours™



TrustedFlash Technology in a Card



Demonstrating power
of TrustedFlash technology



CTIA Innovative Product 2005



CES Innovations 2006



Disney's Best of CES 2006





- ▣ 54 million K-12 Students in the US
- ▣ 17 Million College Students
- ▣ Need for Simple, Portable Distribution of Textbooks and Classroom Materials
- ▣ Positive Feedback from Several Beta Sites Evaluating Cruzer Freedom





Store Your World in Ours™



Judy Bruner

EVP and CFO

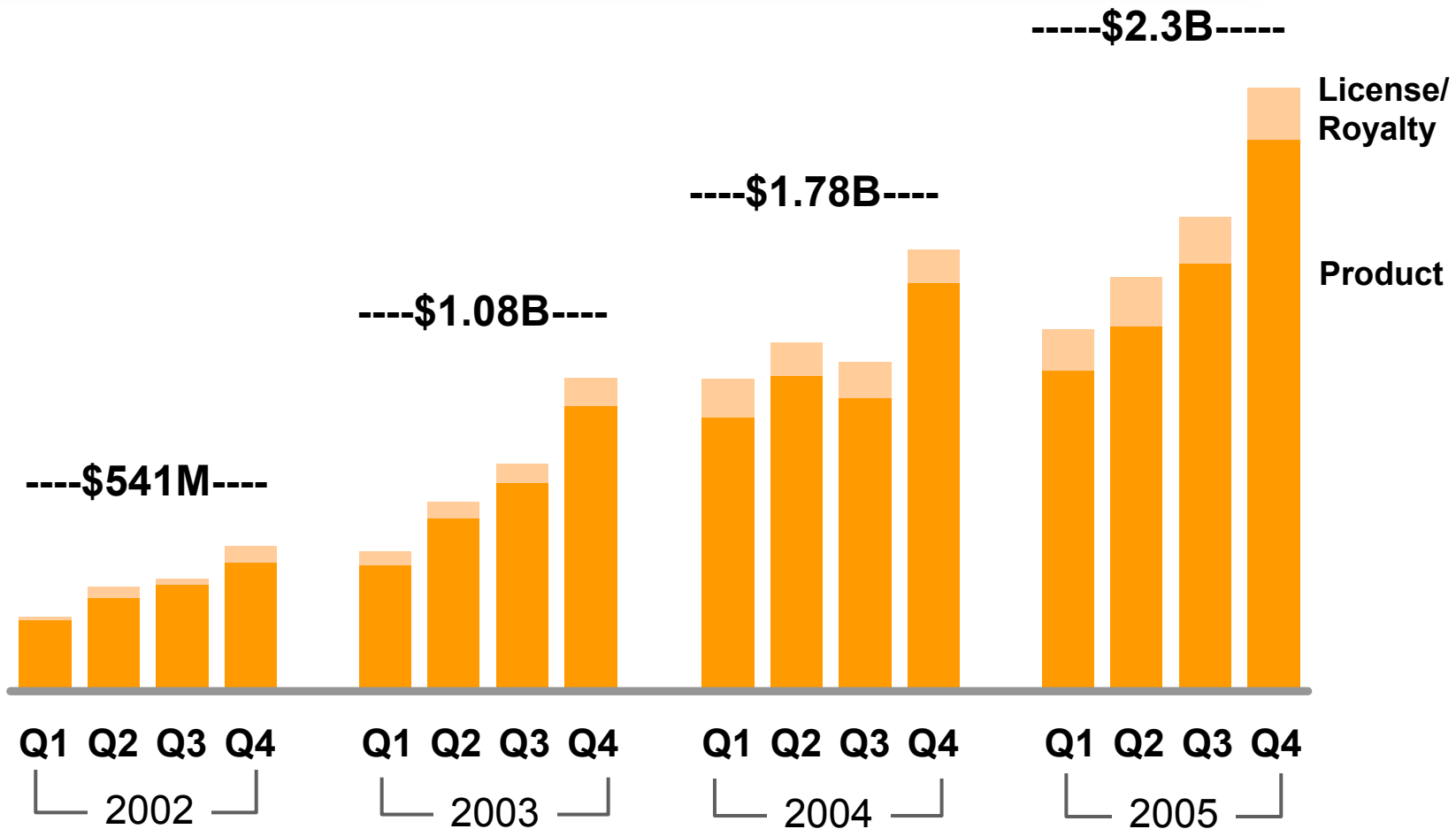
SanDisk **iZi**

Store Your World in Ours™

- ▣ Financial Review

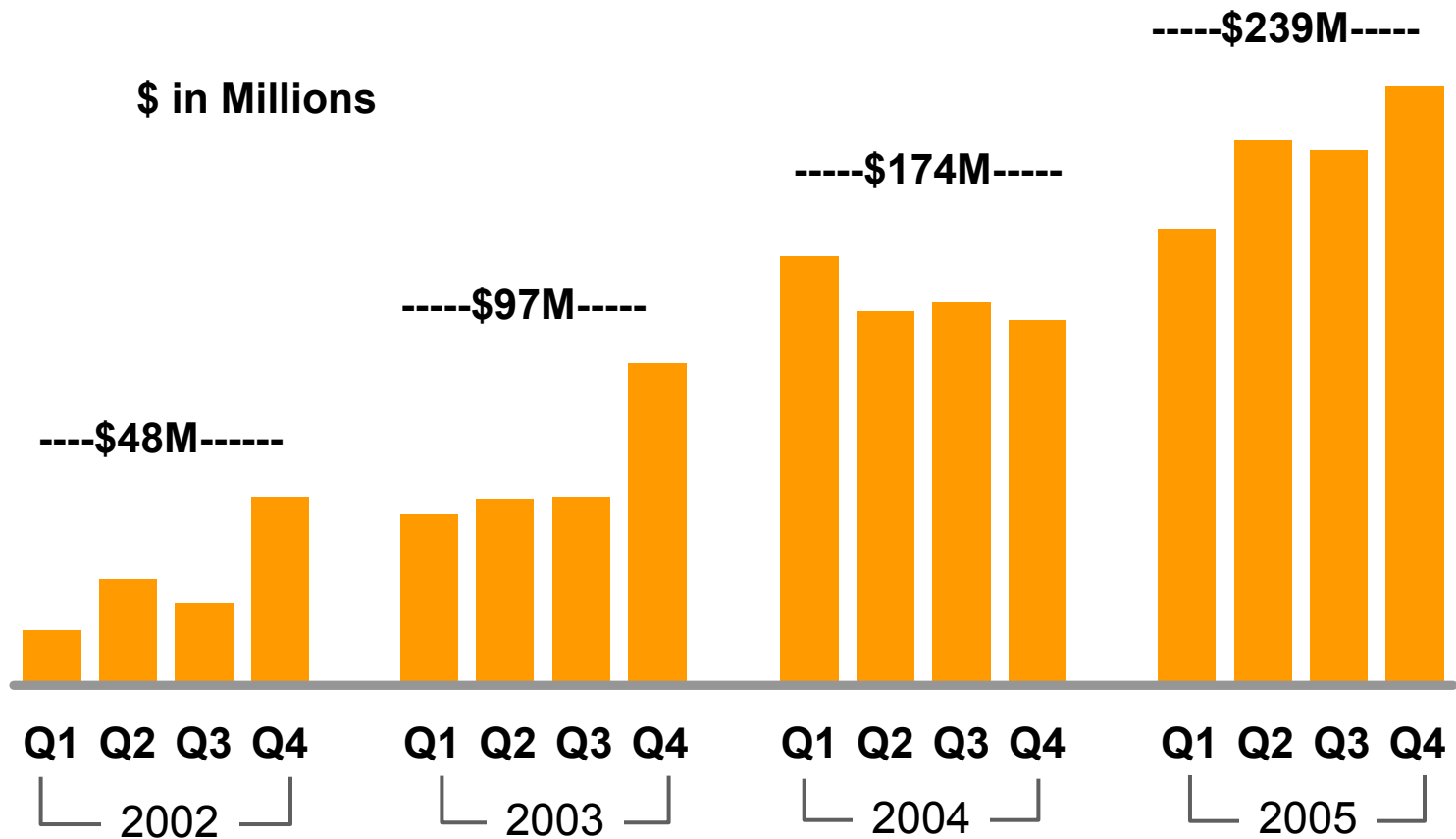
- ▣ Modeling our Future Success
 - ▣ Revenue drivers
 - ▣ Fab capacity and investments
 - ▣ Gross margin factors

