Analyst Day

February 25, 2008

Forward-Looking Statement

During our meeting today we will be making forward-looking statements. Any statement that refers to expectations, projections or other characterizations of future events or circumstances is a forward-looking statement, including those relating to revenue, pricing, market share, market growth, product sales, industry trends, expenses, gross margin, production capacity, technology development, 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. We undertake no obligation to update these forward-looking statements, which speak only as of the date hereof.

SanDisk

Agenda

Eli Harari
Vision

Sanjay Mehrotra
Market Drivers Imaging, SSD Technology & Operations

Break

Tzipi Ozer-Armon
USB & International

Yoram Cedar
Mobile

Daniel Schreiber
Audio Video

Break

Judy Bruner
Financials

Lunch

Q & A

SanDisk

SanDisk®

STORE YOUR WORLD IN OURS®

Eli Harari,
Founder, Chairman and Chief Executive Officer

Agenda

- Current Environment
- Future Trends
- Market Strategy
- Technology/Competition
- IP

SanDisk

Our Mission

- To enable people everywhere to carry around and manage their life's memories and personal content

Store Your World in Ours®

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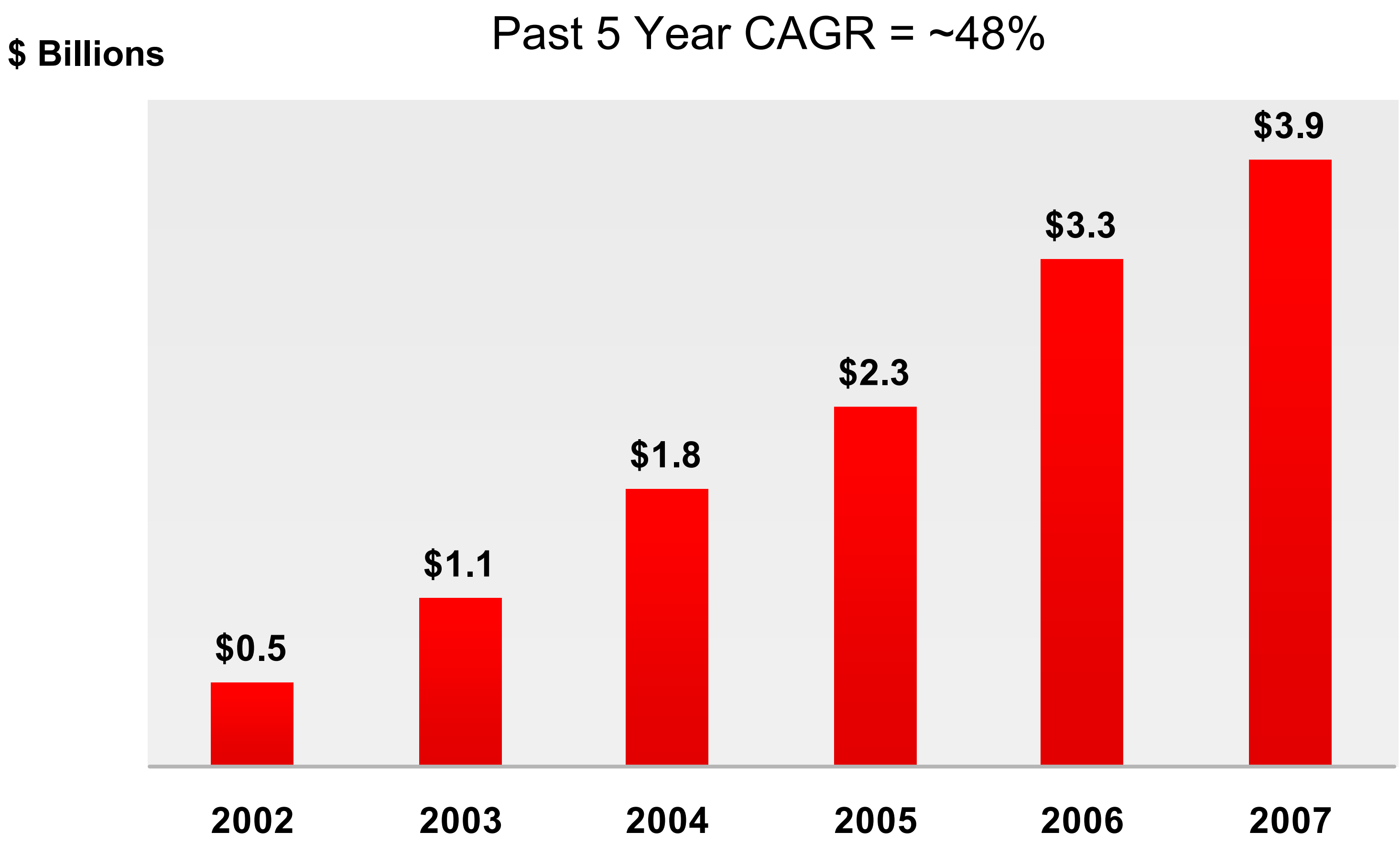
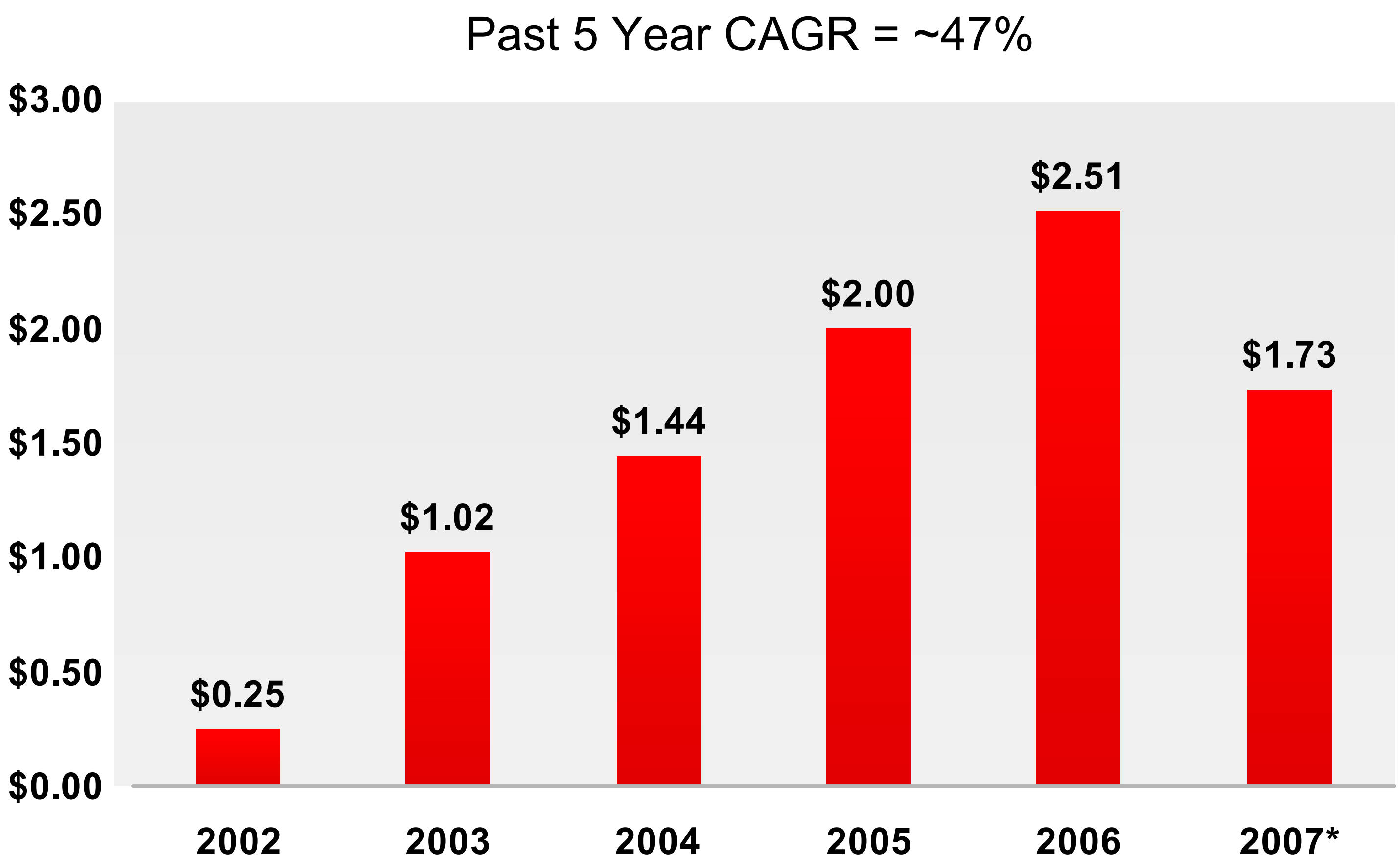
SanDisk Revenues 2002–2007



SanDisk Earnings Per Share 2002–2007



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

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2007 SanDisk Scorecard

- Tough Year, Exited Stronger
- Mobile Became #1 Business
- International Grew 33%
- IP Licensing Grew 36%
- Super Competitive 300mm Fabs For 2008/09
- Integration of msystems Completed
- Growing Global Brand
- Profitable Despite 2nd Year of ~60% ASP Erosion

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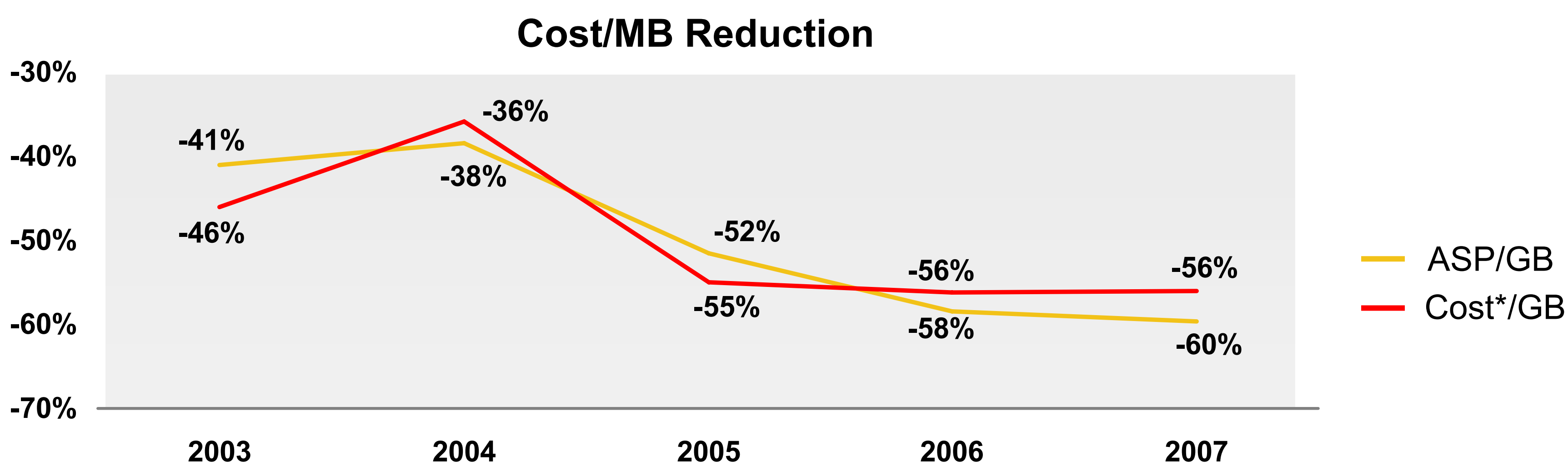
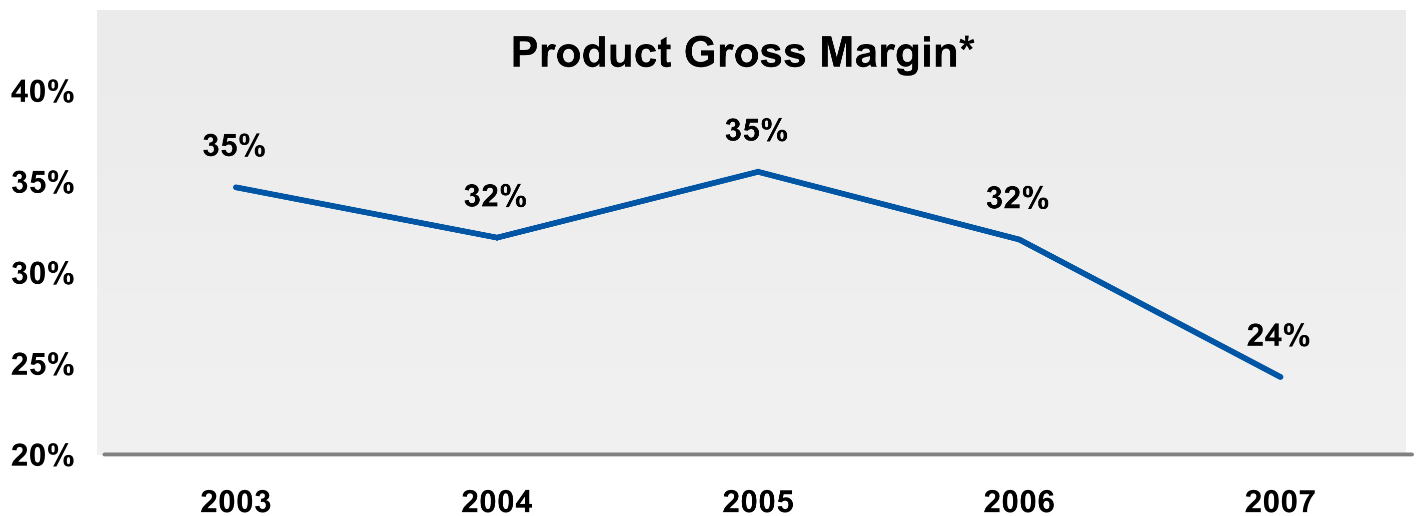
SanDisk: Relentless Cost Reduction Focus



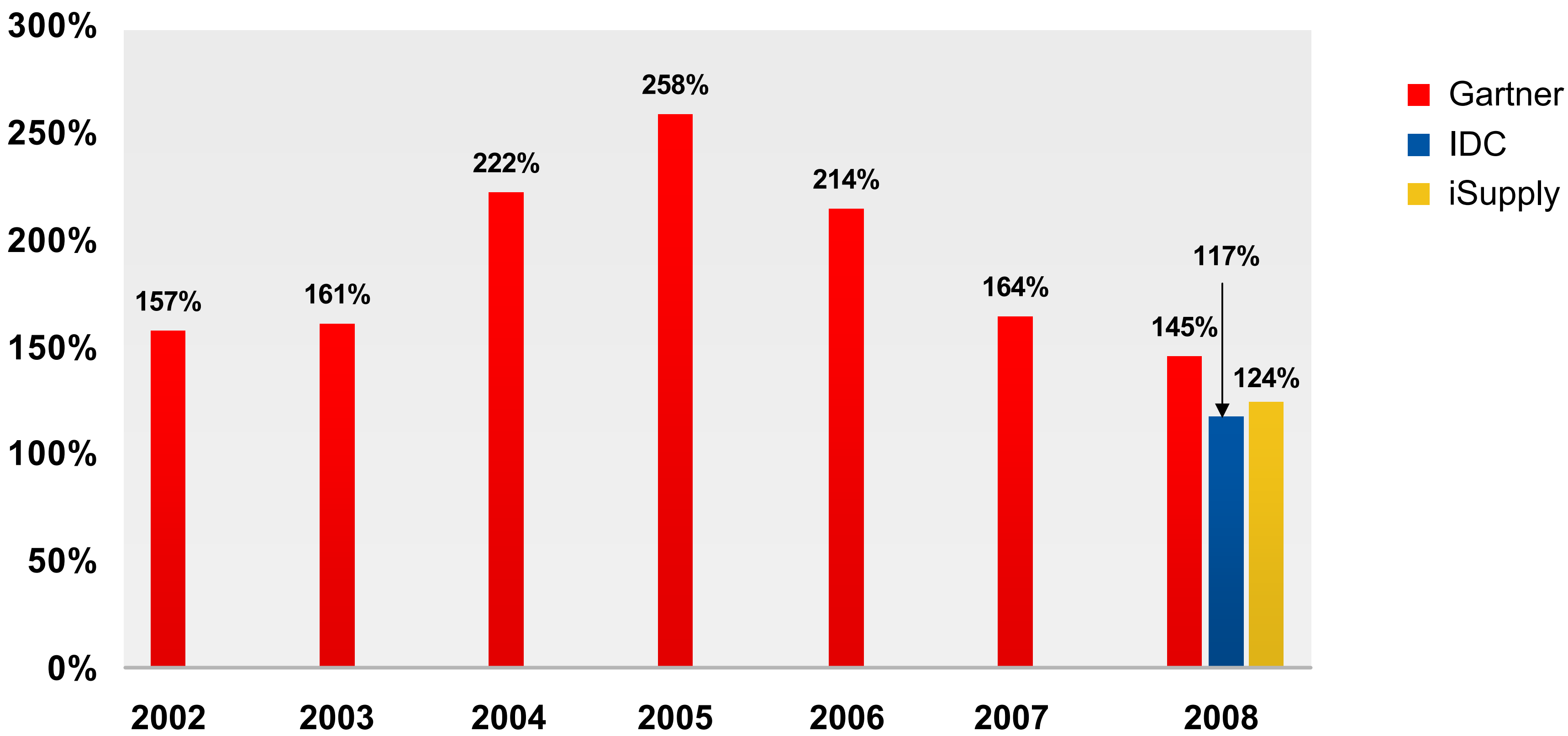


*Non-GAAP excludes stock comp expense, acquisition amortizations, and purchase accounting adjustments.

Current NAND Flash Environment

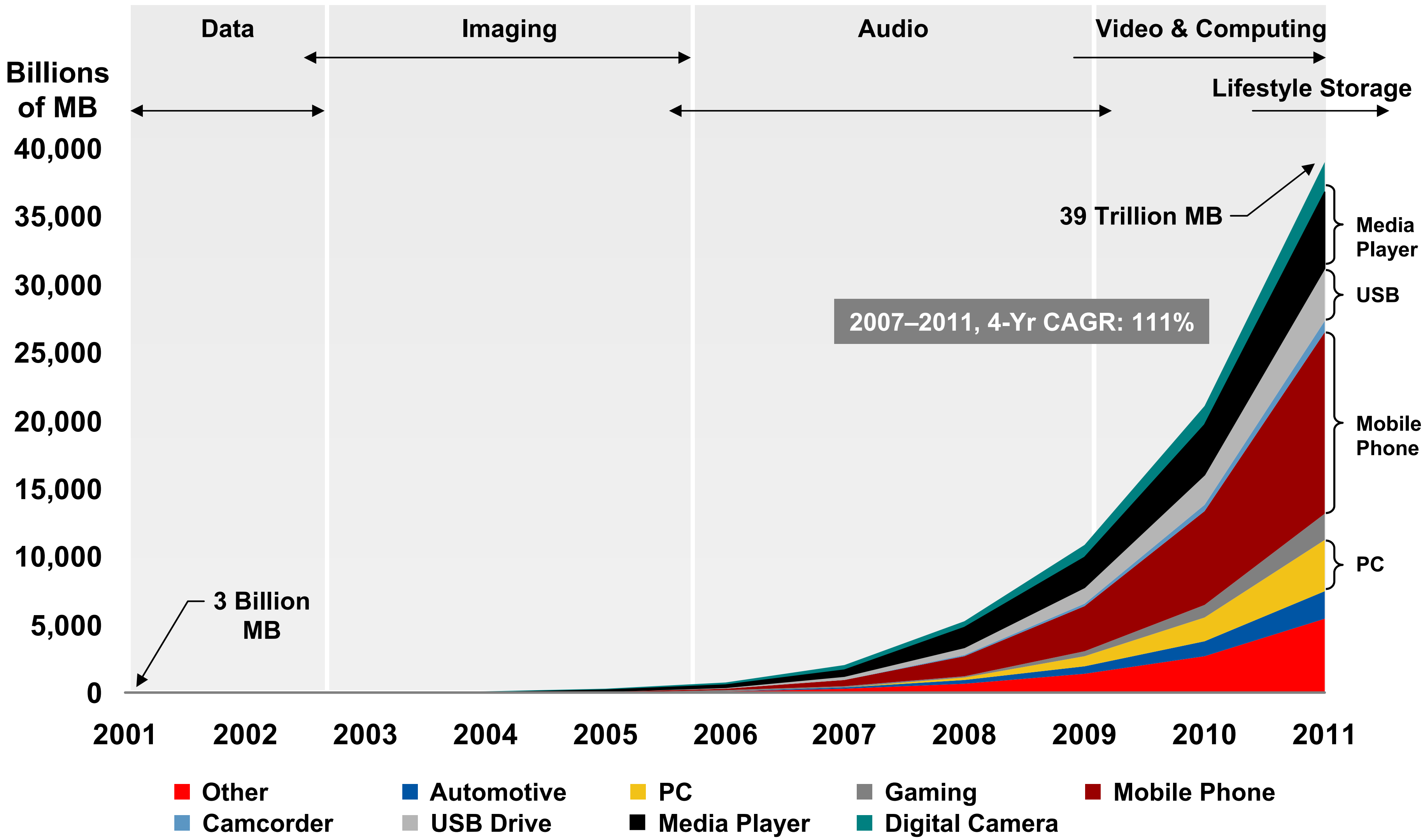
- Demand: Flash Used Everywhere, Mobile, International
- Supply: MLC, 200mm→ 300mm, 50nm→40nm slowing
- Q407 Pricing Continuing Into Q108, Recession Fears
- **Expect Improved Demand-Supply Balance Later In 2008**

2008 Industry TB Growth Rate Slowing



Source: Gartner Feb 2008, IDC Dec 2007, iSuppli Dec 2007.

NAND Flash Demand Drivers



Source: Gartner, Dec 2007. Not for Re-Distribution.

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Big Picture Trends in Coming Decade

- Blurring Boundaries: CE, Mobile, Computing, Web
- Personal Content Moving To People's Pockets (Worldwide)
- Rapidly Changing Landscape:
  - Where were Apple, Nokia, Google 10 years ago?
  - Who will be consumer leaders in 10 years?

Flash Storage is Pivotal in CE Convergence

- Consumer Electronics
  - Pix, Tunes, Video, Gaming, GPS
- Mobile Convergence
  - Smart-phone, iPhone, N95
- Computing
  - SSD, Smart USB
- Secure Enterprise

Our Future Role in Consumer Electronics

- Portable Storage Will Remain At The Core Of Everything We Do
- Best In Class: Memory/System/IP/Standards
- Be a Powerhouse In Storage-Centric Products In Coming Decade

Simple

Reliable

Affordable

SanDisk

Simple

Reliable

Affordable

Smart

Connected

Secure

SanDisk

‘Four Screens’ Strategy

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Technology, Competition

SanDisk
STORE YOUR WORLD IN OURS®

Well Positioned for 2008/2009

A 34 MB/s-program-throughput 16Gb MLC NAND With All-Bit-line Architecture in 56nm

120mm^2 16Gb MLC NAND Flash Memory With 43nm CMOS Technology

A 16Gb 3b/Cell NAND Flash Memory in 56nm With 8MB/s Write Rate

Presented with Toshiba at the February 2008 ISSCC

NAND Competitor Landscape

- Competitors Facing Big Challenges:
  - IP
  - Technology complexity
  - Systems know-how
  - Rapid transitions
  - 300mm mega-fabs (~200KWM) at ~$7B- $8B each
  - 30%-40% annual cost reductions in 2008-2011 not compatible with 60% price declines: Challenging ROI
- Current Field:
  - Samsung
  - Toshiba/SanDisk
  - Hynix
  - Micron/Intel

NVM Technology Contenders In Next 5 Years

- NROM - Relegated To NOR Replacement Niche
- FeRam - Cost Too High Against NAND
- MRAM - Cost Too High Against NAND
- Phase Change Memory - With MLC May Replace NOR, Cost Too High Against NAND
- Probe Storage - Big Challenges, But No Lithography
- 3D R/W (Transistor Or Diode) - Promising heir to NAND

3D R/W Technology Options

- Three Main Contenders For 3D R/W :
  A. Stacked layers of NAND arrays on epitaxial silicon
  B. Stacked layers of NAND arrays on polysilicon
  C. Stacked layers of diode arrays on polysilicon
- SanDisk Is Focused On Diode Arrays (C)
- SanDisk Fundamental IP (200+ Patents, Trade Secrets And Know-How) Through Matrix Acquisition

SanDisk's 3D Status

- Increasing R&D Spending In 3D OTP And 3D R/W
- 3D OTP 80nm Qualified At TSMC
- 3D OTP 45nm R&D At TSMC
- 3D R/W R&D Making Steady Progress, No Breakthrough
- Exploring Captive Manufacturing Source Below 45nm

2007 IP Licensing

- License And Supply Agreement With Hynix
- Licensed Ritek, PNY, Trek, 7 Other Card Licensees
- Initiated Card/System Patent Litigation Against 25 Defendants In Wisconsin And ITC

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SanDisk System Level Patents at ITC Case

Patent Number	Title	Expiration Date
6,426,893	Flash EEPROM System with Simultaneous Multiple Data Sector Programming and Storage of Physical Block Characteristics in Other Designated Blocks	Feb. 17, 2020
6,763,424	Partial Block Data Programming and Reading Operations in a Non-volatile Memory	Jan. 22, 2021
5,719,808	Flash EEPROM System	Feb. 17, 2015
6,947,332	Computer Memory Cards Using Flash Memory EEPROM Integrated Circuit Chips and Memory-Controller Systems	April 11, 2011
7,137,011	Removable Mother/Daughter Peripheral Card	Feb. 28, 2015

Source: Add source information here

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August 2009 IP License Renewal

- Option A: A Negotiated Renewal Settlement Under Reduced Royalty Rates, Signed By August 2009
- Option B: If No Agreement, Expect Vigorous Litigation, In Which We Expect To Eventually Prevail
- Believe That Both Parties Prefer Option A
- If Option B, Manage Our Business To Deliver 2010 Operating Margin At 2007 Level Or Better

Summary

Challenging 2007-SNDK Emerged Prepared for 2008/09

At Forefront of High Growth Markets

Strong and Deep IP

Building Great Company for Coming Decade

SanDisk


it’s about creating a great
consumer experience...
…making the complex
simple, affordable, fun,
Memorable
SanDisk

Business Overview

Sanjay Mehrotra

President and Chief Operating Officer

Agenda

SanDisk Strategy

Looking Ahead

Industry Growth

Our Technology, Fab, Operations Roadmap

Divisional Update

Imaging

SSD

Corporate Objectives

SanDisk Growth Strategy

- Innovation
  - Technology, products, markets
- Diversity of Markets, Breadth of Product Offerings
- Technology & Manufacturing Leadership
  - NAND, 3D, Fabs, vertically integrated supply chain
  - Scale
  - Relentless focus on cost reduction
- Retail Brand and Channel Strength

- Market Leadership
- Profitable Growth
- Strong Balance Sheet

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Strong Unit Growth Drivers

2007 Results

Mobile:

2007 Revenue: $1.4 Bil, up 64% Y/Y

Units Sold, up 128% Y/Y

Imaging:

2007 Revenue: $1 Bil

Units Sold, up 35% Y/Y

Audio/Video:

2007 Revenue: $0.3 Bil

Units Sold, up 12% Y/Y

USB:

2007 Revenue: $0.5 Bil

Units Sold, up 54% Y/Y

2008 Drivers

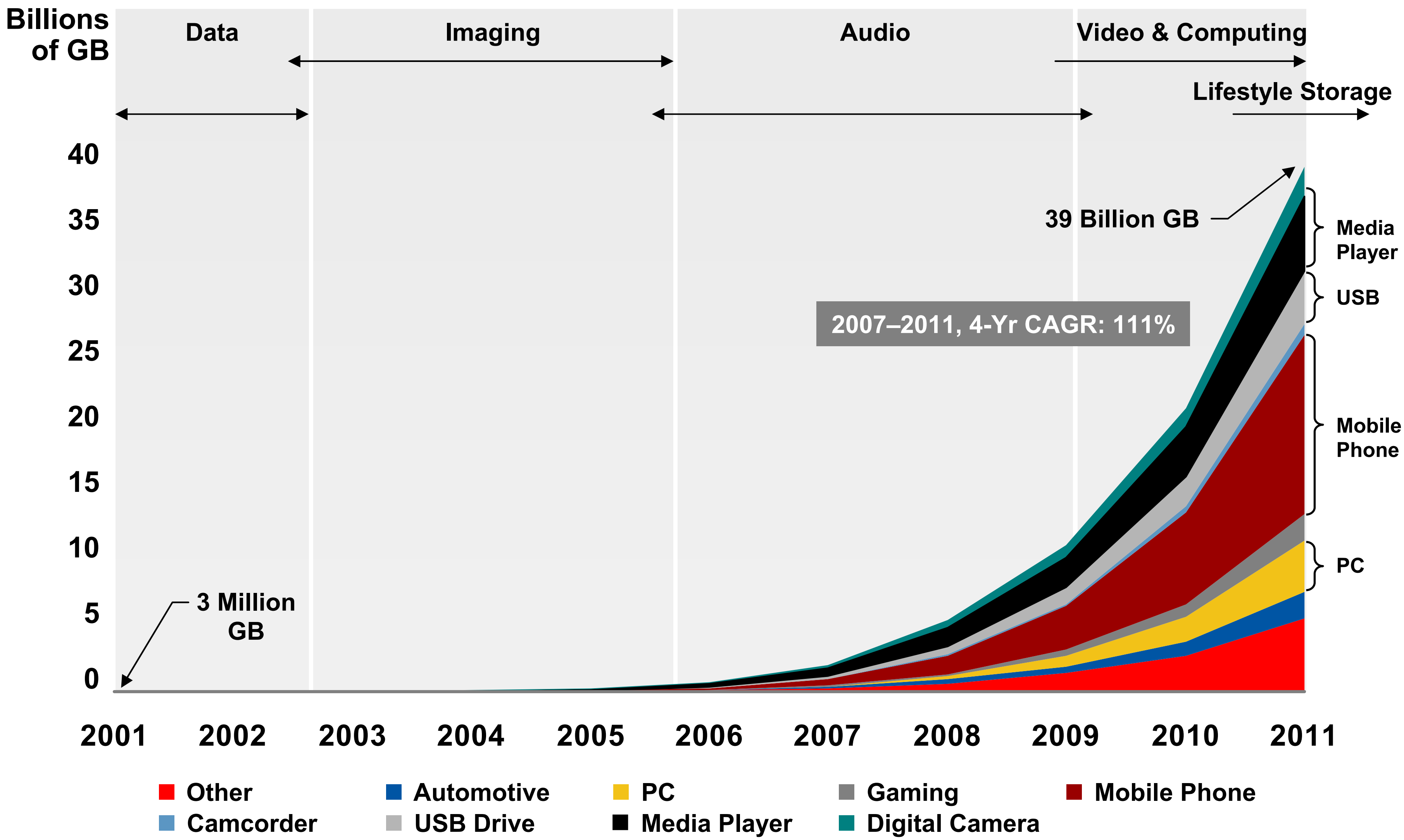
- Global Retail Growth
- OEM Design Wins

- Video Capture
- Consumption/Household Trend

- Focus on Sub-$150 Segment
- Easytainment™ Initiative

- Market Share Gains
- Enterprise Solutions

NAND Flash Demand Drivers



Source: Gartner, Dec 2007.

