

**QLogic Corporation**  
**Condensed Consolidated Statements of Income and Non-GAAP Financial Measurements**  
**For the Year ended April 2, 2006**  
(unaudited -- in thousands, except per share amounts)

<b>Condensed Consolidated Statements of Income - GAAP</b>					
	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
Net revenues	\$ 115,430	\$ 119,012	\$ 129,185	\$ 130,450	\$ 494,077
Cost of revenues	<u>33,993</u>	<u>34,995</u>	<u>36,900</u>	<u>38,358</u>	<u>144,246</u>
Gross profit	<u>81,437</u>	<u>84,017</u>	<u>92,285</u>	<u>92,092</u>	<u>349,831</u>
Operating expenses:					
Engineering and development	20,359	21,417	22,797	25,180	89,753
Sales and marketing	15,233	15,617	16,100	17,466	64,416
General and administrative	3,892	4,190	4,362	4,851	17,295
Purchased in-process research and development	-	-	-	10,510	10,510
Total operating expenses	<u>39,484</u>	<u>41,224</u>	<u>43,259</u>	<u>58,007</u>	<u>181,974</u>
Operating income	41,953	42,793	49,026	34,085	167,857
Interest and other income	<u>6,119</u>	<u>6,111</u>	<u>5,151</u>	<u>15,246</u>	<u>32,627</u>
Income from continuing operations before income taxes	48,072	48,904	54,177	49,331	200,484
Income taxes	<u>19,786</u>	<u>18,414</u>	<u>22,496</u>	<u>17,957</u>	<u>78,653</u>
Income from continuing operations	<u>28,286</u>	<u>30,490</u>	<u>31,681</u>	<u>31,374</u>	<u>121,831</u>
Discontinued operations:					
Income from operations, net of income taxes	13,491	12,534	4,570	(779)	29,816
Gain on sale, net of income taxes	-	-	129,987	1,954	131,941
Income from discontinued operations	<u>13,491</u>	<u>12,534</u>	<u>134,557</u>	<u>1,175</u>	<u>161,757</u>
Net income	<u>\$ 41,777</u>	<u>\$ 43,024</u>	<u>\$ 166,238</u>	<u>\$ 32,549</u>	<u>\$ 283,588</u>
Income per share from continuing operations:					
Basic	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ 0.20</u>	<u>\$ 0.19</u>	<u>\$ 0.71</u>
Diluted	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ 0.19</u>	<u>\$ 0.19</u>	<u>\$ 0.70</u>
Income per share from discontinued operations:					
Basic	<u>\$ 0.08</u>	<u>\$ 0.07</u>	<u>\$ 0.83</u>	<u>\$ 0.01</u>	<u>\$ 0.95</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.07</u>	<u>\$ 0.83</u>	<u>\$ 0.01</u>	<u>\$ 0.93</u>
Net income per share:					
Basic	<u>\$ 0.23</u>	<u>\$ 0.24</u>	<u>\$ 1.03</u>	<u>\$ 0.20</u>	<u>\$ 1.66</u>
Diluted	<u>\$ 0.23</u>	<u>\$ 0.24</u>	<u>\$ 1.02</u>	<u>\$ 0.20</u>	<u>\$ 1.63</u>
Number of shares used in per share calculations:					
Basic	<u>183,065</u>	<u>178,895</u>	<u>161,317</u>	<u>161,722</u>	<u>171,250</u>
Diluted	<u>185,344</u>	<u>181,053</u>	<u>163,093</u>	<u>164,378</u>	<u>173,467</u>

**Non-GAAP Income from Continuing Operations and Non-GAAP Diluted Income per Share from Continuing Operations**

Non-GAAP income from continuing operations	<u>\$ 28,286</u>	<u>\$ 30,490</u>	<u>\$ 31,387</u>	<u>\$ 34,518</u>	<u>\$ 124,681</u>
Non-GAAP diluted income from continuing operations per share	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ 0.19</u>	<u>\$ 0.21</u>	<u>\$ 0.72</u>

A reconciliation of the non-GAAP income from continuing operations and non-GAAP diluted income per share from continuing operations amounts to the most directly comparable GAAP measure, as well as a description of the reasons that management believes that these non-GAAP financial measures provide useful information to investors and the additional purposes for which management uses these non-GAAP financial measures is presented below.

**Non-GAAP Financial Measurements**

The non-GAAP financial measurements contained herein are a supplement to the corresponding financial measurements prepared in accordance with generally accepted accounting principles (GAAP). The non-GAAP financial information presented excludes the items summarized in the table below. Management believes these items are not indicative of the Company's on-going core operating performance.