- ▣ Target Financial Model

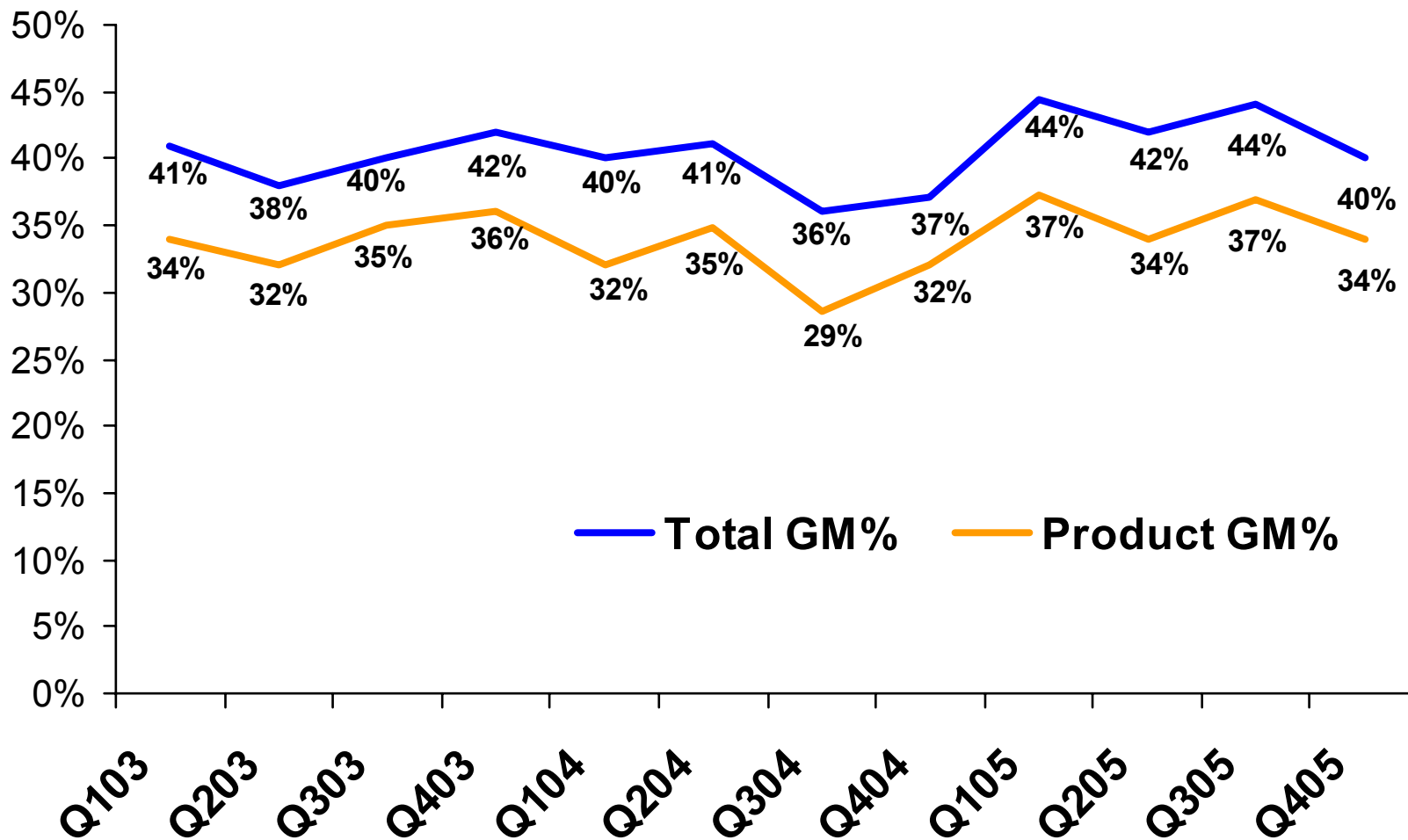




IP Leadership: License and Royalty Revenue



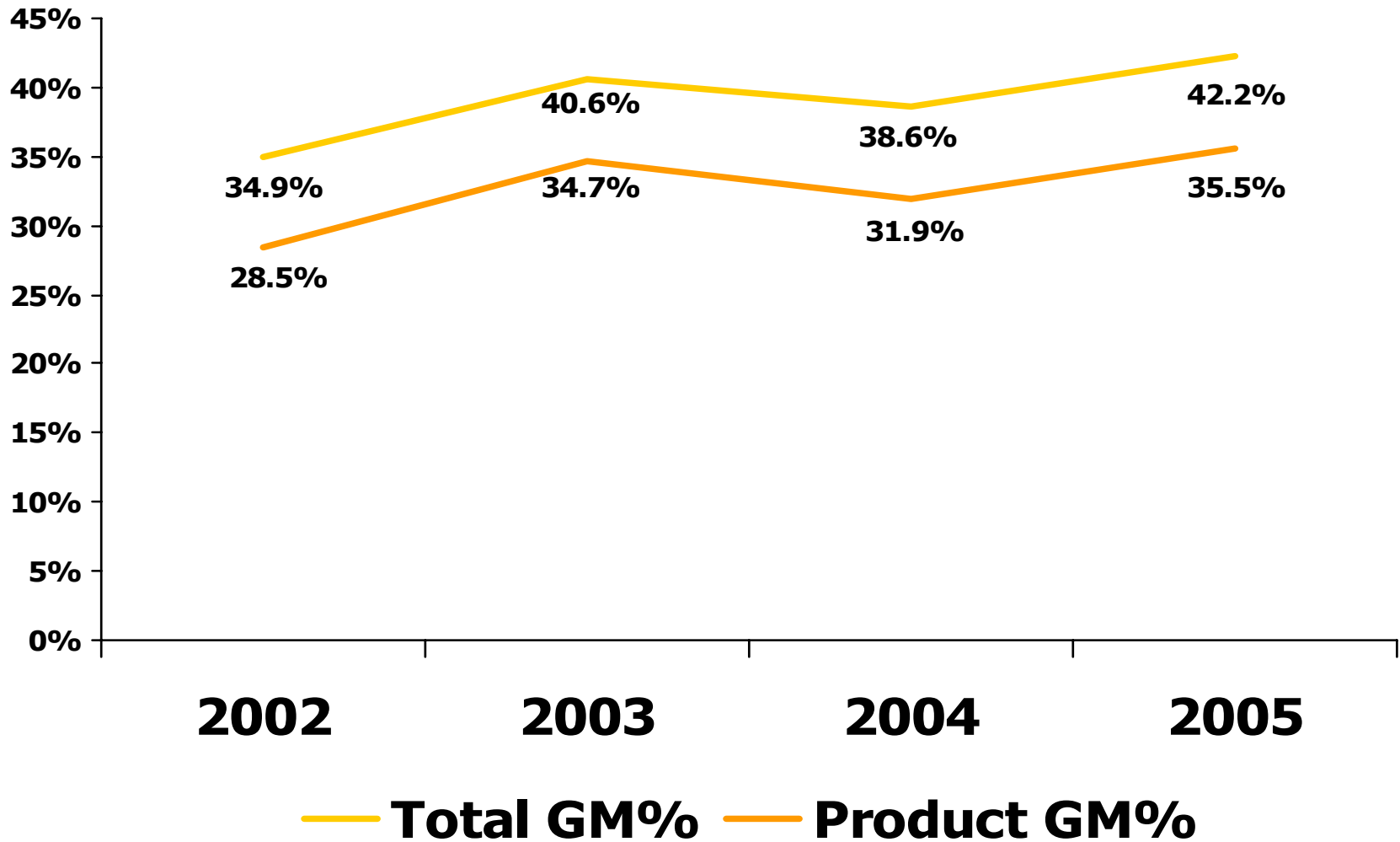
Consistent Gross Margins





Excellent Gross Margin in 2005

Reflects 90nm Cost Structure & Effective Fab 3 Transition

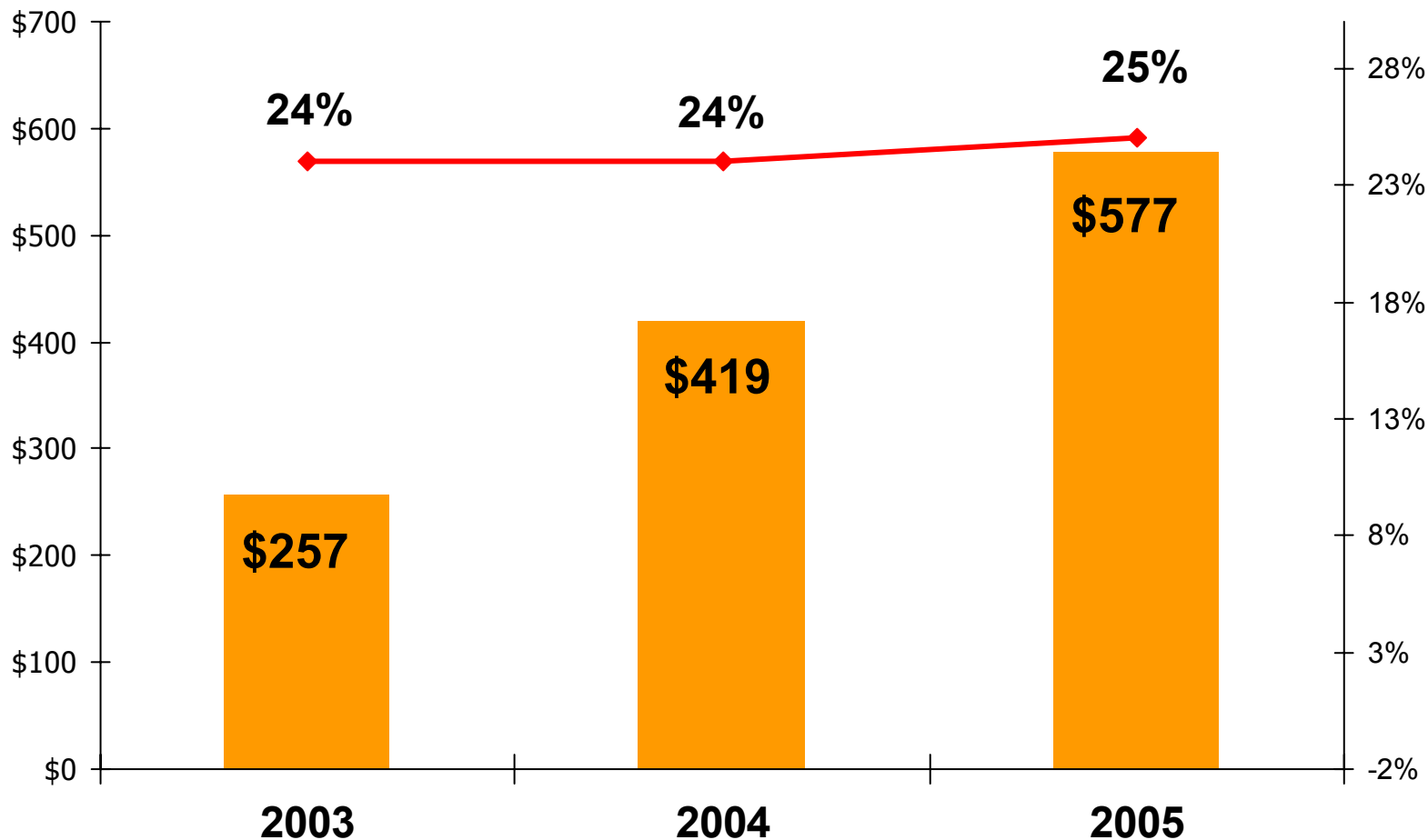




2005 Record Operating Income and Margin 13 Consecutive Quarters 20%+

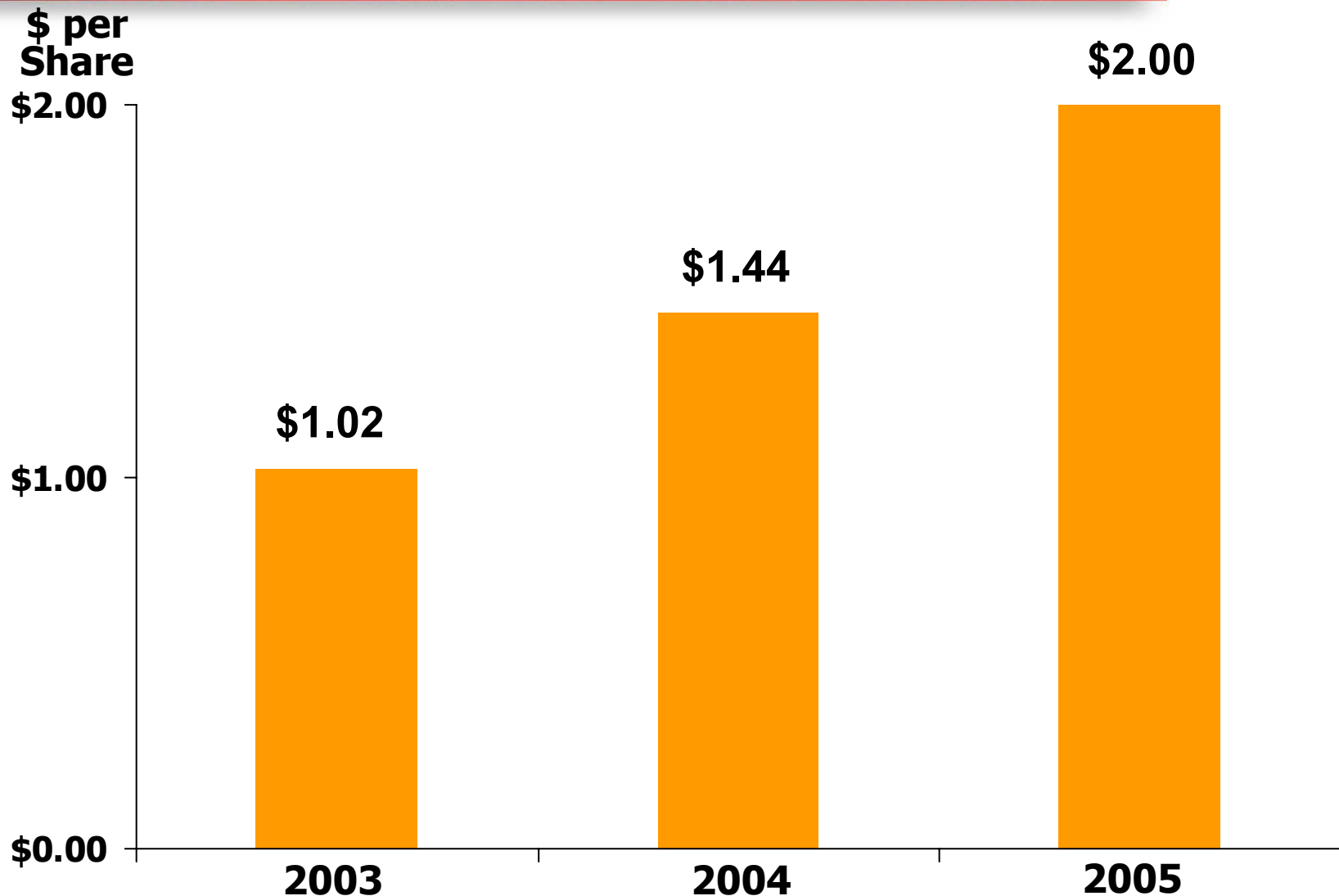
**\$ in
Millions**

**% of
Revenue**





EPS \$2.00, Up 39% Y/Y





Strong Balance Sheet

	<u>January 1, 2006</u> \$ millions
Cash & Short-term investments	1,698
Accounts Receivable (DSO = 44)	329
Inventory (Turns = 5.4)	332
Other current assets	217
Total Current Assets	2,576
PP&E	211
Note Receivable, FlashVision	62
Investment in FlashVision	161
Investment in Flash Partners	42
Other non-current assets	68
Total Assets	3,120
Current Liabilities	571
Non-current Liabilities	25
Total Liabilities	596
Stockholders' Equity	2,524
Total Liabilities & Stockholders' Equity	3,120