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Managing Flash Supply to Meet Growing Demand

- Overall Strategy: Balancing Captive (Fab) With Non-captive

- Captive Cost Effective Supply Leadership
  - Rapid technology transitions (56nm ➡ 43nm ➡ 3xnm)
  - Beyond 2 bit per cell (X2) MLC ➡ X3, X4
  - Fab capacity expansions timed to meet demand projections
  - World class yields, Fab productivity enhancements

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2007: Solid Year for Fab Operations

- 56nm: Excellent Yields, Smooth Ramp With MLC
- 43nm: Achieved Production Readiness With MLC
- X3: Achieved Production Readiness With 56nm
- Fab 3: Reached 150,000 Wafers/Month
- Fab 4: Began Production in Q407
  - Expect to Ramp to 110K wpm in 2H08

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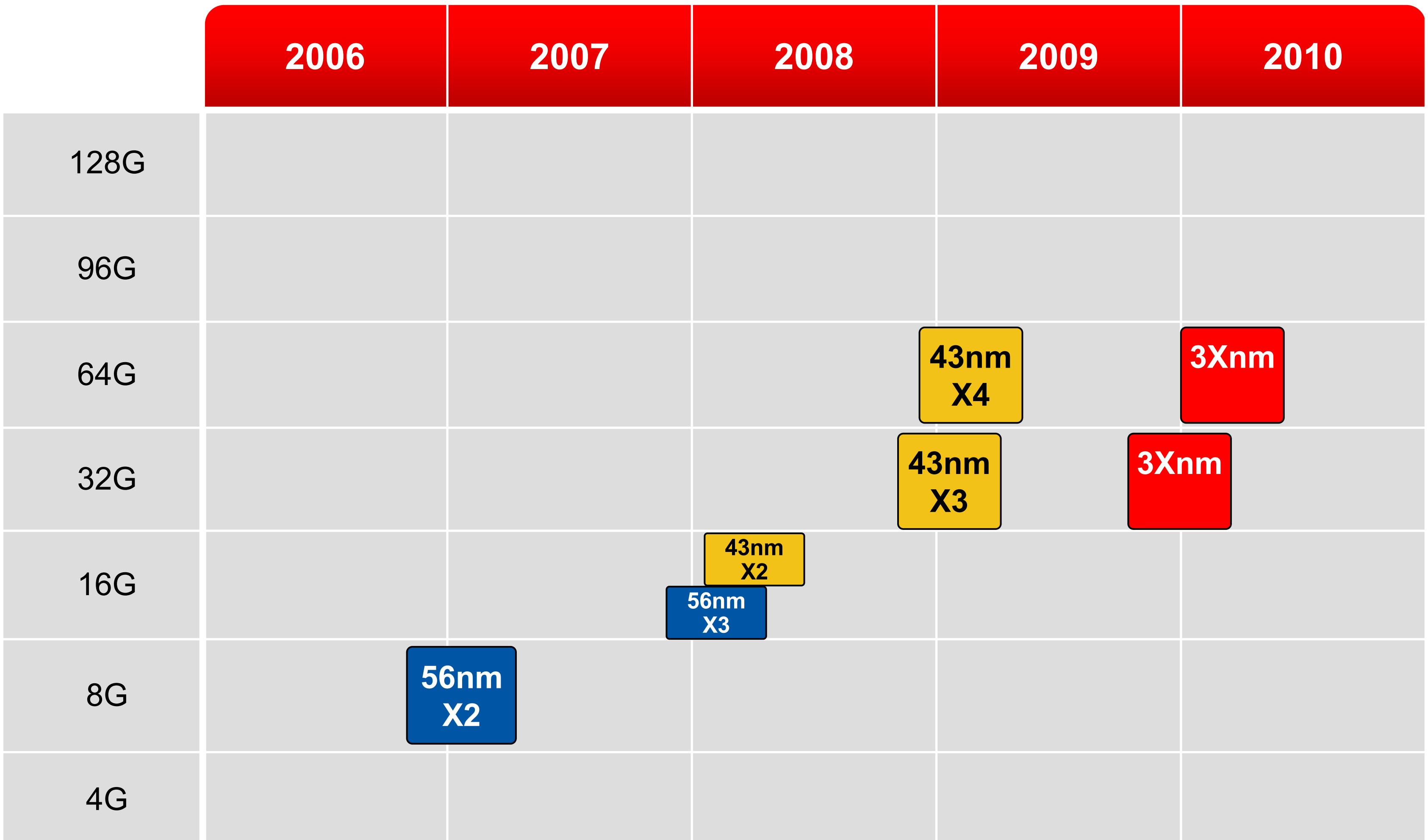
SanDisk NAND Roadmap



Source: SanDisk.

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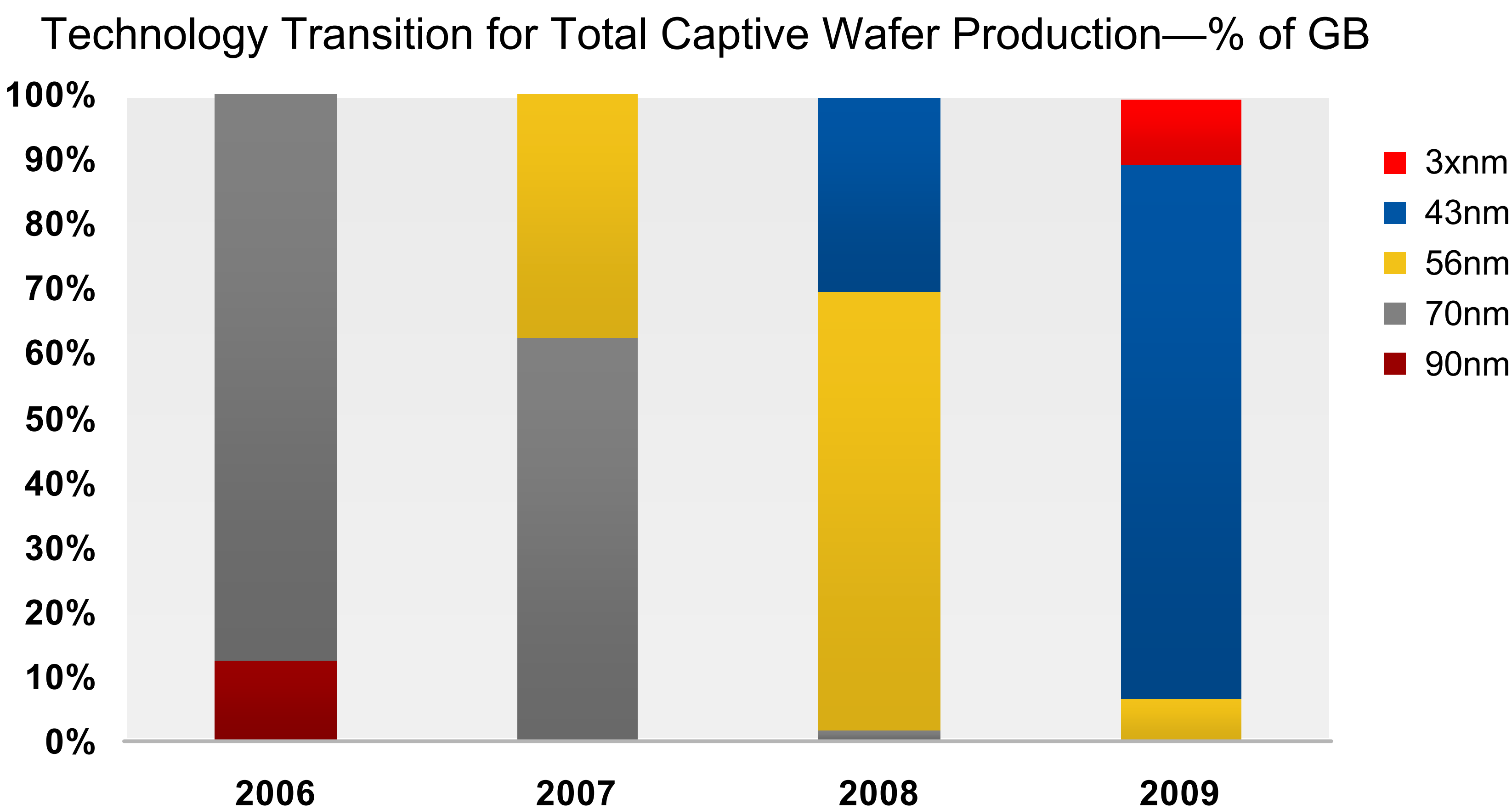
Beyond 2 Bits/Cell Deployment

- 2008: X3 Production Begins Using 56nm
- 2009: X3 Transitions to 43nm, Expected to Account for Approximately 50% of Total Bit Output
- X4 Technology on 43nm: 2009 Introduction
- Systems Expertise Is Key: ECC, Wear Leveling Algorithms

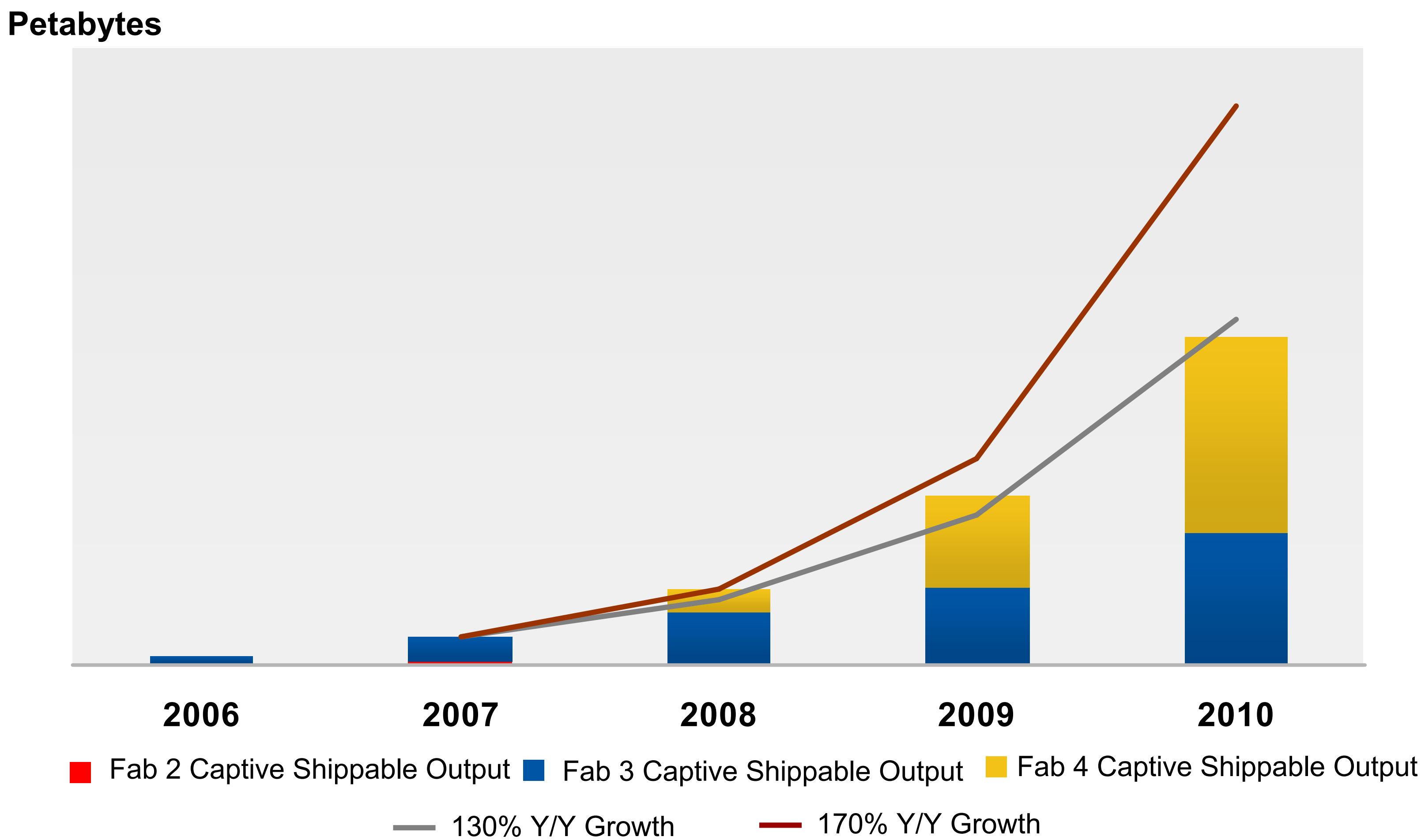
Rapid Execution on Technology Transitions



Source: SanDisk.

SanDisk

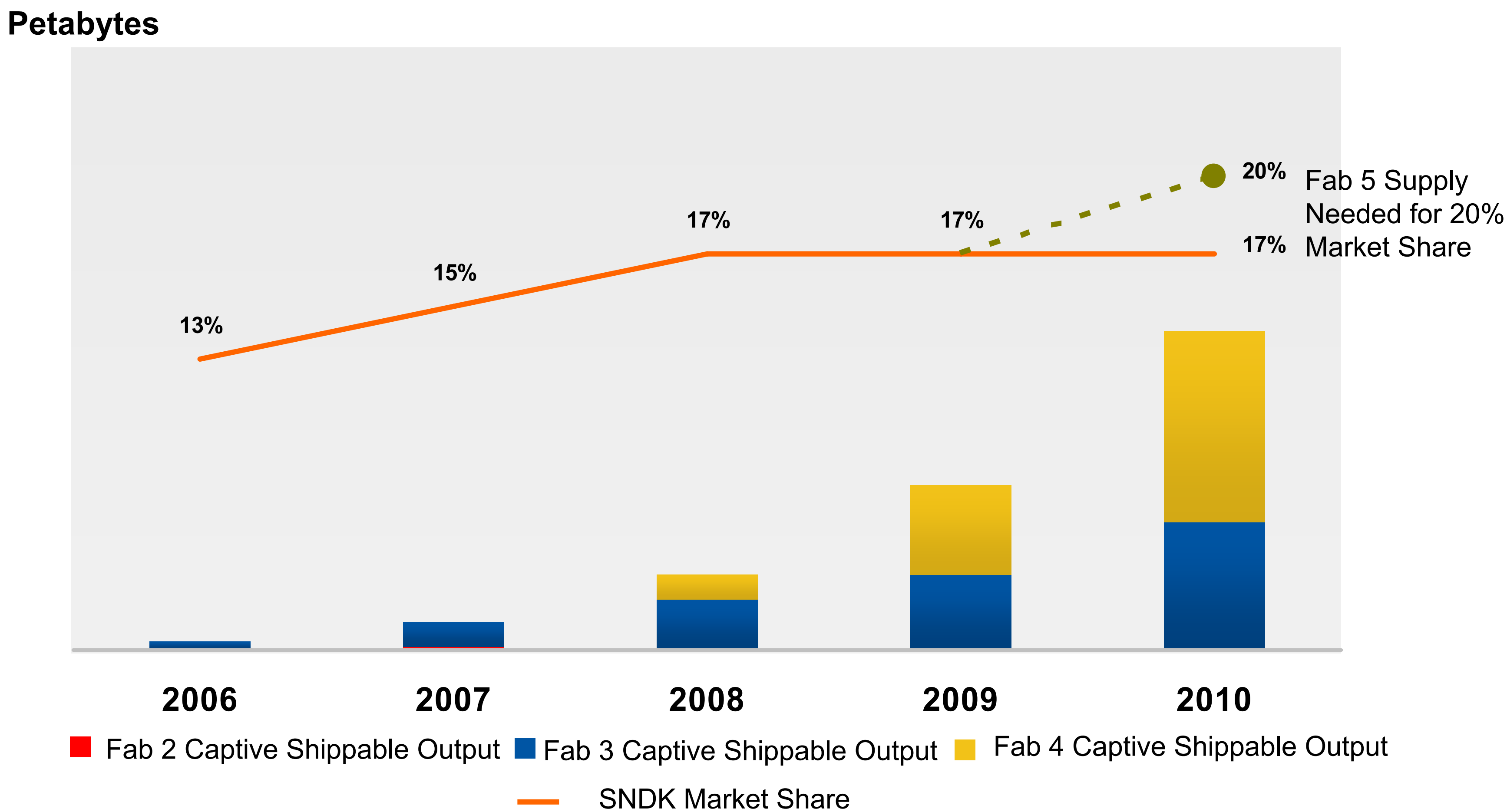
Beyond Fab 4: Fab 5* Required in 2010 to Supply Projected Demand



Source: SanDisk.

*Subject to negotiation and execution of definitive agreements

Fab 5: Key to Continuing Market Leadership



Source: SanDisk for Supply; Gartner, Feb 2008 & SanDisk for Market Share Ests.
Not for Re-Distribution.

SanDisk-Toshiba New Fab Announcement—Building on 9 Years of NAND Collaboration

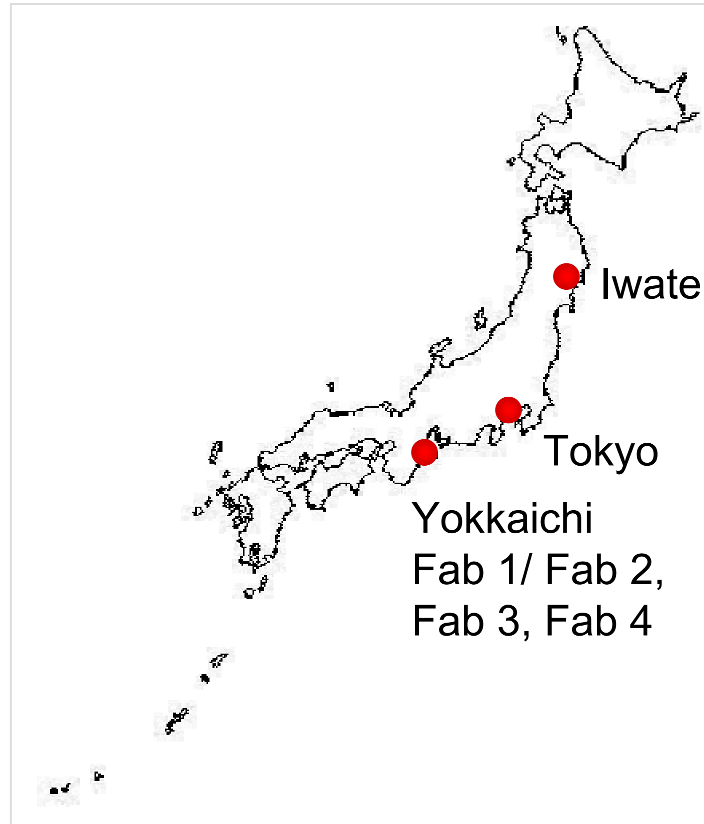
- 7 Generations of Technology Partnership
  - 210nm, 160nm, 130nm, 90nm, 70nm, 56nm, 43nm
- 6 Generations of MLC Developed Jointly Over 9 Years

Die not to scale

- 3 Flash Manufacturing Joint Ventures
  - Fab 1 and Fab 2 (200mm), Fab 3 and Fab 4 (300mm)
- And Now, the Third 300mm Fab Partnership

Location for Fab 5: Yokkaichi or Iwate
Toshiba and SanDisk to Decide Jointly

- Key Considerations for Location
  - Timing of land acquisition, site preparation, approvals and building construction
  - Mitigating risks—earthquake, technology transition and ramp schedule, engineering resources
  - 2009: Construction
    2010: Production ramping



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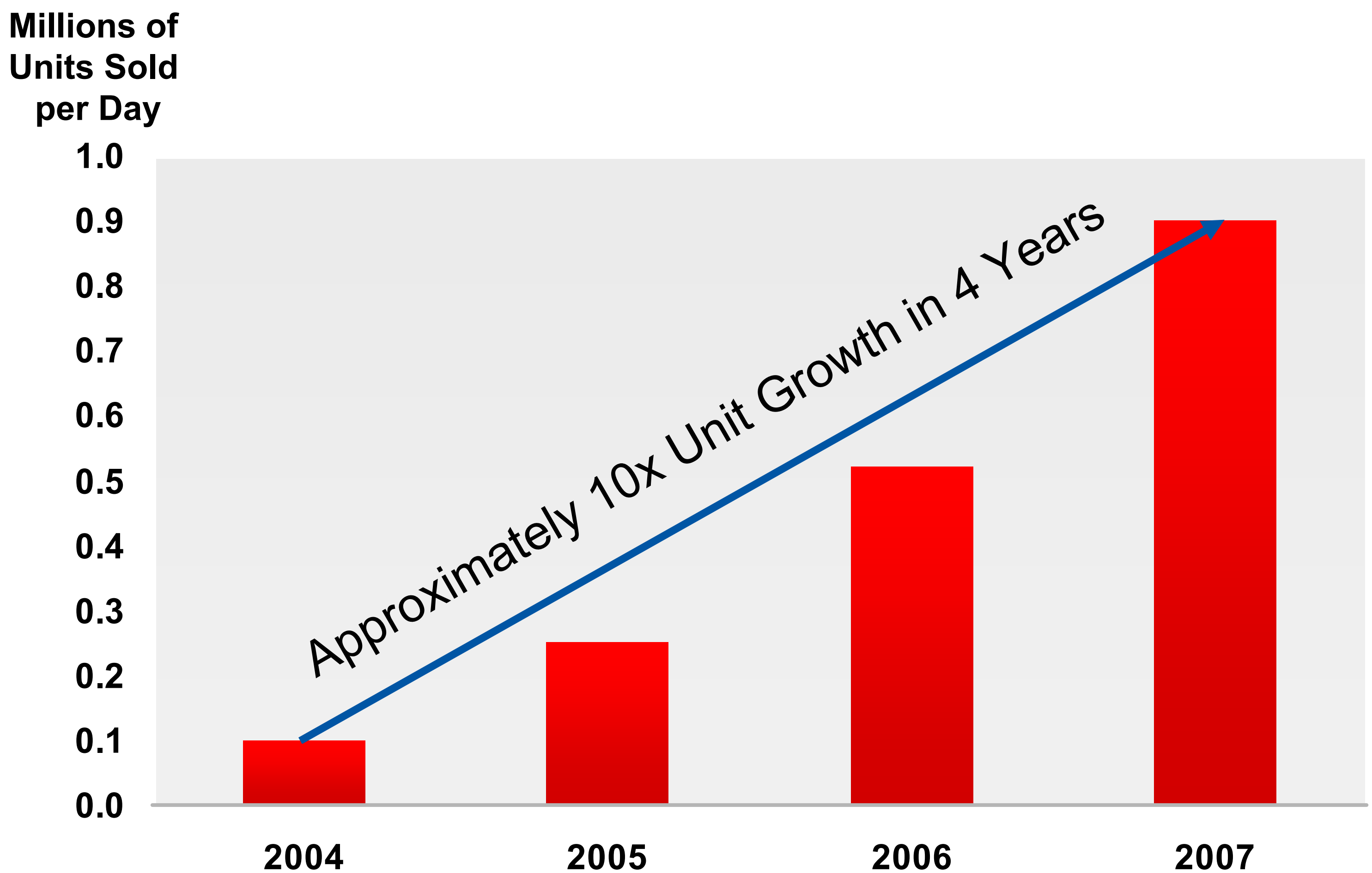
Fab 5 NAND Investment Model

- Further Strengthens SanDisk-Toshiba Partnership
- New Model Reduces SanDisk NAND CAPEX and Provides Greater Flexibility
- Capital Investment: Toshiba 75% / SanDisk 25% (With SanDisk Option to Convert to 50% / 50%)
- Capacity: Toshiba 50% / SanDisk 50%
  - SanDisk receives 25% captive capacity and 25% cost-plus committed foundry
  - SanDisk has the option to convert committed foundry to captive or to non-committed foundry

Average Units Sold/Day Nearly 1 Million in 2007



Source: SanDisk.

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Captive Shanghai Assembly & Test Factory

- Key Milestones
  - Construction start: November 2006; First production: August 2007
  - Volume production: Q4 2007 (~10% of SanDisk unit production)
  - Target 30% of unit production by 2008 end
- Key Benefits
  - Captive cost structure
  - Cycle time
  - Flexibility
  - Time to market for the most advanced products

SanDisk Semiconductor
(Shanghai) Co., Ltd.
晟碟半导体（上海）有限公司

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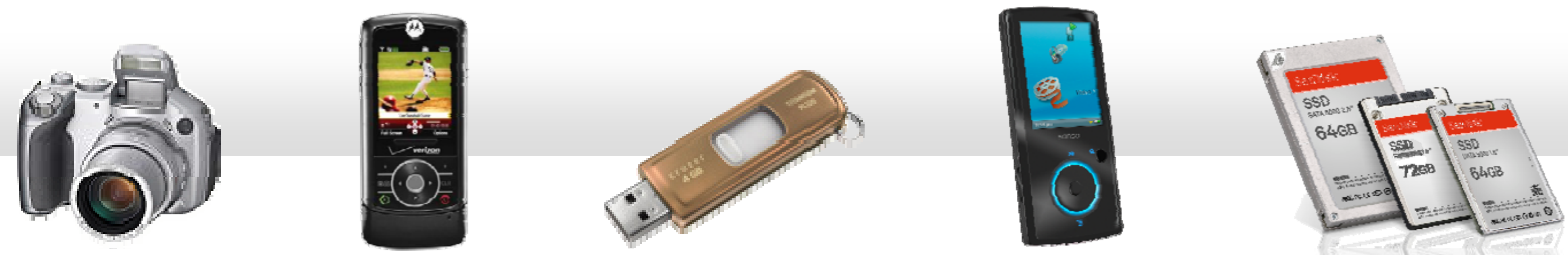
Strong End Market Mega Trends

- Unit TAMs Are Growing Fast
- Average Capacities Are Growing Faster

Digital Imaging	Mobile Phone	USB Drives	Personal Media Players	SSD



Key Drivers:

Digital Imaging	Mobile Phone	USB Drives	Personal Media Players	SSD
• Video in cameras • Flash camcorders	• Applications convergence	• Enterprise applications • Security	• Pre-programmed and personal content	• MLC-based drive development and adoption

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Imaging Cards & Accessories

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Market Drivers & Trends

- Mega-Pixel Growth Continues
- “Movie Mode” Now Standard on Most DSCs
- Increased Capture and Sharing of Photos and Video
  - More cards per household—not just per camera

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Flash Camcorder: Emerging Driver

- Flash-based DV Camcorders— Full HD Now Shipping
  - Full HD requires 4GB+ for 30 min of recording
  - 8GB–32GB cards projected as sweet spot for HD video

- Market Drivers and Price Elasticity Should Continue to Drive Increased Imaging Card Capacity
  - Average capacity growth 2006 to 2007: 88%

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Continued Strength in Imaging Market

2008 TAM

- 316M Memory Card Units
- 16.2% Y/Y Growth Based on Units
- $4.5 Bil Market

Digital Cameras 2008

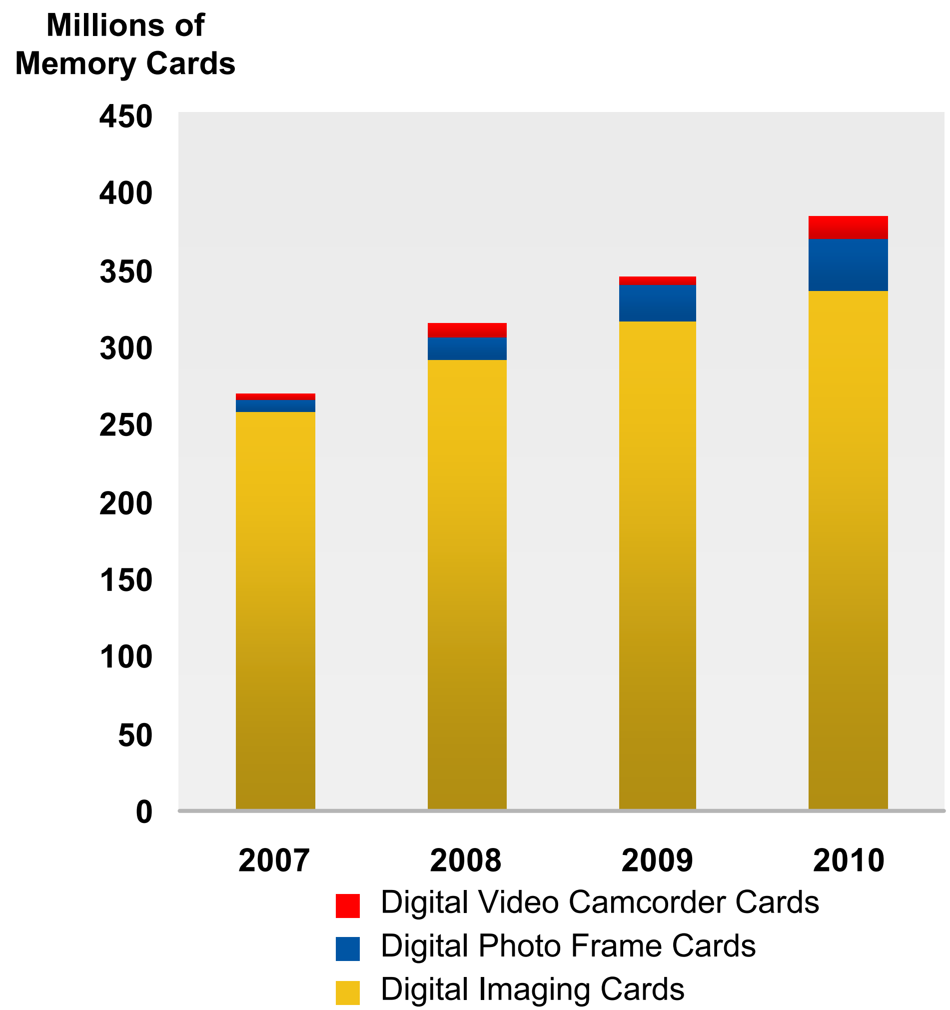
- Market Continues to Grow +8%
  - New DSC shipments: 123M units +7%
  - New DSLR shipments: 9M units +24.3%

Digital Photo Frames 2008

- Sharing Destination Emerging
  - Photo frame shipments: 15M units

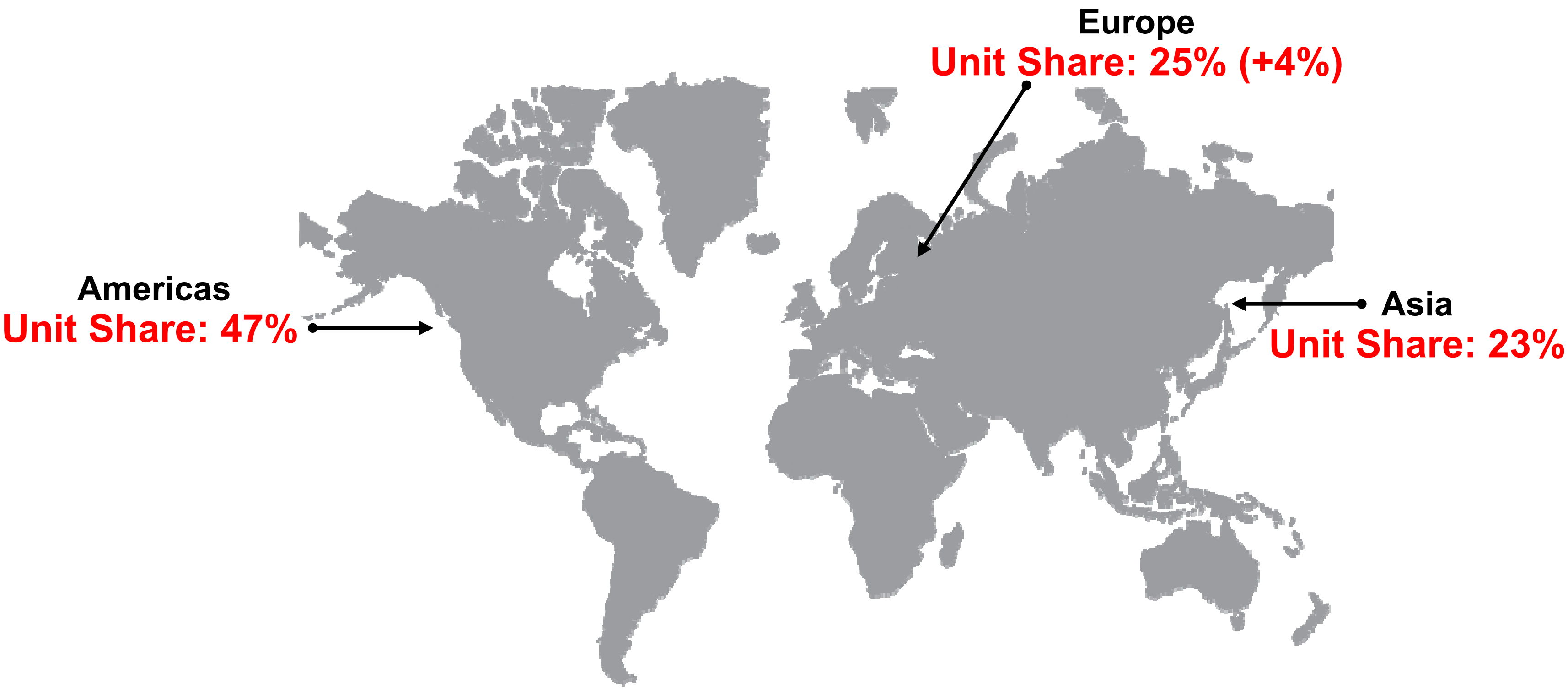
Digital Video 2008

- HD Drives High Capacity Cards
  - 9 Flash DVC models projected to ship 2.3M units



Source: IDC 2007 (DSC, DSLR, DVC, & DPF).

2007 Imaging Share by Region



- Maintained and Grew Share Despite a Challenging Pricing Environment
- Strong Growth Opportunities in Europe and Asia
- 2008 Key Objective: Grow Global Share

Source: NPD/GFK.