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Management uses non-GAAP income from continuing operations in its evaluation of the Company's core operating performance and trends between fiscal periods and believes that these measures are important components of its internal performance measurement process. In addition, the Company prepares and maintains its budgets and forecasts for future periods on a basis consistent with this non-GAAP financial measurement.

The non-GAAP financial measurements presented herein have certain limitations in that they do not reflect all of the costs associated with the operations of the Company's business as determined in accordance with GAAP. Therefore, investors should consider non-GAAP measures in addition to, and not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. The non-GAAP information presented by the Company may be different from the non-GAAP measures used by other companies.

**Non-GAAP Income from Continuing Operations and Non-GAAP Diluted Income per Share from Continuing Operations**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP income from continuing operations	\$ 28,286	\$ 30,490	\$ 31,681	\$ 31,374	\$ 121,831
Items excluded from GAAP income from continuing operations:					
Amortization of purchased intangible assets	-	-	-	201	201
Acquisition-related stock-based compensation	-	-	212	318	530
Insurance recovery	-	-	(700)	-	(700)
Purchased in-process research and development	-	-	-	10,510	10,510
Gain on sale of shares acquired in the sale of the hard disk drive and tape drive controller business	-	-	-	(8,463)	(8,463)
Income tax effect	-	-	194	578	772
Non-GAAP income from continuing operations	<u>\$ 28,286</u>	<u>\$ 30,490</u>	<u>\$ 31,387</u>	<u>\$ 34,518</u>	<u>\$ 124,681</u>
Diluted income per share from continuing operations per share:					
GAAP income per share from continuing operations	\$ 0.15	\$ 0.17	\$ 0.19	\$ 0.19	\$ 0.70
Adjustments	-	-	-	0.02	0.02
Non-GAAP income from continuing operations	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ 0.19</u>	<u>\$ 0.21</u>	<u>\$ 0.72</u>

The Company has presented non-GAAP income from continuing operations and non-GAAP diluted income per share from continuing operations, on a basis consistent with its historical presentation, to assist investors in understanding the Company's core income from continuing operations and non-GAAP diluted income from continuing operations per share on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's core net profitability with historical periods and comparisons of the Company's core net profitability with the corresponding results for competitors. Management believes that on-going income from continuing operations and diluted income per share from continuing operations are important measures in the evaluation of the Company's profitability. These non-GAAP financial measures exclude the adjustments described above, and thus provide an overall measure of the Company's on-going net profitability and related profitability on a diluted per share basis.

**Non-GAAP Cost of Revenues**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP Cost of Revenues	\$ 33,993	\$ 34,995	\$ 36,900	\$ 38,358	\$ 144,246
Amortization of purchased intangible assets	-	-	-	(201)	(201)
Non-GAAP Cost of Revenues	<u>\$ 33,993</u>	<u>\$ 34,995</u>	<u>\$ 36,900</u>	<u>\$ 38,157</u>	<u>\$ 144,045</u>

The Company has presented non-GAAP cost of revenues, on a basis consistent with its historical presentation, to assist investors in understanding the Company's cost of revenues on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's cost of revenues with historical periods and comparisons of the Company's cost of revenues with the corresponding results from competitors. To the extent that costs associated with business combinations are included in cost of revenues in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of cost of revenues. This non-GAAP measure is useful to investors, and is also useful to management in evaluating cost of revenues.

**Non-GAAP Gross Profit**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP Gross Profit	\$ 81,437	\$ 84,017	\$ 92,285	\$ 92,092	\$ 349,831
Amortization of purchased intangible assets	-	-	-	201	201
Non-GAAP Gross Profit	<u>\$ 81,437</u>	<u>\$ 84,017</u>	<u>\$ 92,285</u>	<u>\$ 92,293</u>	<u>\$ 350,032</u>

The Company has presented non-GAAP gross profit, on a basis consistent with its historical presentation, to assist investors in understanding the Company's gross profit on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's gross profit with historical periods and comparisons of the Company's gross profit with the corresponding results from competitors. To the extent that costs associated with business combinations are included in gross profit in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of gross profit. This non-GAAP measure is useful to investors, and is also useful to management in evaluating gross profit.