Cash up \$375M Y/Y

Focus area for reduced cycle time & increased flexibility

Operating Lease Guarantees - Fabs 278



Significant Cash Flow From Operations

\$ Millions

\$600

\$500

\$400

\$300

\$200

\$100

\$0

\$273

\$228

\$481

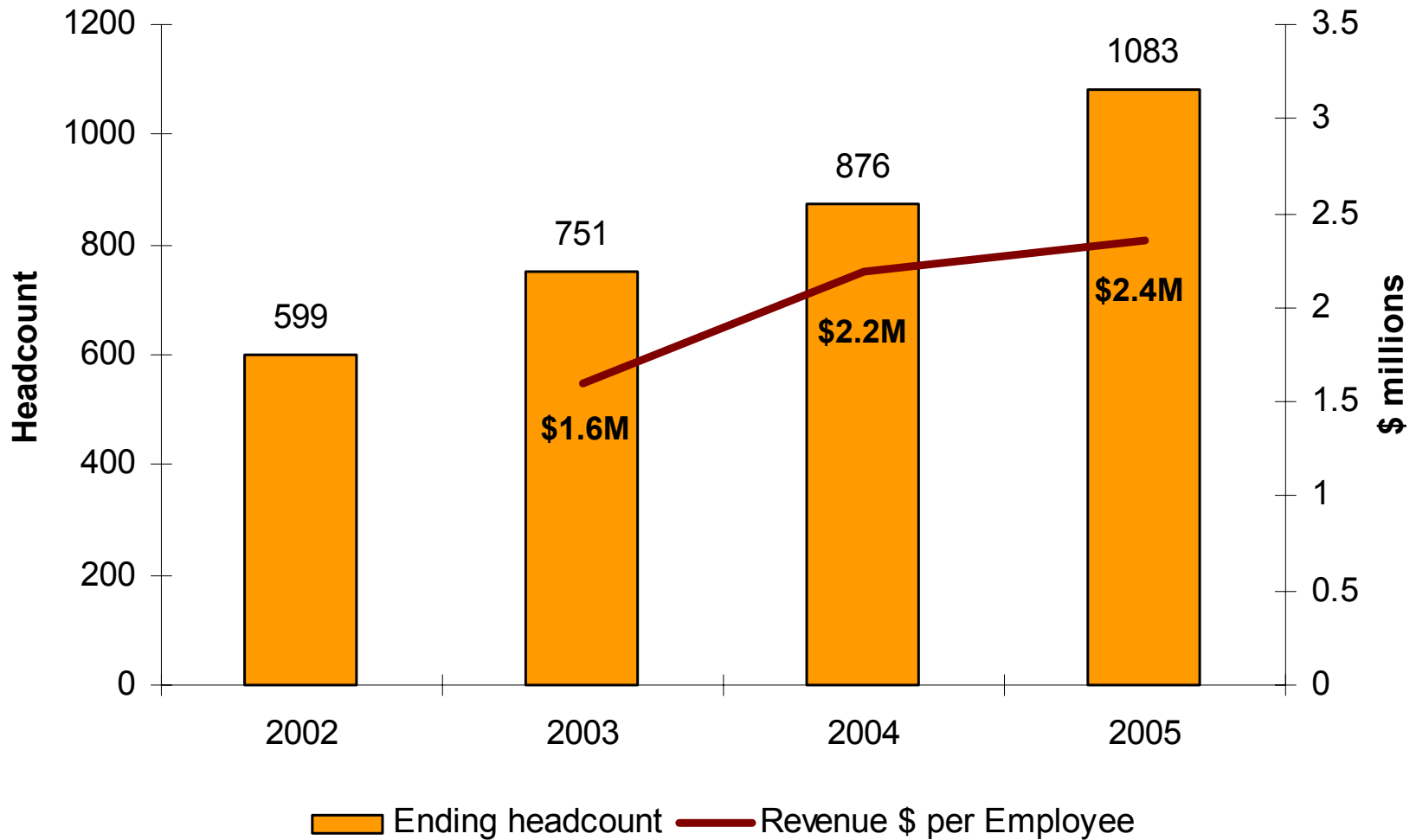
2003

2004

2005



Revenue per Employee Increasing Productivity



- ▣ Revenue Drivers
 - ▣ Markets
 - ▣ Elasticity
 - ▣ TB growth and pricing
- ▣ Fab Capacity and Investment
- ▣ Gross Margin Factors



Revenue Base Diversifying End Markets as a % of Revenue

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Imaging	75%	65%	52%
USB	3%	13%	12%
Mobile Handset	4%	6%	13%
Digital Audio	-	1%	6%
Gaming	-	-	3%
Other Products	9%	5%	4%
License and Royalty	9%	10%	10%



Portfolio of Markets at Different Stages

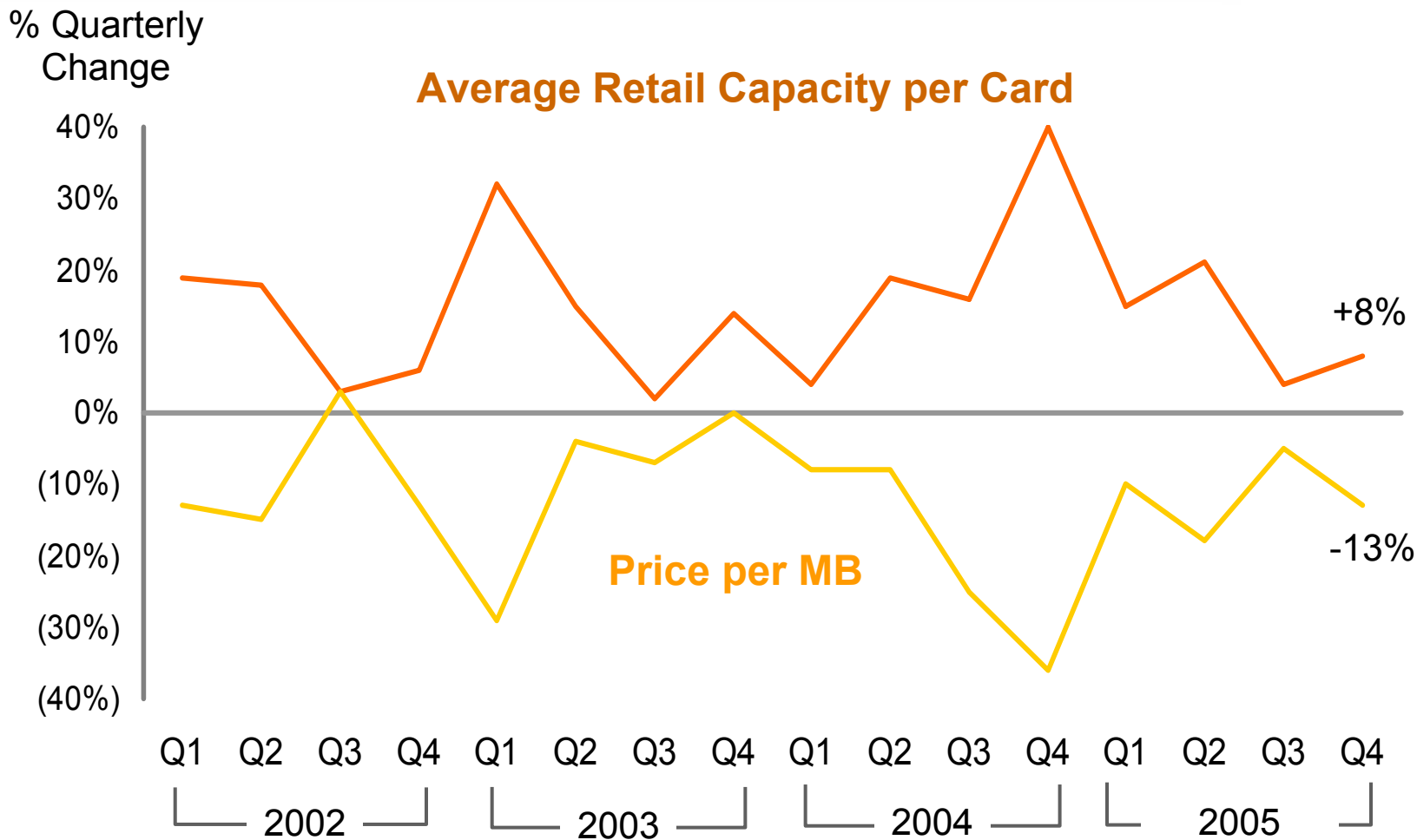
Terabyte Growth by End Market

	2003	2004	2005
Imaging	226%	130%	119%
USB	1178%	909%	142%
Mobile Handset	Year 1	316%	916%
Digital Audio		Year 1	791%
Gaming			Year 1
Industrial/Other	146%	24%	-16%
Total	238%	167%	166%



