

SanDisk Corporation
Reconciliation of Preliminary Non-GAAP to GAAP Condensed Consolidated Statement of Operations
Three months ended March 30, 2014

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

	Q1'14		Share-based Compensation	Purchase Accounting Adjustment	Convertible Debt Adjustment	Other	Q1'14	
	Non-GAAP	% of Rev					GAAP	% of Rev
Revenues	\$ 1,511,945	100.0%	\$ -	\$ -	\$ -	\$ -	\$ 1,511,945	100.0%
Cost of revenues	738,429	48.8%	2,610 (a)	-	-	-	741,039	49.0%
Amortization of acquisition-related intangible assets	-	-	-	19,616 (b)	-	-	19,616	1.3%
Total cost of revenues	738,429	48.8%	2,610	19,616	-	-	760,655	50.3%
Gross profit	773,516	51.2%	(2,610)	(19,616)	-	-	751,290	49.7%
Research and development	183,154	12.1%	15,675 (a)	-	-	-	198,829	13.2%
Sales and marketing	70,715	4.7%	6,257 (a)	-	-	-	76,972	5.1%
General and administrative	43,181	2.9%	5,488 (a)	-	-	-	48,669	3.2%
Amortization of acquisition-related intangible assets	-	-	-	1,646 (b)	-	-	1,646	0.1%
Total operating expenses	297,050	19.6%	27,420	1,646	-	-	326,116	21.6%
Operating income	476,466	31.5%	(30,030)	(21,262)	-	-	425,174	28.1%
Other income (expense), net	5,329	0.4%	-	-	(20,964) (c)	-	(15,635)	(1.0%)
Income before income taxes	481,795	31.9%	(30,030)	(21,262)	(20,964)	-	409,539	27.1%
Provision for income taxes	151,765	10.0%	(7,709)	(360)	(7,592)	4,487 (d)	140,591	9.3%
Net income	\$ 330,030	21.8%	\$ (22,321)	\$ (20,902)	\$ (13,372)	\$ (4,487)	\$ 268,948	17.8%
Net income per share, diluted	\$ 1.44						\$ 1.14	
Diluted shares used in computing net income per share	229,508		(296) (e)		5,702 (f)		234,914	
Effective tax rate	31.5%		25.7%	1.7%	36.2%		34.3%	

(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) Incremental interest expense relating to the non-cash economic interest expense associated with the Company's 1.5% Sr. Convertible Notes due 2017 and 0.5% Sr. Convertible Notes due 2020.

(d) Income taxes associated with certain non-GAAP to GAAP adjustments and the effects of one-time income tax adjustments recorded in a specific quarter for GAAP purposes are reflected on a forecast basis in the non-GAAP tax rate.

(e) Non-GAAP diluted shares include the impact of share-based compensation.

(f) Non-GAAP diluted shares include the impact of offsetting shares from the call option related to the 1.5% Sr. Convertible Notes due 2017.