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**Non-GAAP Engineering and Development Expenses**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP engineering and development expenses	\$ 20,359	\$ 21,417	\$ 22,797	\$ 25,180	\$ 89,753
Acquisition-related stock-based compensation	-	-	(170)	(256)	(426)
Non-GAAP engineering and development expenses	<u>\$ 20,359</u>	<u>\$ 21,417</u>	<u>\$ 22,627</u>	<u>\$ 24,924</u>	<u>\$ 89,327</u>

The Company has presented non-GAAP engineering and development expenses, on a basis consistent with its historical presentation, to assist investors in understanding the Company's core engineering and development expenses on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's core engineering and development expenses with historical periods and comparisons of the Company's core engineering and development expenses with the corresponding expenses for competitors. Management believes that on-going engineering and development expenses are an important measure in the evaluation of the investments that are made by technology companies. In addition, management believes that the level of investment in engineering and development expenses is one of the important factors used to evaluate technology companies in an environment where there are rapid technological changes, evolving industry standards and continuing improvements in product features and performance. To the extent that costs associated with business combinations are included in engineering and development expenses in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of the core level of engineering and development investment. This non-GAAP measure is useful to investors, and is also useful to management in evaluating its commitment to core engineering and development investments.

**Non-GAAP Sales and Marketing Expenses**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP sales and marketing expenses	\$ 15,233	\$ 15,617	\$ 16,100	\$ 17,466	\$ 64,416
Acquisition-related stock-based compensation	-	-	(42)	(62)	(104)
Non-GAAP sales and marketing expenses	<u>\$ 15,233</u>	<u>\$ 15,617</u>	<u>\$ 16,058</u>	<u>\$ 17,404</u>	<u>\$ 64,312</u>

The Company has presented non-GAAP sales and marketing expenses, on a basis consistent with its historical presentation, to assist investors in understanding the Company's core sales and marketing expenses on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's core sales and marketing expenses with historical periods and comparisons of the Company's core sales and marketing expenses with the corresponding expenses for competitors. Management believes that on-going sales and marketing expenses are an important measure in the evaluation of the sales and marketing efforts of technology companies. In addition, management believes that investments in the sales and marketing organizational infrastructure and related marketing program are critical to expanding the Company's customer base and enhancing relationships with existing customers. To the extent that costs associated with business combinations are included in sales and marketing expenses in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of the core level of sales and marketing investment. This non-GAAP measure is useful to investors, and is also useful to management in evaluating its commitment to core sales and marketing efforts.

**Non-GAAP General and Administrative Expenses**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP general and administrative expenses	\$ 3,892	\$ 4,190	\$ 4,362	\$ 4,851	\$ 17,295
Insurance recovery	-	-	700	-	700
Non-GAAP general and administrative expenses	<u>\$ 3,892</u>	<u>\$ 4,190</u>	<u>\$ 5,062</u>	<u>\$ 4,851</u>	<u>\$ 17,995</u>

The Company has presented non-GAAP general and administrative expenses, on a basis consistent with its historical presentation, to assist investors in understanding the Company's core general and administrative expenses on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's core general and administrative expenses with historical periods and comparisons of the Company's core general and administrative expenses with the corresponding expenses for competitors. To the extent that non-recurring insurance recoveries are included in general and administrative expenses in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of the core level of general and administrative expenses. This non-GAAP measure is useful to investors, and is also useful to management in evaluating its core general and administrative costs.

**Non-GAAP Operating Expenses**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP operating expenses	\$ 39,484	\$ 41,224	\$ 43,259	\$ 58,007	\$ 181,974
Acquisition-related stock-based compensation	-	-	(212)	(318)	(530)
Insurance recovery	-	-	700	-	700
Purchased in-process research and development	-	-	-	(10,510)	(10,510)
Non-GAAP operating expenses	<u>\$ 39,484</u>	<u>\$ 41,224</u>	<u>\$ 43,747</u>	<u>\$ 47,179</u>	<u>\$ 171,634</u>

The Company has presented non-GAAP operating expenses, on a basis consistent with its historical presentation, to assist investors in understanding the Company's core operating expenses on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's core operating expenses with historical periods and comparisons of the Company's core operating expenses with the corresponding expenses for competitors. Management believes that on-going operating expenses are an important measure in the evaluation of the Company's overall resource utilization and operating performance, due to the direct impact that core operating expenses have on overall profitability. To the extent that non-recurring insurance recoveries and costs associated with business combinations are included in operating expenses in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of the core level of operating expenses. This non-GAAP measure is useful to investors, and is also useful to management in evaluating operating expenses.