Strong Elasticity

Retail Capacity vs. Price per MB

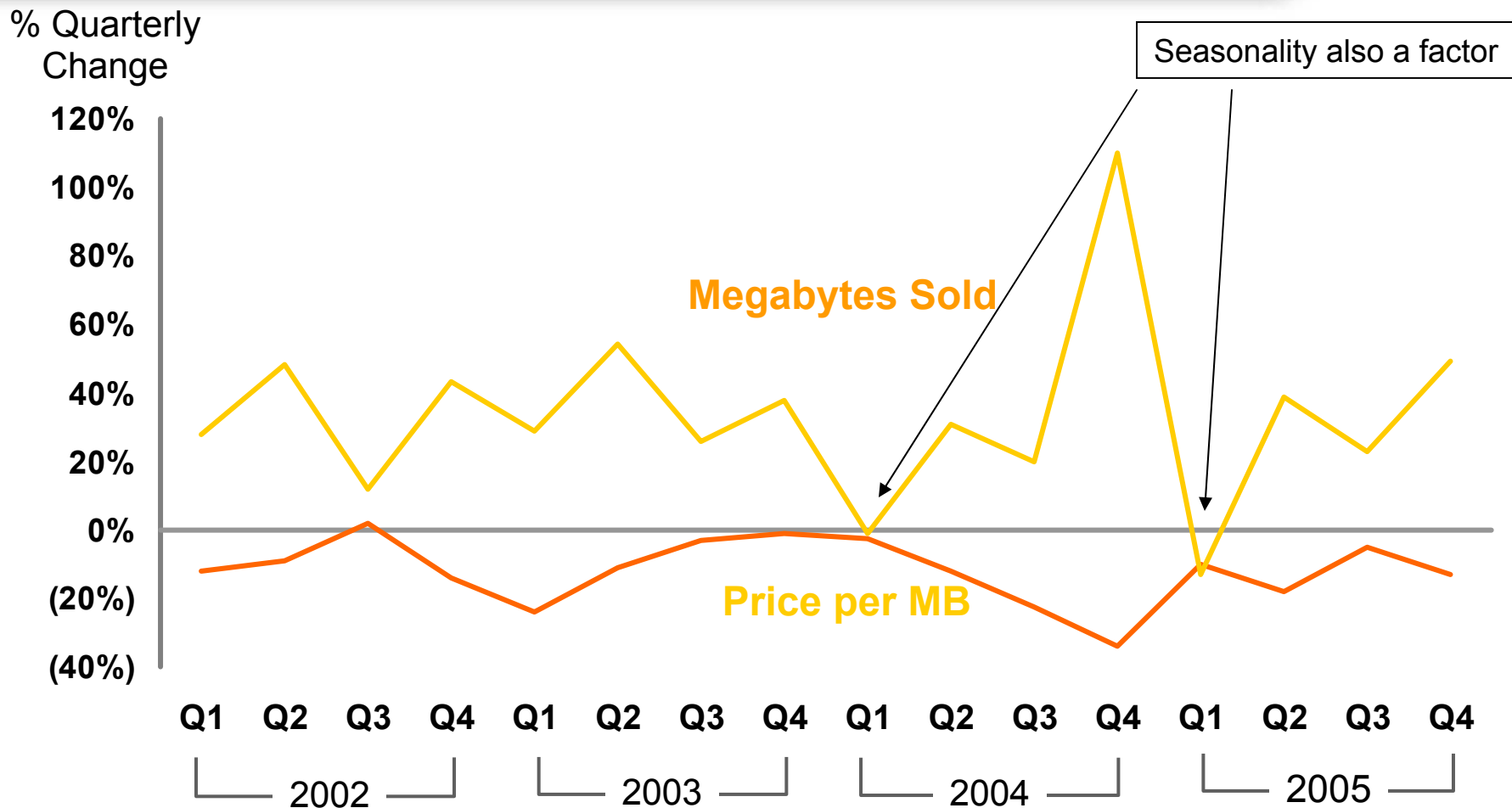


Retail Channel Only



Elasticity

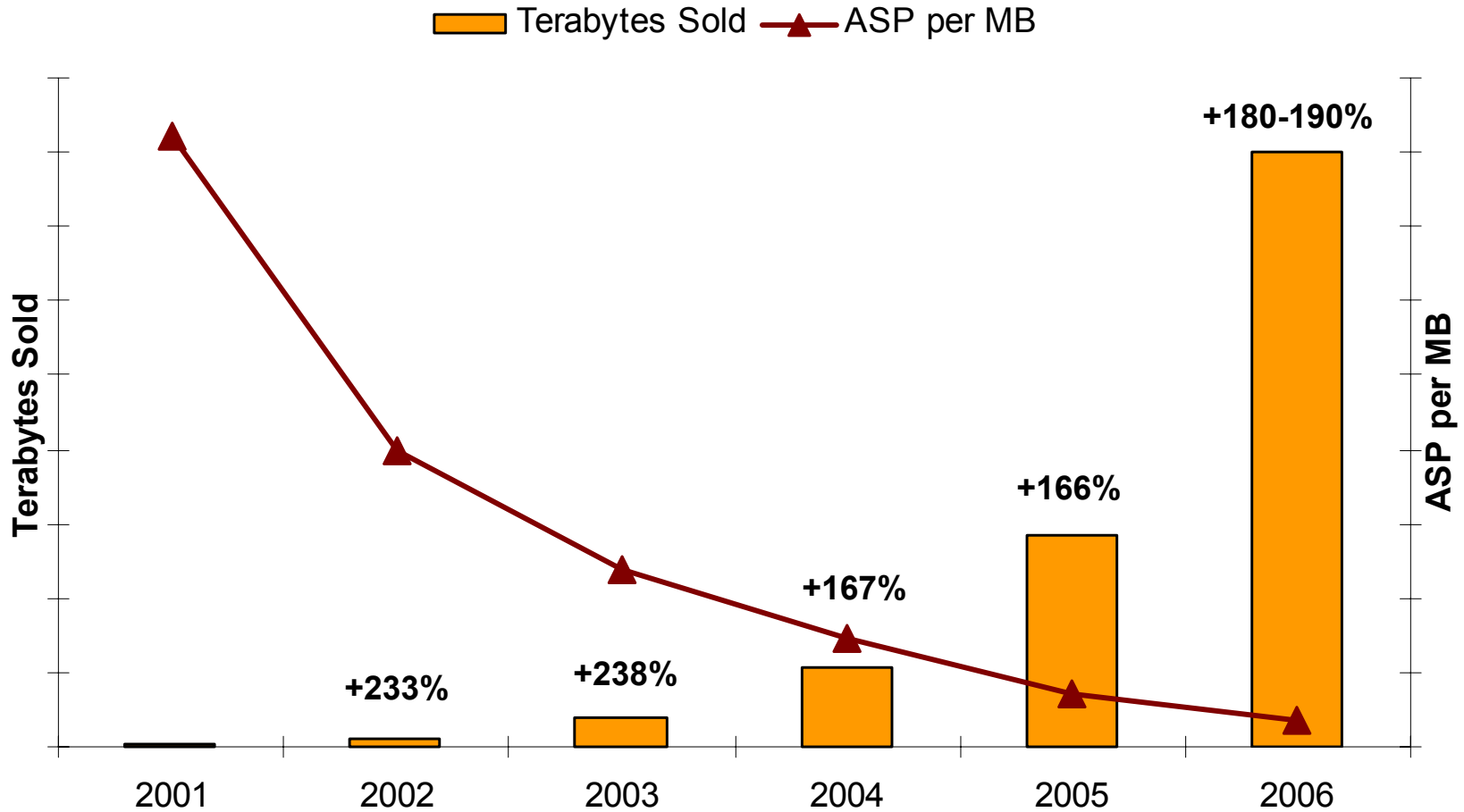
Capacity & Unit Growth → MB's Sold



All Channels



TB Growth Forecasted to Accelerate in 2006 Fueled by Fab 3 Supply, Market Demand





Revenue Growth Forecast

	Actual 2002 - 2005 CAGR	Actual 2005 Growth	Projected 2005 - 2008 CAGR	What we said last year for 2004 - 2007 CAGR
Terabyte Growth	189%	166%	130 - 170%	100 - 150%
ASP per MB Decline	44%	52%	40 - 50%	35 - 45%
Total SNDK Revenue Growth *	62%	30%	25 - 40%	25 - 35%

* Projected Revenue CAGR includes NAND Products, License & Royalty and 3D Products