Imaging Leadership: Driving Growth

Innovation = Performance = Preference

Product Leadership

- Performance for Professionals and Consumers: SanDisk® Ultra™, Extreme™, Ducati
- Capacity Leadership: SDHC 32GB

Video Leadership—From the Ground Up

- Cards Uniquely Targeted for High Definition Flash Video Camcorders
- 60min / 120min Video Cards
- Performance Target of 100MB+ / sec for Professionals

Retail Leadership

- Global Expansion and Share Growth in EMEA, Asia and Latin America
- Broader Execution of "Go Take Pictures" Campaign

Emerging Market: SSD

- A Multi-Billion Dollar Market Over the Next Few Years
- Market Research Estimates for $ TAM Vary Widely
- Key Drivers for Adoption
  - Price points, enabled by MLC NAND
  - Robust system level implementation
  - Clear performance benefits

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SanDisk SSD Leadership Serving Computing Applications

- Latitude Series
- Corporate Users
- 32GB SSD

- HS21 Blade Server
- Enterprise Applications
- 16–32GB SSD and uSSD

- DC7800 Series
- Business Desktops
- 16GB SSD

- Classmate PC
- Emerging Markets
- 1–2GB uSSD

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SSD: Key Requirements

Market Requirements

- SSD & PC OEM—Most Demanding Flash Application
  - Reliability
  - Performance
  - Quality / customer qualification cycles, technology transitions
  - Service / customer support
- Achieving MLC-Based Cost Structure Should Drive Mass Adoption

Technology Requirements

- Managing a Multi-die (e.g. 64-die) MLC System Is Very Complex
  - Strong system expertise required
- Robust Performance Across Multiple OEM Platforms Crucial
  - Single solution should meet broad customer specifications

SanDisk 2008 Key Objective: Develop comprehensive MLC-based drive solution which meets market requirements for performance, reliability and cost

2008 Key Objectives

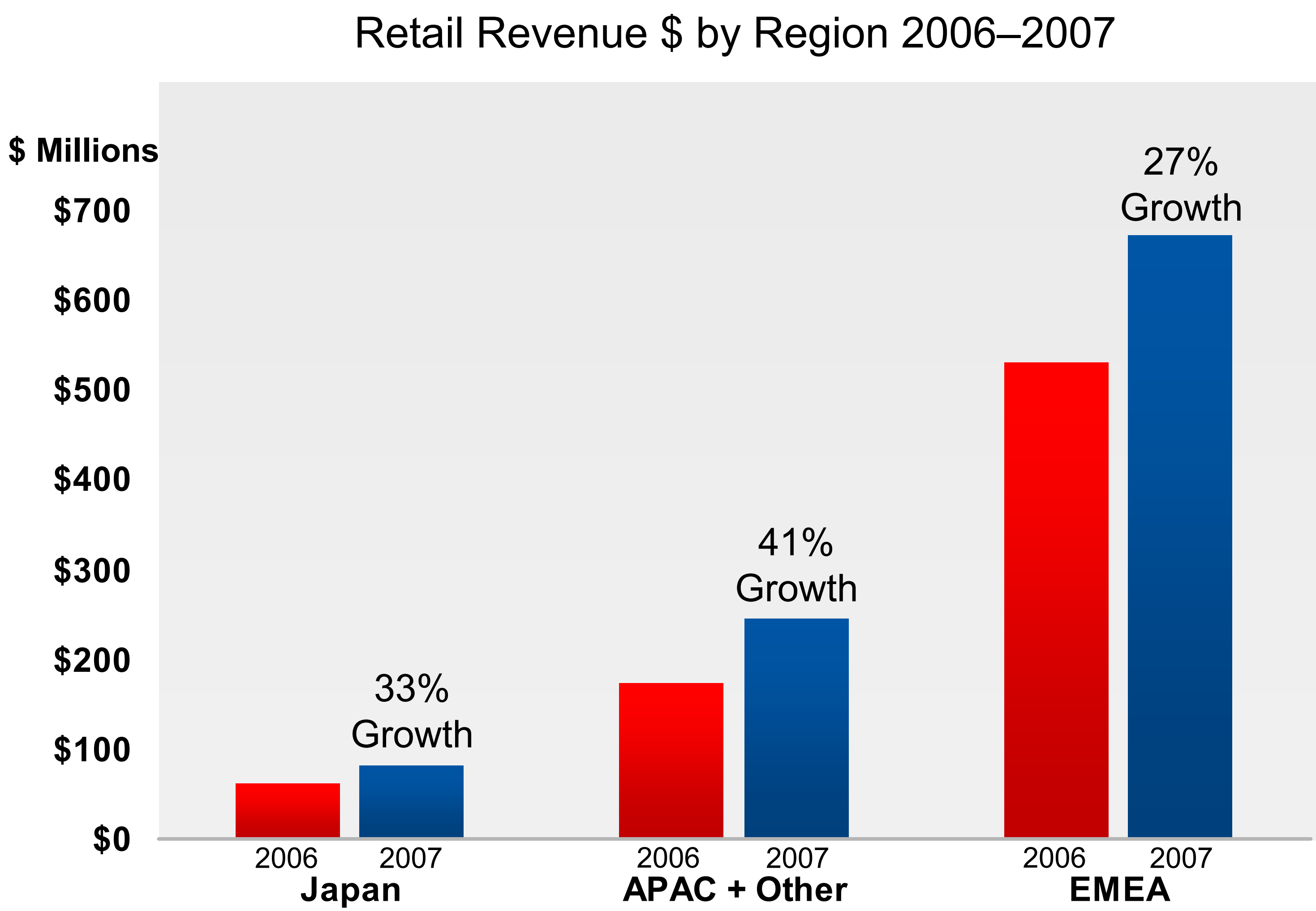
- Expand Fab 4
- Ramp 43 nm MLC, 56 nm X3 Production
- Grow Mobile Market
- Gain Additional International Market Share
- Grow Scale Effectively
- Enhance Brand
- Improve Margins and Control Expenses

Drive Innovation, Move *FAST*, and Build the Future

International Retail Sales

Tzipi Ozer-Armon, SVP, GM USB BU & International Retail Sales

Strong International Growth in All Regions



EMEA: Focus

	Major Activities	Results
1	More people on the ground	Joint planning and tight business management
2	Product category focus	Significant growth outside of traditional cards
3	Shelf management	Memory centers drive decision for SanDisk
4	Advertising	Better brand awareness
5	Supply chain management and priority	On the shelf at all times and optimal inventory level

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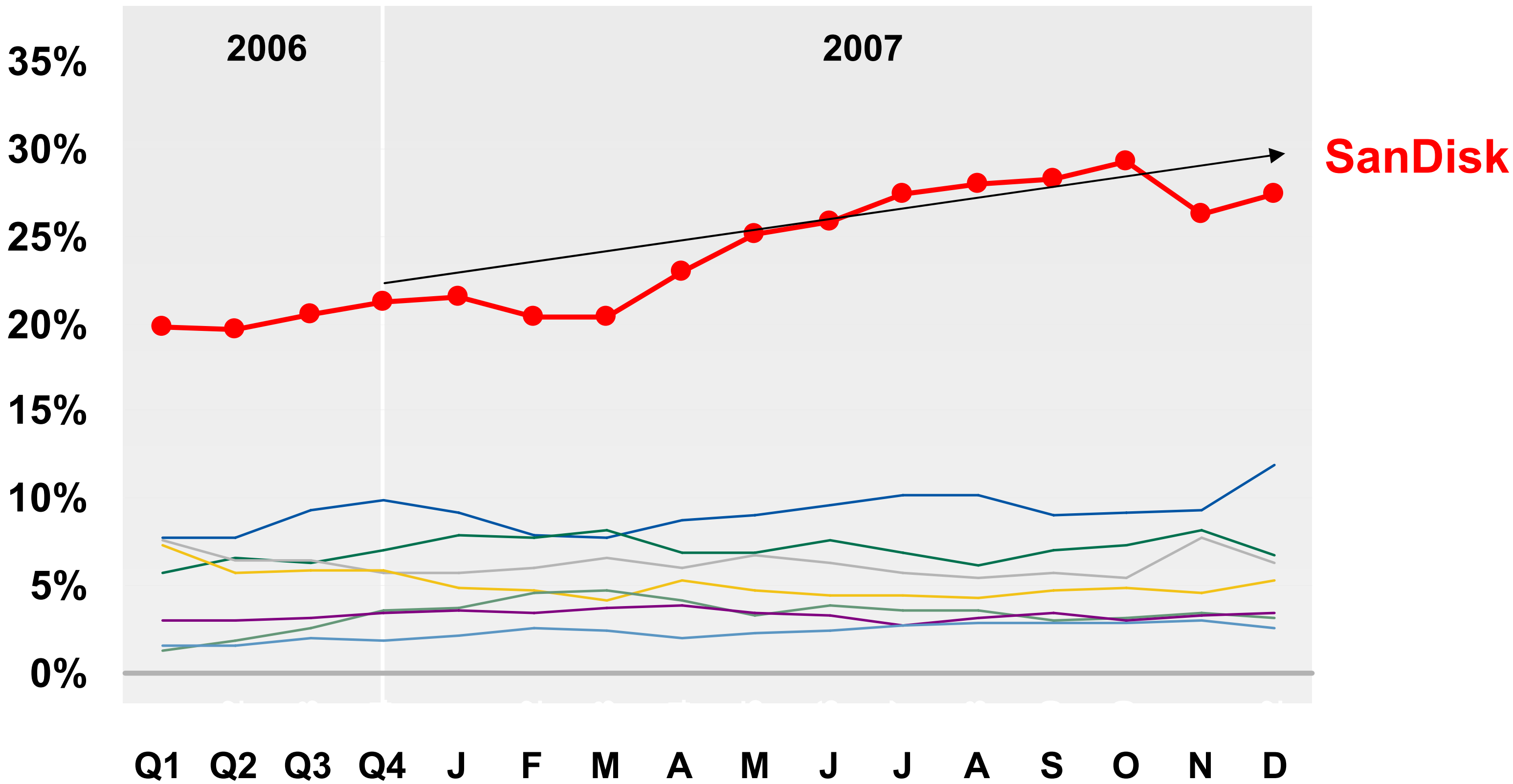
EMEA: First—The Results

All Cards and USB per Brand: Revenue

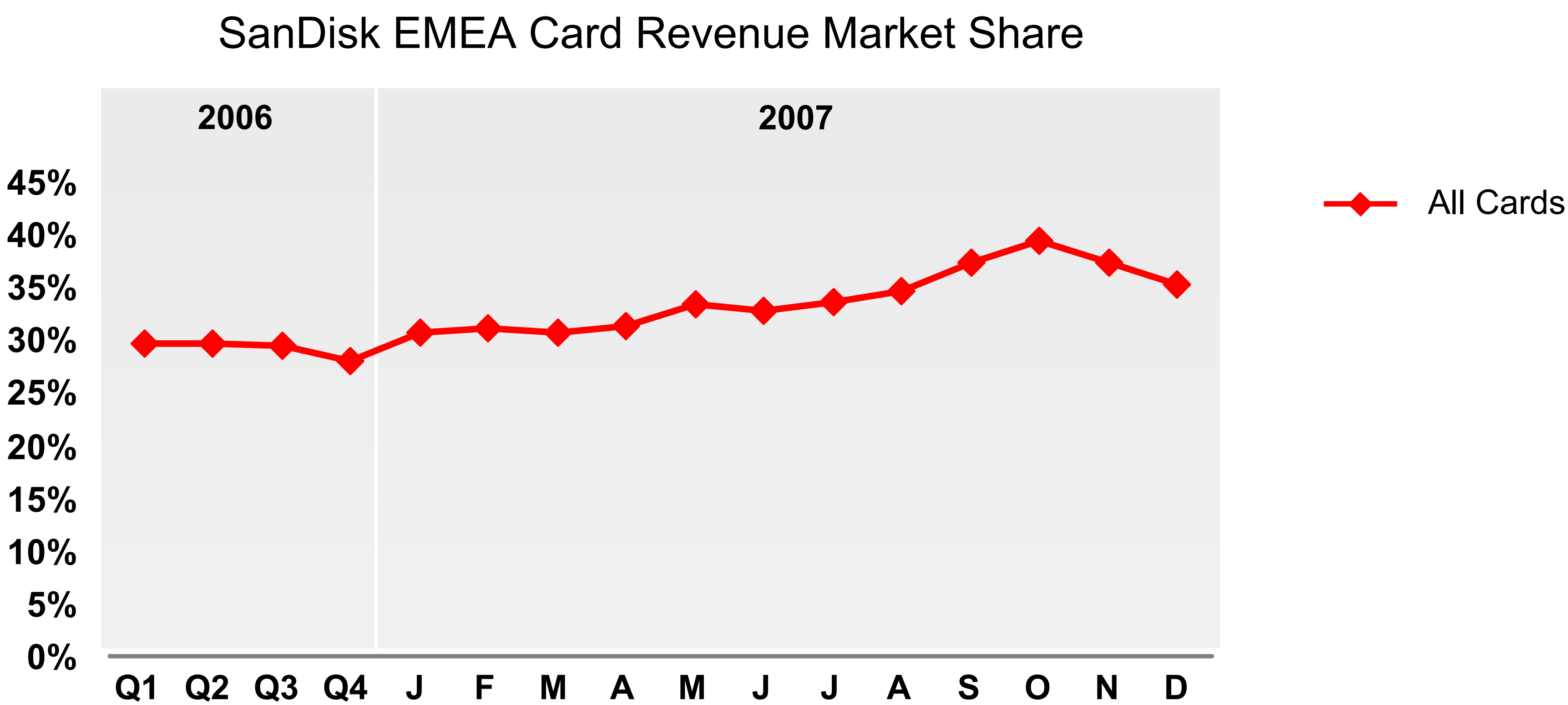


Clear Leadership!

Source: GFK Europe Top Three Markets 1/2006–7/2006; 6 Markets Going Forward.
Not for Re-Distribution.

2: EMEA: Product Category Focus

Leadership in All Card Form Factors

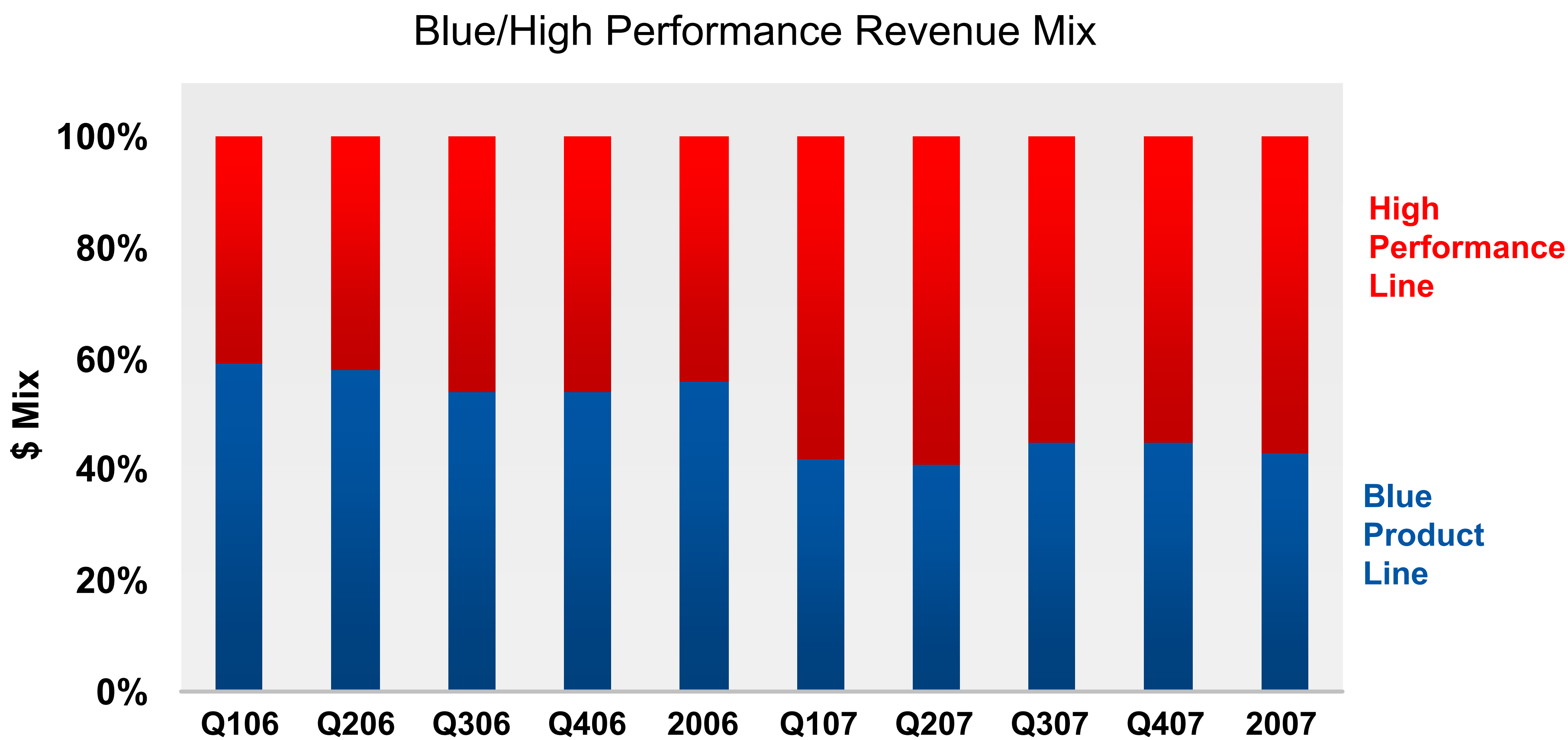


Source: GFK Europe.

Not for Re-Distribution.

2: EMEA: Product Category Focus—Cards

Shift to High Performance Imaging Cards Drives Category and Higher Margins



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2: Product Category Focus—High End

The Ducati Umbrella

SanDisk

2: EMEA: Product Category Focus—Mobile Cards

Creating Slot Usage

We have partnered with all the leading mobile operators and mobile specialists

SanDisk

3: SanDisk Memory Center

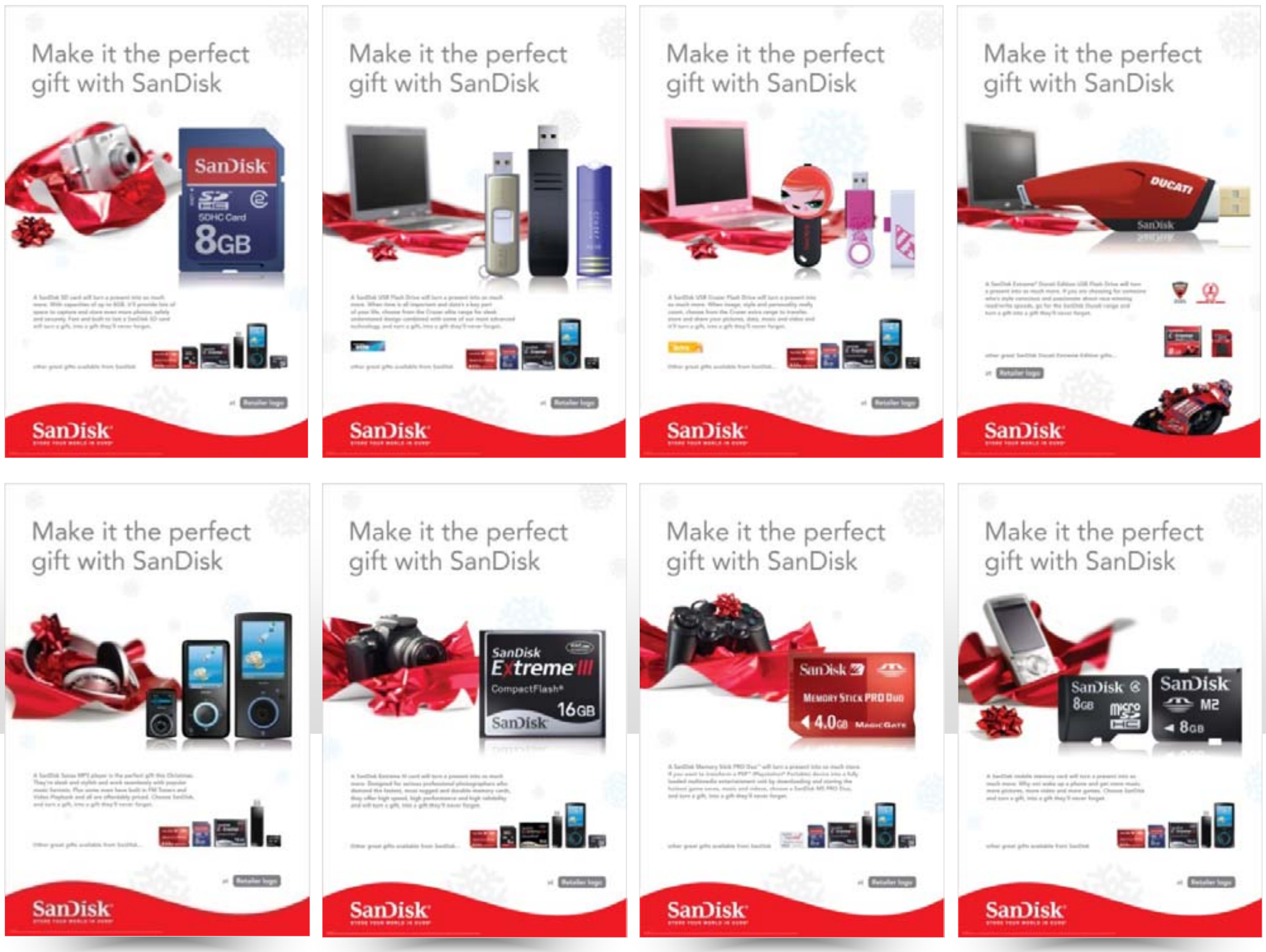
Saturn & MediaMarkt, Poland

Electroworld Arena, Hungary

El Giganten, Denmark

Dixons Terminal 5, UK

4: One Brand, One Message in EMEA



5: Logistics and Supply Chain Management

- Planning
- Flexibility
- Inventory Management

Crucial for Success!

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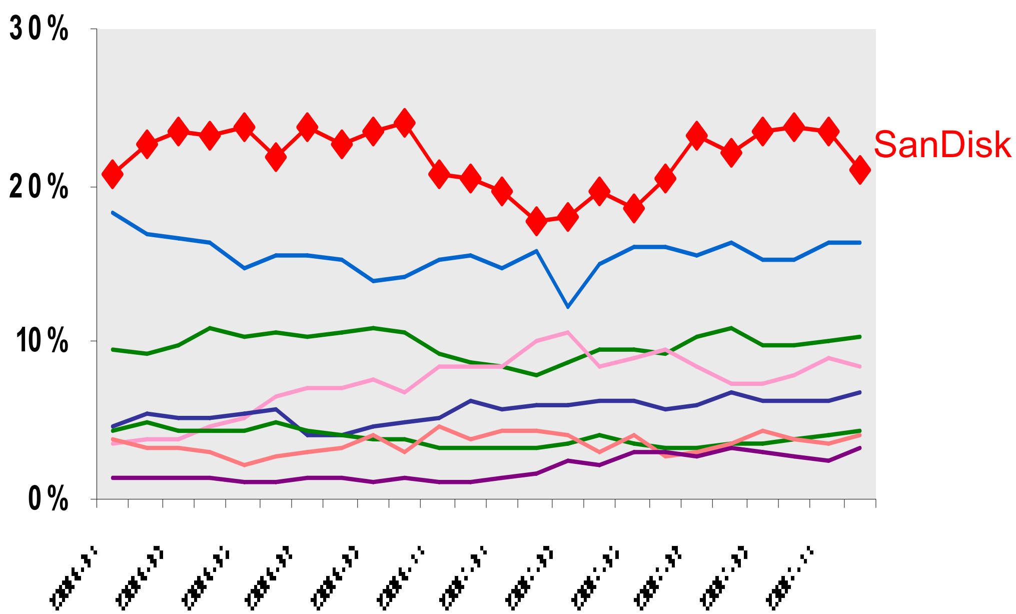
APAC: Focus

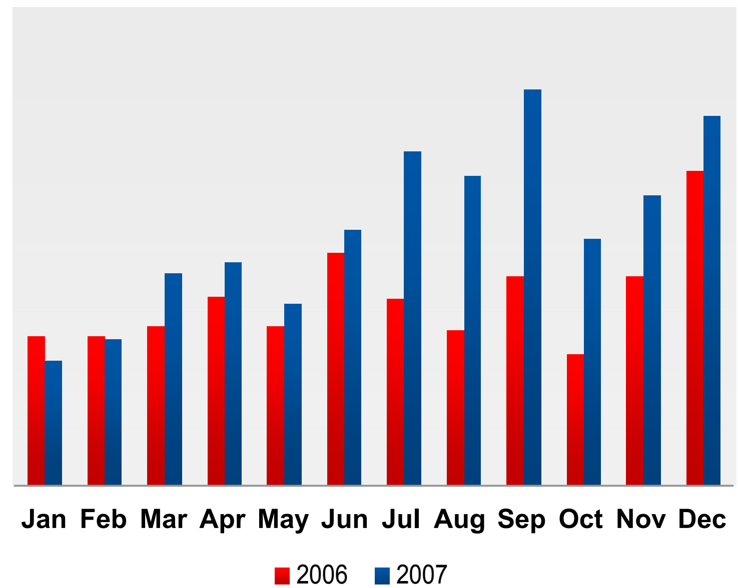
	Major Activities	Results
1	More people on the ground	Faster to react and more competitive
2	Expand coverage—geography and distributors	30% coverage increase
3	China and India focus	#1 player in both countries
4	Supply chain management and priority	Better spread of products between the geographies

APAC: First the Results

Market Share - Revenues



APAC Sell Thru 2006 - 2007



We Managed Our Growth

Source: GFK. Not for Re-Distribution.

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2: APAC: Focus Area—Coverage!

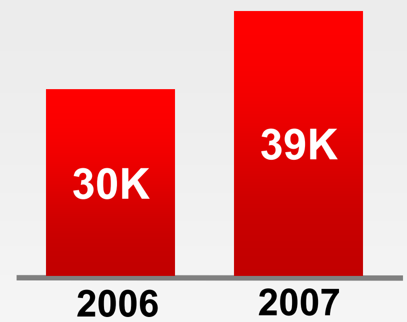
New Countries

- Vietnam
- SAARC
- Philippines

New Distributors

- Australia
- New Zealand
- China
- Hong Kong
- Korea
- Malaysia
- SAARC*
- Thailand
- Vietnam

Number of Storefronts



We Have Grown Our Coverage by 30%

*SAARC—South Asia Association for Regional Cooperation: Nepal, Pakistan, Bangladesh, Sri Lanka, Bhutan, Maldives and India.

2: Working With Large Format Retailers

SanDisk Memory Centers

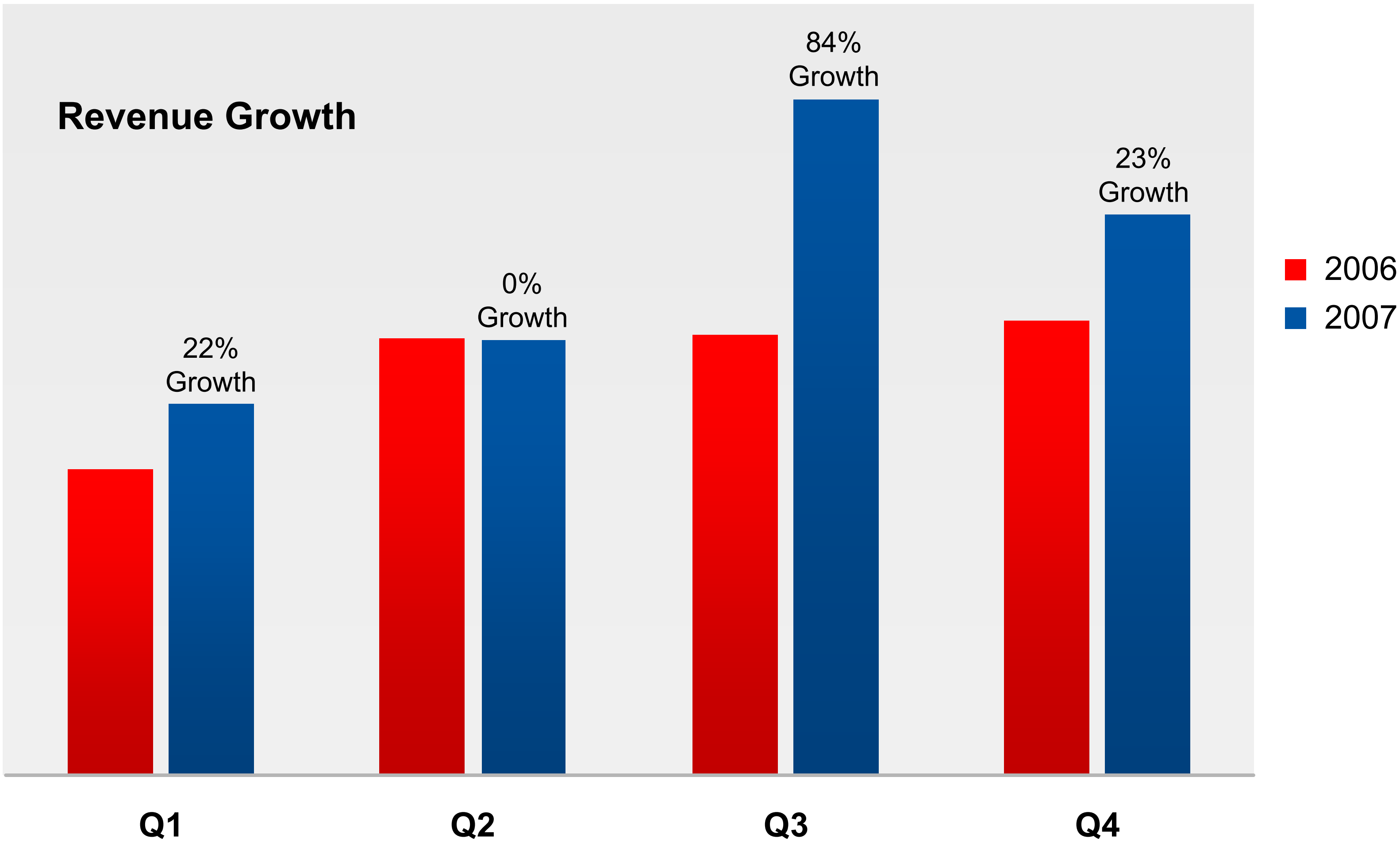
Objectives

- Own the In-store Environment
- Showcase the SanDisk Range
- Educate the Consumer to Aid Product Selection

Benefits

- Drives Up-sells
- Acts as a Silent Sales Associate
- Demonstrates the Breadth of the SanDisk Product Range
- Facilitates Messaging that Plays to SanDisk Strengths

3: Special Focus on India and China



Tremendous Growth and More to Come

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Japan: Focus

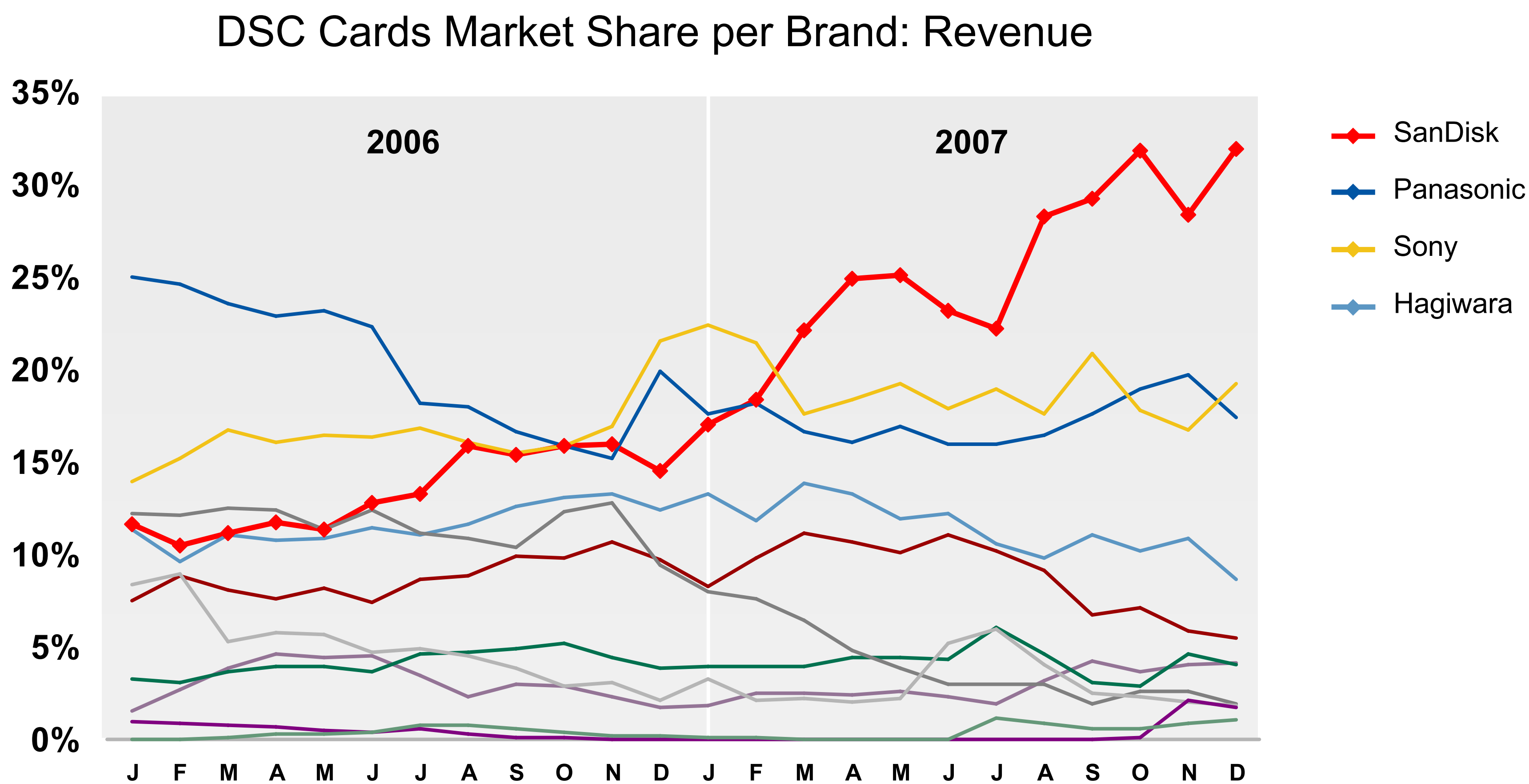
Local Customization Is the Name of the Game

- We Customized Our Packaging
- We Increased the Mix of Our High Performance Cards
- We Localized Our Products

And the Market Loved It

SanDisk

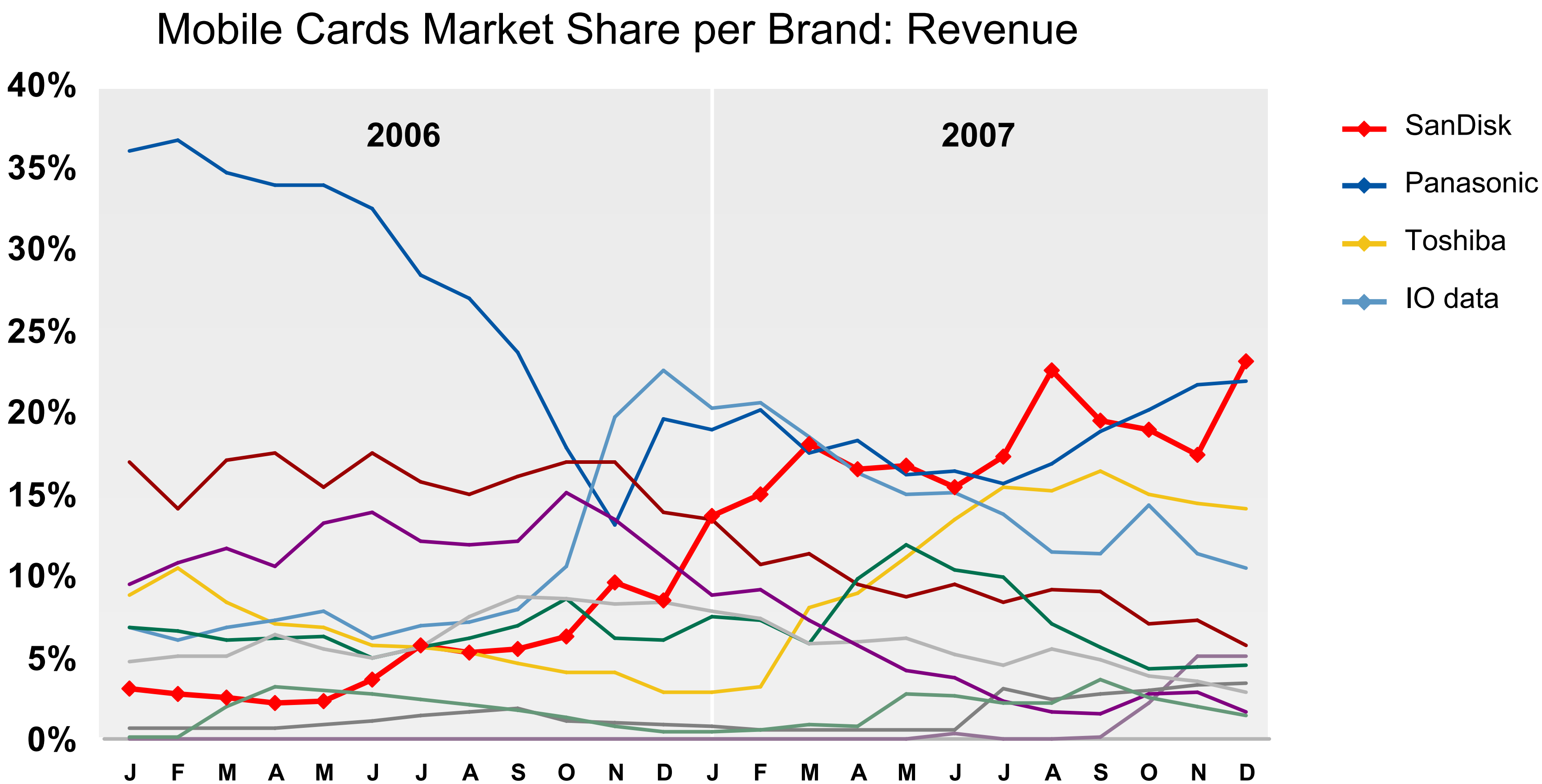
Japan Competitive Landscape



Tremendous Growth!

