

**SanDisk Corporation**  
**Preliminary Condensed Consolidated Statements of Operations**  
(in thousands, except per share amounts, unaudited)

	<b>Three months ended</b>	
	<b>March 29, 2009</b>	<b>March 30, 2008*</b>
Revenues:		
Product	\$ 588,099	\$ 724,051
License and royalty	71,372	125,916
Total revenues	<u>659,471</u>	<u>849,967</u>
Cost of product revenues	657,478	576,604
Amortization of acquisition-related intangible assets	3,132	14,582
Total cost of product revenues	<u>660,610</u>	<u>591,186</u>
Gross profit (loss)	(1,139)	258,781
Operating expenses:		
Research and development	86,936	111,434
Sales and marketing	37,878	80,156
General and administrative	38,325	57,804
Amortization of acquisition-related intangible assets	292	4,475
Restructuring and other	765	-
Total operating expenses	<u>164,196</u>	<u>253,869</u>
Operating income (loss)	(165,335)	4,912
Other income/(expense)	(18,693)	13,885
Income (loss) before provision for income taxes	(184,028)	18,797
Provision for income taxes	23,967	7,837
Net income (loss)	<u>\$ (207,995)</u>	<u>\$ 10,960</u>
Net income (loss) per share:		
Basic	\$ (0.92)	\$ 0.05
Diluted	\$ (0.92)	\$ 0.05
Shares used in computing net income (loss) per share:		
Basic	226,529	224,518
Diluted	226,529	229,480

\* As adjusted for the adoption of FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, on December 29, 2008.

**SanDisk Corporation**

**Reconciliation of Preliminary GAAP to Non-GAAP Operating Results <sup>(1)</sup>**  
(in thousands, except per share data, unaudited)

	Three months ended	
	March 29, 2009	March 30, 2008*
<b>SUMMARY RECONCILIATION OF NET INCOME (LOSS)</b>		
<b>GAAP NET INCOME (LOSS)</b>	\$ (207,995)	\$ 10,960
Share-based compensation (a)	16,330	23,226
Amortization of acquisition-related intangible assets (b)	3,424	19,057
Convertible debt interest (c)	12,926	11,997
Income tax adjustments (d)	66,852	(17,454)
<b>NON-GAAP NET INCOME (LOSS)</b>	\$ (108,463)	\$ 47,786
<b>GAAP COST OF PRODUCT REVENUES</b>		
<b>GAAP COST OF PRODUCT REVENUES</b>	\$ 660,610	\$ 591,186
Share-based compensation (a)	(2,374)	(3,629)
Amortization of acquisition-related intangible assets (b)	(3,132)	(14,582)
<b>NON-GAAP COST OF PRODUCT REVENUES</b>	\$ 655,104	\$ 572,975
<b>GAAP GROSS PROFIT (LOSS)</b>		
<b>GAAP GROSS PROFIT (LOSS)</b>	\$ (1,139)	\$ 258,781
Share-based compensation (a)	2,374	3,629
Amortization of acquisition-related intangible assets (b)	3,132	14,582
<b>NON-GAAP GROSS PROFIT</b>	\$ 4,367	\$ 276,992
<b>GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>		
<b>GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	\$ 86,936	\$ 111,434
Share-based compensation (a)	(6,152)	(8,826)
<b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	\$ 80,784	\$ 102,608
<b>GAAP SALES AND MARKETING EXPENSES</b>		
<b>GAAP SALES AND MARKETING EXPENSES</b>	\$ 37,878	\$ 80,156
Share-based compensation (a)	(2,349)	(3,511)
<b>NON-GAAP SALES AND MARKETING EXPENSES</b>	\$ 35,529	\$ 76,645
<b>GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>		
<b>GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 38,325	\$ 57,804
Share-based compensation (a)	(5,455)	(7,260)
<b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 32,870	\$ 50,544
<b>GAAP TOTAL OPERATING EXPENSES</b>		
<b>GAAP TOTAL OPERATING EXPENSES</b>	\$ 164,196	\$ 253,869
Share-based compensation (a)	(13,956)	(19,597)
Amortization of acquisition-related intangible assets (b)	(292)	(4,475)
<b>NON-GAAP TOTAL OPERATING EXPENSES</b>	\$ 149,948	\$ 229,797
<b>GAAP OPERATING INCOME (LOSS)</b>		
<b>GAAP OPERATING INCOME (LOSS)</b>	\$ (165,335)	\$ 4,912
Cost of product revenues adjustments (a) (b)	5,506	18,211
Operating expense adjustments (a) (b)	14,248	24,072
<b>NON-GAAP OPERATING INCOME (LOSS)</b>	\$ (145,581)	\$ 47,195
<b>GAAP OTHER INCOME (EXPENSE)</b>		
<b>GAAP OTHER INCOME (EXPENSE)</b>	\$ (18,693)	\$ 13,885
Convertible debt interest (c)	12,926	11,997
<b>NON-GAAP OTHER INCOME (EXPENSE)</b>	\$ (5,767)	\$ 25,882
<b>GAAP NET INCOME (LOSS)</b>		
<b>GAAP NET INCOME (LOSS)</b>	\$ (207,995)	\$ 10,960
Cost of product revenues adjustments (a) (b)	5,506	18,211
Operating expense adjustments (a) (b)	14,248	24,072
Convertible debt interest (c)	12,926	11,997
Income tax adjustments (d)	66,852	(17,454)
<b>NON-GAAP NET INCOME (LOSS)</b>	\$ (108,463)	\$ 47,786
Diluted net income (loss) per share:		
GAAP	\$ (0.92)	\$ 0.05
Non-GAAP	\$ (0.48)	\$ 0.21
Shares used in computing diluted net income (loss) per share:		
GAAP	226,529	229,480
Non-GAAP	226,529	229,383