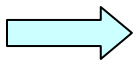
More on Revenue Growth

	Revenue 2005	Revenue 2006	Revenue CAGR	
Nand Products	\$2067M	MB +180-190% ASP/MB -(50-55%)	~ 25% - 40%	2005 - 2008
3D Products *		\$60 - 90M	~ 50% - 75%	<u>2006</u> - 2008
License & Royalty	\$239M	~\$350M	~ 30% - 40%	2005 - 2008
Total	\$2306M		~ 25% - 40%	2005 - 2008

* 2005 3D Revenue not included in SNDK

TB Growth CAGR 2005 - 2008

 130%  Fab "4" needed 1st H 2009

 150%  Fab "4" needed 2nd H 2008

 170%  Fab "4" needed 1st H 2008

 All Scenarios Assume 70% Captive/30% Non-captive Model



2005 SanDisk Fab Investment

Significant Funding from FP Working Capital

(\$ in millions)	Analyst Day	
	<u>Actual 2005</u>	<u>Last Year Forecast 2005</u>
Capital Investment		
Flash Partners	519	470
FlashVision	90	80
SNDK owned Equipment at FlashVision	39	50
Total Capital Investment	648	600
Payment		
SNDK Cash	95	360
FP/FV Working Capital	328	
Operating Leases - Flash Partners	225	240
	648	600
Impact on SNDK Balance Sheet		
Investment & Notes Receivable - Flash Partners	22	230
Investment & Notes Receivable - FlashVision	34	80
Capital Equipment	39	50
	95	360
End of Year Operating Lease Guarantee		
Flash Partners	203	
FlashVision	75	
Total Operating Lease Guarantee	278	



Fab 3 Investment

2006 Investment Reflects Accelerated Ramp

(\$ in millions)	Actual	Actual	Committed	Cumulative		Last Years'	
	<u>2004</u>	<u>2005</u>	<u>2006</u>	Forecast		thru	Forecast
				thru		thru	
				<u>2006</u>		<u>2006</u>	
Gross SNDK Capital Investment	23	519	1,200	1,742	(1)	1,253	
Less: Flash Partners Working Capital	0	(272)	(200)	(472)	(2)	(100)	
Net SNDK Investment	23	247	1,000	1,270		1,153	
<u>Source of Funding - Net Investment</u>			Forecast				
SNDK Cash Investment in FP	23	22	500	545		563	
Operating Leases/Other Financing	0	225	500	725		590	
	23	247	1,000	1,270		1,153	
<u>Source of Funding - Total Investment</u>							
Funding by SNDK Cash or FP Working Capital	23	294	700	1,017	58%	663	53%
Funding by Leases or Other Financing	0	225	500	725	42%	590	47%
Total SNDK Capital Investment	23	519	1,200	1,742		1,253	

(1) Capital Investment by SNDK up from last year's forecast due to acceleration of Fab 3 expansion to 70,000 wafers/month (SNDK's share 50%) expected by March 2007, up from 48,750 w/m

(2) Flash Partners working capital contributions greater than previously forecasted
This is SanDisk's share of FP working capital



Potential Future Fab & Capex Investment

Assumes Fab 3 at capacity of 100K w/m by end of 2007

(\$ in millions)	Actual <u>2004</u>	Actual <u>2005</u>	Forecast <u>2006</u>	Potential		
				<u>2007</u>	<u>2008</u>	<u>5 YrTotal</u>
<u>Capital Investments</u>						
FlashVision Investment	33	91				124
Fab 3 Investment	23	519	1,200	1,100	700	3,542
Potential Fab "4" Investment				400	1,200	1,600
Total Gross SNDK Fab Venture Investment	56	610	1,200	1,500	1,900	5,266
SNDK owned fab equipment- FV	63	39				102
Non-Fab Capex Investment	63	95	200	300	500	1,158
Total SNDK Capex Investments	126	134	200	300	500	1,260
Total SNDK Capital Investments (Fab & Capex)	182	744	1,400	1,800	2,400	6,526
<u>Funding</u>						
Fab Ventures Working Capital		328	200	350	450	1,328
Committed Operating Leases *		225	150			375
SanDisk Cash spent	182	191				
Remaining Funding Required	0	0	1,050	1,450	1,950	4,823

* Committed Operating Leases = SanDisk's 50% share of 85B Yen

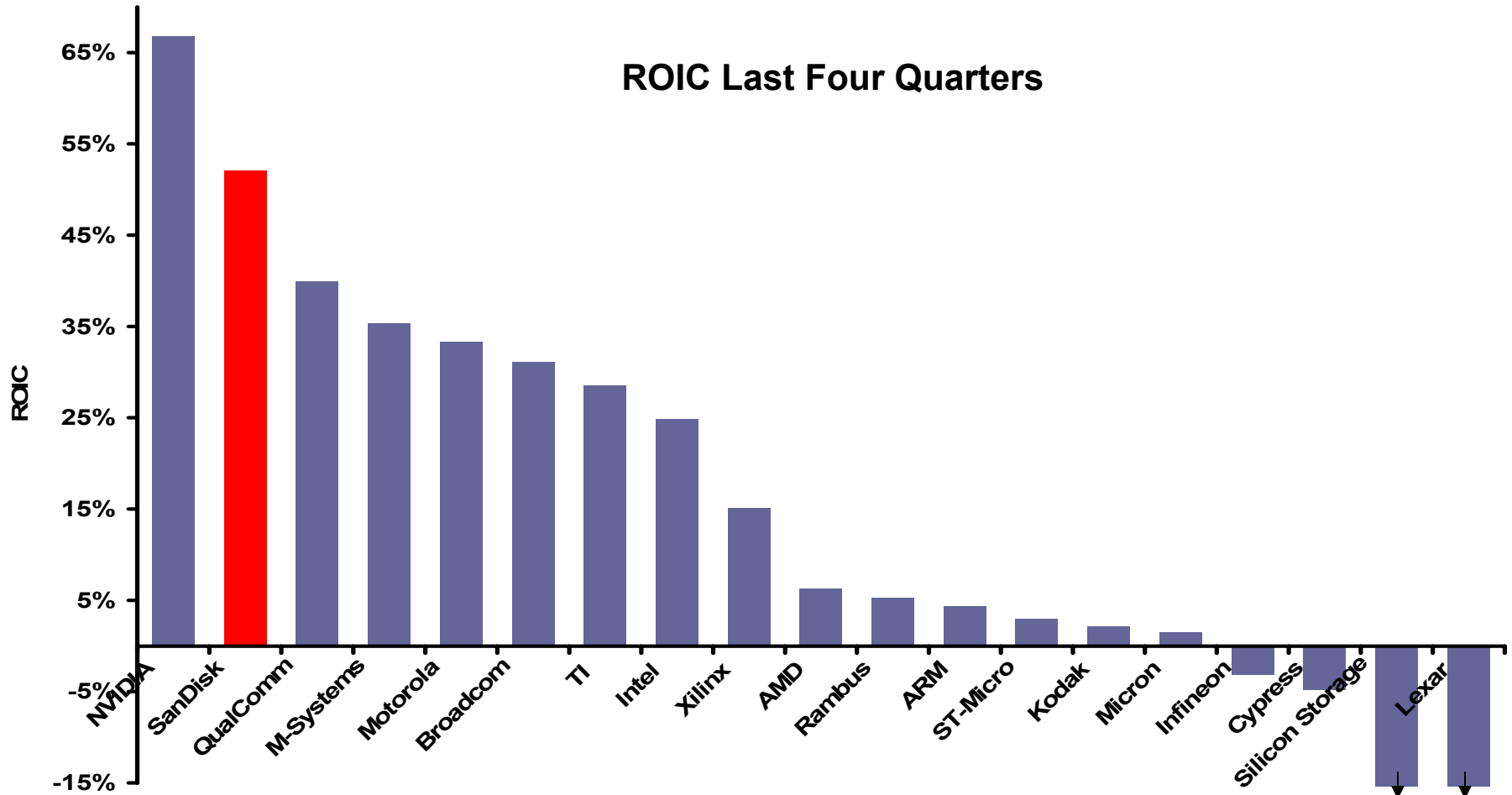
- ▣ Potential Expansion Suggests Funding Requirement of Approximately \$4.8B for 2006-2008
- ▣ Strategy Remains 50% Cash and 50% Other Financing
- ▣ 50% Cash Funding
 - ▣ Cash flow from operations a significant source
 - ▣ Maintain minimum cash balance of \$1B
- ▣ 50% Other Financing
 - ▣ Diversification of funding sources & maturities
 - ▣ Operating lease financing remains high priority – attractive cost of capital