Source: BCN Japan. Not for Re-Distribution.

Japan Competitive Landscape



SanDisk Becomes #1

 Source: BCN Japan. Not for Re-Distribution.

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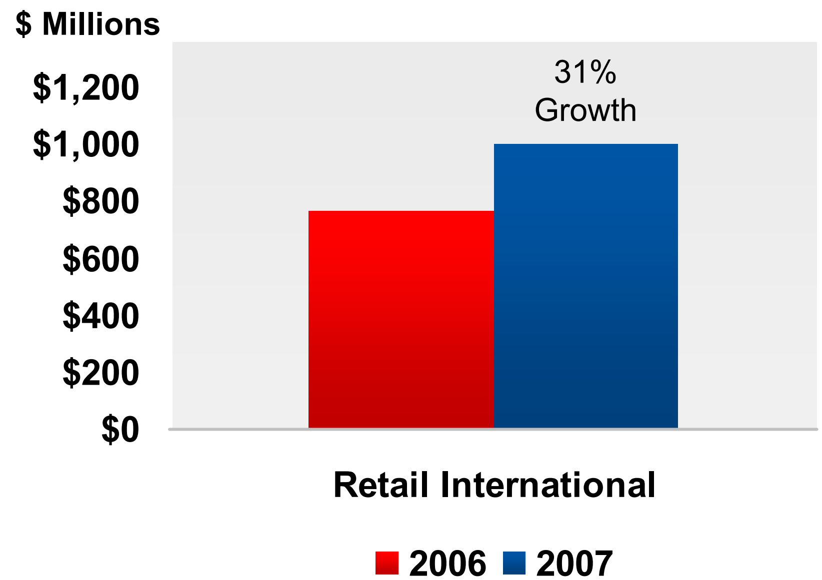
Japan: Localizing to Win

Regional Strategies to Maximize Potential

- 2007–2008 Focus Is Aligning Product Portfolio to Local Flavor and Retail Space Requirements
- USB Example → Launched Cruzer Colors + in Ten Colors, and Expanded Retail Presence

Summary: Focus for Next Year—Continue to Lead!

- More Local Presence (People, Distributors…) With Local Approach
- Continue to Build Relationships With Key Distributors and Key Retailers
- Implement a Differentiated Product Strategy, While Owning the Shelf
- Establish SanDisk Brand as the Premium Brand in the Market



Growing Share and Expanding

SanDisk

USB Business Unit

Tzipi Ozer-Armon, SVP, GM Retail USB & Intl Retail Sales

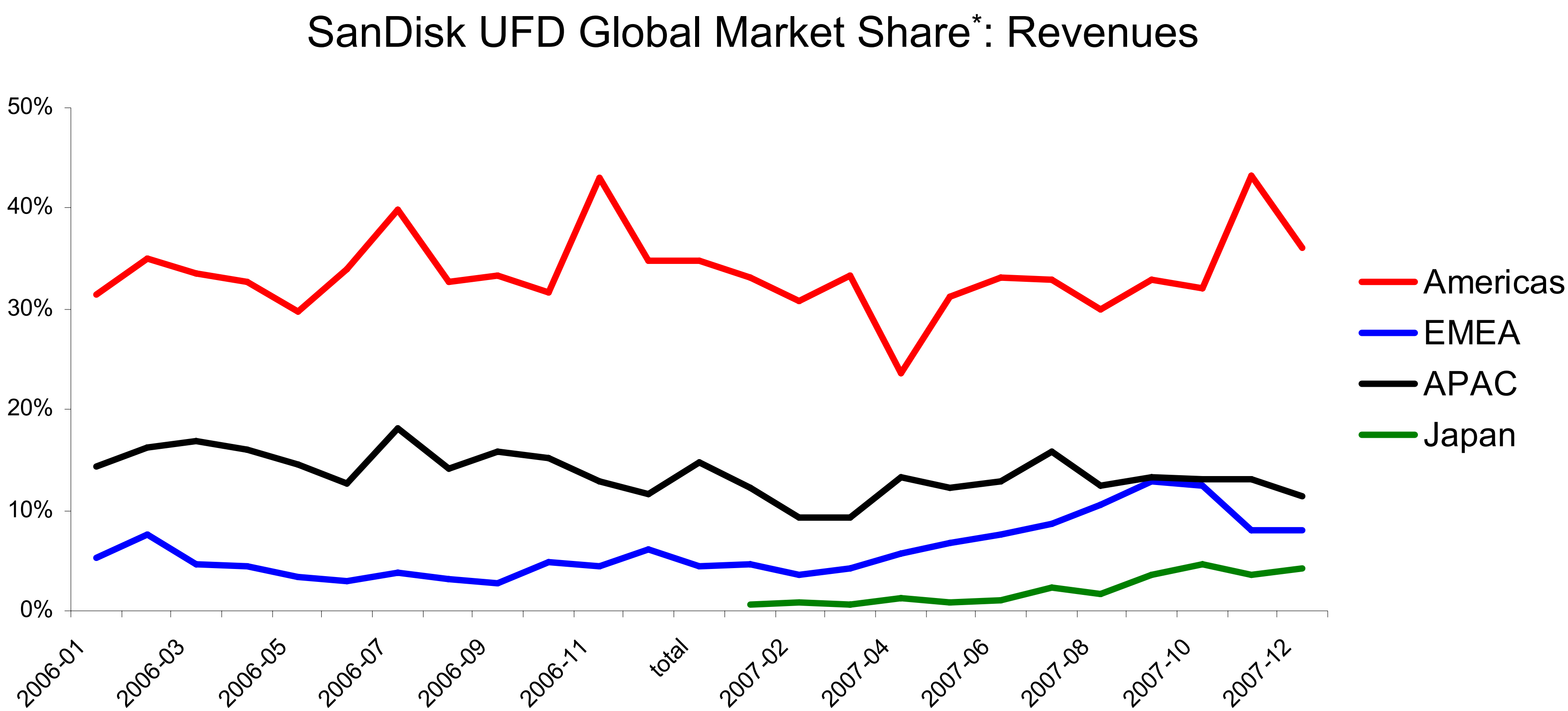
SanDisk®

STORE YOUR WORLD IN OURS®

Leading the UFD Category in 2007

We Targeted…	We Delivered!
• Global Expansion	• We Have Maintained Our #1 Position in US • We Became #1 Player in EMEA • We Have Penetrated the Japanese Market for the First Time
• Differentiation Through Innovation and Targeted Offerings	• EMEA Segmented Approach • Unique Offerings in APAC and Japan • First Auto-Online-Backup UFD • Enterprise Suite

UFD Share Gains In EMEA: Opportunities For Share Growth In All Geographies

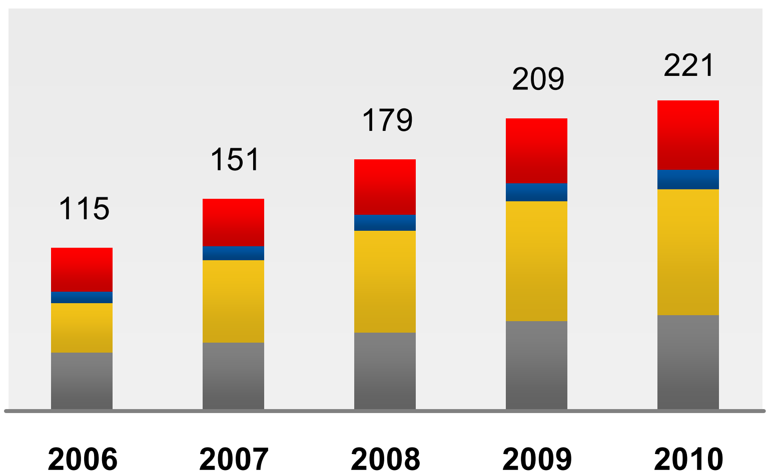


Sources: NPD, GFK. *EMEA includes top 6 markets. Japan only for available 2007. Not for Re-Distribution.

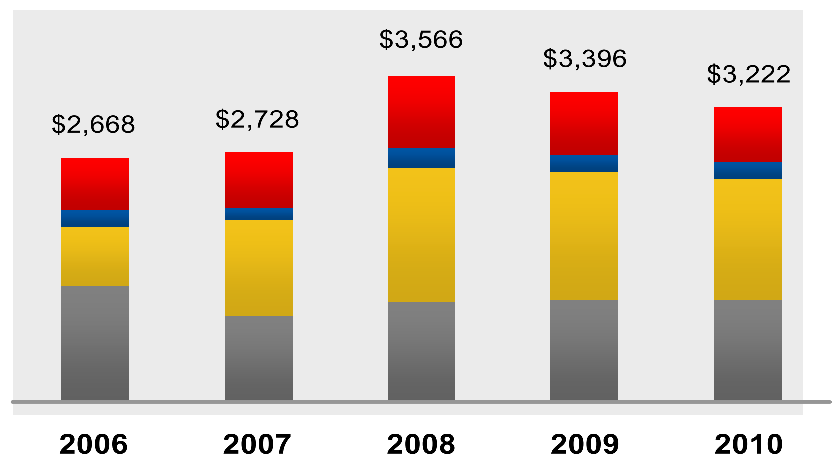
Gaining Share Is Key to Success

- EMEA Continues to Be Key for Growth
- Only Value Add Players Will Survive
- 2008 and Onwards Requires Focus on Growth Markets and New Demand Drivers

Global UFD TAM: Units (m)



Global UFD TAM: Revenues ($ millions)



APAC Japan EMEA Americas

Source: Gartner With SanDisk Estimated Geo Split. Not for Re-Distribution.

SanDisk

Creating New UFD Demand

1 Creating Brand Premium

2 Microsoft/SanDisk's New Environment

3 USB Slot Proliferation

4 Mass Market Online Storage

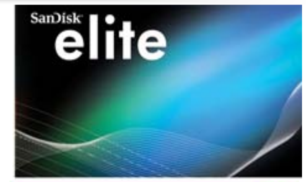
5 Secure Solutions for Enterprise

1: Creating Brand Premium

- Up-sell Opportunities for SanDisk and Retailers
- 2007: EMEA Introduction
- 2008: US Roll Out

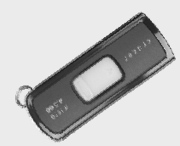
SanDisk Cruzer™. Which One Will You Choose?

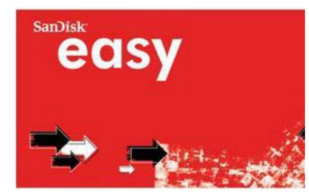
Elite:
performance. quality. security.



Extra:
image. style. personality.

Easy:
value. simplicity. reliability.





SanDisk

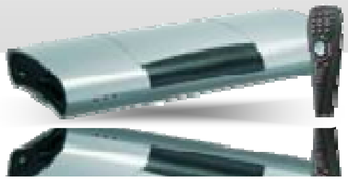
2: Microsoft/SanDisk's New Computing Environment

- Revolutionary user experience automating everyday tasks
- Seamless integration across portable storage devices, the PC and online services
- Enhances online functionality
- New levels of security for portable storage devices

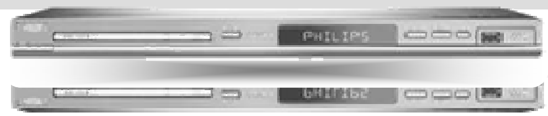
3: USB Slot Proliferation

TV

TV Set-Top Box



DVD Players / Recorders



A/V Receivers

Car Multimedia

VW

Digital Photo Frame

Car Stereo

Hyundai

SanDisk

4: The Future of Mass Market Online Storage

Cruzer Titanium Plus

Top 20 Products at CES 2008: PM Editor's Choice Awards

Amidst the thousands of gadgets and inventions on display in Las Vegas, the annual Consumer Electronics Show is a primer in innovation, smart business--and chaos. We waded through the clutter of the halls, showroom floors and more for the products that will make a difference this year.

By The Technology Editors

Published on: January 7, 2008

« Previous **Page** 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 **16** 17 18 19 20 Next »

Sandisk Cruzer Titanium Plus

How it works: This 4GB flash drive automatically backs up your data online—so every time you drag a file onto the drive, the included software uploads a copy to a browser-accessible online server.

Why it matters: If you lose your drive, your data is safe. Or if, like us, you tend to load up a drive and forget to actually take it with you, its easy to get at from wherever you're headed. And at $60, this drive is roughly the same price as other 4GB models, meaning there's no premium for this added backup feature.

How to get it: sandisk.com ($60, available in March)

Popular Mechanics

CES 2008
Editor's Choice Awards

- Automatically Back up Your Data Online
- Real Value Add to Simple Storage
- Making Online Storage Accessible to the Mass Market

Direct Relationships in a Higher Margin Service Model

SanDisk

5: Secure Solutions for Enterprise

Security

Compliance, driven by encryption and end point security requirements

Centrally Managed

Client/server software to allow full control over company-issued devices

Authentication

Convergence between authentication and storage

Virtualization

Turning every PC into your own personal desktop

Excellent Market Potential With Attractive Margins

*Source: SanDisk Estimate.

Summary

- Best UFD Positioning
  - Market leader
  - Globally recognized brand
- Committed to Category Development
  - Changing the portable computing experience with Microsoft
  - Claiming the video UFD space
  - Bringing an overall online storage approach to the mass market
  - Becoming the global leader of the Enterprise Mobility Storage Market
  - … to create real brand premium over competition

SanDisk

Mobile Business Update

Yoram Cedar, Executive Vice President
Mobile Business and Corporate Engineering

Agenda

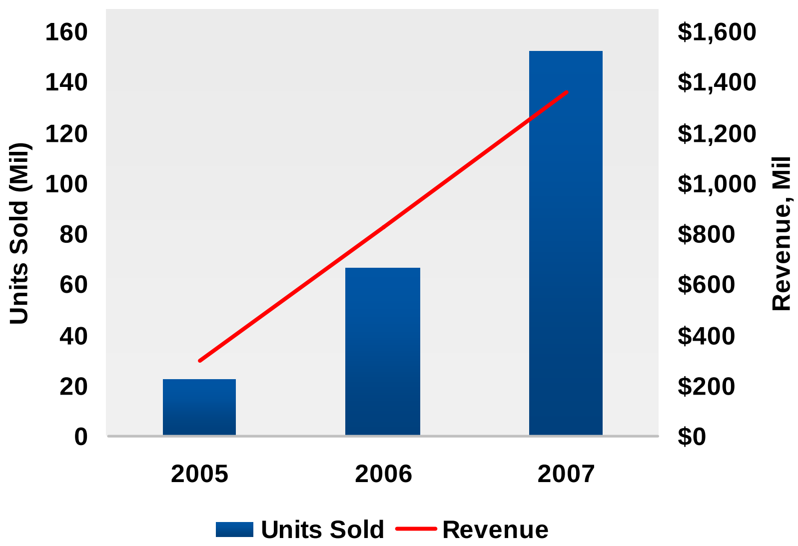
2007 Update

Mobile Market Trends

Demand Creation

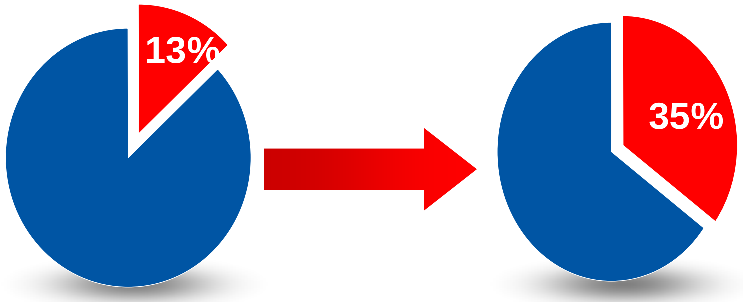
SanDisk

Mobile Business:
Key Driver for SanDisk in 2007



- Total mobile unit sales up 128% y/y
- #1 retail market share worldwide

Growing portion of SanDisk's revenue mix:



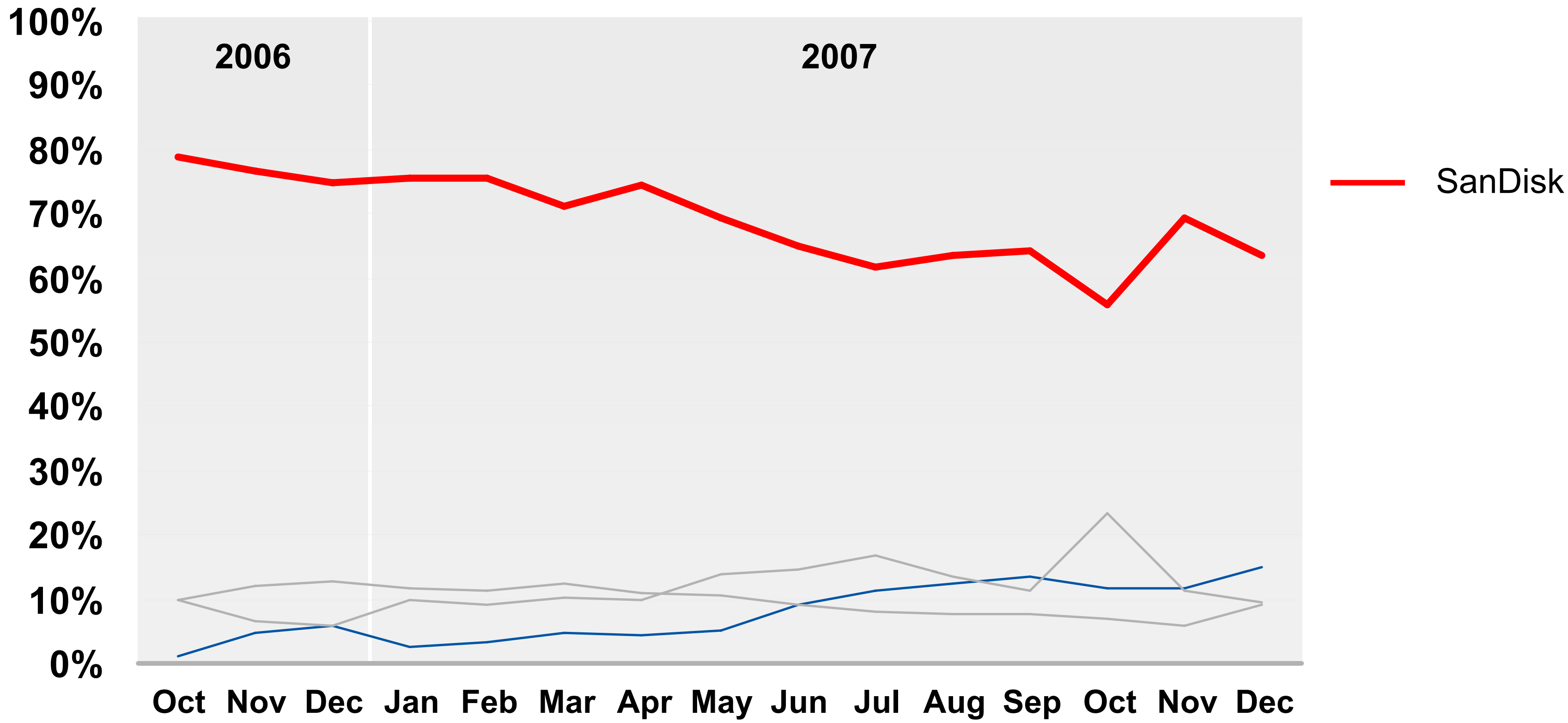
13% in 2005

35% in 2007

- Mobile storefronts increased to more than 90,000 worldwide
- Established WW consignment hubs to support large OEMs

SanDisk

Retail Mobile Revenue Market Share—USA

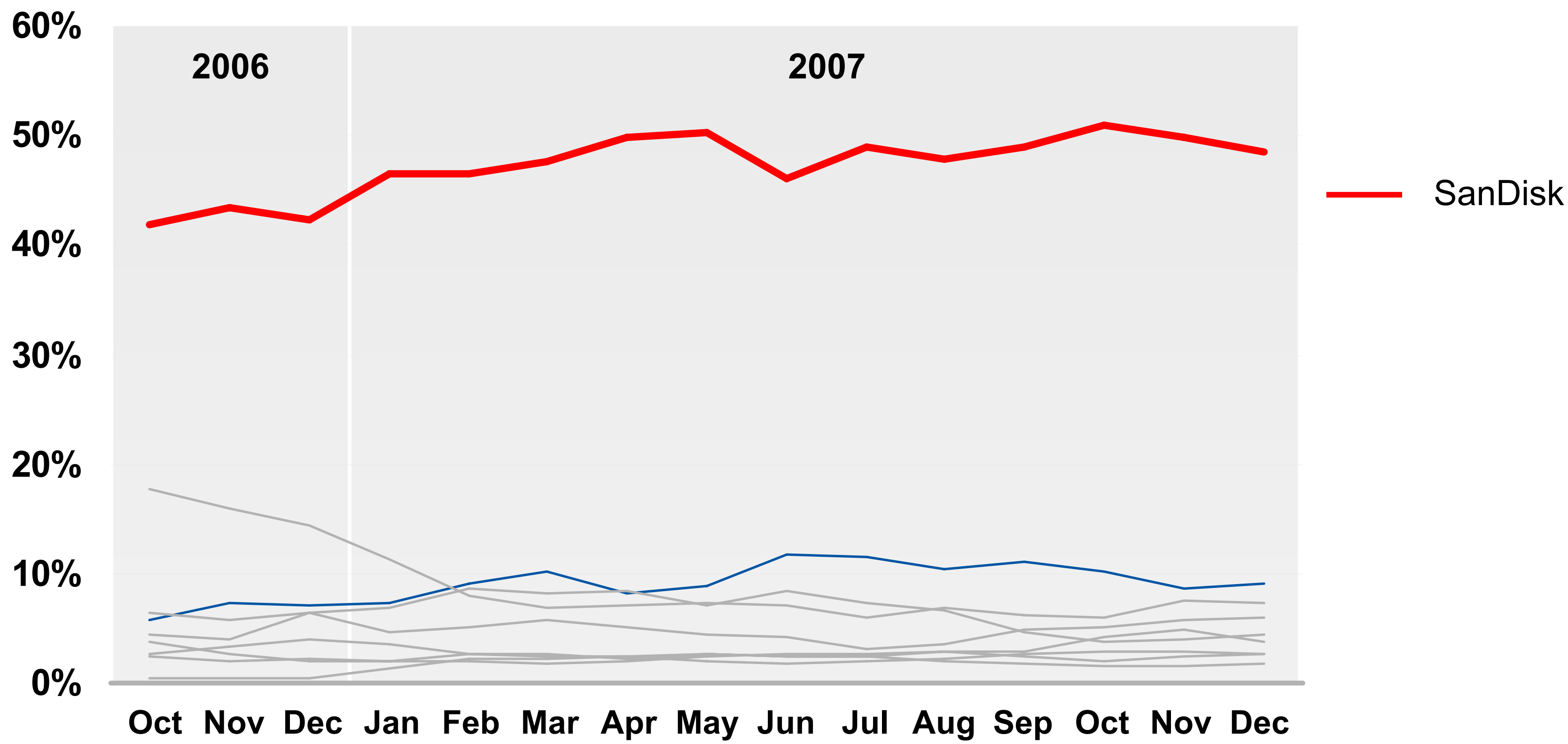


Source: NPD Market Tracker. Not for Re-Distribution

Note: Mobile *includes* miniSD and microSD/TransFlash, MMC, RS-MMC, MMCM, MS Micro = M2 but *excludes* Memory Stick Pro Duo and Memory Stick Duo.

SanDisk

Retail Mobile Revenue Market Share—Europe

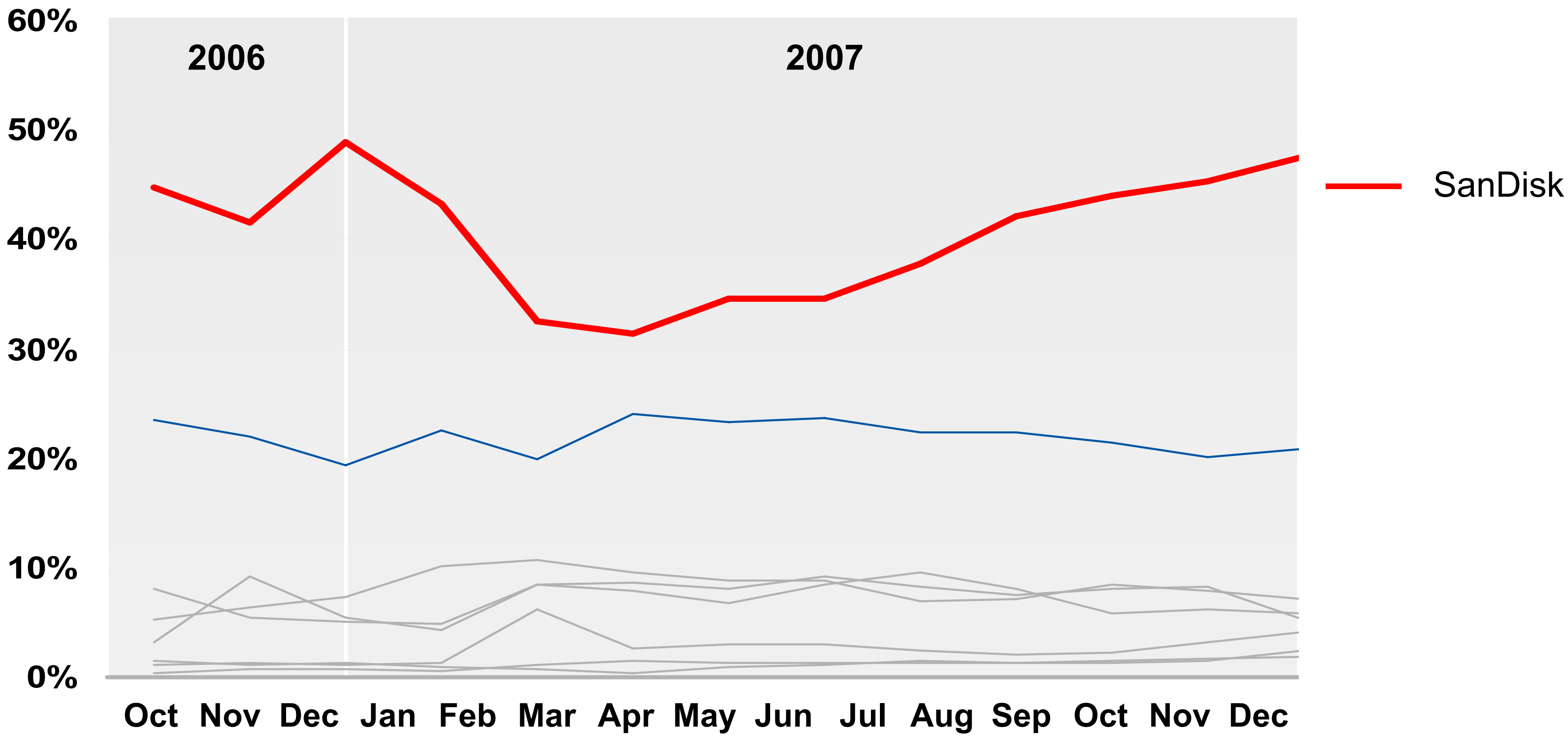


Source: GFK Europe. Not for Re-Distribution

Note: Mobile *includes* miniSD and microSD/TransFlash, MMC, RS-MMC, MMCM, MS Micro = M2 but *excludes* Memory Stick Pro Duo and Memory Stick Duo.

SanDisk

Retail Mobile Revenue Market Share—Asia



Source: GFK Asia. Not for Re-Distribution

Note: Mobile *includes* miniSD and microSD/TransFlash, MMC, RS-MMC, MMCM, MS Micro = M2 but *excludes* Memory Stick Pro Duo and Memory Stick Duo.

