

**SanDisk Corporation**  
**Reconciliation of Preliminary Non-GAAP to GAAP Statement of Operations**  
**Three months ended December 28, 2008**  
(in thousands, except percentages and per share amounts, unaudited)

	<u>Non-GAAP</u>	<u>% of Revenue</u>	<u>Share-based Compensation</u>	<u>Purchase Accounting Adjustments</u>	<u>Impairments</u>	<u>GAAP</u>	<u>% of Revenue</u>
Product revenues	\$ 742,128	85.9%	\$ -	\$ -	\$ -	\$ 742,128	85.9%
License and royalty revenues	121,749	14.1%	-	-	-	121,749	14.1%
<b>Total revenues</b>	<b>863,877</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>863,877</b>	<b>100.0%</b>
Cost of product revenues	1,191,270	137.9%	2,489	-	-	1,193,759	138.2%
Amortization of acquisition-related intangible assets	-	-	-	10,766 (a)	-	10,766	1.2%
Total cost of product revenues	1,191,270	137.9%	2,489	10,766	-	1,204,525	139.4%
Product gross loss	(449,142)	-60.5%	(2,489)	(10,766)	-	(462,397)	-62.3%
Gross profit loss	(327,393)	-37.9%	(2,489)	(10,766)	-	(340,648)	-39.4%
Research and development	91,651	10.6%	10,161	-	-	101,812	11.8%
Sales and marketing	77,839	9.0%	4,587	-	-	82,426	9.5%
General and administrative	39,509	4.6%	6,677	-	-	46,186	123.6%
Impairment of goodwill	-	-	-	-	845,453 (c)	845,453	97.9%
Impairment of acquisition-related intangible assets	-	-	-	-	175,785 (c)	175,785	20.3%
Amortization of acquisition-related intangible assets	-	-	-	3,275 (a)	-	3,275	0.4%
Restructuring and other	31,382	3.6%	-	-	-	31,382	3.6%
Total operating expenses	240,381	27.8%	21,425	3,275	1,021,238	1,286,319	148.9%
Operating loss	(567,774)	-65.7%	(23,914)	(14,041)	(1,021,238)	(1,626,967)	-188.3%
Other income	24,472	2.8%	-	-	-	24,472	2.8%
Loss before provision for (benefit from) income taxes	(543,302)	-62.9%	(23,914)	(14,041)	(1,021,238)	(1,602,495)	-185.5%
Provision for (benefit from) income taxes	(170,957)	-19.8%	(12,065) (b)	(7,084) (b)	452,210 (b)	262,104	30.3%
<b>Net loss</b>	<b>\$ (372,345)</b>	<b>-43.1%</b>	<b>\$ (11,849)</b>	<b>\$ (6,957)</b>	<b>\$ (1,473,448)</b>	<b>\$ (1,864,599)</b>	<b>-215.8%</b>
<b>Net loss per share, diluted</b>	<b>\$ (1.65)</b>					<b>\$ (8.25)</b>	
Diluted shares used in computing net loss per share	226,079					226,079	
Effective tax rate	31.5%					-16.4%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), and MusicGremlin, Inc. (June 2008).

(b) Income taxes associated with certain non-GAAP adjustments and a valuation allowance on deferred taxes.

(c) Impairment of goodwill and acquisition-related intangible assets primarily related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), MusicGremlin, Inc. (June 2008).

**SanDisk Corporation**  
**Reconciliation of Preliminary Non-GAAP to GAAP Statement of Operations**  
**Twelve months ended December 28, 2008**  
(in thousands, except percentages and per share amounts, unaudited)

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	Impairments	GAAP	% of Revenue
Product revenues	\$ 2,843,243	84.8%	\$ -	\$ -	\$ -	\$ 2,843,243	84.8%
License and royalty revenues	508,109	15.2%	-	-	-	508,109	15.2%
<b>Total revenues</b>	<b>3,351,352</b>	<b>100.0%</b>	-	-	-	<b>3,351,352</b>	<b>100.0%</b>
Cost of product revenues	3,222,978	96.2%	10,775	-	-	3,233,753	96.5%
Amortization of acquisition-related intangible assets	-	-	-	54,512 (a)	-	54,512	1.6%
Total cost of product revenues	3,222,978	96.2%	10,775	54,512	-	3,288,265	98.1%
Product gross loss	(379,735)	-13.4%	(10,775)	(54,512)	-	(445,022)	-15.7%
Gross profit	128,374	3.8%	(10,775)	(54,512)	-	63,087	1.9%
Research and development	391,095	11.7%	38,854	-	-	429,949	12.8%
Sales and marketing	308,012	9.2%	20,067	-	-	328,079	9.8%
General and administrative	176,662	5.2%	28,103	-	-	204,765	36.6%
Impairment of goodwill	-	-	-	-	845,453 (c)	845,453	25.2%
Impairment of acquisition-related intangible assets	-	-	-	-	175,785 (c)	175,785	5.2%
Amortization of acquisition-related intangible assets	-	-	-	17,069 (a)	-	17,069	0.5%
Restructuring and other	35,467	1.1%	-	-	-	35,467	1.1%
Total operating expenses	911,236	27.2%	87,024	17,069	1,021,238	2,036,567	60.8%
Operating loss	(782,862)	-23.4%	(97,799)	(71,581)	(1,021,238)	(1,973,480)	-58.9%
Other income	70,446	2.1%	-	-	-	70,446	2.1%
Loss before provision for (benefit from) income taxes	(712,416)	-21.3%	(97,799)	(71,581)	(1,021,238)	(1,903,034)	-56.8%
Provision for (benefit from) income taxes	(233,428)	-7.0%	(30,304) (b)	(21,722) (b)	452,210 (b)	166,756	5.0%
<b>Net loss</b>	<b>\$ (478,988)</b>	<b>-14.3%</b>	<b>\$ (67,495)</b>	<b>\$ (49,859)</b>	<b>\$ (1,473,448)</b>	<b>\$ (2,069,790)</b>	<b>-61.8%</b>
<b>Net loss per share, diluted</b>	<b>\$ (2.13)</b>					<b>\$ (9.19)</b>	
Diluted shares used in computing net loss per share	225,292					225,292	
Effective tax rate	32.8%					-8.8%	

(a) Amortization of acquisition-related intangible assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), and MusicGremlin, Inc. (June 2008).

(b) Income taxes associated with certain non-GAAP adjustments and a valuation allowance on deferred taxes.

(c) Impairment of goodwill and acquisition-related intangible assets primarily related to acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), MusicGremlin, Inc. (June 2008).