- ▣ Return = Gross Margin Delta of Captive vs. Non-captive, After Tax
- ▣ Investment = Capital Provided to Flash Partners
- ▣ Projections Analyzed Through 2010
- ▣ Pricing Assumed to Follow Forecasted Cost Reduction
- ▣ No Industry Downturn Factored In

- ▣ ROI
 - ▣ 0% operating leases ~35% ROI
 - ▣ 25% operating leases ~50% ROI
 - ▣ 50% operating leases ~90% ROI



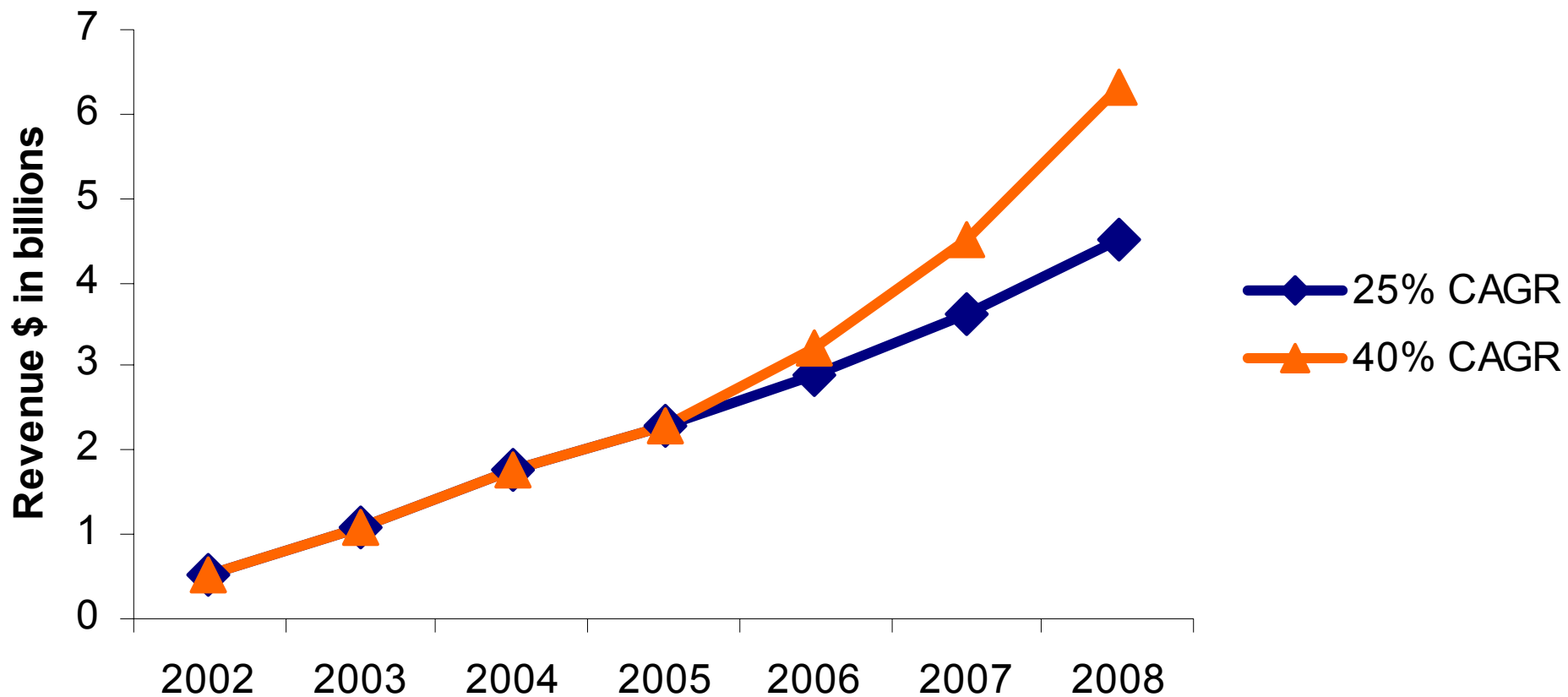
SanDisk Producing Strong ROIC



- ▣ Technology Transitions
- ▣ 300mm vs. 200mm Wafer Mix
- ▣ Captive vs. Non-Captive Mix
- ▣ Fab Start-up Costs & Fab Ramp-Up
- ▣ Non-memory Cost Reduction
- ▣ Average Capacity of Card Sales
- ▣ Product Line Mix
 - ▣ ASP/MB converging for leading form factors
 - ▣ Flash memory as % of BOM
 - ▣ MP3 devices – lower margin %, higher margin \$




SanDisk Captive & Non-Captive Gross Margins

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Captive Gross Margin	~40%	~42%	~45%
Non-Captive Gross Margin	~19%	~13%	~18%
Non-Captive Mix	26%	35%	35%
License/Royalty GM Contribution	6%	7%	7%
Total Gross Margin	41%	39%	42%



No Industry Downturn Assumed




Investing in Systems

-  Application upgrades/replacements
-  Automation of manual processes
-  Network speed, redundancy, security

Organization

-  Raising the bar
-  International
 -  Design centers, fab operations, local sales support

Process Re-engineering & Cycle Time Reduction

-  Supply chain – assembly & test
-  Customer fulfillment
-  Etc.



Target Financial Model – Non-GAAP

	2004	2005	Non-GAAP Annual Target Model 2006 - 2008	Non-GAAP Annual Guidance 2006	Last Years' Target Model 2005 - 2007
Revenue	\$1,777M	\$2,306M			
Revenue Growth	65%	30%	25 - 40% CAGR		25 - 35% CAGR
Total Gross Margin	38.6%	42.2%	35 - 42%	39 - 42%	35 - 40%
R&D	7.0%	8.4%	7 - 9%		7 - 9%
S&M	5.1%	5.3%	5 - 6%		5 - 6%
G&A	2.9%	3.4%	3 - 4%		3%
Oper Expenses	15.0%	17.2%	15 - 18%	17 - 18%	15 - 18%
Oper Income	23.6%	25.0%	20 - 24%	22 - 24%	20 - 24%
Tax Rate	37%	37%		35%	

Non-GAAP excludes: stock compensation and acquisition related charges for in-process R&D and amortization of intangibles

Reconciliation to 'GAAP Target Model for 2006-2008' and 'GAAP Guidance for 2006' included in Appendix

(in millions)	<u>End of 2005</u>	<u>% of Shares Outstanding</u>
Shares Outstanding	188.2	
Incentives Issued 2005 - gross	6.5	3.4%
Incentives Issued 2005 - net	5.7	3.0%
Stock Incentives Outstanding	20.4	11%