SanDisk

Agenda

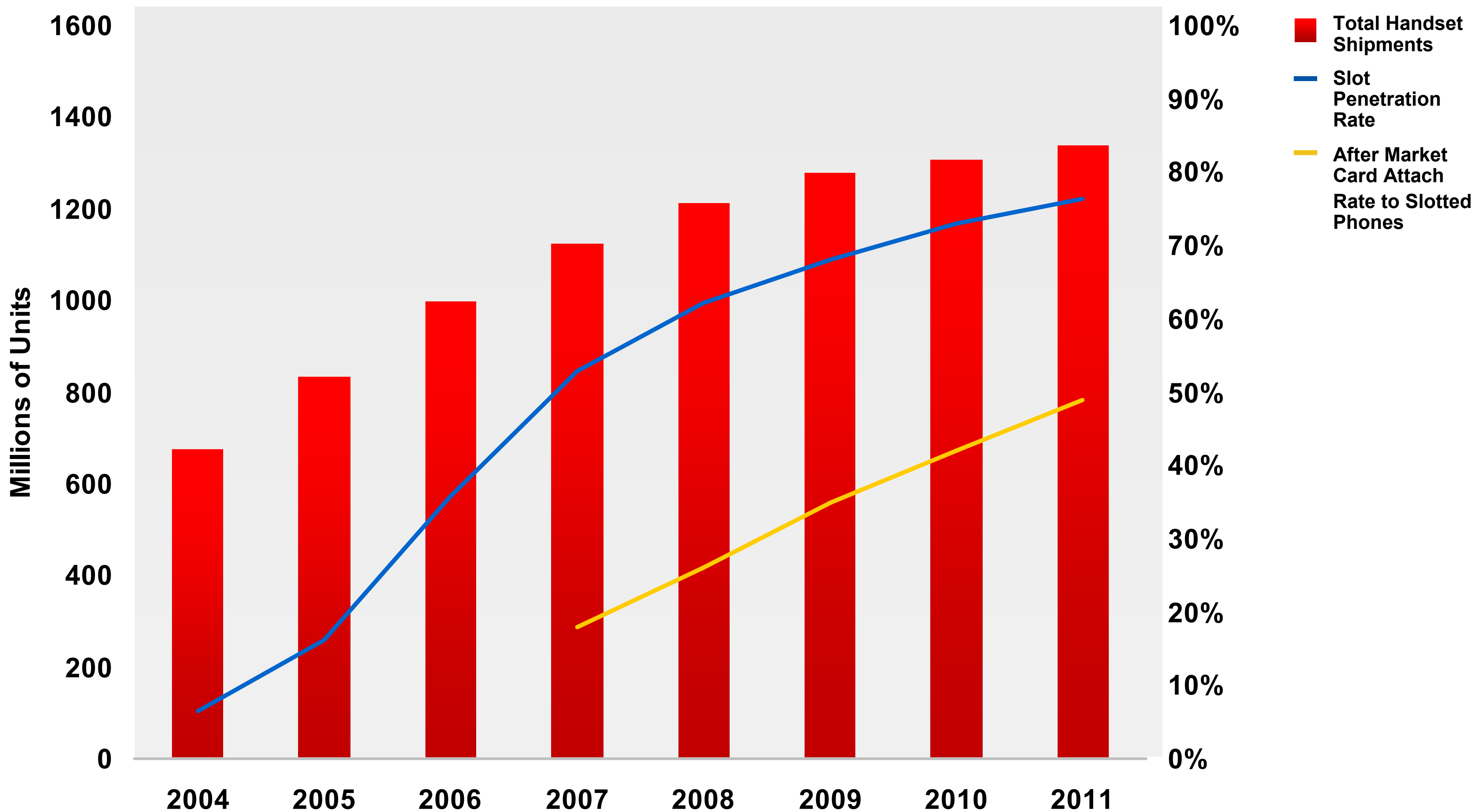
2007 Update

Mobile Market Trends

Demand Creation

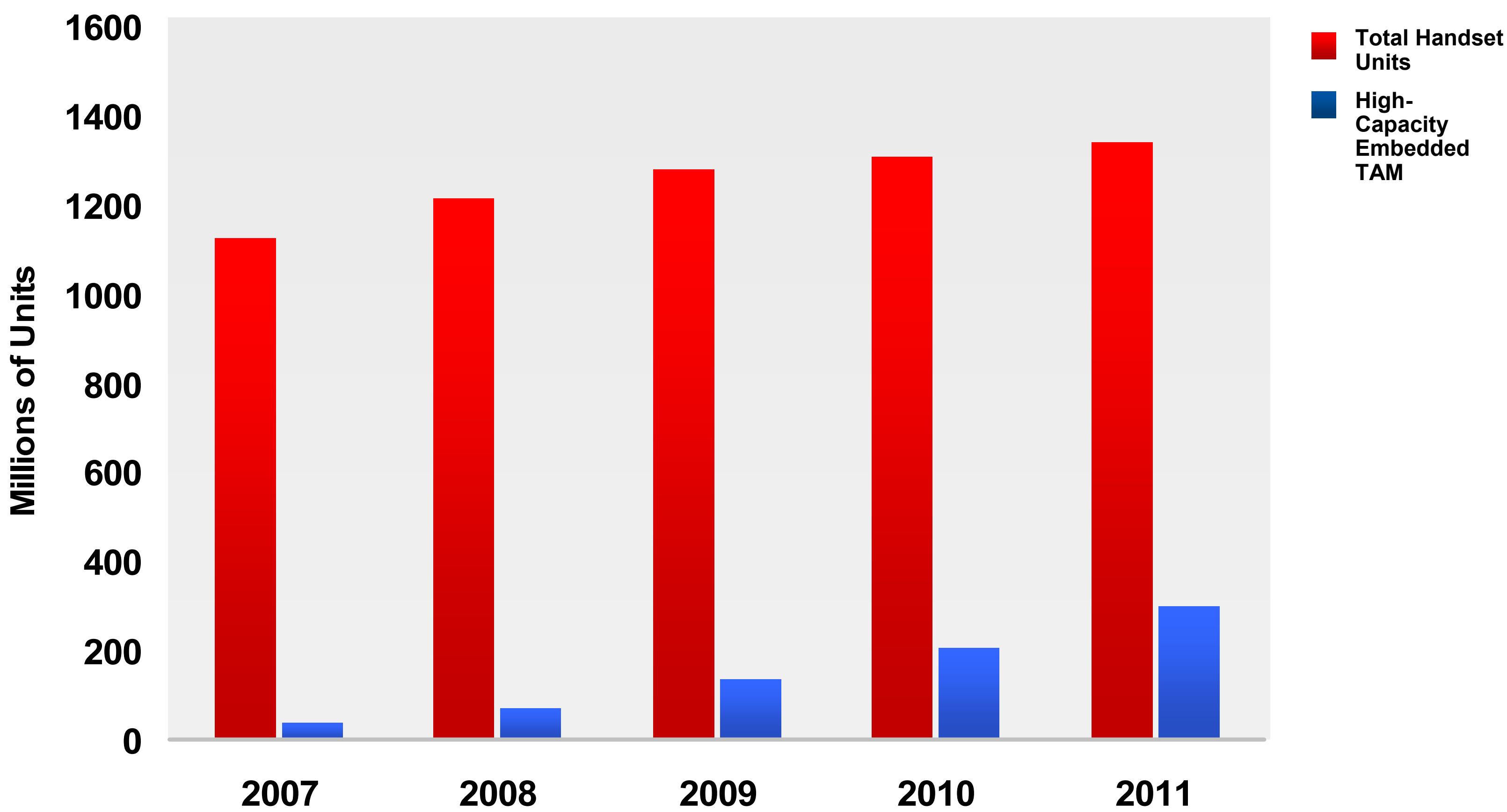
SanDisk

Increasing Slot Penetration, Card Attach Rates



Source: Slot Penetration Rates: Strategy Analytics, Jan 2008. Not for Re-Distribution
Card Attach Rates: SanDisk estimates

High-Capacity Embedded Flash Unit TAM



Source: iSuppli Q3 2007. Not for Re-Distribution

SanDisk

High-Capacity Storage: Enabler of Convergence

Music

Video

Internet
Enterprise Storage, Security

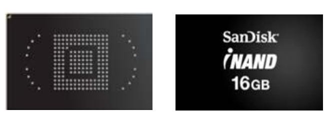
Photo

Mobile TV

GPS

Phone

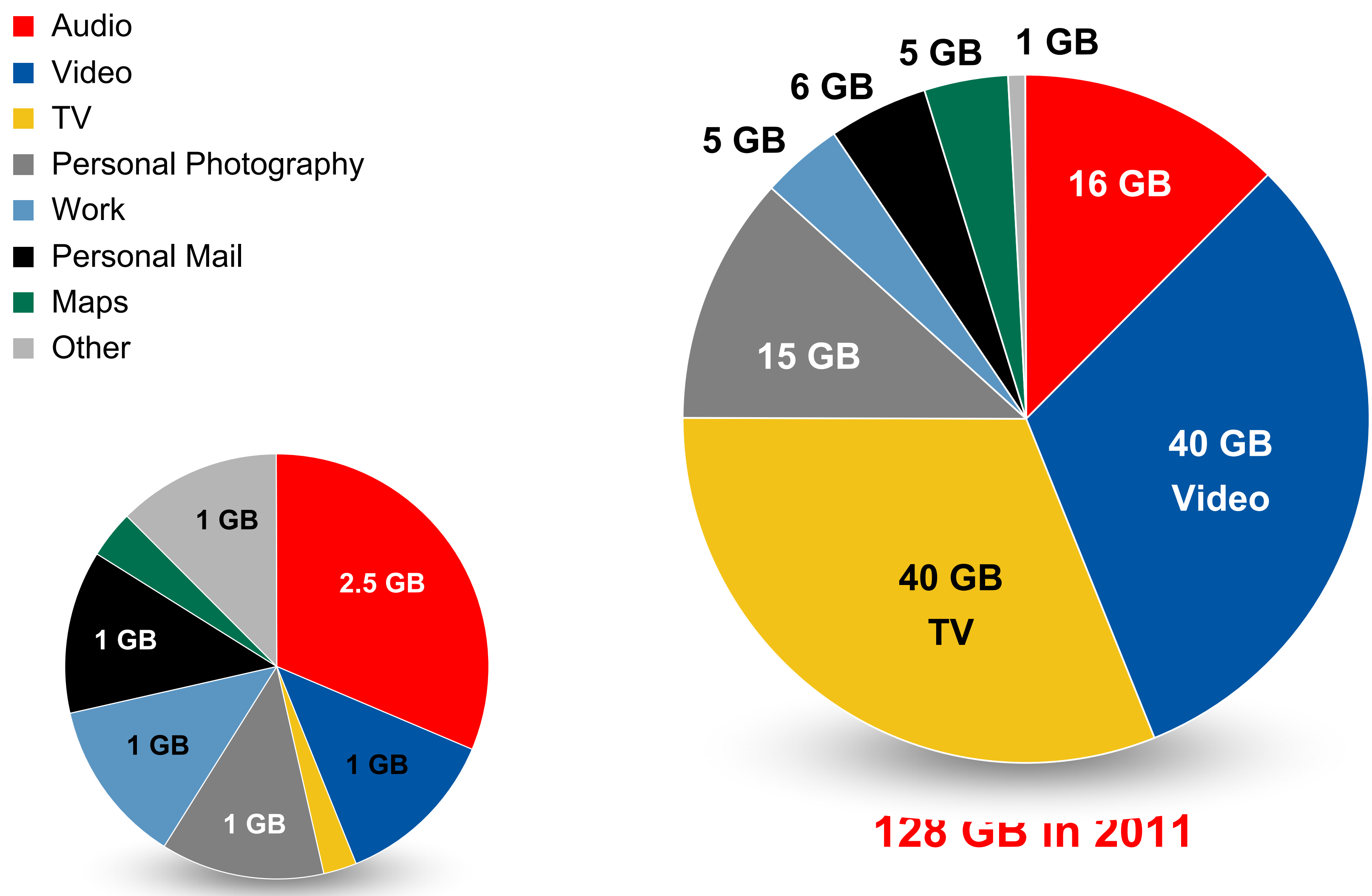
Removable Card



Embedded Flash

SanDisk

What Can You Carry in Your Mobile Card?



128 GB in 2011

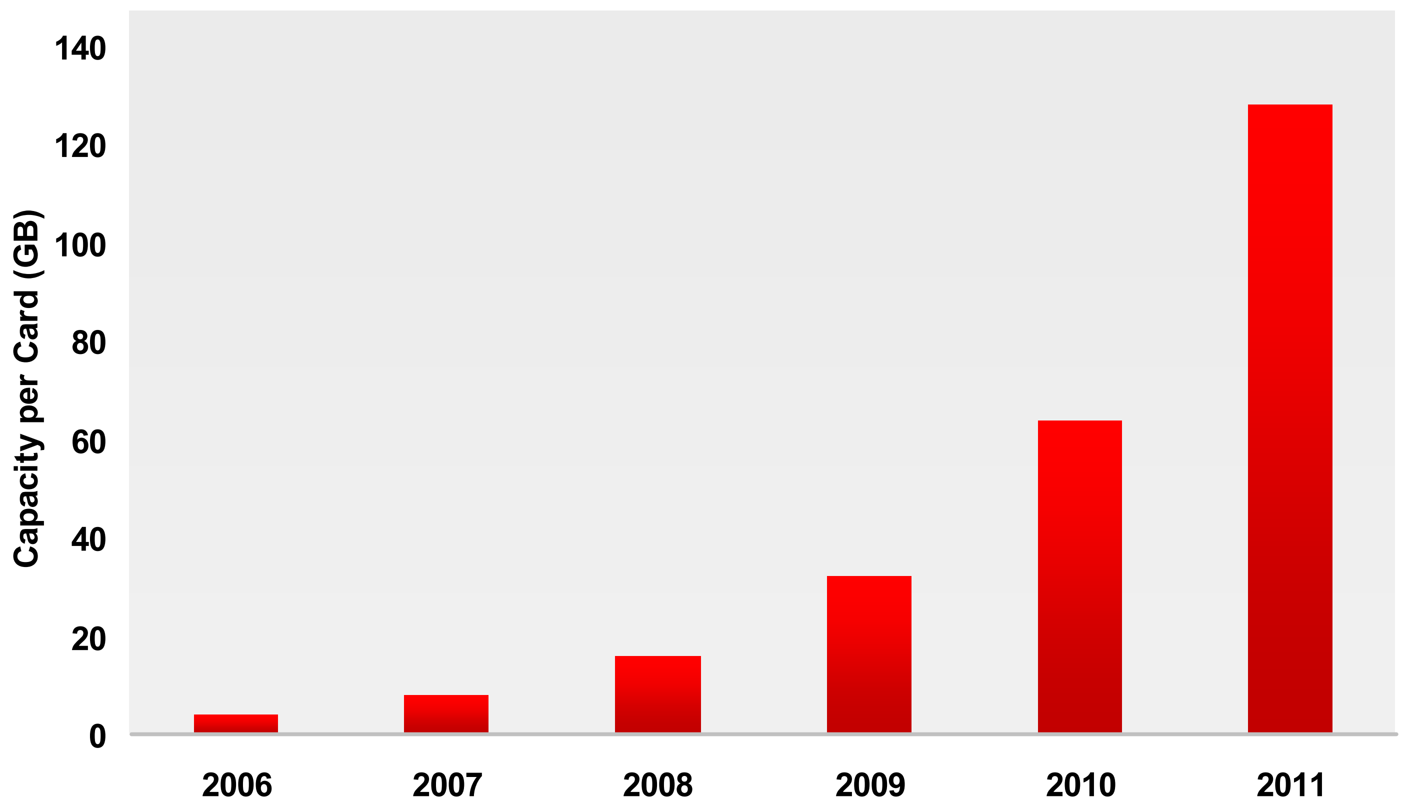
8 GB in 2007

Source: SanDisk estimates

SanDisk

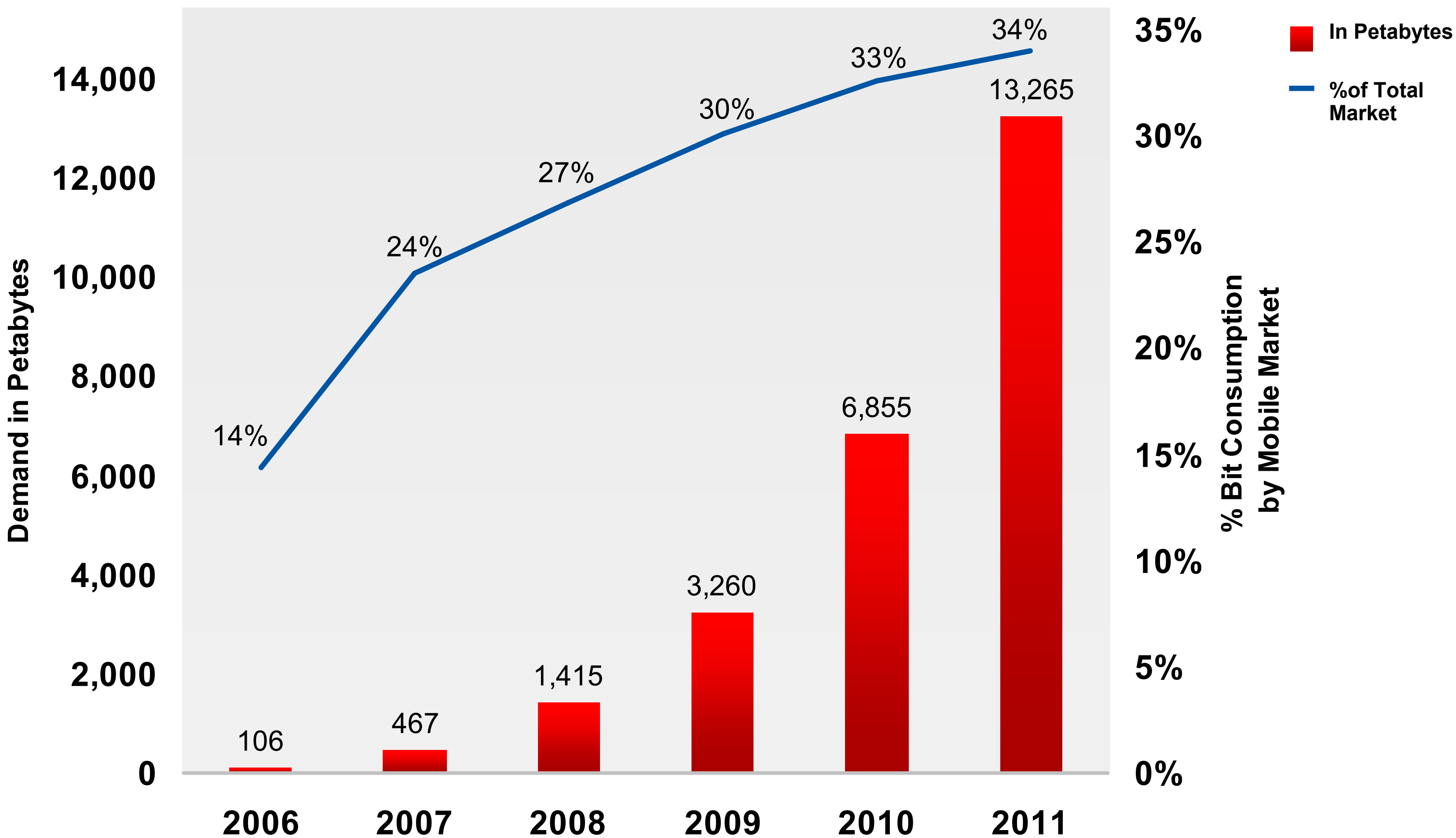
Growth in Maximum Mobile Card Capacity

- 128 GB by 2011, up from 8 GB in 2007
- SanDisk's 3 bits/cell and 4 bits/cell technologies will enable higher capacities



 Source: SNDK estimates

Mobile Phones: Largest End Market for Bit Consumption



Source: Gartner, Dec 2007

SanDisk

Agenda

- 2007 Update
- Mobile Market Trends
- Demand Creation

SanDisk

Continuing Tradition in Mobile Innovation

Partner

2001	2002	2003	2004	2005	2006	2007
TOSHIBA Leading Innovation, MOTOROLA	NTT DoCoMo	Sony Ericsson	MOTOROLA	Sony Ericsson	orange, Telefonica, CHINA MOBILE, vodafone	Telefonica, SK telecom

iNAND (Tri-Flash)	miniSD	MS Duo	microSD (TransFlash)	MS M2	MegaSIM	TrustedFlash
2001	2002	2003	2004	2005	2006	2007

Market Driver



Camera Phones


Music

ValueAdd Services

Rich Content

SanDisk

microSD enabled with TrustedFlash:
SKT Rich Content Applications

SK telecom

Record streamed content

Share clips with friends

Portability of protected content to enabled platforms

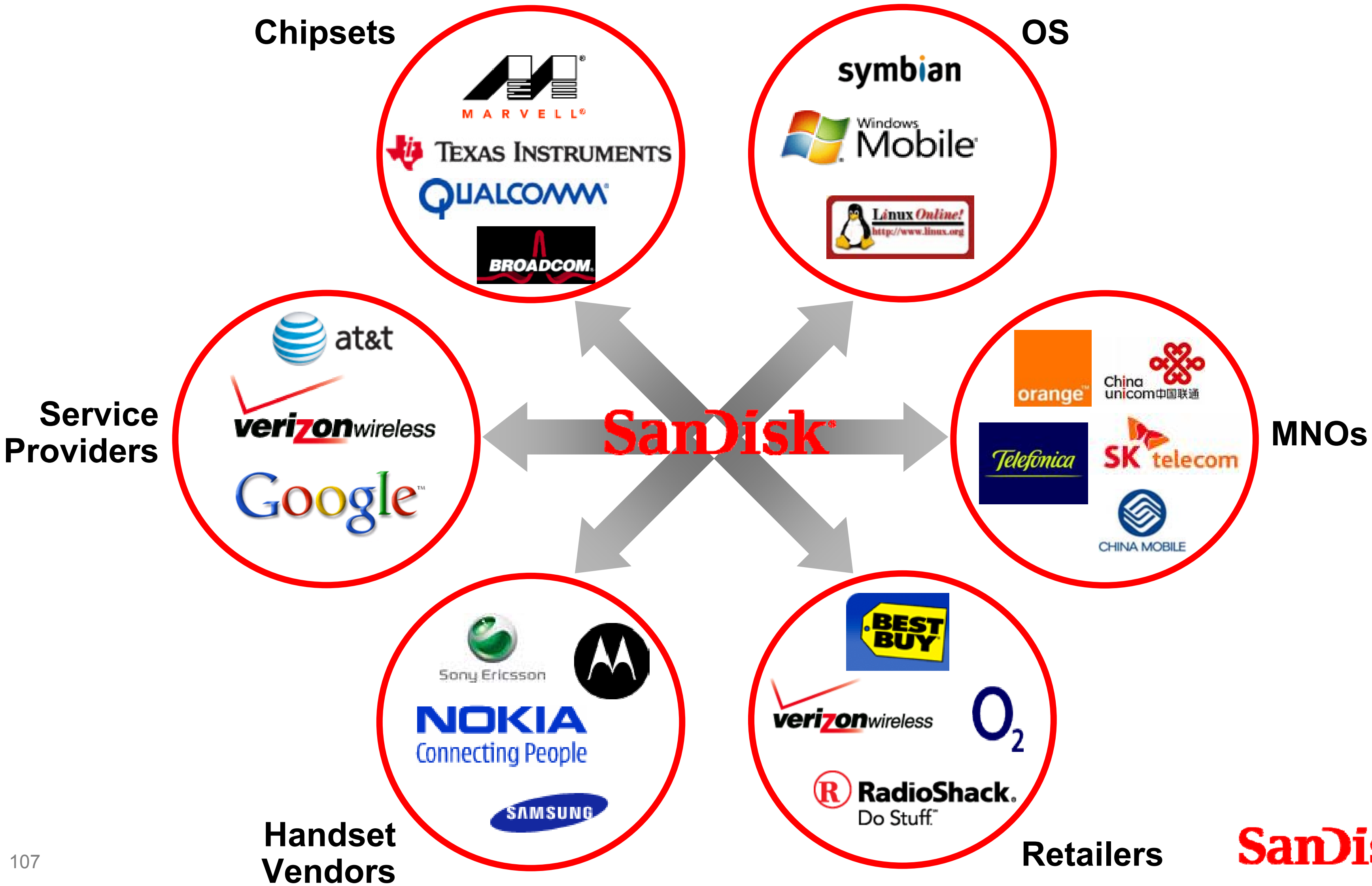
Instant & scheduled recording

Time shifting (view shows anytime you want)

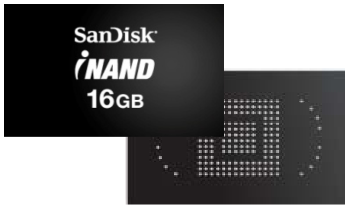
Store Music, Video and Games

SanDisk

Our Engagement Is Deep in the Mobile Ecosystem



One-Stop Shop for Mobile Offerings



Embedded Flash Devices

Mobile Cards

MegaSIM

Mobile Handset Vendors

Mobile Specialty Retail

Евросеть

GERMANOS

Carphone Warehouse

MediaMarkt

SENAO 神腦國際

Mobile Network Operators

vodafone

orange

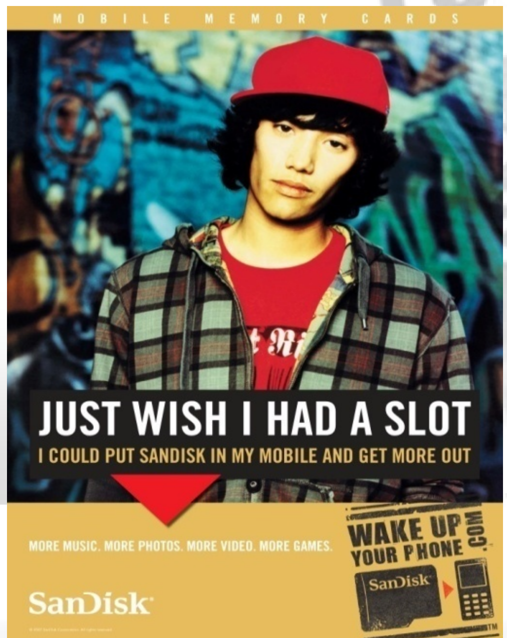
at&t

verizon

O2

SanDisk

Growing Brand Presence with Targeted Initiatives



SanDisk

Mobile BU Summary

By 2011, mobile phones expected to use 32 GB–128 GB of storage

Key Drivers: smart phones, high end feature phones, content, growing number of slotted phones and high-capacity bundled cards

SanDisk positioned well

Key Enablers: innovative technologies, consumer education, and ability to set standards

One-stop shop

Reason: broad product portfolio to meet needs of ecosystem partners

SanDisk

SanDisk®

STORE YOUR WORLD IN OURS®

sansa®

Daniel Schreiber, GM Audio & Video Business Unit

Agenda

MP3 Industry Trends

Sansa® Brand & Roadmap

Birth of an Ecosystem

MP3 Industry Trends

Day:

Mostly Cloudy

Wind:	10 mph NNE
Humidity:	25%
Rain Risk:	20%

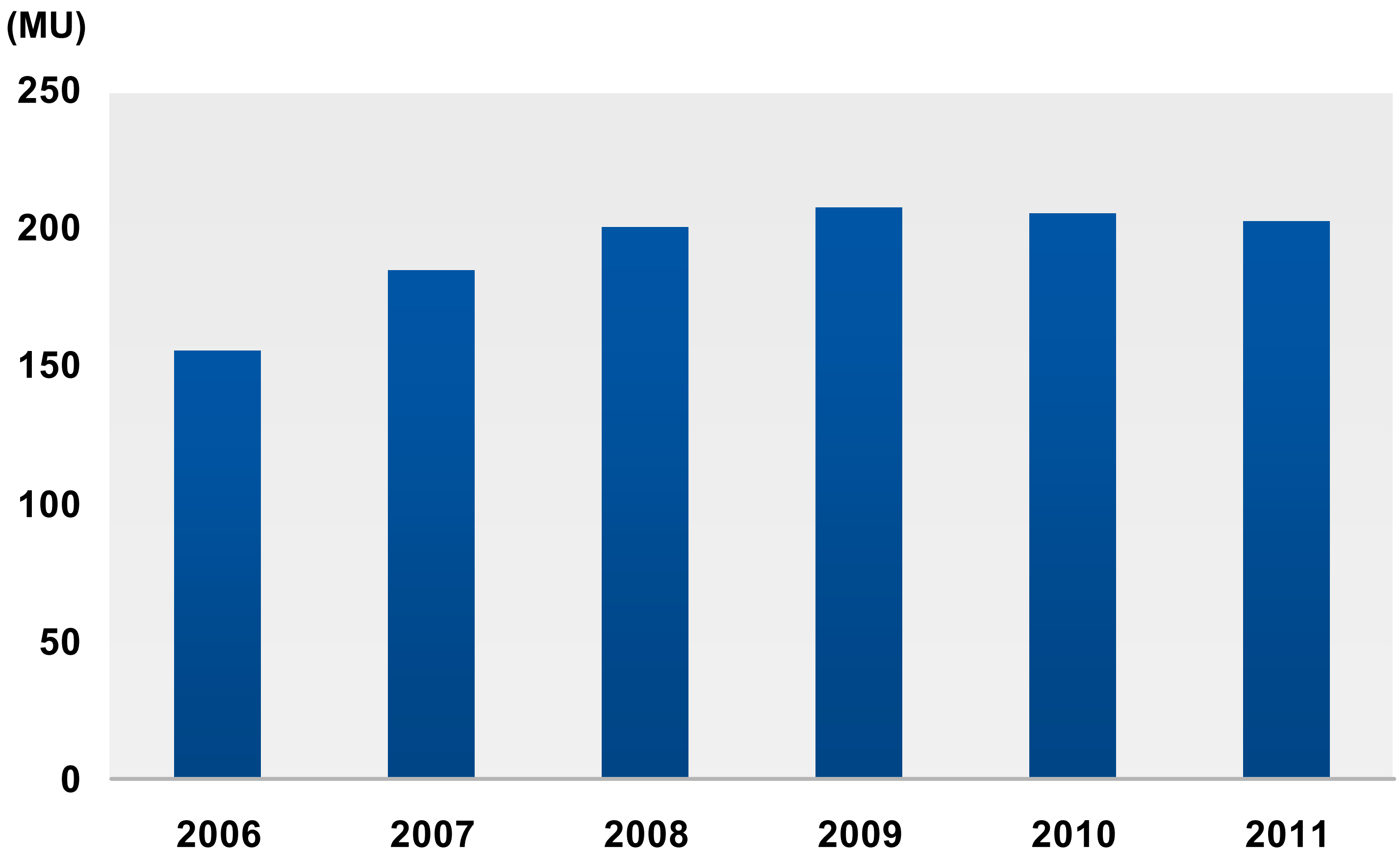
Night:

Partly Cloudy

Wind:	8 mph WSW
Humidity:	31%
Rain Risk:	10%

SanDisk

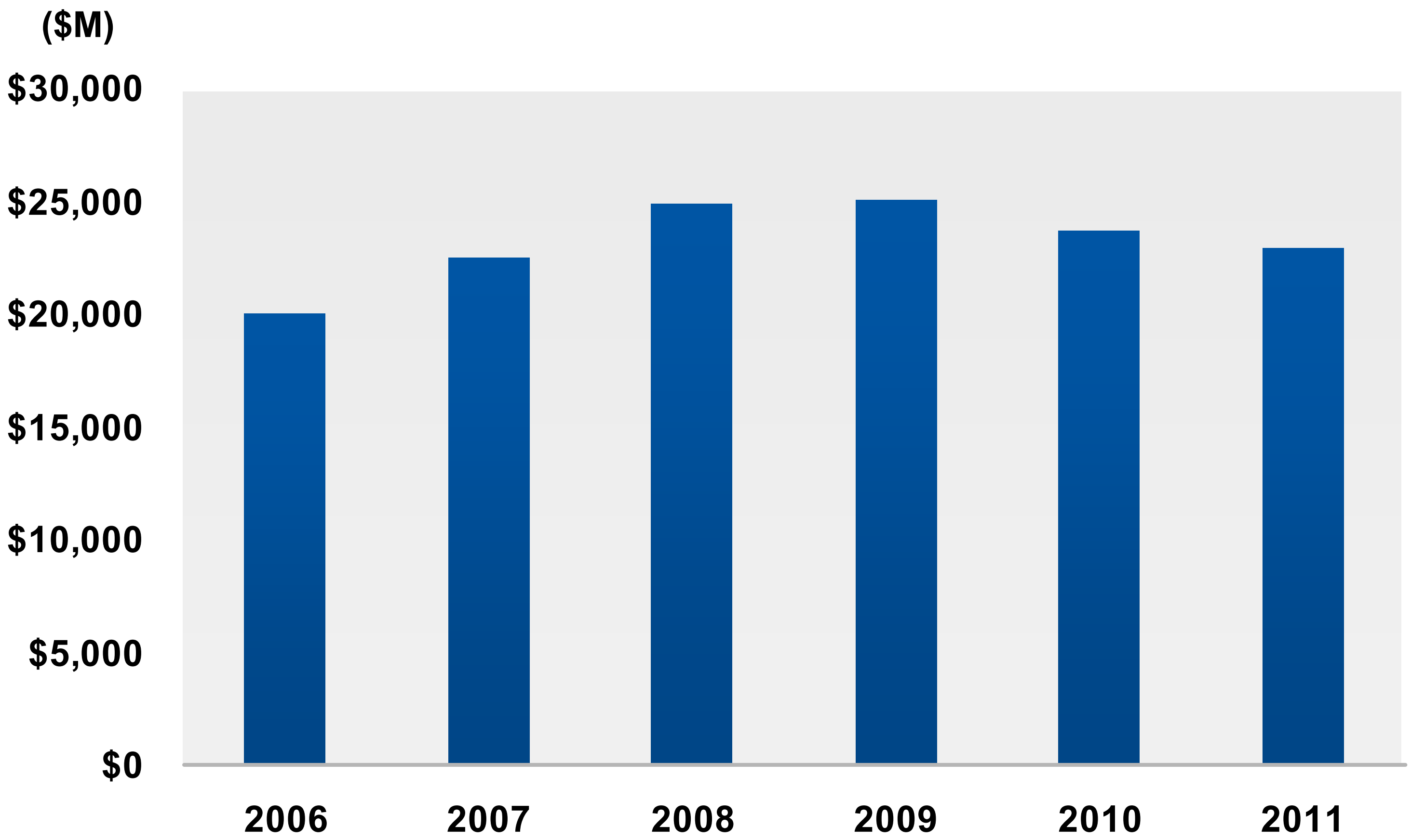
TAM for Flash-Based MP3 Players (units)



Source: IDC, Worldwide Portable Media Player 2007–2011 Forecast Update, Doc #210126, December 2007.
Not for Re-Distribution.