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**Non-GAAP Operating Income**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP operating income	\$ 41,953	\$ 42,793	\$ 49,026	\$ 34,085	\$ 167,857
Amortization of purchased intangible assets	-	-	-	201	201
Acquisition-related stock-based compensation	-	-	212	318	530
Insurance recovery	-	-	(700)	-	(700)
Purchased in-process research and development	-	-	-	10,510	10,510
Non-GAAP operating income	<u>\$ 41,953</u>	<u>\$ 42,793</u>	<u>\$ 48,538</u>	<u>\$ 45,114</u>	<u>\$ 178,398</u>

The Company has presented non-GAAP operating income, on a basis consistent with its historical presentation, to assist investors in understanding the Company's core operating income on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's core operating income with historical periods and comparisons of the Company's core operating income with the corresponding performance for competitors. Management believes that on-going operating income is an important measure in the evaluation of the Company's profitability associated with normal operations. To the extent that non-recurring insurance recoveries and costs associated with business combinations are included in operating income in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of the core level of operating income. This non-GAAP measure is useful to investors, and is also useful to management in evaluating operating income.

**Non-GAAP Interest and Other Income**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP interest and other income	\$ 6,119	\$ 6,111	\$ 5,151	\$ 15,246	\$ 32,627
Gain on sale of shares acquired in the sale of discontinued operations	-	-	-	(8,463)	(8,463)
Non-GAAP interest and other income	<u>\$ 6,119</u>	<u>\$ 6,111</u>	<u>\$ 5,151</u>	<u>\$ 6,783</u>	<u>\$ 24,164</u>

The Company has presented non-GAAP interest and other income, on a basis consistent with its historical presentation, to assist investors in understanding the Company's interest and other income on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's interest and other income with historical periods and comparisons of the Company's interest and other income with the corresponding results from competitors. To the extent that gains associated with the sale of discontinued operations are included in interest and other income in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of interest and other income. This non-GAAP measure is useful to investors, and is also useful to management in evaluating interest and other income.

**Non-GAAP Income from Continuing Operations before Income Taxes**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP income from continuing operations before income taxes	\$ 48,072	\$ 48,904	\$ 54,177	\$ 49,331	\$ 200,484
Amortization of purchased intangible assets	-	-	-	201	201
Acquisition-related stock-based compensation	-	-	212	318	530
Insurance recovery	-	-	(700)	-	(700)
Purchased in-process research and development	-	-	-	10,510	10,510
Gain on sale of shares acquired in the sale of the hard disk drive and tape drive controller business	-	-	-	(8,463)	(8,463)
Non-GAAP income from continuing operations before income taxes	<u>\$ 48,072</u>	<u>\$ 48,904</u>	<u>\$ 53,689</u>	<u>\$ 51,897</u>	<u>\$ 202,562</u>

The Company has presented non-GAAP income from continuing operations before income taxes, on a basis consistent with its historical presentation, to assist investors in understanding the Company's core income from continuing operations before income taxes on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's core income from continuing operations before income taxes with historical periods and comparisons of the Company's core income from continuing operations before income taxes with the corresponding performance for competitors. Management believes that on-going income from continuing operations before income taxes is an important measure in the evaluation of the Company's profitability associated with normal operations. To the extent that non-recurring insurance recoveries, gain on sale of shares acquired in the sale of discontinued operations and costs associated with business combinations are included in income before income taxes in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of the core level of income before income taxes. This non-GAAP measure is useful to investors, and is also useful to management in evaluating income before income taxes.

**Non-GAAP Income Taxes**

	<u>Q1-FY06</u>	<u>Q2-FY06</u>	<u>Q3-FY06</u>	<u>Q4-FY06</u>	<u>Total YTD</u>
GAAP income taxes	\$ 19,786	\$ 18,414	\$ 22,496	\$ 17,957	\$ 78,653
Tax effect of adjustments to GAAP operating expenses	-	-	(194)	(578)	(772)
Non-GAAP income taxes	<u>\$ 19,786</u>	<u>\$ 18,414</u>	<u>\$ 22,302</u>	<u>\$ 17,379</u>	<u>\$ 77,881</u>

The Company has presented non-GAAP income taxes, on a basis consistent with its historical presentation, to assist investors in understanding the Company's core income tax expense on an on-going basis. The non-GAAP presentation also enhances comparisons of the Company's core income tax expense with historical periods and comparisons of the Company's core income tax expense with the corresponding tax expense for competitors. Management believes that on-going income tax expense is an important measure in the evaluation of the Company's profitability associated with normal operations. To the extent that non-recurring insurance recoveries, gain on sale of shares acquired in the sale of discontinued operations and costs associated with business combinations are included in the calculation of income taxes in accordance with GAAP, management believes that it is useful to exclude these amounts in the calculation of the core level of income taxes. This non-GAAP measure is useful to investors, and is also useful to management in evaluating income taxes.