\* As adjusted for the adoption of FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, on December 29, 2008.

SanDisk Corporation  
Reconciliation of Preliminary GAAP to Non-GAAP Operating Results <sup>(1)</sup>

- (1) To supplement our condensed consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), we use non-GAAP measures of operating results, net income (loss) and net income (loss) per share, which are adjusted from results based on GAAP to exclude certain expenses, gains and losses. These non-GAAP financial measures are provided to enhance the user's overall understanding of our current financial performance and our prospects for the future. Specifically, we believe the non-GAAP results provide useful information to both management and investors as these non-GAAP results exclude certain expenses, gains and losses that we believe are not indicative of our core operating results and because it is consistent with the financial models and estimates published by many analysts who follow the Company. For example, because the non-GAAP results exclude the expenses we recorded for share-based compensation in accordance with SFAS 123(R), the amortization of acquisition-related intangible assets related to acquisitions of Matrix Semiconductor, Inc. in January 2006, msystems Ltd. in November 2006 and MusicGremlin, Inc. in June 2008, we believe the inclusion of non-GAAP financial measures provide consistency in our financial reporting. These non-GAAP results are some of the primary indicators management uses for assessing our performance, allocating resources and planning and forecasting future periods. Further, management uses non-GAAP information that excludes certain non-cash charges, such as amortization of purchased intangible assets and share-based compensation, as these non-GAAP charges do not reflect the cash operating results of the business or the ongoing results. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. These non-GAAP measures may be different than the non-GAAP measures used by other companies.
- (a) Share-based compensation expense.
  - (b) Amortization of acquisition-related intangible assets, primarily core and developed technology, related to the acquisitions of Matrix Semiconductor, Inc. (January 2006), msystems Ltd. (November 2006), and MusicGremlin, Inc. (June 2008).
  - (c) Incremental interest expense associated with the adoption of FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, on December 29, 2008.
  - (d) Income taxes associated with certain non-GAAP to GAAP adjustments and a valuation allowance on deferred taxes.

