

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

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	GAAP	% of Revenue
Product revenues	\$ 689,556	83.9%	\$ -	\$ -	\$ 689,556	83.9%
License and royalty revenue	131,941	16.1%	-	-	131,941	16.1%
<b>Total revenues</b>	<b>821,497</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>821,497</b>	<b>100.0%</b>
Cost of product revenues	810,184	98.6%	2,648	-	812,832	98.9%
Amortization of acquisition-related intangible assets	-	-	-	14,582 (a)	14,582	1.8%
Total cost of product revenues	810,184	98.6%	2,648	14,582	827,414	100.7%
Product gross profit (loss)	(120,628)	-17.5%	(2,648)	(14,582)	(137,858)	-20.0%
Gross profit (loss)	11,313	1.4%	(2,648)	(14,582)	(5,917)	-0.7%
Research and development	94,017	11.4%	10,543	-	104,560	12.7%
Sales and marketing	82,313	10.0%	5,546	-	87,859	10.7%
General and administrative	40,277	5.0%	6,814	-	47,091	5.8%
Amortization of acquisition-related intangible assets	-	-	-	4,766 (a)	4,766	0.6%
Total operating expenses	216,607	26.4%	22,903	4,766	244,276	29.8%
Operating loss	(205,294)	-25.0%	(25,551)	(19,348)	(250,193)	-30.5%
Total other expense	(450)	0.0%	-	-	(450)	0.0%
Loss before taxes	(205,744)	-25.0%	(25,551)	(19,348)	(250,643)	-30.5%
Benefit from income taxes	(73,656)	-8.9%	(10,853) (b)	(10,940) (b)	(95,449)	-11.6%
<b>Net loss</b>	<b>\$ (132,088)</b>	<b>-16.1%</b>	<b>\$ (14,698)</b>	<b>\$ (8,408)</b>	<b>\$ (155,194)</b>	<b>-18.9%</b>
<b>Net loss per share, diluted</b>	<b>\$ (0.59)</b>				<b>\$ (0.69)</b>	
Diluted shares used in computing net loss per share	225,682				225,682	
Effective tax rate	35.8%				38.1%	

(a) Amortization of acquisition-related intangibles assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06), msystems Ltd. (11/06), and MusicGremlin (6/08).

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

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

	Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	GAAP	% of Revenue
Product revenues	\$ 2,101,115	84.5%	\$ -	\$ -	\$ 2,101,115	84.5%
License and royalty revenue	386,360	15.5%	-	-	386,360	15.5%
<b>Total revenues</b>	<b>2,487,475</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>2,487,475</b>	<b>100.0%</b>
Cost of product revenues	2,031,708	81.7%	8,286	-	2,039,994	82.0%
Amortization of acquisition-related intangible assets	-	-	-	43,746 (a)	43,746	1.8%
Total cost of product revenues	2,031,708	81.7%	8,286	43,746	2,083,740	83.8%
Product gross profit	69,407	3.3%	(8,286)	(43,746)	17,375	0.8%
Gross profit	455,767	18.3%	(8,286)	(43,746)	403,735	16.2%
Research and development	299,444	12.0%	28,693	-	328,137	13.2%
Sales and marketing	230,173	9.3%	15,480	-	245,653	9.9%
General and administrative	137,153	5.4%	21,426	-	158,579	6.2%
Amortization of acquisition-related intangible assets	-	-	-	13,794 (a)	13,794	0.6%
Restructuring	4,085	0.2%	-	-	4,085	0.2%
Total operating expenses	670,855	26.9%	65,599	13,794	750,248	30.1%
Operating loss	(215,088)	-8.6%	(73,885)	(57,540)	(346,513)	-13.9%
Total other income	45,974	1.8%	-	-	45,974	1.8%
Loss before taxes	(169,114)	-6.8%	(73,885)	(57,540)	(300,539)	-12.1%
Benefit from income taxes	(62,471)	-2.5%	(18,239) (b)	(14,638) (b)	(95,348)	-3.9%
<b>Net loss</b>	<b>\$ (106,643)</b>	<b>-4.3%</b>	<b>\$ (55,646)</b>	<b>\$ (42,902)</b>	<b>\$ (205,191)</b>	<b>-8.2%</b>
<b>Net loss per share, diluted</b>	<b>\$ (0.47)</b>				<b>\$ (0.91)</b>	
Diluted shares used in computing net loss per share	225,030				225,030	
Effective tax rate	36.9%				31.7%	

(a) Amortization of acquisition-related intangibles assets, primarily core and developed technology related to acquisitions of Matrix Semiconductor, Inc. (1/06), msystems Ltd. (11/06), and MusicGremlin (6/08).

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