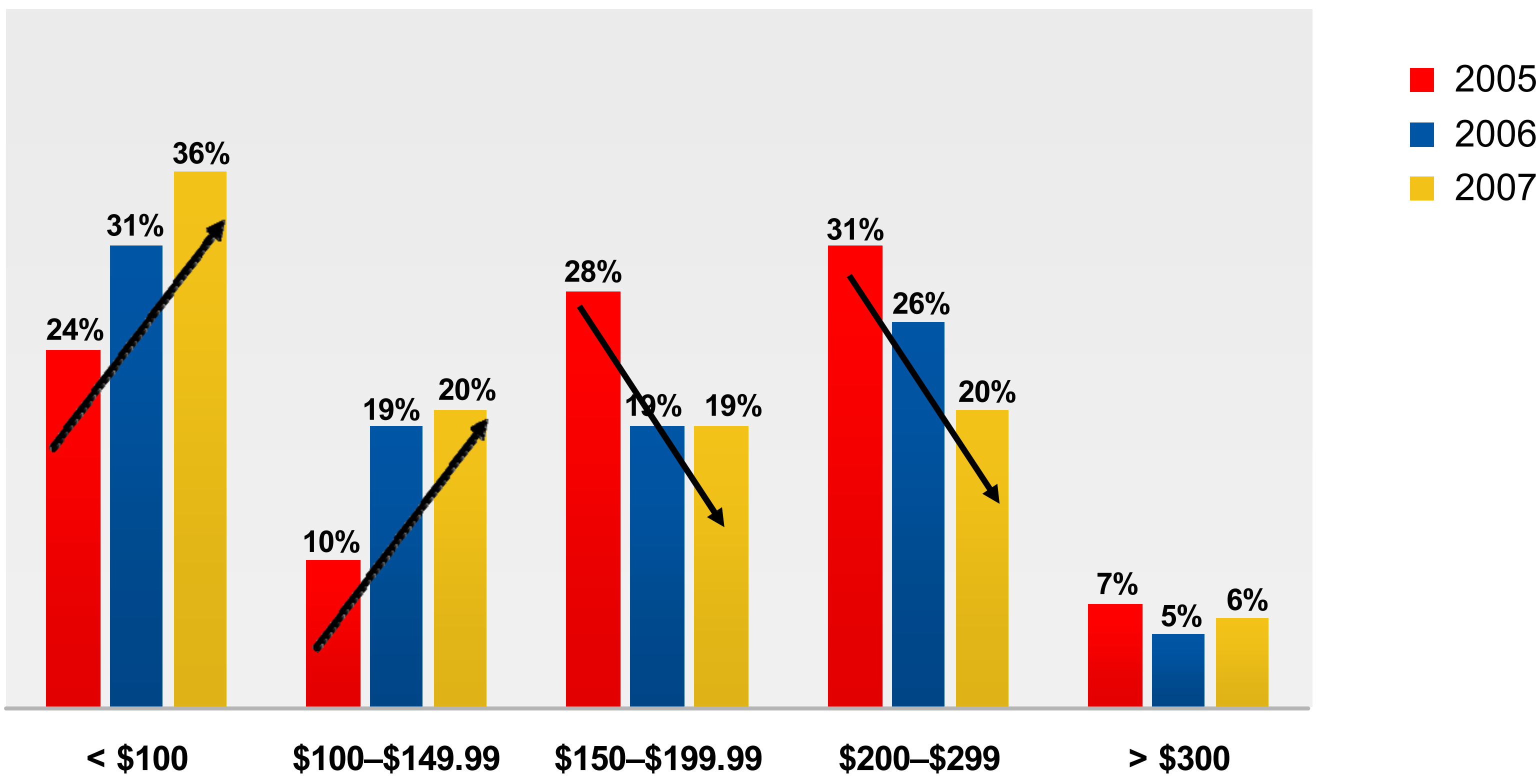
SanDisk

TAM for Flash-Based MP3 Players ($)



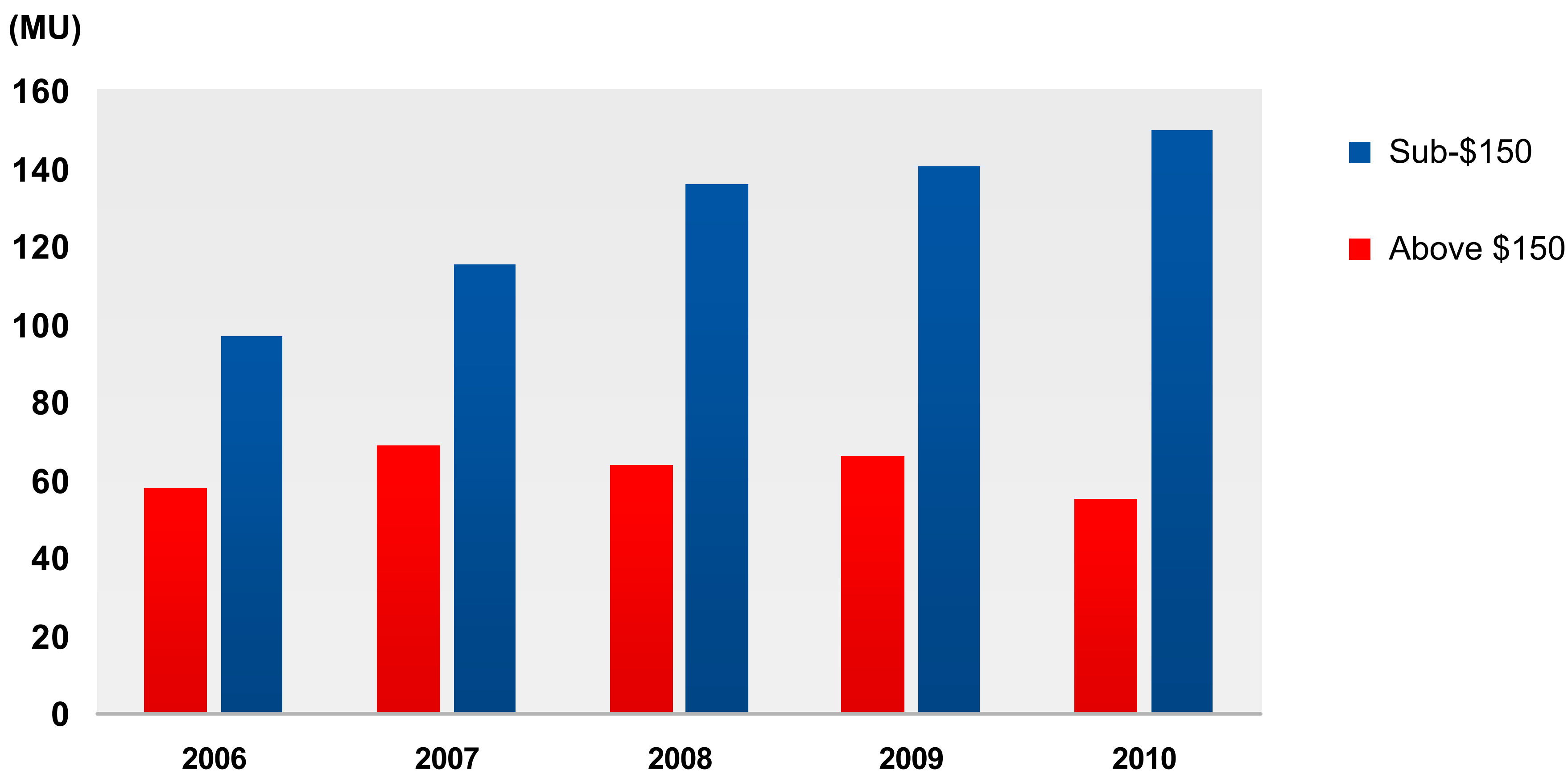
Source: IDC, Worldwide Portable Media Player 2007–2011 Forecast Update, Doc #210126, December 2007.
Not for Re-Distribution.

Why We Focus on the Sub-$150 Market



Units shipped in the USA. Source: The NPD Group/Retail Tracking Service, 2008.
Not for Re-Distribution.

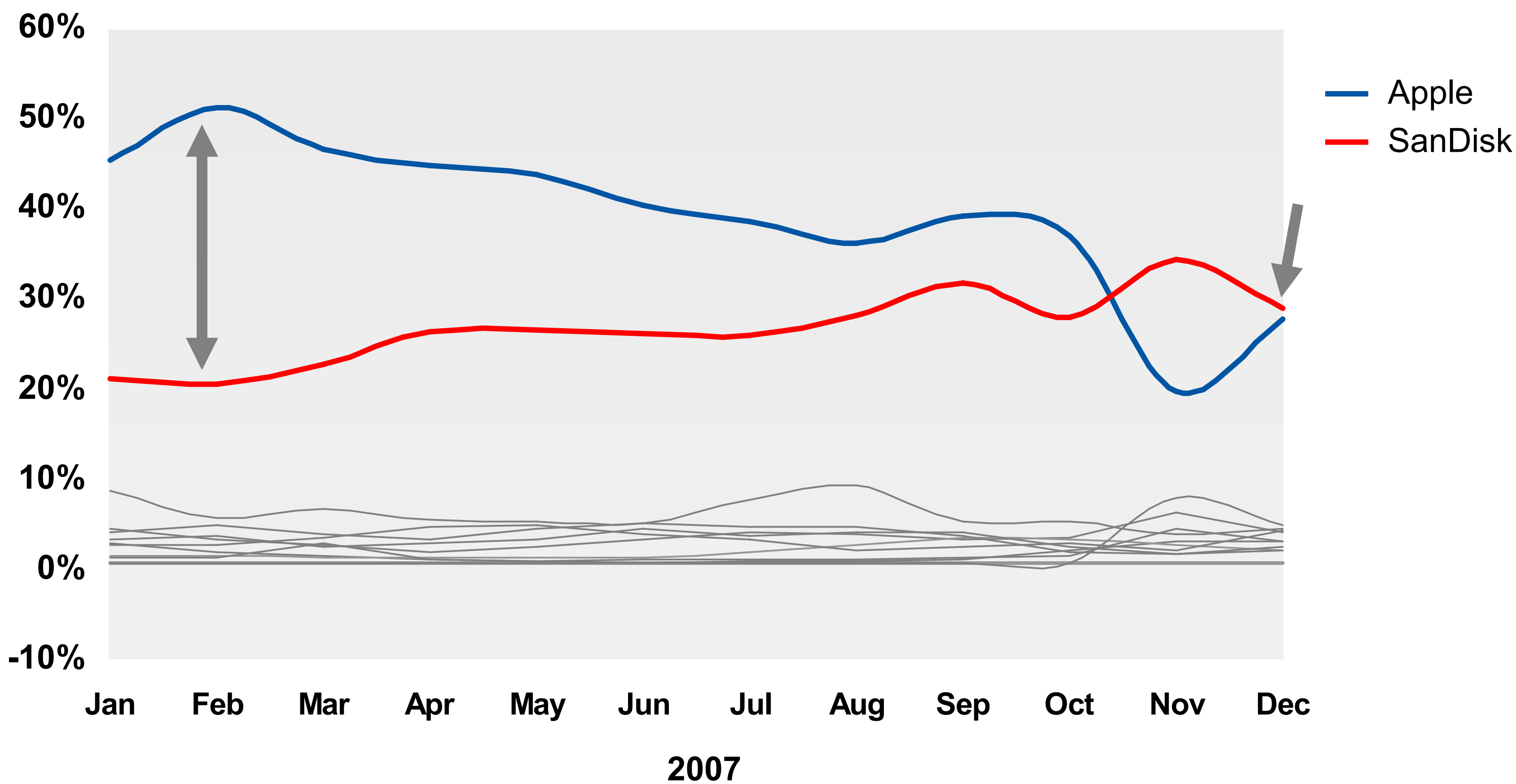
TAM by Price-Segment



*$146–149.99 price points excluded. Source: SanDisk estimates based on IDC data.

SanDisk

MP3 Market Share Sub-$150*



*$146–149.99 price points excluded. Source: The NPD Group/Retail Tracking Service, 2008.
Not for Re-Distribution.

SanDisk

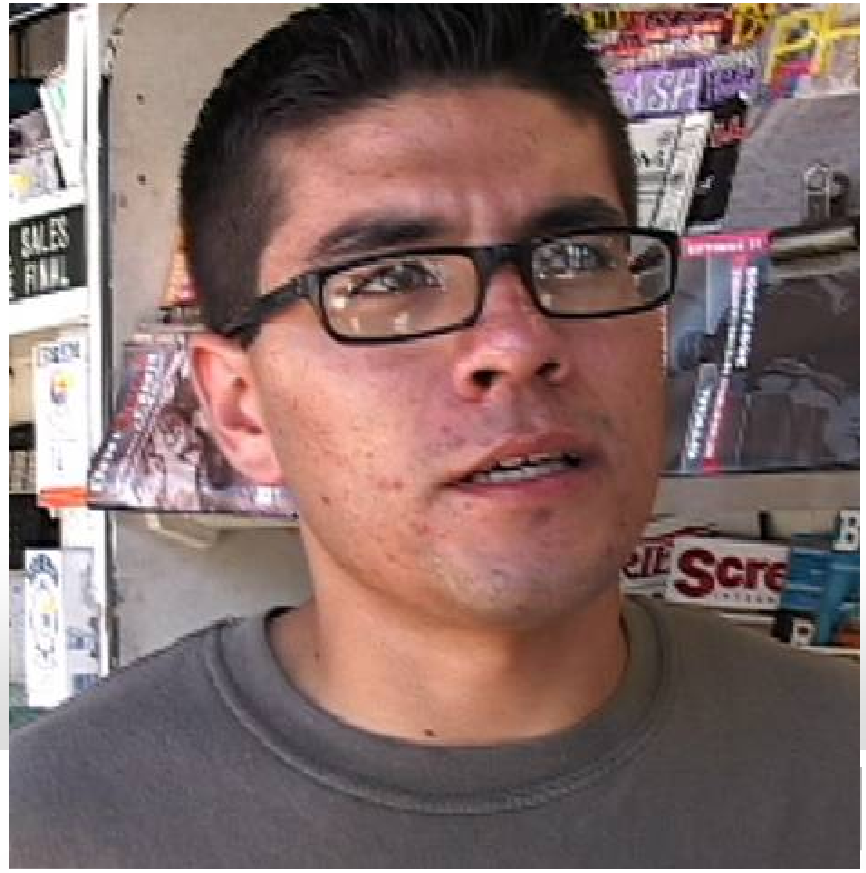
Backstage at Sansa®

SanDisk

Differentiating Sansa®

SanDisk

"I would play music all the time if it was just … loaded for me …"

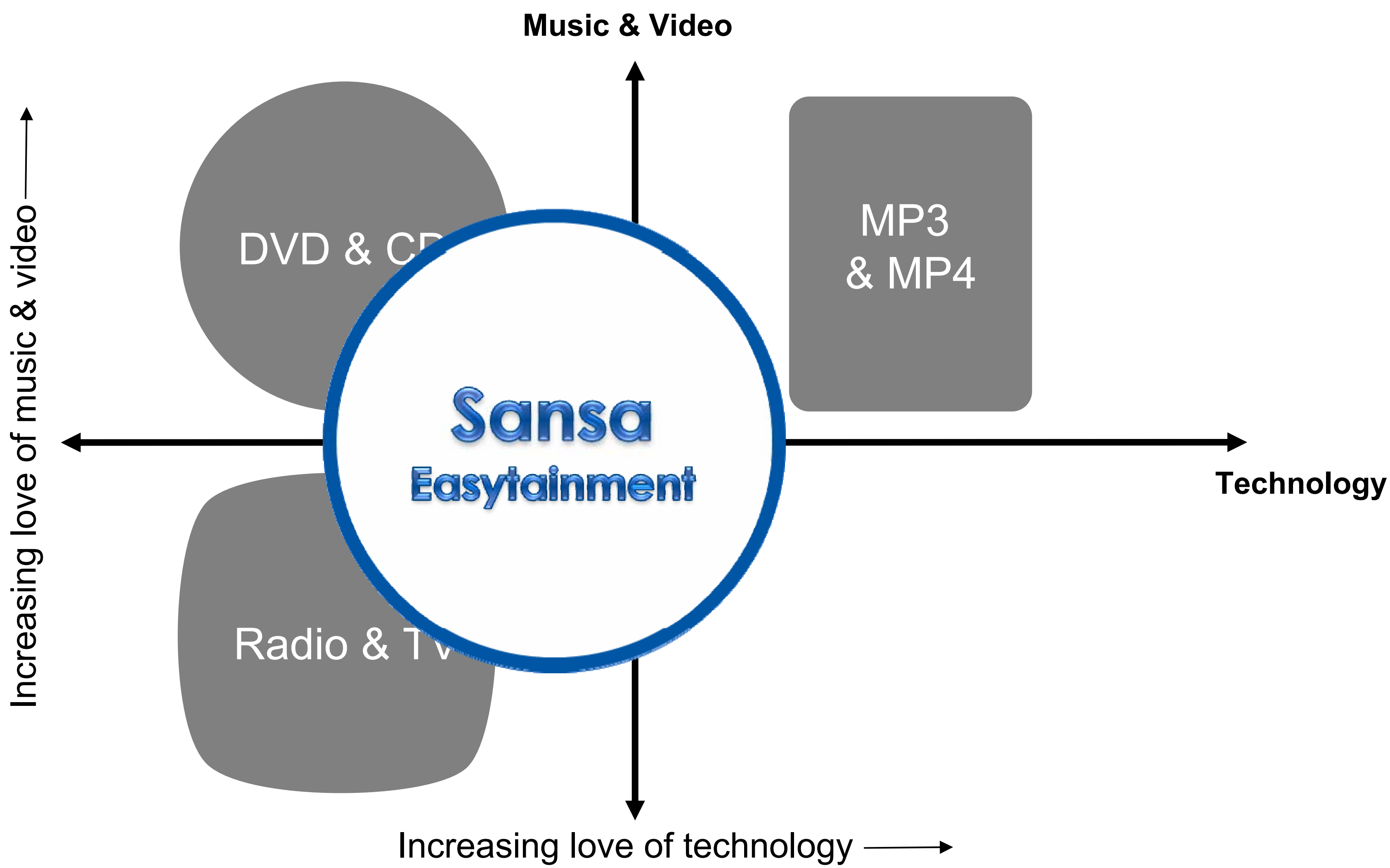


"So I gave them (parents) my MP3 player, but since I pretty much had to explain how to use everything; how to turn it on, how to turn it off, basically everything; it wound up being frustrating."

File Edit Controls View Store Advanced Help
iTunes
View
Search iTunes Store
Sign In
LIBRARY
Music
Movies
TV Shows
Podcasts
Radio
STORE
iTunes Store
PLAYLISTS
Party Shuffle
90's Music
Music Videos
My Top Rated
Recently Added
Recently Played
Top 25 Most Played
iTunes STORE
Music
Movies
TV Shows
Music Videos
Audiobooks
Podcasts
iPod Games
iTunes Latino
TOP MOVIES
1. Deja Vu
Action & Adventure
2. The Queen
Drama
3. School of Rock
Comedy
4. Hustle & Flow
Drama
5. Secretary
Romance
6. Pirates of the Caribbean: ...
Action & Adventure
7. South Park: Bigger, Longe...
Comedy
8. Mean Girls
Comedy
9. The Longest Yard (2005)
Comedy
10. Pirates of the Caribbean:...
Action & Adventure
TOP TV EPISODES
1. Women's Appreciation
The Office
2. The Brig
Lost
3. The Other Side of This Life
Grey's Anatomy
4. Five Years Gone
Heroes
5. Product Recall
The Office
NEW RELEASES
See All
Music
Movies
TV Shows
Rock
Pop
R&B/Soul
American Doll Posse
Tori Amos
Pure BS
Blake Shelton
Another Side (Audio...
Corbin Bleu
Icky Thump - Single
The White Stripes
I'll Stand By You - Single
Carrie Underwood
The Best of Elvis Cos...
Elvis Costello
Baby 81
Black Rebel Motorcycle...
Working Class Hero ...
Green Day
Cinco de Mayo Sale
Noisettes
FREE
SINGLE OF THE WEEK
Game Just Added
$.99
iQuiz
At the CENTER of the STORM
George Tenet
New in Audiobooks
This Mother's Day, say it with iPod
To the world's best mom.
washingtonpost.com
HD PODCAST
WHAT'S HOT
See All
Music
Movies
TV Shows
Audiobooks
Podcasts
Games
Siempre
Il Divo
It Won't Be Soon Bef...
Maroon 5
Minutes To Midnight
Linkin Park
Never Again - Single
Kelly Clarkson
Cross Road
Bon Jovi
Lost In This Moment...
Big & Rich
Volta
Björk
Dusk and Summer
Dashboard Confessional
DÉJÀ VU
QUICK LINKS
Browse
Power Search
Account
Buy iTunes Gifts
Redeem
Support
Complete My Album
NEW
TOP SONGS
1. Makes Me Wonder
Maroon 5
2. I'll Stand By You
Carrie Underwood
3. Buy U a Drank (Shawty Sn...
T-Pain featuring Yung Joc
4. Never Again
Kelly Clarkson
5. Because of You (Radio Edit)
Ne-Yo
6. (You Want To) Make a M...
Bon Jovi
7. Girlfriend
Avril Lavigne
8. Give It to Me
Timbaland featuring Justin Ti...
9. Pop, Lock & Drop It
Huey
10. Before He Cheats
Carrie Underwood
TOP ALBUMS
1. Call Me Irresponsible
Michael Bublé
2. It Won't Be Soon Before Long
Maroon 5
3. The Reminder
Feist
4. Because of You
Ne-Yo
5. Back to Black
Amy Winehouse
6. Lost Highway

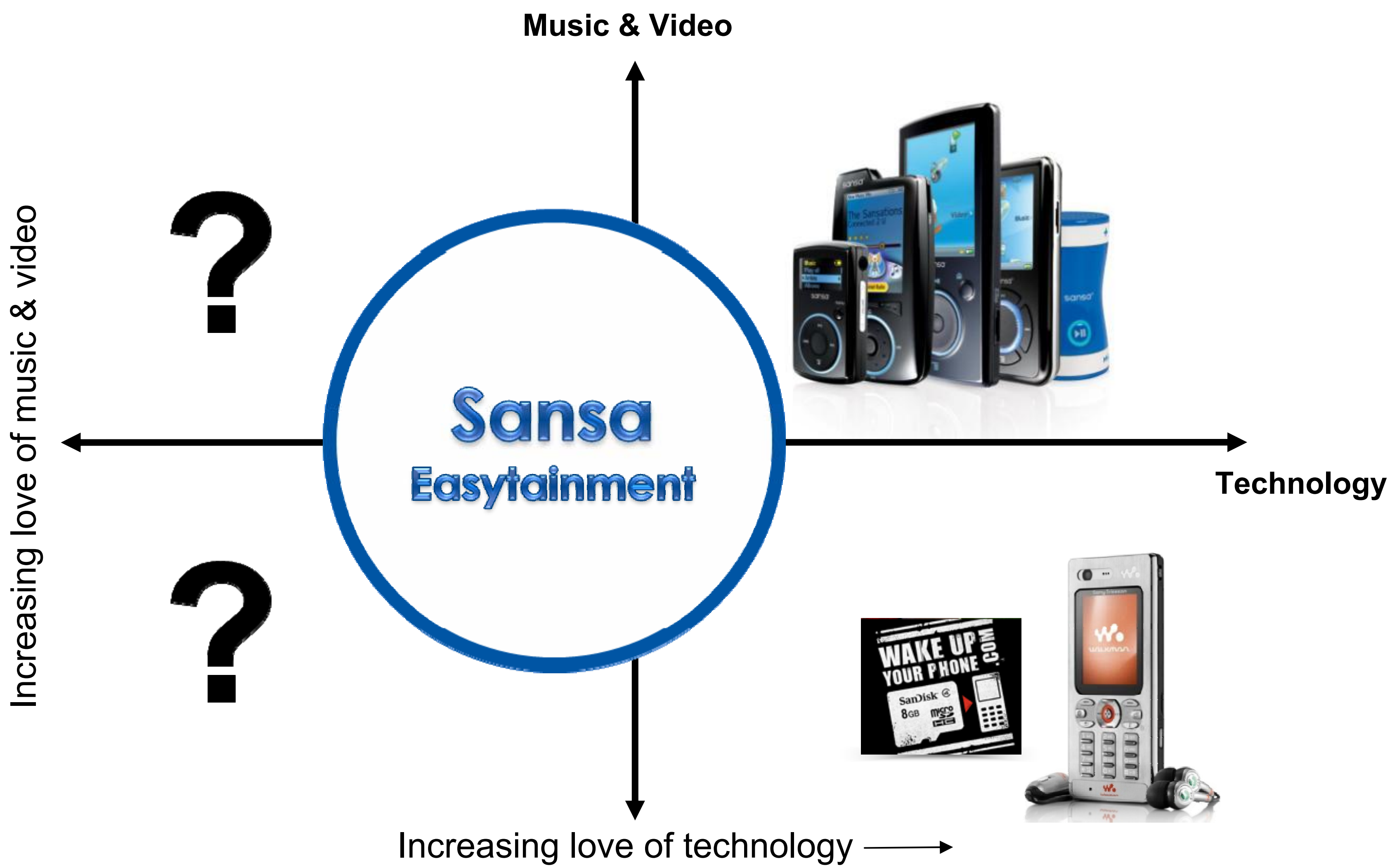

Easytainment™
Time to Play™

Segmentation



SanDisk

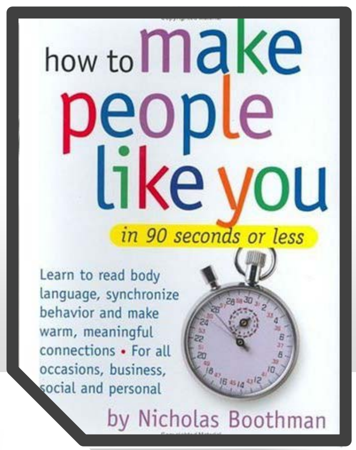
Segmentation

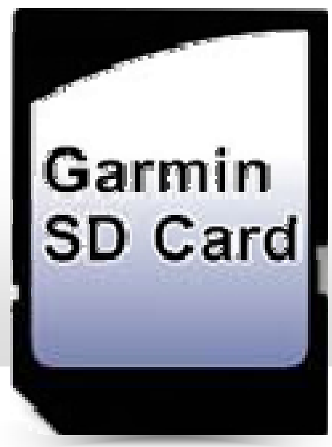


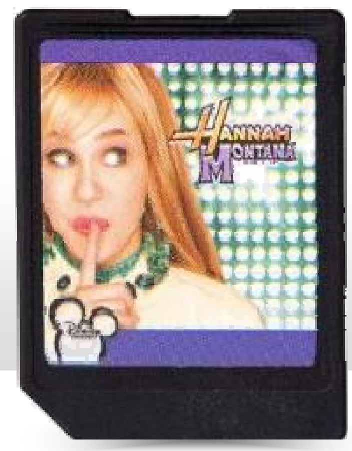
SanDisk

Birth of an Ecosystem

Did Someone Say Sneakernet?







SanDisk

“The Year the Music Broke” —MTV

- The **Wrong** Conclusion From the Demise of the CD Is That Consumers Don’t Want Tangible Media

crave

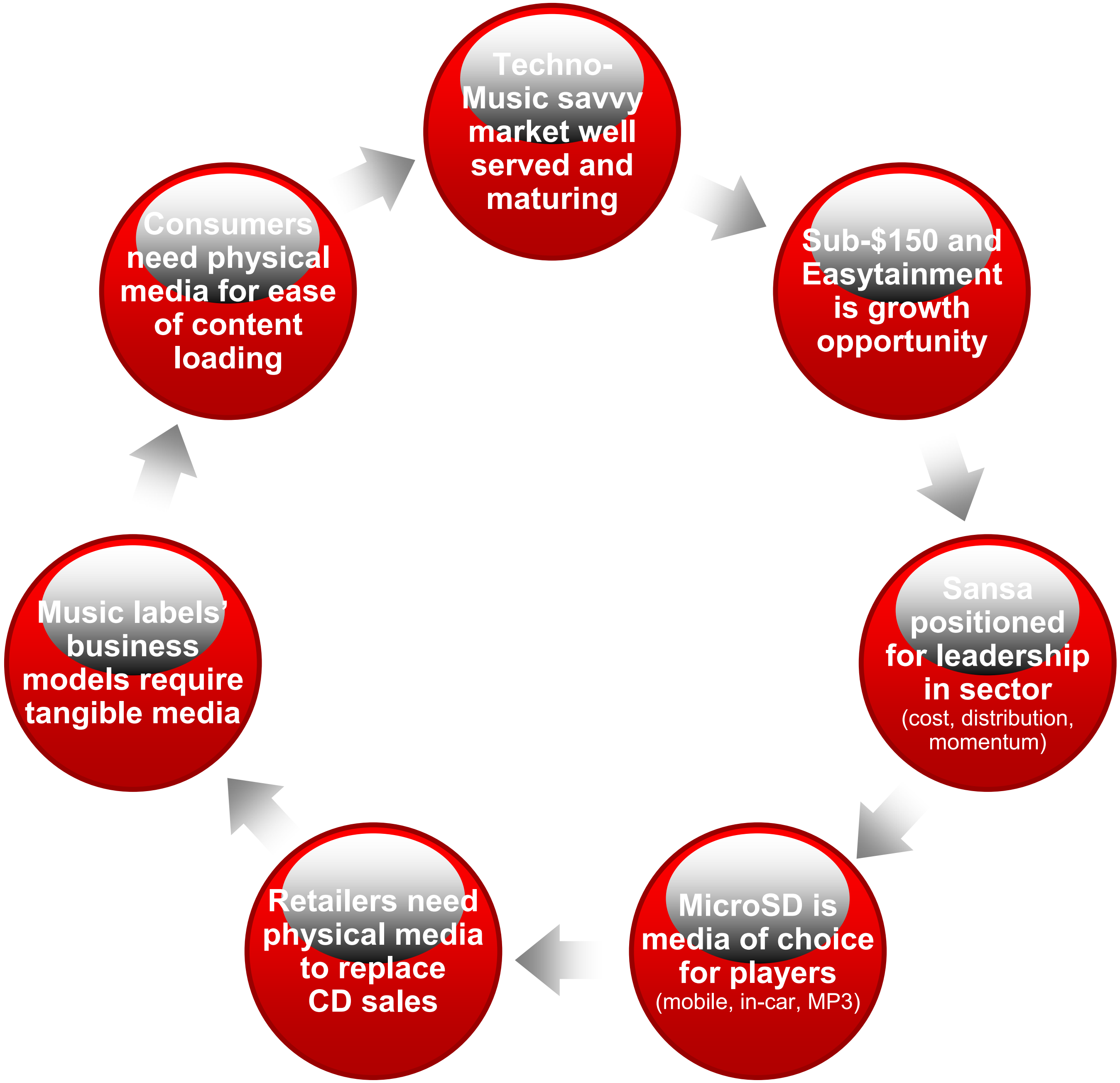
Jan 30 2008

Keeping it real: What's up with the continuing allure of physical media?