**SanDisk Corporation**  
**Preliminary Condensed Consolidated Balance Sheets**  
(in thousands, unaudited)

	<b>March 29, 2009</b>	<b>December 28, 2008*</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,090,079	\$ 962,061
Short-term investments	395,088	477,296
Accounts receivable from product revenues, net	109,095	122,092
Inventory	552,170	598,251
Deferred taxes	17,123	84,023
Other current assets	224,071	469,961
Total current assets	2,387,626	2,713,684
Long-term investments	897,427	1,097,302
Property and equipment, net	373,147	396,987
Notes receivable and investments in the flash ventures with Toshiba	1,467,612	1,602,291
Deferred taxes	46,019	15,188
Intangible assets, net	58,721	63,182
Other non-current assets	37,248	43,506
Total assets	\$ 5,267,800	\$ 5,932,140
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable trade	\$ 128,524	\$ 240,985
Accounts payable to related parties	299,851	370,006
Convertible short-term debt	75,000	-
Other current accrued liabilities	307,526	502,443
Deferred income on shipments to distributors and retailers and deferred revenue	178,012	149,575
Total current liabilities	988,913	1,263,009
Convertible long-term debt	892,314	954,094
Non-current liabilities	209,481	274,316
Total liabilities	2,090,708	2,491,419
<b>EQUITY</b>		
SanDisk Corporation stockholders' equity:		
Common stock	4,174,443	4,154,392
Retained earnings (accumulated deficit)	(1,110,794)	(902,799)
Accumulated other comprehensive income	113,786	188,977
Total SanDisk Corporation stockholders' equity	3,177,435	3,440,570
Non-controlling interest	(343)	151
Total equity	3,177,092	3,440,721
Total liabilities and equity	\$ 5,267,800	\$ 5,932,140

\* As adjusted for the adoption of FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, on December 29, 2008.

**SanDisk Corporation**  
**Preliminary Condensed Consolidated Statement of Cash Flows**  
(in thousands, unaudited)

	Three months ended	
	March 29, 2009	March 30, 2008*
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (207,995)	\$ 10,960
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred and other taxes	8,922	(9,446)
Depreciation	39,125	41,210
Amortization	18,344	33,670
Provision for doubtful accounts	2,163	5,774
Share-based compensation expense	16,330	23,226
Excess tax benefit from share-based compensation	-	(794)
Impairment, restructuring and other charges	9,038	3,934
Other non-cash charges	(6,027)	5,392
Changes in operating assets and liabilities:		
Accounts receivable from product revenues	10,833	276,937
Inventory	40,309	(140,362)
Other assets	220,383	109,981
Accounts payable trade	(112,460)	(53,014)
Accounts payable to related parties	(70,155)	3,721
Other liabilities	(83,071)	(92,556)
Total adjustments	<u>93,734</u>	<u>207,673</u>
Net cash provided by (used in) operating activities	<u>(114,261)</u>	<u>218,633</u>
<b>Cash flows from investing activities:</b>		
Purchases of short and long-term investments	(168,938)	(354,955)
Proceeds from sale of short and long-term investments	422,112	434,364
Maturities of short and long-term investments	36,630	190,049
Acquisition of property and equipment, net	(16,497)	(56,774)
Distribution from FlashVision Ltd.	12,713	-
Issuance of notes receivable from Flash Partners Ltd. and Flash Alliance Ltd.	(326,350)	(37,418)
Proceeds from notes receivable from Flash Partners Ltd. and Flash Alliance Ltd.	277,070	-
Purchased technology and other assets	1,210	1,125
Net cash provided by investing activities	<u>237,950</u>	<u>176,391</u>
<b>Cash flows from financing activities:</b>		
Repayment of debt financing	-	(9,785)
Proceeds from employee stock programs	4,570	6,437
Excess tax benefit from share-based compensation	-	794
Net cash provided by (used in) financing activities	<u>4,570</u>	<u>(2,554)</u>
Effect of changes in foreign currency exchange rates on cash	<u>(241)</u>	<u>(934)</u>
Net increase in cash and cash equivalents	128,018	391,536
Cash and cash equivalents at beginning of period	962,061	833,749
Cash and cash equivalents at end of period	<u>\$ 1,090,079</u>	<u>\$ 1,225,285</u>

\* As adjusted for the adoption of FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, on December 29, 2008.