

SanDisk Corporation

Reconciliation of Preliminary Non-GAAP to GAAP Condensed Consolidated Statement of Operations

Three months ended September 29, 2013

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

	Q3'13		Share-based Compensation	Purchase Accounting Adjustment	Convertible Debt Adjustment	Other	Q3'13	
	Non-GAAP	% of Rev					GAAP	% of Rev
Revenues	\$ 1,625,153	100.0%	\$ -	\$ -	\$ -	\$ -	\$ 1,625,153	100.0%
Cost of revenues	810,188	49.9%	2,716 (a)	-	-	-	812,904	50.0%
Amortization of acquisition-related intangible assets	-	-	-	10,256 (b)	-	-	10,256	0.6%
Total cost of revenues	810,188	49.9%	2,716	10,256	-	-	823,160	50.7%
Gross profit	814,965	50.1%	(2,716)	(10,256)	-	-	801,993	49.3%
Research and development	170,679	10.5%	13,142 (a)	-	-	-	183,821	11.3%
Sales and marketing	66,996	4.1%	5,241 (a)	-	-	-	72,237	4.4%
General and administrative	44,340	2.7%	4,831 (a)	-	-	-	49,171	3.0%
Amortization of acquisition-related intangible assets	-	-	-	5,088 (b)	-	-	5,088	0.3%
Impairment of acquisition-related intangible assets	-	-	-	83,228 (c)	-	-	83,228	5.1%
Total operating expenses	282,015	17.4%	23,214	88,316	-	-	393,545	24.2%
Operating income	532,950	32.8%	(25,930)	(98,572)	-	-	408,448	25.1%
Other income (expense), net	4,967	0.3%	-	-	(9,859) (d)	-	(4,892)	(0.3%)
Income before income taxes	537,917	33.1%	(25,930)	(98,572)	(9,859)	-	403,556	24.8%
Provision for income taxes	167,170	10.3%	(7,227)	(28,867)	(3,549)	(830) (e)	126,697	7.8%
Net income	\$ 370,747	22.8%	\$ (18,703)	\$ (69,705)	\$ (6,310)	\$ 830	\$ 276,859	17.0%
Net income per share, diluted	\$ 1.59						\$ 1.18	
Diluted shares used in computing net income per share	233,256		(363) (f)		2,139 (g)		235,032	
Effective tax rate	31.1%		27.9%	29.3%	36.0%		31.4%	

(a) Share-based compensation expense.

(b) Amortization of acquisition-related intangible assets, primarily core technology, developed technology, customer relationships and trademarks related to the acquisitions of Pliant Technology, Inc. (May 2011), FlashSoft Corporation (February 2012), Schooner Information Technology, Inc. (June 2012) and SMART Storage Systems (August 2013).

(c) Impairment of acquisition-related intangible assets and in-process research and development related to the Pliant Technology, Inc. acquisition.

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

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

(f) Impact of share-based compensation on diluted shares.

(g) Impact of offsetting shares from call option related to the Company's 1.5% Sr. Convertible Notes due 2017.

SanDisk Corporation

Reconciliation of Preliminary Non-GAAP to GAAP Condensed Consolidated Statement of Operations Nine months ended September 29, 2013

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

	Q3'13 YTD Non-GAAP		% of Rev	Share-based Compensation	Purchase Accounting Adjustment	Convertible Debt Adjustment	Other	Q3'13 YTD GAAP		% of Rev
	\$	\$						\$	\$	
Revenues	4,442,145	100.0%		-	-	-	-	4,442,145	100.0%	
Cost of revenues	2,395,021	53.9%		6,880 (a)	-	-	-	2,401,901	54.1%	
Amortization of acquisition-related intangible assets	-	-		-	29,916 (b)	-	-	29,916	0.7%	
Total cost of revenues	2,395,021	53.9%		6,880	29,916	-	-	2,431,817	54.7%	
Gross profit	2,047,124	46.1%		(6,880)	(29,916)	-	-	2,010,328	45.3%	
Research and development	489,501	11.0%		37,486 (a)	-	-	-	526,987	11.9%	
Sales and marketing	181,152	4.1%		13,813 (a)	-	-	-	194,965	4.4%	
General and administrative	127,006	2.9%		14,146 (a)	-	-	-	141,152	3.2%	
Amortization of acquisition-related intangible assets	-	-		-	9,199 (b)	-	-	9,199	0.2%	
Impairment of acquisition-related intangible assets	-	-		-	83,228 (c)	-	-	83,228	1.9%	
Total operating expenses	797,659	18.0%		65,445	92,427	-	-	955,531	21.5%	
Operating income	1,249,465	28.1%		(72,325)	(122,343)	-	-	1,054,797	23.7%	
Other income (expense), net	16,312	0.4%		-	-	(50,202) (d)	-	(33,890)	(0.8%)	
Income before income taxes	1,265,777	28.5%		(72,325)	(122,343)	(50,202)	-	1,020,907	23.0%	
Provision for income taxes	389,161	8.8%		(20,365)	(29,548)	(18,073)	(5,146) (e)	316,030	7.1%	
Net income	876,616	19.7%		(51,960)	(92,796)	(32,129)	5,146	704,877	15.9%	
Net income per share, diluted	3.63							2.91		
Diluted shares used in computing net income per share	241,408			(248) (f)		1,110 (g)		242,270		
Effective tax rate	30.7%			28.2%	24.2%	36.0%		31.0%		

(a) Share-based compensation expense.

(b) Amortization of acquisition-related intangible assets, primarily core technology, developed technology, customer relationships and trademarks related to the acquisitions of Pliant Technology, Inc. (May 2011), FlashSoft Corporation (February 2012), Schooner Information Technology, Inc. (June 2012) and SMART Storage Systems (August 2013).

(c) Impairment of acquisition-related intangible assets and in-process research and development related to the Pliant Technology, Inc. acquisition.

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

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

(f) Impact of share-based compensation on diluted shares.

(g) Impact of offsetting shares from call option related to the Company's 1.5% Sr. Convertible Notes due 2017.