- CDs Are Imploding Because the Most Popular Players (MP3 Players & Handsets) Don’t Have a CD Slot…

Not for the First Time…

SanDisk


Techno-Music savvy market well served and maturing
Sub-$150 and Easytainment is growth opportunity
Sansa positioned for leadership in sector
(cost, distribution, momentum)
MicroSD is media of choice for players
(mobile, in-car, MP3)
Retailers need physical media to replace CD sales
Music labels' business models require tangible media
Consumers need physical media for ease of content loading

SanDisk

The End

Financial Review

Judy Bruner, Executive Vice President,
Administration and Chief Financial Officer

2007:
Improving Financials Throughout the Year

Beyond 2007:
Model for Capital Efficient, Profitable Growth

SanDisk

2007 Results vs Feb 2007 Analyst Day Forecast

	2005	2006	2007	Feb 2007 Analyst Day Forecast 2007
Revenue	$2,306	$3,258	**$3,896**	
Revenue Growth	30%	41%	**20%**	**0–25%**
Product Rev Mix	90%	90%	**88%**	**90–92%**
Royalty Rev Mix	10%	10%	**12%**	**8–10%**
Product GM (1)	35.5%	31.8%	**24.3%**	**15–25%**
Total GM (1)	42.2%	38.8%	**33.1%**	**22–32%**
R&D (1)	8.4%	8.2%	**9.5%**	**10–12%**
S&M (1)	5.3%	5.6%	**6.7%**	**6–8%**
G&A (1)	3.4%	4.0%	**3.9%(2)**	**4–5%**
Op Expenses (1)	17.2%	17.7%	**20.1%**	**20–25%**
Op Income (1)	**25.0%**	**21.0%**	**13.0%**	**0–10%**

(1) 2006 & 2007 are Non-GAAP excluding stock comp expense, acquisition amortization, and purchase accounting adj's.
(2) Including 0.2% restructuring charges.

SanDisk

Significant MB Growth and Price Decline

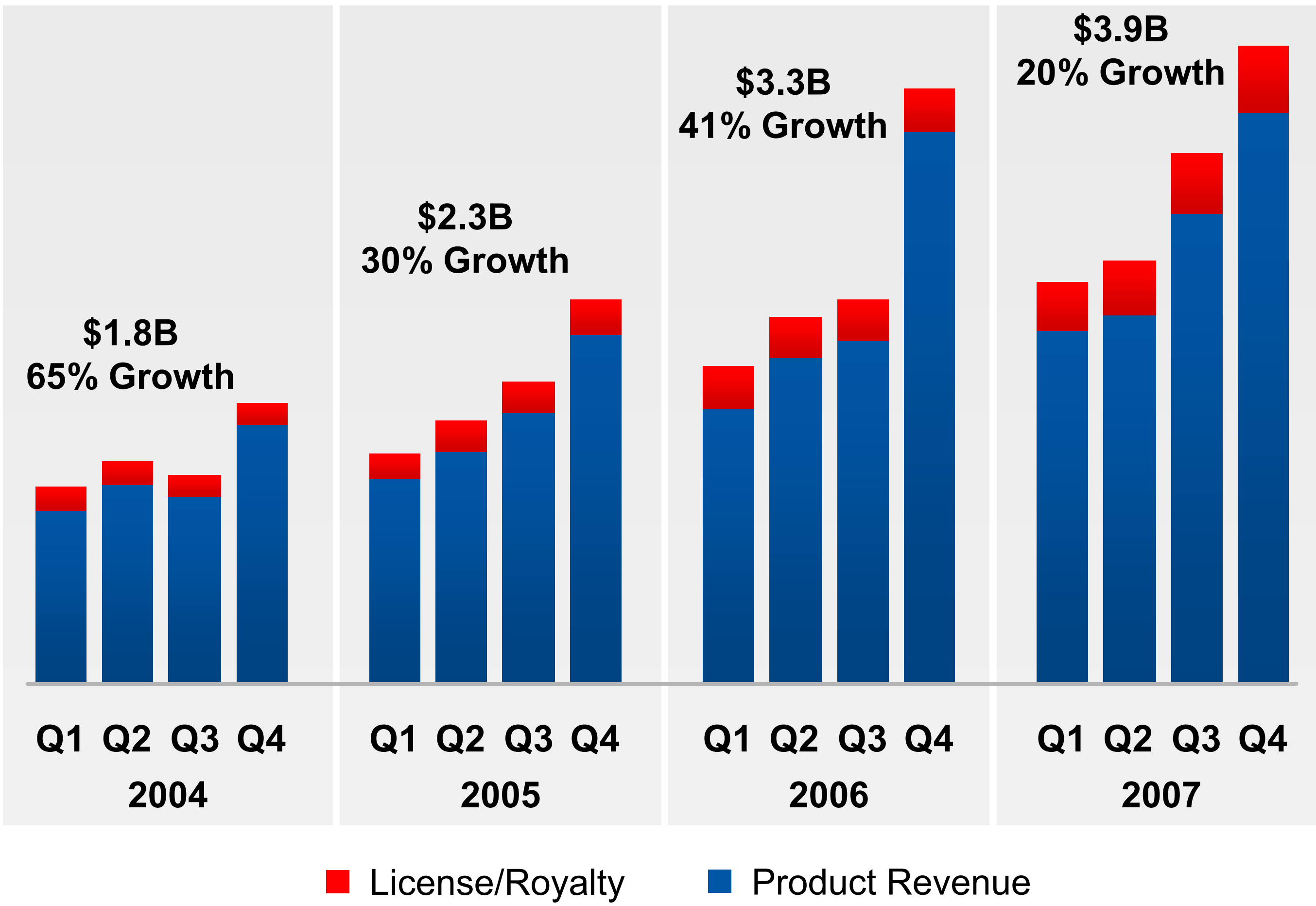
	2004	2005	2006	2007	Feb 2007 Analyst Day Forecast 2007
MB Growth(1)	167%	166%	238%	**190%**	**170%+**
ASP/MB Reduction(1)	38%	52%	58%	**60%**	**55%+**

(1) MB Growth and ASP/MB Reduction without Twinsys joint venture.

SanDisk

2007 Revenue Increases 20%

- MBs sold up 190% Y/Y
- ASP/MB down 60% Y/Y



SanDisk

Mobile Becomes Largest Product Category

Revenue Mix	2004	2005	2006	2007
Mobile	**6%**	**13%**	**25%**	**35%**
Imaging	65%	52%	37%	26%
USB	13%	12%	14%	14%
Audio Video	1%	6%	8%	7%
Gaming	0%	3%	5%	3%
Other Products	5%	4%	1%	3%
License and Royalty	10%	10%	10%	12%
Total Revenue	**100%**	**100%**	**100%**	**100%**

SanDisk

Strong MB(1) Growth – Elasticity Continues

	2004	2005	2006	2007
Mobile	**316%**	**916%**	**491%**	**327%**
Imaging	130%	119%	144%	154%
USB	909%	142%	337%	155%
Audio Video	Year 1	791%	405%	79%
Gaming		Year 1	359%	74%
Other Products – Industrial, SSD, GPS	24%	-16%	149%	186%
Total	**167%**	**166%**	**238%**	**190%**

(1) MB Growth without Twinsys joint venture.

SanDisk

2007 Product Revenue by Channel & Geography

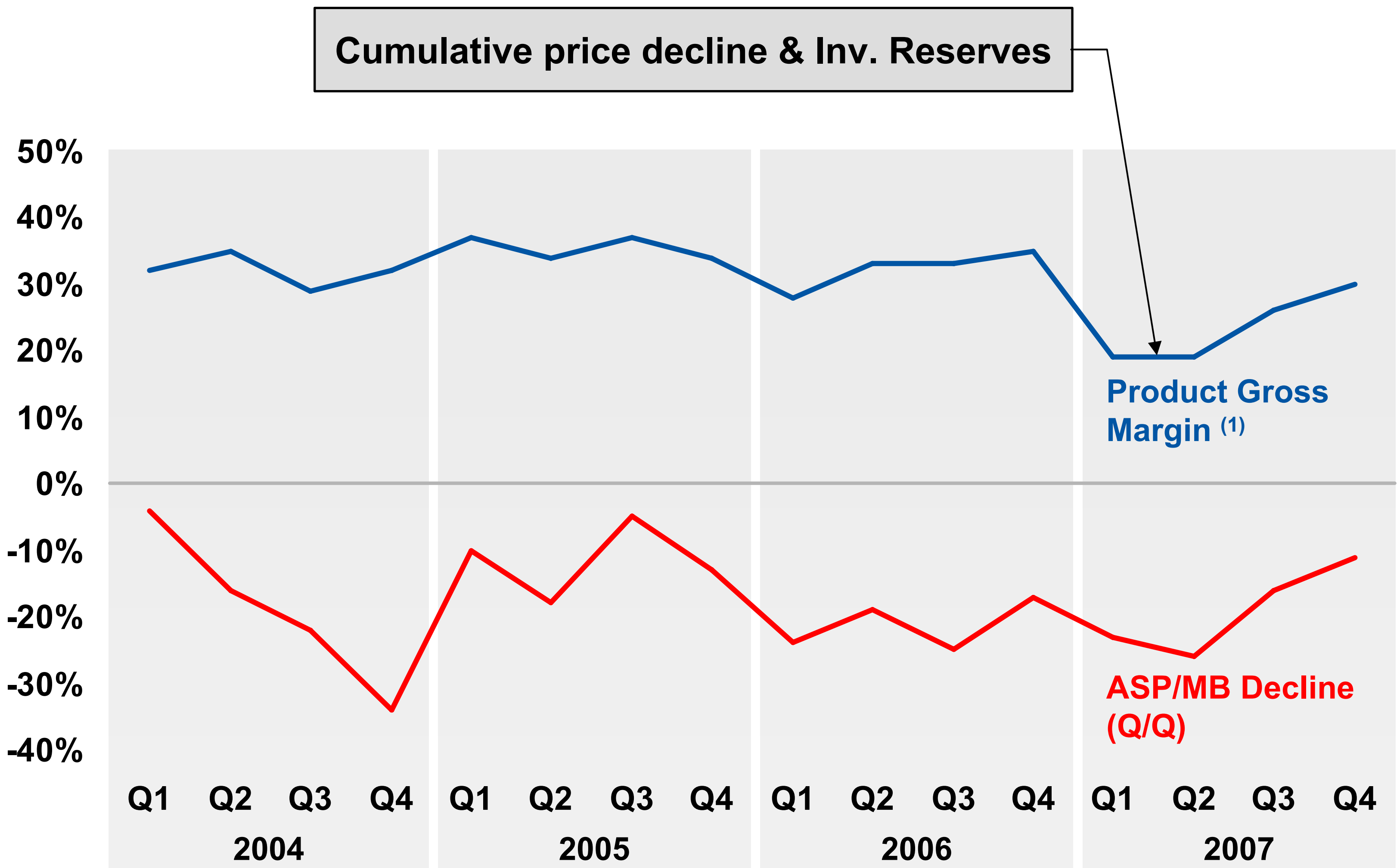
Growing Mix of OEM Revenue and International Retail Revenue

Product Revenue by Channel ($M)	2007	Mix	Yr/Yr Growth
Retail	$2,163	63%	9%
OEM	$1,283	37%	35%
Total	**$3,446**	**100%**	**18%**

Retail Product Revenue by Geography ($M)	2007	Mix	Yr/Yr Growth
Retail			
North America	$1,164	54%	-4%
Europe	$672	31%	27%
APAC	$246	11%	41%
Japan	$81	4%	33%
Total Retail	**$2,163**	**100%**	**9%**

SanDisk

Product Gross Margins[1] Down Y/Y, Improved Across 2007



(1) 2006 and 2007 are Non-GAAP excluding stock comp expense, acquisition amortization, and purchase accounting adjustments.

SanDisk

2007 Gross Margin at High End of Projected Range

Robust Cost Reduction

	2004	2005	2006	2007	Feb 2007 Analyst Day Forecast 2007
Overall Cost Reduction per Bit	36%	55%	56%	**56%**	**40–50%**
ASP/MB Reduction (1)	38%	52%	58%	**60%**	**55%+**
Product GM % Change(2)	-2.8 pts	+3.6 pts	-3.7 pts	**-7.5 pts**	
Product GM %(2)	31.9%	35.5%	31.8%	**24.3%**	**15–25%**

2007 Cost Reduction Reflects

- Strong 56nm Execution
- 300 m productivity
- Non-memory Cost Reductions Including Test Programs & Assembly Processes
- Capacity Investments → Reduced Non-captive Mix

(1) ASP/MB reduction excludes Twinsys joint venture

(2) 2006 and 2007 are Non-GAAP excluding stock comp expense, acquisition amortization, and purchase accounting adjustments.

SanDisk

Captive GM is ~2x Non-Captive GM

	2004	2005	2006	2007
Captive Gross Margin(1)	~42%	~45%	~34%	~25%
Non-Captive Gross Margin(1)	~13%	~18%	~19%	~12%
Non-Captive Mix	35%	35%	15%	5%
Product Gross Margin(1)	31.9%	35.5%	31.8%	24.3%
License/Royalty GM Contribution	7%	7%	7%	9%
Total Gross Margin(1)	39%	42%	39%	33%
Annual ASP/MB Decline(2)	38%	52%	58%	60%

(1) 2006 and 2007 reflect Non-GAAP Gross Margin excluding stock comp expense, acquisition amortization, and purchase accounting adjustments.

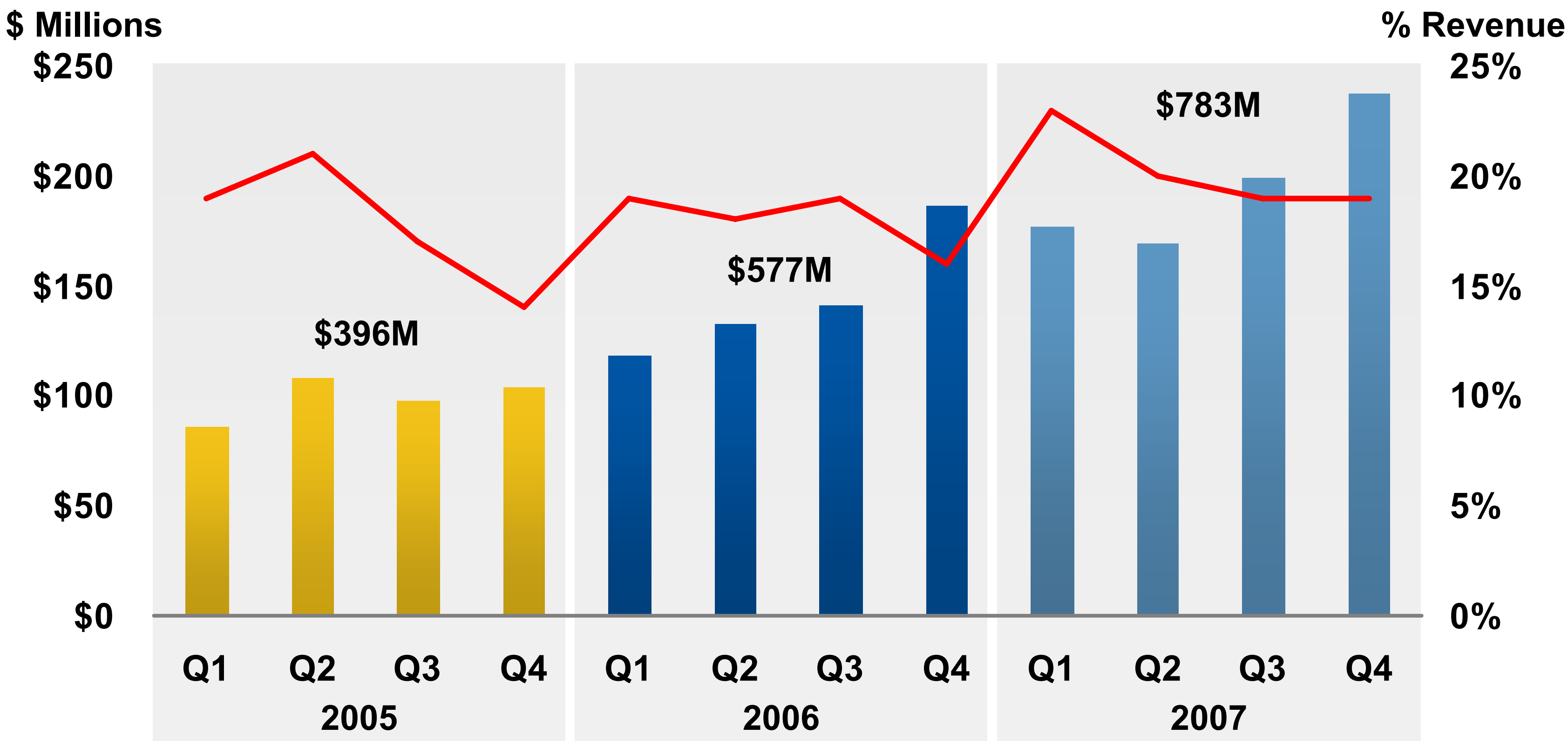
(2) ASP/MB reduction excludes Twinsys joint venture

SanDisk

Managed Operating Expense[1] Growth

2007 Investments Included

- msystems
- International Expansion
- Creation of Market-Focused Business Units
- Increased Advertising
- Parallel technology investments – X3, X4, 3D, 43nm, 3Xnm

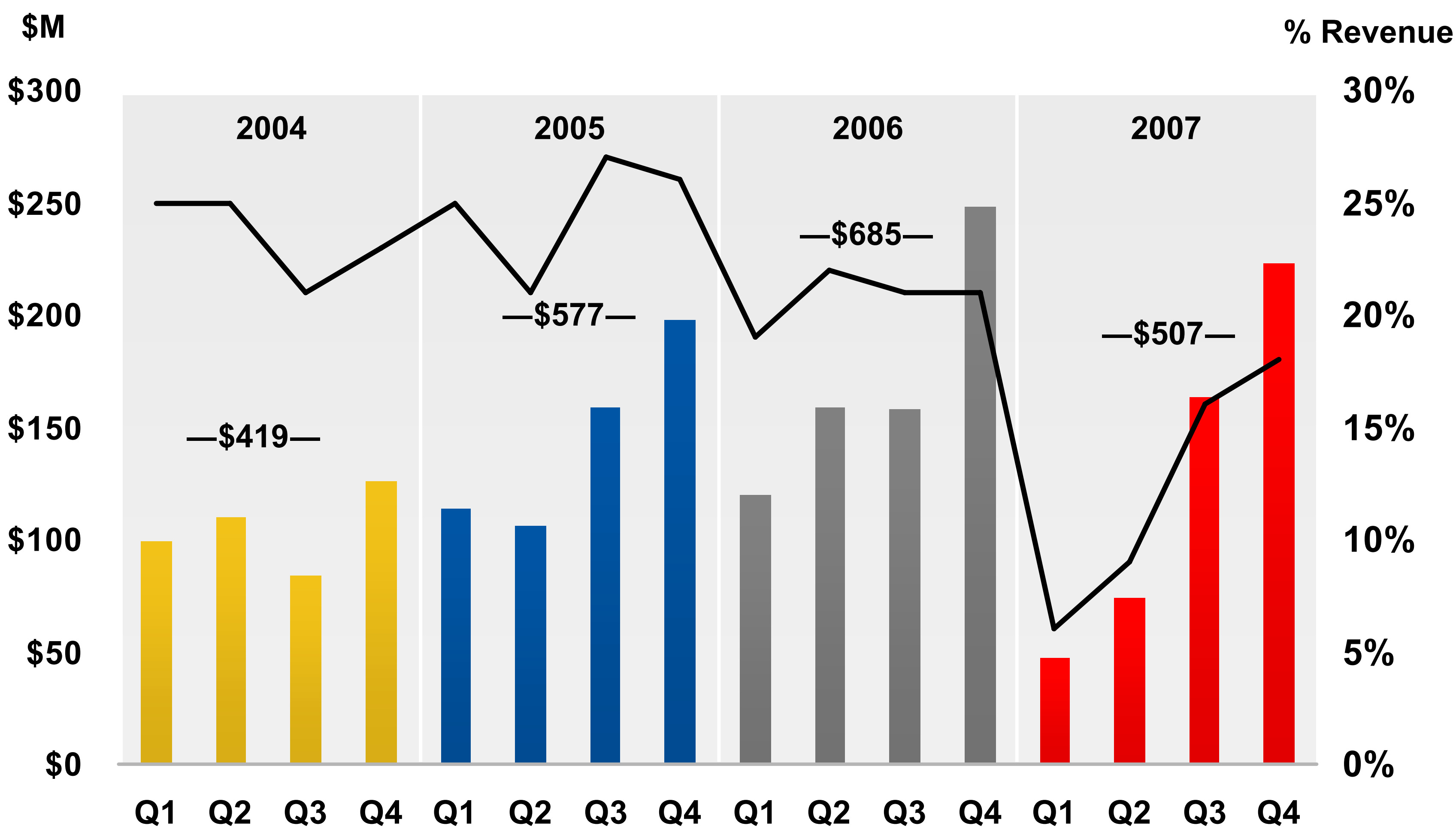


(1) 2006 and 2007 expenses are Non-GAAP excluding stock comp expense, acquisition amortization, and purchase accounting adjustments.

SanDisk

Operating Income[1]

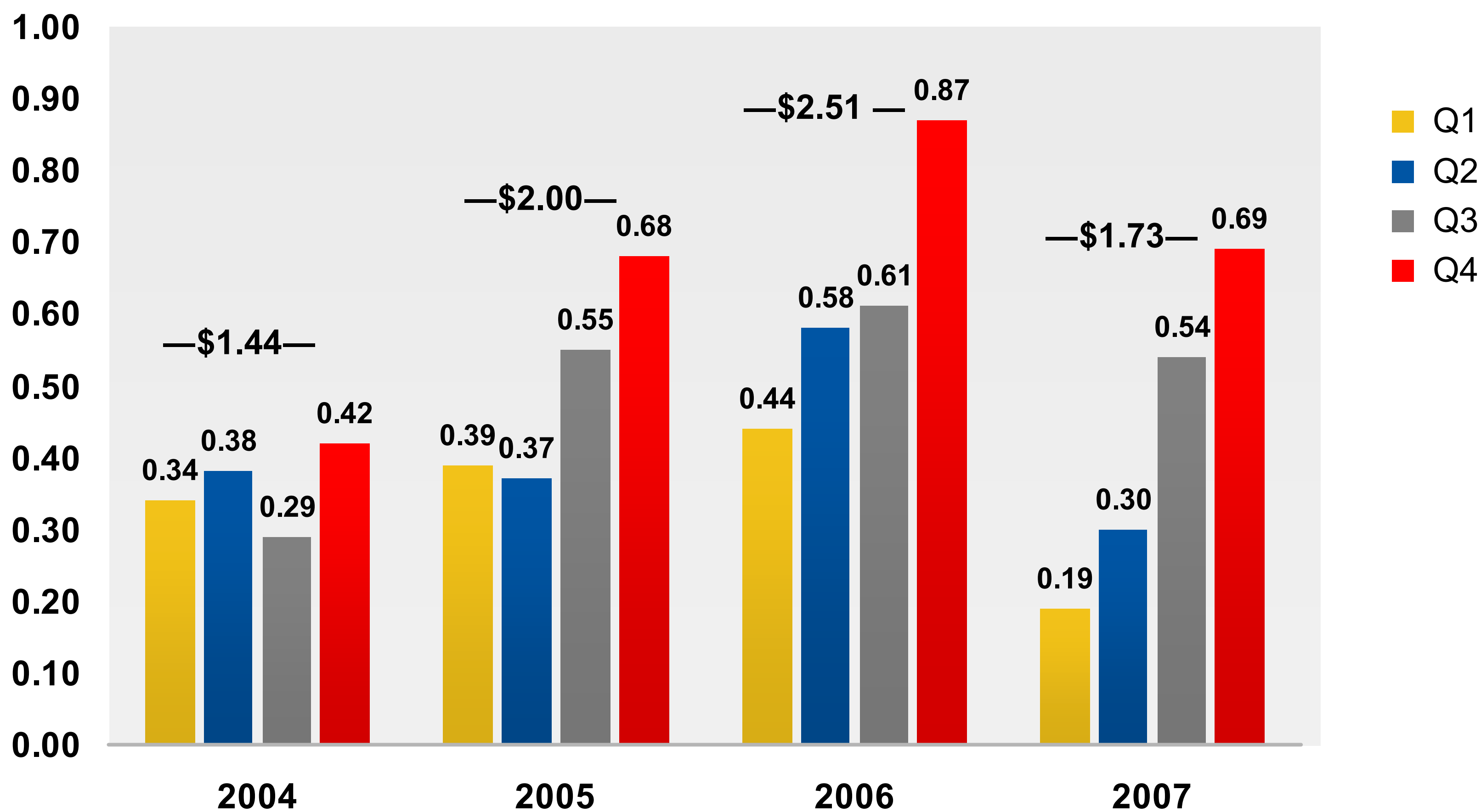
Strong Improvement Across 2007



[1] 2006 and 2007 is Non-GAAP Operating Income excluding stock comp expense, acquisition amortization, and purchase accounting adjustments.

SanDisk

Diluted Earnings per Share[1]



[1] 2006 and 2007 is Non-GAAP EPS excluding stock comp expense, acquisition amortization and purchase accounting adjustments.

SanDisk

Strong Balance Sheet

Significant Capacity Investments in 2007
Working Capital Well Managed

	Dec. 31, 2006 ($ millions)	Dec. 30, 2007 ($ millions)
Cash, Short- & Long-Term Investments	$3,289	$2,896
Accounts Receivable (DSO = 52 in 2006; 38 in 2007)	612	463
Inventory (DSI = 62 in 2006; 64 in 2007)	496	555
PP&E	318	423
Notes and Investments in Fab JVs	462	1,109
Other Assets	1,791	1,789
Total Assets	**$6,968**	**$7,235**
Current Liabilities (DPO = 50 in 2006, 51 in 2007)	$897	$914
Convertible Long-Term Debt	1,225	1,225
Other Non-current Liabilities	72	135
Minority Interest	6	1
Stockholders' Equity	4,768	4,960
Total Liabilities & Stockholders' Equity	**$6,968**	**$7,235**
Off Balance Sheet Fab-Related Lease Guarantees	$654	$1,139

SanDisk

Capital Investments 2007

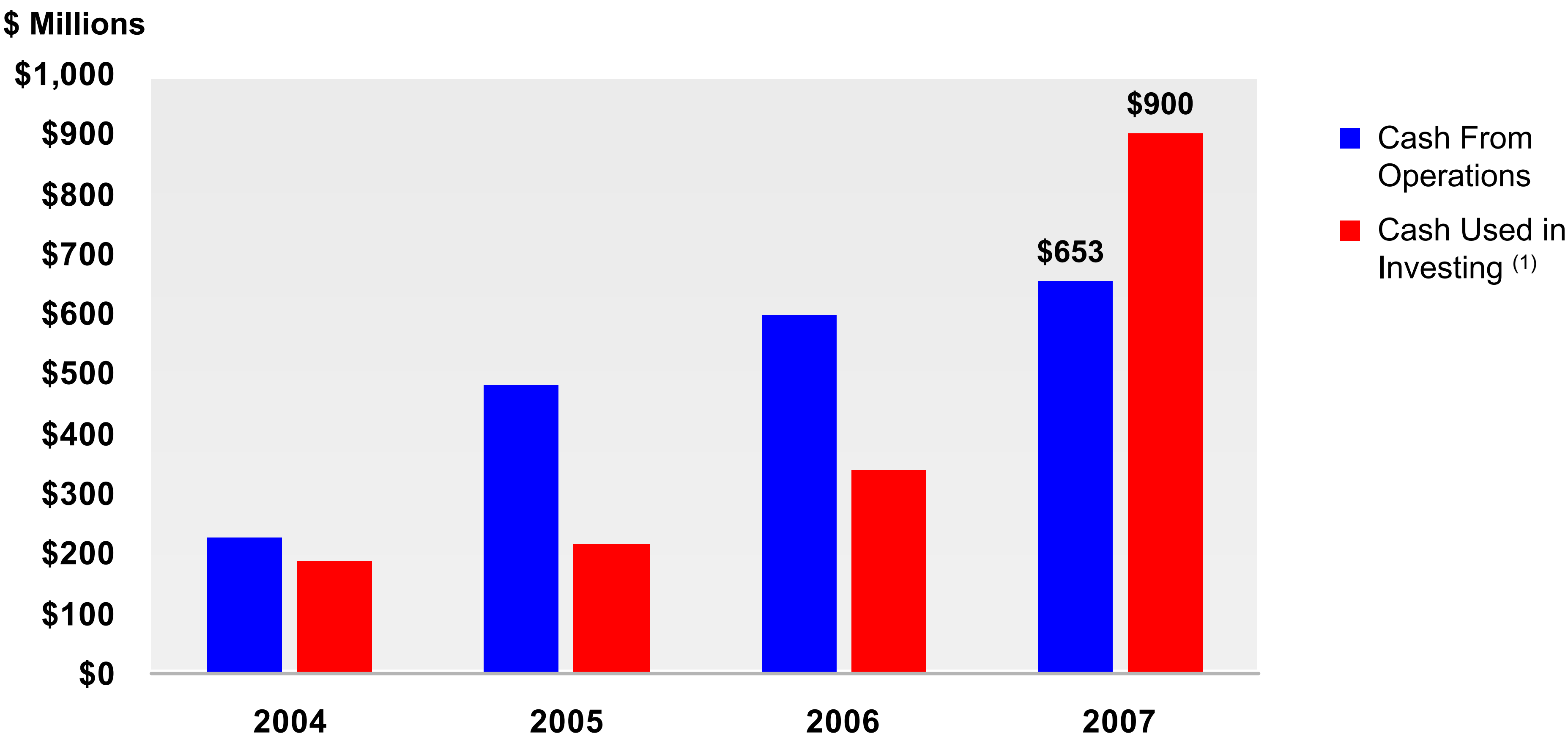
Higher Investment Than Last Year's Fcst Reflects Greater Fab 3 Capacity (150K vs 135K W/M) and Faster Ramp of Fab 4

	Analyst Day Last Year Forecast 2007 ($ in Millions)	Actual 2007 ($ in Millions)
Capital Investments		
FlashVision – Fabs 1 & 2	–	–
Flash Partners – Fab 3	800	898
Flash Alliance – Fab 4	275	700
Total JV Fab Investments	**1,075**	**1,598**
Other CapEx Investments	300	259
Total Capital Investments	**1,375**	**1,857**
Funding		
Return of Capital from JVs	40	38
JV Working Capital	300	335
JV Operating Leases	500	612
Cash	535	872
Total SanDisk Funding	**1,375**	**1,857**

SanDisk

Growing Cash Flow From Operations

- Cash From Operations Up 9% in 2007
- Significant Capacity Investments For Growth



(1) Excluding changes to fixed income investments

SanDisk

2007:
Improving Financials Throughout the Year

Beyond 2007:
Model for Capital Efficient, Profitable Growth

SanDisk

Capital Investments 2008–2009

Larger Fab 4 Capacity (210K W/M vs Original Estimate of 150K W/M)
Planning 3D OTP Equipment in 2009

	Last Years' Forecast ($ in Millions)		Current Forecast ($ in Millions)	
Capital Investments	**2008**	**2009**	**2008**	**2009**
Flash Partners – Fab 3	375	325	350	400
Flash Alliance – Fab 4	1,275	1,200	1,650	1,500
Fab 5	–	–	–	100
Total JV Fab Investments – SanDisk Portion	**1,650**	**1,525**	**2,000**	**2,000**
SanDisk Owned Fab Equipment (3D OTP)	–	–	–	400
Other CapEx Investments	500	700	400	600
Total Capital Investments	**2,150**	**2,225**	**2,400**	**3,000**

Forecasted Capital Investments & Funding

Fab 5 Structure: 25% Investment; 25% Captive + 25% Preferred Foundry Pricing
Operating Lease Financing: ~50% of JV Equipment + a Portion of Other Equipment

	Actual ($ in Millions)			Forecast ($ in Millions)			Fcst
Capital Investments	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2008–10**
FlashVision – Fabs 1 & 2	91	15	–	–	–	–	–
Flash Partners – Fab 3	519	905	898	350	400	200	950
Flash Alliance – Fab 4	–	4	700	1,650	1,500	300	3,450
Fab 5 – 25% SNDK Investment			–	–	100	1,000	1,100
Total JV Fab Investments	**610**	**924**	**1,598**	**2,000**	**2,000**	**1,500**	**5,500**
SanDisk Owned Fab Equipment*	39	–	–	–	400	200	600
Other CapEx	95	176	259	400	600	700	1,700
Total Capex Investments	**134**	**176**	**259**	**400**	**1,000**	**900**	**2,300**
Total Capital Investments	**744**	**1,100**	**1,857**	**2,400**	**3,000**	**2,400**	**7,800**
Funding	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2008–10**
Return of Capital from JVs		23	38	159	–	–	159
JV Working Capital	328	215	335	450	400	500	1,350
JV Operating Leases	225	482	612	1,000	1,200	1,100	3,300
Cash	191	380	872	791	1,400	800	2,991
Total Funding	**744**	**1,100**	**1,857**	**2,400**	**3,000**	**2,400**	**7,800**
Outstanding Lease Guarantees	278	654	1,139	1,725	2,374	2,352	