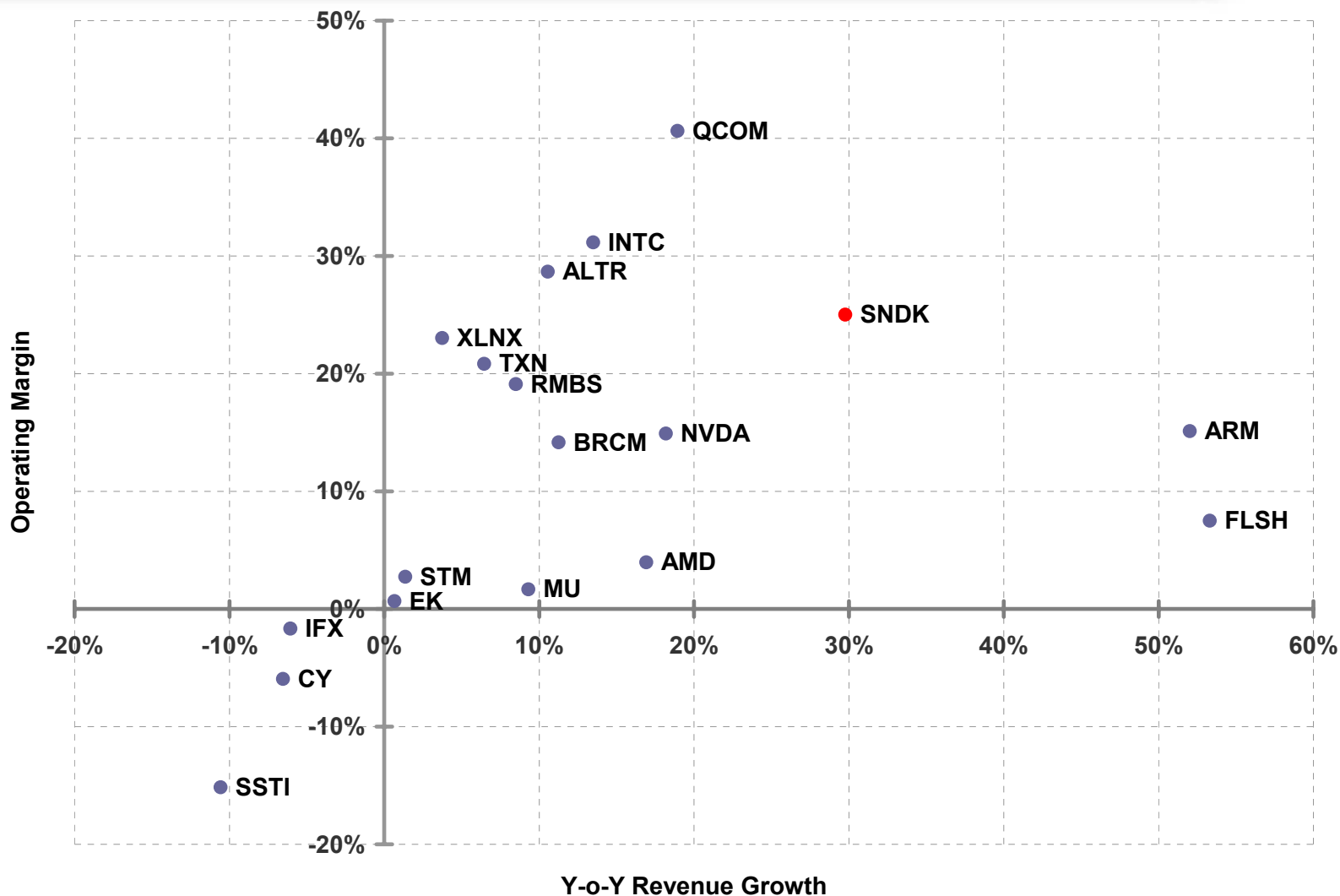
2006

- ❖ Reduced size of new hire and annual grants; believe market is doing the same
- ❖ Given significant growth in new hires, including Matrix, expect incentive issuance to remain at approximately 3-3.5%

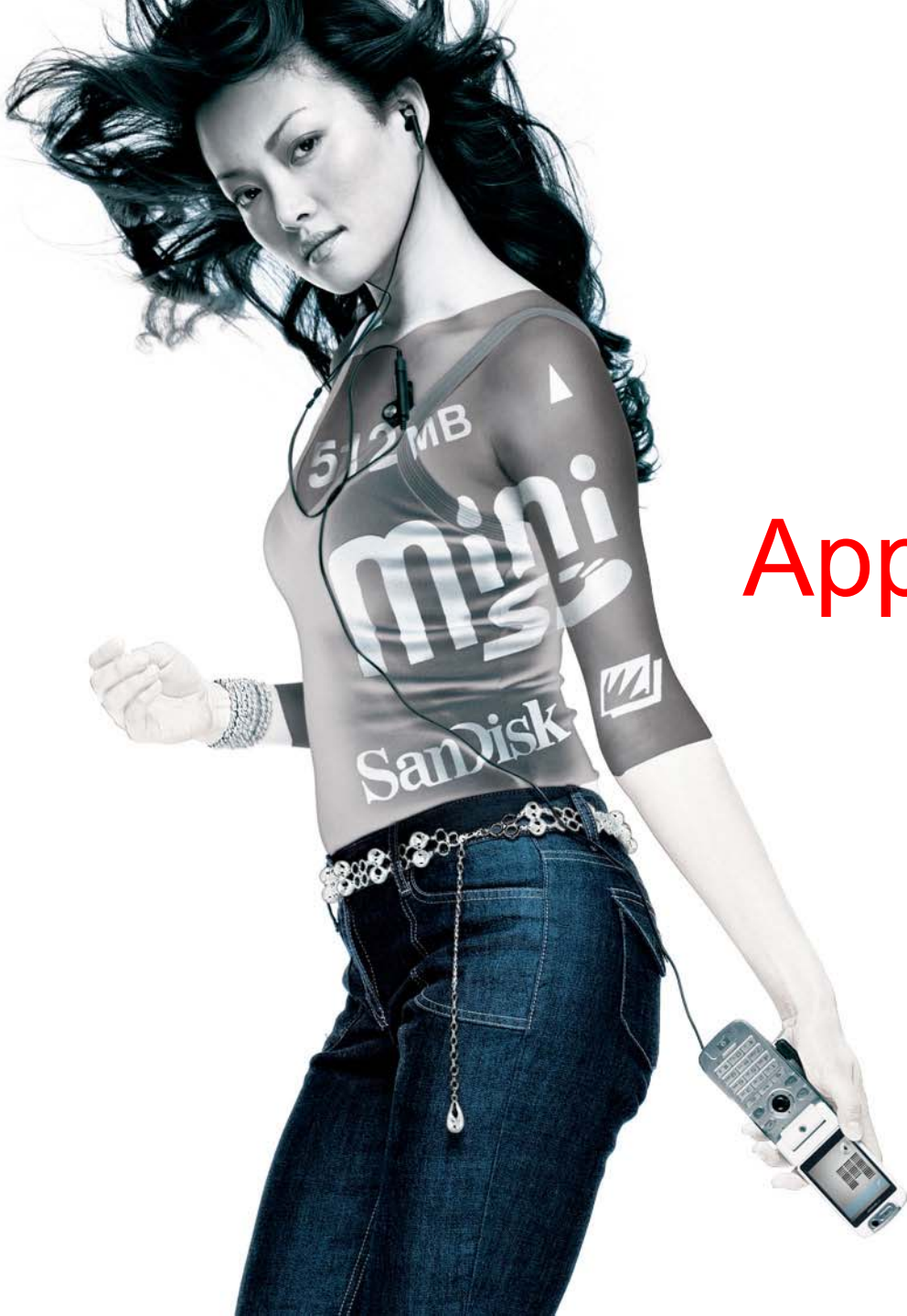
See Appendix for estimated impact on GAAP results

Growth & Profitability

Last Four Quarters



- ▣ Attractive and Consistent Business Model
- ▣ Fab Investments Providing Strong Returns
- ▣ Planning for Projected Growth
 - ▣ Diversifying revenue base
 - ▣ Diversification of funding sources
 - ▣ Scaling the infrastructure



Appendix

Store Your World in Ours™

	2006		
	Non-GAAP	Adjustments	GAAP
Total Gross Margin	39% - 42%	1% ⁽¹⁾	38% - 41%
Operating Expenses	17% - 18%	\$145 - \$175 ⁽²⁾	21% - 24%
Operating Margin	22% - 24%	5% - 7% ⁽³⁾	15% - 19%
Tax Rate	35%		>35% ⁽⁴⁾

⁽¹⁾ Estimate of stock compensation & acquisition related intangible amortization to be included in cost of sales

⁽²⁾ Includes stock compensation of approximately \$100 million, in-process research and development of \$30 to \$50 million related to the Matrix acquisition and amortization of acquisition related intangibles of \$15 - 25 million

⁽³⁾ Reflects estimate of impact on operating margin of stock compensation, in-process R&D and amortization of acquisition related intangibles expected in cost of sales and operating expenses

⁽⁴⁾ Effective GAAP tax rate will reflect the non-deductibility of in-process R&D and incentive stock option expense

Annual Target Model 2006 - 2008			
	Non-GAAP	Adjustments	GAAP
Total Gross Margin	35% - 42%	1% ⁽¹⁾	34% - 41%
Operating Expenses	15% - 18%	4% - 6% ⁽²⁾	19% - 24%
Operating Margin	20% - 24%	5% - 7% ⁽³⁾	13% - 19%

(1) Estimate of stock compensation & acquisition related intangible amortization to be included in cost of sales

(2) Includes stock compensation, acquisition related in-process research and development, and amortization of acquisition related intangibles

(3) Reflects estimate of impact on operating margin of stock compensation, in-process R&D and amortization of acquisition related intangibles expected in cost of sales and operating expenses



Q&A

Store Your World in Ours™

- ❖ Flash Markets Expected to Grow 3X-4X (>\$30B). In Five Years, Primarily Handsets and CE
- ❖ Investing to Meet Market Challenges and Growth Opportunities to Become Consumer Branded Powerhouse in Next Five Years
- ❖ Uniquely Positioned to Meet Competition Challenges and Capitalize on Massive Global Consumerism in Coming Decade
- ❖ Creating Shareholder Value





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