SanDisk Corporation

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

Three months ended June 29, 2014

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

	Q2'14 Non-GAAP	% of Rev	Share-based Compensation		Purchase Accounting Adjustment		Convertible Debt Adjustment		Other		Q2'14 GAAP	% of Rev
Revenues	**$ 1,634,011**	**100.0%**	**$ -**		**$ -**		**$ -**		**$ -**		**$ 1,634,011**	**100.0%**
Cost of revenues	851,133	52.1%	3,507	(a)	-		-		-		854,640	52.3%
Amortization of acquisition-related intangible assets	-	-	-		19,721	(b)	-		-		19,721	1.2%
Total cost of revenues	851,133	52.1%	3,507		19,721		-		-		874,361	53.5%
Gross profit	782,878	47.9%	(3,507)		(19,721)		-		-		759,650	46.5%
Research and development	186,530	11.4%	17,500	(a)	-		-		-		204,030	12.5%
Sales and marketing	76,194	4.7%	7,204	(a)	-		-		-		83,398	5.1%
General and administrative	47,847	2.9%	6,238	(a)	-		-		-		54,085	3.3%
Amortization of acquisition-related intangible assets	-	-	-		1,481	(b)	-		-		1,481	0.1%
Total operating expenses	310,571	19.0%	30,942		1,481		-		-		342,994	21.0%
Operating income	472,307	28.9%	(34,449)		(21,202)		-		-		416,656	25.5%
Other income (expense), net	7,546	0.5%	-		-		(21,125)	(c)	-		(13,579)	(0.8%)
Income before income taxes	479,853	29.4%	(34,449)		(21,202)		(21,125)		-		403,077	24.7%
Provision for income taxes	151,154	9.3%	(9,758)		(352)		(7,651)		(4,262)	(d)	129,131	7.9%
Net income	**$ 328,699**	**20.1%**	**$ (24,691)**		**$ (20,850)**		**$ (13,474)**		**$ 4,262**		**$ 273,946**	**16.8%**
Net income per share, diluted	**$ 1.41**										**$ 1.14**	
Diluted shares used in computing net income per share	232,808		(336)	(e)			8,284	(f)			240,756	
Effective tax rate	31.5%		28.3%		1.7%		36.2%				32.0%	

(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) Incremental interest expense relating to the non-cash economic interest expense associated with the 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.

SanDisk Corporation

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

Six months ended June 29, 2014

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

	Q2'14 Non-GAAP	% of Rev	Share-based Compensation		Purchase Accounting Adjustment		Convertible Debt Adjustment		Other		Q2'14 GAAP	% of Rev
Revenues	**$ 3,145,956**	**100.0%**	**$ -**		**$ -**		**$ -**		**$ -**		**$ 3,145,956**	**100.0%**
Cost of revenues	1,589,562	50.5%	6,117	(a)	-		-		-		1,595,679	50.7%
Amortization of acquisition-related intangible assets	-	-	-		39,337	(b)	-		-		39,337	1.3%
Total cost of revenues	1,589,562	50.5%	6,117		39,337		-		-		1,635,016	52.0%
Gross profit	1,556,394	49.5%	(6,117)		(39,337)		-		-		1,510,940	48.0%
Research and development	369,684	11.8%	33,175	(a)	-		-		-		402,859	12.8%
Sales and marketing	146,909	4.7%	13,461	(a)	-		-		-		160,370	5.1%
General and administrative	91,028	2.9%	11,726	(a)	-		-		-		102,754	3.3%
Amortization of acquisition-related intangible assets	-	-	-		3,127	(b)	-		-		3,127	0.1%
Total operating expenses	607,621	19.3%	58,362		3,127		-		-		669,110	21.3%
Operating income	948,773	30.2%	(64,479)		(42,464)		-		-		841,830	26.8%
Other income (expense), net	12,875	0.4%	-		-		(42,089)	(c)	-		(29,214)	(0.9%)
Income before income taxes	961,648	30.6%	(64,479)		(42,464)		(42,089)		-		812,616	25.8%
Provision for income taxes	302,919	9.6%	(17,467)		(712)		(15,243)		225	(d)	269,722	8.6%
Net income	**$ 658,729**	**20.9%**	**$ (47,012)**		**$ (41,752)**		**$ (26,846)**		**$ (225)**		**$ 542,894**	**17.3%**
Net income per share, diluted	**$ 2.84**										**$ 2.28**	
Diluted shares used in computing net income per share	231,570		(266)	(e)			7,159	(f)			238,463	
Effective tax rate	31.5%		27.1%		1.7%		36.2%				33.2%	

(a) Share-based compensation expense.
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(c) Incremental interest expense relating to the non-cash economic interest expense associated with the 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.