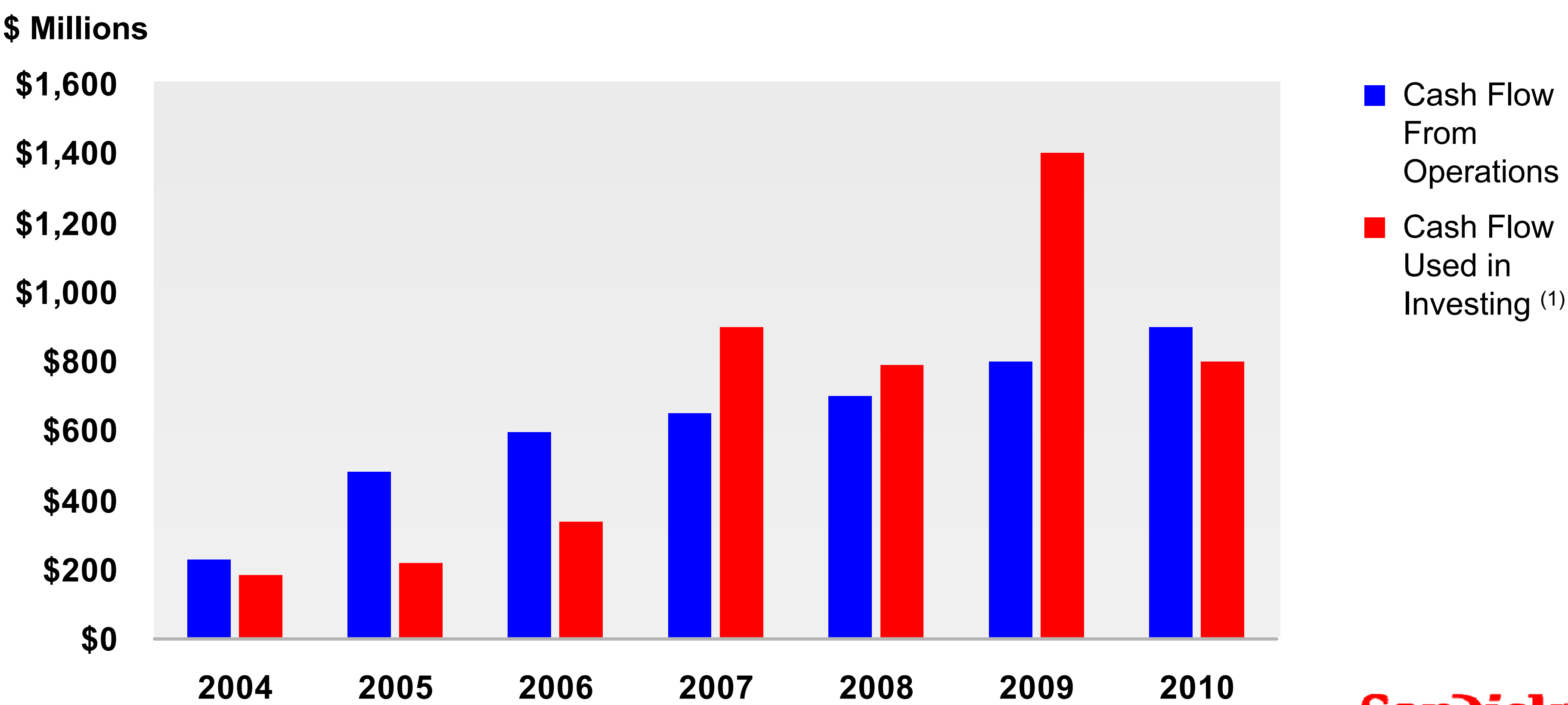
*Includes 3D OTP Equipment in 2009-2010

SanDisk

Fab 5 Improves Net Cash Flow in 2010

- Flexible Structure for Fab 5 Reduces Capital Investment
- Continued Focus on Working Capital Management
- Operating Leases Assumed at 50%+ of Fab Investments
  - Attractive Cost of Capital

→ **Net Cash Usage (2008 – 2010) is Affordable**

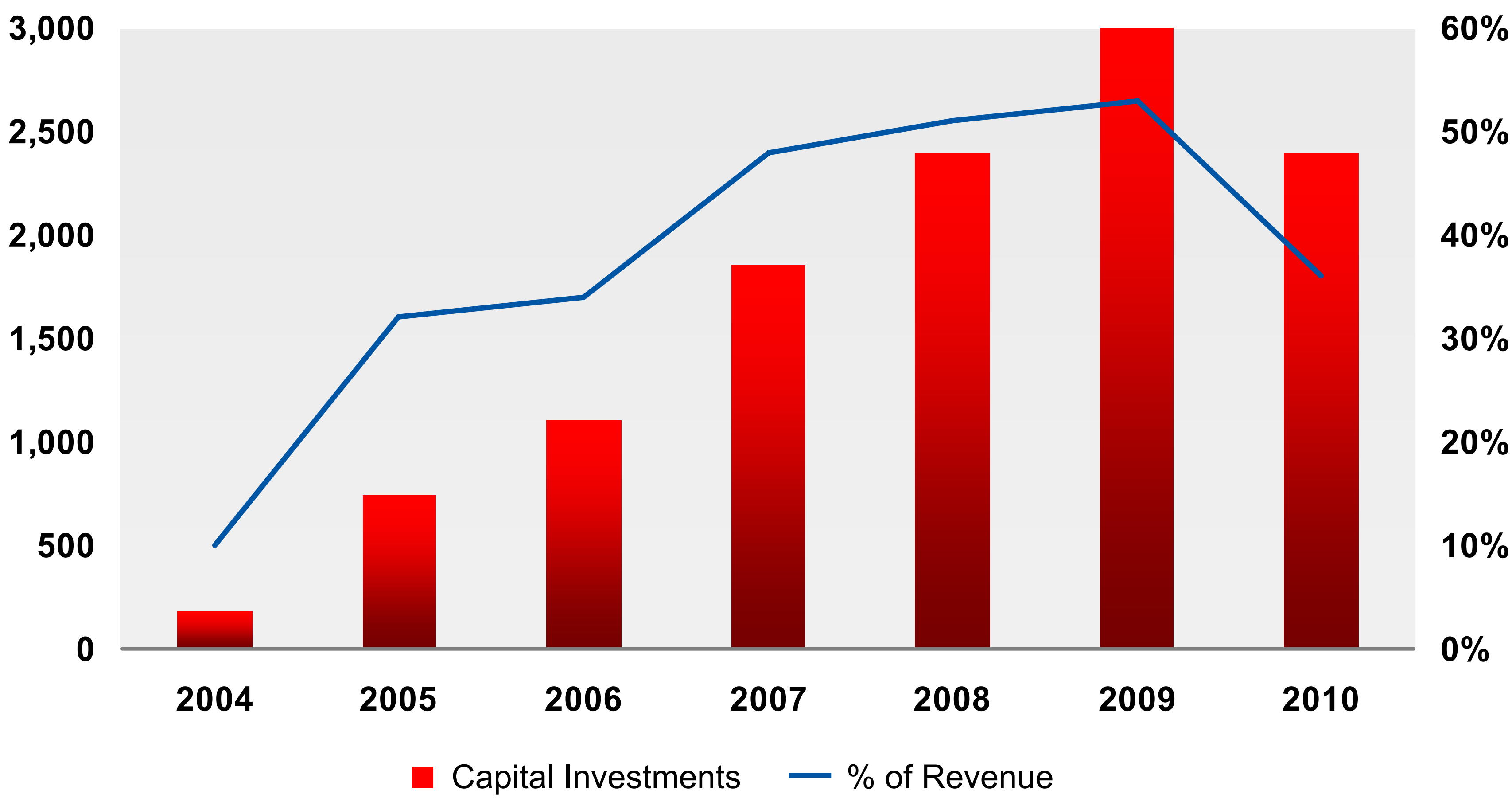


(1) Excludes changes in fixed income investments

SanDisk

Capital Investments as % of Sales

Fab 5 Drives Reduction in 2010



SanDisk

Controlling Dilution

Moderating Burn Rate

Shares in 000's	2004	2005	2006	2007	Comments
Net Options/RSUs Granted or Acquired	5,560	5,705	11,527	3,928	
Net Burn Rate	**3.1%**	**3.0%**	**5.1%**	**1.8%**	2.0–2.5%/Year Moving Forward
Options/RSUs Exercised/Issued	(2,301)	(7,940)	(4,958)	(4,862)	
Options & RSUs Outstanding – end of Yr	22,656	20,421	26,990	26,056	
Option Overhang (% of Shares O/S)	**13%**	**11%**	**12%**	**12%**	
Shares Outstanding – end of Yr	179,964	188,222	226,518	224,167	
Growth in Shares Outstanding	**11.8%**	**4.6%**	**20.3%**	**-1.0%**	
	Conv debt conversion		**Matrix & msys acq.**	**Share Repurchase**	

- 2006 Grants Include Matrix & msystems shares acquired.
- 2007 Burn rate benefited from grants made by msystems prior to acquisition closing.

SanDisk

Revenue Growth Outlook

- MB Growth and Price Decline Expected to Moderate Going Forward
- Based on 3rd party market forecasts, SNDK MB growth of 130%–150% leads to market share gains (~20% market share vs. high teens today)

	2004	2005	2006	2007	Forecast 2008	Forecast 2009–2010
MB Growth(1)	167%	166%	238%	190%	**150–170%**	**130–150%**
ASP/MB Reduction	38%	52%	58%	60%	**50–55%**	**40–50%**
Royalty Revenue Mix	10%	10%	10%	12%	**~10%**	**7 – 9% (2009)**
Total Revenue Growth	65%	30%	41%	20%	**15 – 25%**	**15 – 30%**

(1) MB Growth and ASP/MB Reduction without Twinsys joint venture.

Continued Strong Cost Reductions

Forecasting Product Gross Margin (2) in 24–28% Range

- 2008: 43nm (X2) and non-memory cost reductions are key drivers
  - Captive back-end factory contributes to reduced cycle time & transformation costs
- 2009-10: X3, X4, 3Xnm
- Non-captive mix expected to remain low, 5–10%
- Committed cost-plus foundry model will begin to impact GM in 2010

	2004	2005	2006	2007	Forecast 2008	Forecast 2009–2010
Overall Cost Reduction per Bit	36%	54%	55%	56%	**50–55%**	**40–50%**
ASP/MB Reduction(1)	38%	52%	58%	60%	**50–55%**	**40–50%**
Product GM % Change	-2.8 pts	+3.6 pts	-3.7 pts	-7.5 pts		
Product GM %(2)	31.9%	35.5%	31.8%	24.3%	**24–28%**	**24–28%**

(1) ASP/MB without Twinsys joint venture.

(2) Non-GAAP Gross Margin excludes stock comp expense, acquisition amortization, and purchase accounting adjustments.

Business Model

Forecasting 13–16% Operating Margin(1)

	2005	2006	2007	Forecast 2008	Forecast 2009-2010
Revenue	$2,306	$3,258	$3,896		
Revenue Growth	30%	41%	20%	**15–25%**	**15–30%**
Product Rev Mix	90%	90%	88%	**~90%**	**91–93%**
Royalty Rev Mix	10%	10%	12%	**~10%**	**7–9% (2009)**
Product GM (1)	35.5%	31.8%	24.3%	**24–28%**	**24–28%**
Total GM (1)	42.2%	38.8%	33.1%	**31–35%**	**30–34% (2009)**
R&D (1)	8.4%	8.2%	9.5%		
S&M (1)	5.3%	5.6%	6.7%		
G&A (1)	3.4%	4.0%	3.9%(2)		
Op Expenses (1)	17.2%	17.7%	20.1%	**18–20%**	**17–18% (2009)**
Op Income (1)	**25.0%**	**21.0%**	**13.0%**	**13–16%**	**13–16%**

(1) Non-GAAP excludes stock comp expense, acquisition amortization, and purchase accounting adjustments.
(2) Including 0.2% restructuring charges.

SanDisk

Financial Summary

- 2007 Results Improved Across the Year
- Delivered Respectable Profits Despite Aggressive Pricing
  - Robust cost reductions
- Moderating Capital Requirements
  - Flexible Fab 5 structure, operating leases, working capital management
- Forecast 2008 - 2010: 13–16% Non-GAAP Op Margin

Today's Key Messages

Tremendous Growth Opportunities

Our Flash Media Is Pivotal To CE/Mobile Convergence

We Have The IP/Technology

And Manufacturing Scale To Prosper

We Are Growing Our Global Share

We Will Flexibly Manage Our Future

Appendices

SanDisk

SanDisk Corporation
Reconciliation of Non-GAAP to GAAP Income Statement
Three months ended, April 2, 2006
(In thousands, except percentages and per shares amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 537,728	86.3%	$ -	$ -		$ 537,728	86.3%
License and royalty revenue	85,532	13.7%	-	-		85,532	13.7%
Total revenues	**623,260**	**100.0%**	-	-		**623,260**	**100.0%**
Cost of product revenue	384,867	61.8%	-	-		384,867	61.8%
Amortization of acquisition related intangible assets	-	-	-	-		-	-
Total cost of revenues	384,867	61.8%	-	-		384,867	61.8%
Product gross profit	152,861	28.4%	-	-		152,861	28.4%
Total 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	-	-	-	39,600	(a)	39,600	6.4%
Amortization of acquisition related intangible assets	-	-	-	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	2.9%	-	-		18,464	3.0%
Income (loss) before taxes	138,490	22.2%	(18,786)	(43,315)		76,389	12.3%
Provision for income taxes	48,472	7.8%	(5,845)	(1,353)	(c)	41,274	6.7%
Income (loss) after taxes	90,018	14.4%	(12,941)	(41,962)		35,115	5.6%
Net income (loss)	**$ 90,018**	**14.4%**	**$ (12,941)**	**$ (41,962)**		**$ 35,115**	**5.6%**
Net income (loss) per share, diluted	**$ 0.44**					**$ 0.17**	
Diluted shares used in computing net income (loss) 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(1/06).
(b) Amortization of acquisition related intangibles assets, primarily core and developed technology related to acquisition of Matrix Semiconductor, Inc. (1/06).
(c) Income taxes associated with certain non-GAAP adjustments.

SanDisk

SanDisk Corporation

Reconciliation of Non-GAAP to GAAP Income Statement

Three months ended, July 2, 2006

(In thousands, except percentages and per shares amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 636,675	88.5%	$ -	$ -		$ 636,675	88.5%
License and royalty revenue	82,510	11.5%	-	-		82,510	11.5%
Total revenues	**719,185**	**100.0%**	**-**	**-**		**719,185**	**100.0%**
Cost of product revenue	427,699	59.5%	2,478	-		430,177	59.8%
Amortization of acquisition related intangible assets	-	-	-	-		-	-
Total cost of revenues	427,699	59.5%	2,478	-		430,177	59.8%
Product gross profit	208,976	32.8%	(2,478)	-		206,498	32.4%
Total 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%
Write-off of acquired in-process technology	-	-	-	-		-	-
Amortization of acquisition related intangible assets	-	-	-	4,432	(a)	4,432	0.5%
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	3.0%	-	-		22,013	3.0%
Income (loss) before taxes	180,857	25.1%	(25,870)	(4,432)		150,555	20.9%
Provision for income taxes	63,299	8.8%	(6,667)	(1,718)	(b)	54,914	7.6%
Income (loss) after taxes	117,558	16.3%	(19,203)	(2,714)		95,641	13.3%
Net income (loss)	**$ 117,558**	**16.3%**	**$ (19,203)**	**$ (2,714)**		**$ 95,641**	**13.3%**
Net income (loss) per share, diluted	**$ 0.58**					**$ 0.47**	
Diluted shares used in computing net income (loss) per share	204,126					202,980	
Effective tax rate	35.0%					36.5%	

(a) Amortization of acquisition related intangibles assets, primarily core and developed technology related to acquisition of Matrix Semiconductor, Inc. (1/06).
(b) Income taxes associated with certain non-GAAP adjustments.

SanDisk

SanDisk Corporation
Reconciliation of Non-GAAP to GAAP Income Statement
Three months ended October 1, 2006
(in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 673,189	89.6%	$ -	$ -		$ 673,189	89.6%
License and royalty revenue	78,196	10.4%	-	-		78,196	10.4%
Total revenues	**751,385**	**100.0%**	-	-		**751,385**	**100.0%**
Cost of product revenue	452,724	60.3%	2,621	-		455,345	60.6%
Amortization of acquisition related intangible assets	-	-	-	-		-	-
Total cost of revenues	452,724	60.3%	2,621	-		455,345	60.6%
Product gross profit	220,465	32.7%	(2,621)	-		217,844	32.4%
Total 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	40,338	5.4%	4,623	-		44,961	6.0%
General and administrative	32,568	4.3%	7,679	-		40,247	5.4%
Write-off of acquired in-process technology	-	-	-	-		-	-
Amortization of acquisition related intangible assets	-	-	-	4,432	(a)	4,432	0.5%
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%	-	-		32,223	4.3%
Income (loss) before taxes	190,175	25.3%	(25,193)	(4,432)		160,550	21.4%
Provision for income taxes	66,561	8.8%	(7,621)	(1,671)	(b)	57,269	7.7%
Income (loss) after taxes	123,614	16.5%	(17,572)	(2,761)		103,281	13.7%
Net income (loss)	**$ 123,614**	**16.5%**	**$ (17,572)**	**$ (2,761)**		**$ 103,281**	**13.7%**
Net income (loss) per share, diluted	**$ 0.61**					**$ 0.51**	
Diluted shares used in computing net income (loss) per share	203,757					202,747	
Effective tax rate	35.0%					35.7%	

(a) Amortization of acquisition related intangibles assets, primarily core and developed technology related to acquisition of Matrix Semiconductor, Inc. (1/06).
(b) Income taxes associated with certain non-GAAP adjustments.

SanDisk Corporation

Reconciliation of Non-GAAP to GAAP Income Statement
Three months ended December 31, 2006
(in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 1,078,880	92.7%	$ -	$ -		$ 1,078,880	92.7%
License and royalty revenue	84,815	7.3%	-	-		84,815	7.3%
Total revenues	**1,163,695**	**100.0%**	**-**	**-**		**1,163,695**	**100.0%**
Cost of product revenue	729,932	62.7%	2,892	4,471	(a)	737,295	63.4%
Amortization of acquisition related intangible assets	-	-	-	10,368	(b)	10,368	0.8%
Total cost of revenues	729,932	62.7%	2,892	14,839		747,663	64.2%
Product gross profit	348,948	32.3%	(2,892)	(14,839)		331,217	30.7%
Total 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	43,842	3.8%	8,548	-		52,390	4.5%
Write-off of acquired in-process technology	-	-	-	186,000	(c)	186,000	16.0%
Amortization of acquisition related intangible assets	-	-	-	4,853	(b)	4,853	0.5%
Total operating expenses	185,738	16.0%	27,901	190,853		404,492	34.8%
Operating income	248,025	21.3%	(30,793)	(205,692)		11,540	1.0%
Total other income	31,674	2.7%	-	-		31,674	2.7%
Income (loss) before taxes	279,699	24.0%	(30,793)	(205,692)		43,214	3.7%
Provision for income taxes	86,409	7.4%	(7,985)	(1,688)	(d)	76,736	6.6%
Income (loss) after taxes	193,290	16.6%	(22,808)	(204,004)		(33,522)	-2.9%
Minority interest	1,619	0.1%	-	-		1,619	0.1%
Net income (loss)	**$ 191,671**	**16.5%**	**$ (22,808)**	**$ (204,004)**		**$ (35,141)**	**-3.0%**
Net income (loss) per share, diluted	**$ 0.87**					**$ (0.17)**	
Diluted shares used in computing net income (loss) per share	220,090					210,849	
Effective tax rate	30.9%					177.6%	

(a) Inventory step-up costs related to msystems acquisition.
(b) Amortization of acquisition related intangibles assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).
(c) Write-off of acquired in-process technology associated with the msystems Ltd. acquisition.
(d) Income taxes associated with certain non-GAAP adjustments.

SanDisk

SanDisk Corporation
Reconciliation of Non-GAAP to GAAP Income Statement
Twelve months ended December 31, 2006
(in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 2,926,472	89.8%	$ -	$ -		$ 2,926,472	89.8%
License and royalty revenue	331,053	10.2%	-	-		331,053	10.2%
Total revenues	**3,257,525**	**100.0%**	**-**	**-**		**3,257,525**	**100.0%**
Cost of product revenue	1,995,222	61.2%	7,991	4,471	(a)	2,007,684	61.6%
Amortization of acquisition related intangible assets	-	-	-	10,368	(b)	10,368	0.4%
Total cost of revenues	1,995,222	61.2%	7,991	14,839		2,018,052	62.0%
Product gross profit	931,250	31.8%	(7,991)	(14,839)		908,420	31.0%
Total 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	-	-	-	225,600	(c)	225,600	6.9%
Amortization of acquisition related intangible assets	-	-	-	17,432	(b)	17,432	0.6%
Total operating expenses	577,457	17.7%	92,650	243,032		913,139	28.0%
Operating income (loss)	684,846	21.0%	(100,641)	(257,871)		326,334	10.0%
Total other income	104,374	3.2%	-	-		104,374	3.2%
Income (loss) before taxes	789,220	24.2%	(100,641)	(257,871)		430,708	13.2%
Provision for income taxes	264,741	8.1%	(27,822)	(6,726)	(d)	230,193	7.0%
Income (loss) after taxes	524,479	16.1%	(72,819)	(251,145)		200,515	6.2%
Minority interest	1,619	0.0%	-	-		1,619	0.0%
Net income (loss)	**$ 522,860**	**16.1%**	**$ (72,819)**	**$ (251,145)**		**$ 198,896**	**6.1%**
Net income per share, diluted	**$ 2.51**					**$ 0.96**	
Diluted shares used in computing net income per share	208,661					207,451	
Effective tax rate	33.5%					53.4%	

(a) Inventory step-up costs related to msystems acquisition.
(b) Amortization of acquisition related intangibles assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).
(c) Write-off of acquired in-process technology associated with the msystems Ltd. acquisition.
(d) Income taxes associated with certain non-GAAP adjustments.

SanDisk

SanDisk Corporation
Reconciliation of Non-GAAP to GAAP Income Statement
Three months ended, April 1, 2007
(In thousands, except percentages and per shares amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 689,357	87.7%	$ -	$ -		$ 689,357	87.7%
License and royalty revenue	96,729	12.3%	-	-		96,729	12.3%
Total revenues	**786,086**	**100.0%**	-	-		**786,086**	**100.0%**
Cost of product revenue	561,927	71.5%	3,214	4,947	(a)	570,088	72.5%
Amortization of acquisition related intangible assets	-	-	-	21,062	(b)	21,062	2.7%
Total cost of 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%
Total 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%
Restructuring charges	6,516	0.8%	-	-		6,516	0.8%
Write-off of acquired in-process technology	-	-	-	-		-	-
Amortization of acquisition related intangible assets	-	-	-	9,100	(b)	9,100	1.1%
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%	-	-		36,259	4.6%
Income (loss) before taxes	83,070	10.6%	(31,219)	(35,109)		16,742	2.1%
Provision for income taxes	33,075	4.2%	(10,989)	(9,929)	(c)	12,157	1.5%
Income (loss) after taxes	49,995	6.4%	(20,230)	(25,180)		4,585	0.6%
Minority interest	5,160	0.7%	-	-		5,160	0.7%
Net income (loss)	**$ 44,835**	**5.7%**	**$ (20,230)**	**$ (25,180)**		**$ (575)**	**-0.1%**
Net income per share, diluted	**$ 0.19**					**$ (0.00)**	
Diluted shares used in computing net income per share	236,426					227,455	
Effective tax rate	39.8%					72.6%	

(a) Inventory step-up costs related to msystems acquisition.
(b) Amortization of acquisition related intangibles assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).
(c) Income taxes associated with certain non-GAAP adjustments.

SanDisk

SanDisk Corporation

Reconciliation of Non-GAAP to GAAP Income Statement

Three months ended, July 1, 2007

(In thousands, except percentages and per shares amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 719,991	87.1%	$ -	$ -		$ 719,991	87.1%
License and royalty revenue	107,041	12.9%	-	-		107,041	12.9%
Total revenues	**827,032**	**100.0%**	**-**	**-**		**827,032**	**100.0%**
Cost of product revenue	583,310	70.5%	3,307	2,119	(a)	588,736	71.2%
Amortization of acquisition-related intangible assets	-	-	-	14,583	(b)	14,583	1.7%
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%
Total 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%
Restructuring charges	212	0.0%	-			212	0.0%
Amortization of acquisition-related intangible assets	-	-	-	7,050	(b)	7,050	0.9%
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	1.7%
Total other income	38,556	4.6%	-	-		38,556	4.6%
Income before taxes	112,863	13.6%	(36,971)	(23,752)		52,140	6.3%
Provision for income taxes	40,969	4.9%	(13,273)	(4,091)	(c)	23,605	2.9%
Income after taxes	71,894	8.7%	(23,698)	(19,661)		28,535	3.4%
Minority interest	51	0.0%	-	-		51	0.0%
Net income	**$ 71,843**	**8.7%**	**$ (23,698)**	**$ (19,661)**		**$ 28,484**	**3.4%**
Net income per share, diluted	**$ 0.30**					**$ 0.12**	
Diluted shares used in computing net income per share	236,855					236,036	
Effective tax rate	36.3%					45.3%	

(a) Inventory step-up costs related to msystems Ltd. acquisition.
(b) Amortization of acquisition-related intangibles assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06) and msystems Ltd. (11/06).
(c) Income taxes associated with certain non-GAAP adjustments.

SanDisk Corporation
Reconciliation of Non-GAAP to GAAP Income Statement
Three months ended September 30, 2007
(in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 918,810	88.6%	$ -	$ -		$ 918,810	88.6%
License and royalty revenue	118,613	11.4%	-	-		118,613	11.4%
Total revenues	**1,037,423**	**100.0%**	**-**	**-**		**1,037,423**	**100.0%**
Cost of product revenues	676,359	65.2%	4,162	-		680,521	65.6%
Amortization of acquisition-related intangible assets		-	-	14,582	(b)	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	-	-	-	4,600	(b)	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%	-	-		29,200	2.8%
Income before taxes	191,660	18.5%	(34,127)	(19,182)		138,351	13.3%
Provision for income taxes	61,857	6.0%	(11,014)	2,870	(c)	53,713	5.2%
Net income	**$ 129,803**	**12.5%**	**$ (23,113)**	**$ (22,052)**		**$ 84,638**	**8.2%**
Net income per share, diluted	**$ 0.54**					**$ 0.36**	
Diluted shares used in computing net income per share	238,643					236,930	
Effective tax rate	32.3%					38.8%	

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

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SanDisk Corporation
Reconciliation of Non-GAAP to GAAP Income Statement
Three months ended December 30, 2007
(in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 1,117,967	89.7%	$ -	$ -		$ 1,117,967	89.7%
License and royalty revenue	127,858	10.3%	-	-		127,858	10.3%
Total revenues	**1,245,825**	**100.0%**	**-**	**-**		**1,245,825**	**100.0%**
Cost of product revenues	785,433	63.0%	4,060	-		789,493	63.4%
Amortization of acquisition-related intangible assets	-	-	-	14,582	(b)	14,582	1.1%
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	3.2%	9,186	-		47,772	3.8%
Amortization of acquisition-related intangible assets	-	-	-	4,558	(b)	4,558	0.4%
Total operating expenses	237,263	19.1%	26,633	4,558		268,454	21.6%
Operating income	223,129	17.9%	(30,693)	(19,140)		173,296	13.9%
Total other income	17,887	1.4%	-	-		17,887	1.4%
Income before taxes	241,016	19.3%	(30,693)	(19,140)		191,183	15.3%
Provision for income taxes	79,388	6.4%	6,504	(519)	(c)	85,373	6.9%
Net income	**$ 161,628**	**13.0%**	**$ (37,197)**	**$ (18,621)**		**$ 105,810**	**8.5%**
Net income per share calculation:							
Net income used in computing basic net income per share	$ 161,628					$ 105,810	
Tax-effected interest costs related to convertible long term deb	117					117	
Net income used in computing diluted net income per share	$ 161,745					$ 105,927	
Net income per share, diluted	**$ 0.69**					**$ 0.45**	
Diluted shares used in computing net income per share	234,154					234,033	
Effective tax rate	32.9%					44.7%	

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

SanDisk

SanDisk Corporation

Reconciliation of Non-GAAP to GAAP Income Statement

Twelve months ended December 30, 2007

(in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments		SanDisk Consolidated GAAP	% of Rev
Product revenue	$ 3,446,125	88.4%	$ -	$ -		$ 3,446,125	88.4%
License and royalty revenue	450,241	11.6%	-	-		450,241	11.6%
Total revenues	**3,896,366**	**100.0%**	**-**	**-**		**3,896,366**	**100.0%**
Cost of product revenues	2,607,029	66.9%	14,743	7,066	(a)	2,628,838	67.5%
Amortization of acquisition-related intangible assets	-	-	-	64,809	(b)	64,809	1.6%
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%
Restructuring	6,728	0.2%	-	-		6,728	0.2%
Amortization of acquisition-related intangible assets	-	-	-	25,308	(b)	25,308	0.6%
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%	-	-		121,902	3.1%
Income before taxes	628,609	16.1%	(133,010)	(97,183)		398,416	10.2%
Provision for income taxes	215,289	5.5%	(29,371)	(11,070)	(c)	174,848	4.5%
Income after taxes	413,320	10.6%	(103,639)	(86,113)		223,568	5.7%
Minority interest	5,211	0.1%	-	-		5,211	0.1%
Net income	**$ 408,109**	10.5%	**$ (103,639)**	**$ (86,113)**		**$ 218,357**	5.6%
Net income per share calculation:							
Net income used in computing basic net income per share	$ 408,109					$ 218,357	
Tax-effected interest costs related to convertible long term deb	469					469	
Net income used in computing diluted net income per share	$ 408,578					$ 218,826	
Net income per share, diluted	**$ 1.73**					**$ 0.93**	
Diluted shares used in computing net income per share	236,614					235,857	
Effective tax rate	34.2%					43.9%	

(a) Inventory step-up costs related to msystems Ltd. acquisition.
(b) 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).
(c) Income taxes associated with certain non-GAAP adjustments.

SanDisk

SanDisk Corporation
Non-GAAP to GAAP Reconciliation of Forward Guidance [1]
For Full Year 2008
Estimates from SanDisk's Analyst Day
February 25, 2008

	Full Year 2008		
	Non-GAAP	Adjustments	GAAP
Product Gross Margin *	24%-28%	(2%) [2]	22%-26%
Total Gross Margin	31%-35%	(2%) [2]	29%-33%
Operating Expenses	18%-20%	3% [3]	21%-23%
Operating Margin	13%-16%	(5%) [4]	8%-11%

* Product Gross Margin reflects product revenue less total cost of product revenues.

[1] The information herein is qualified by and subject to the disclaimer statement read by you prior to reading this presentation.

Adjustments:

[2] Estimate of share-based compensation and amortization of acquisition-related intangibles to be included in total cost of product revenues.

[3] Estimate of share-based compensation and amortization of acquisition-related intangibles to be included in total operating expenses.

[4] Estimate of share-based compensation and amortization of acquisition-related intangibles.

SanDisk

SanDisk Corporation
Non-GAAP to GAAP Reconciliation of Forward Guidance [1]
For Full Year 2009
Estimates from SanDisk's Analyst Day
February 25, 2008

	Full Year 2009		
	Non-GAAP	Adjustments	GAAP
Product Gross Margin *	24%-28%	(2%) [2]	22%- 26%
Total Gross Margin	30%-34%	(2%) [2]	28%-32%
Operating Expenses	17%-18%	3% [3]	20%-21%
Operating Margin	13%-16%	(5%) [4]	8%-11%

* Product Gross Margin reflects product revenue less total cost of product revenues.

[1] The information herein is qualified by and subject to the disclaimer statement read by you prior to reading this presentation.

Adjustments:

[2] Estimate of share-based compensation and amortization of acquisition-related intangibles to be included in total cost of product revenues.

[3] Estimate of share-based compensation and amortization of acquisition-related intangibles to be included in total operating expenses.

[4] Estimate of share-based compensation and amortization of acquisition-related intangibles.

SanDisk

SanDisk Corporation

Non-GAAP to GAAP Reconciliation of Forward Guidance [1]

For Full Year 2010

Estimates from SanDisk's Analyst Day

February 25, 2008

	Full Year 2010		
	Non-GAAP	**Adjustments**	**GAAP**
Product Gross Margin *	24%-28%	(1%) [2]	23%-27%
Operating Margin	13%-16%	(4%) [3]	9%-12%

* Product Gross Margin reflects product revenue less total cost of product revenues.

[1] The information herein is qualified by and subject to the disclaimer statement read by you prior to reading this presentation.

Adjustments:

[2] Estimate of share-based compensation and amortization of acquisition-related intangibles to be included in total cost of product revenues.

[3] Estimate of share-based compensation and amortization of acquisition-related intangibles.

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