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

	Three months ended			Six months ended				
	Jun	e 28, 2009	June	29, 2008 ⁽¹⁾	Ju	ne 28, 2009	Jun	e 29, 2008 ⁽¹⁾
Revenues:								
Product	\$	610,432	\$	687,508	\$	1,198,531	\$	1,411,559
License and royalty		120,141		128,503		191,513		254,419
Total revenues		730,573		816,011		1,390,044		1,665,978
Cost of product revenues		478,444		650,558		1,135,922		1,227,162
Amortization of acquisition-related intangible assets		3,132		14,582		6,264		29,164
Total cost of product revenues		481,576		665,140		1,142,186		1,256,326
Gross profit		248,997		150,871		247,858		409,652
Operating expenses:								
Research and development		91,219		112,143		178,155		223,577
Sales and marketing		50,409		77,638		88,287		157,794
General and administrative		38,636		53,684		76,961		111,488
Amortization of acquisition-related intangible assets		291		4,553		583		9,028
Restructuring and other		-		4,085		765		4,085
Total operating expenses		180,555		252,103		344,751		505,972
Operating income (loss)		68,442		(101,232)		(96,893)		(96,320)
Other income (expense)		4,716		8,323		(13,977)		22,208
Income (loss) before income taxes		73,158		(92,909)		(110,870)		(74,112)
Provision for (benefit from) income taxes		20,651		(19,155)		44,618		(11,318)
Net income (loss)	\$	52,507	\$	(73,754)	\$	(155,488)	\$	(62,794)
Net income (loss) per share:								
Basic	\$	0.23	\$	(0.33)	\$	(0.69)	\$	(0.28)
Diluted	\$	0.23	\$	(0.33)	\$	(0.69)	\$	(0.28)
Shares used in computing net income (loss) per share:								
Basic		226,976		224,888		226,753		224,703
Diluted		231,066		224,888		226,753		224,703

⁽¹⁾ 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 ⁽¹⁾ (in thousands, except per share data, unaudited)

Shne-based compensation (a) 22,34 25,108 8,684 44.3 Amorization equisiton-related inagable assets (b) 13,139 12,219 20,685 32.4 Disorde to adjustments (d) 6,4465 (5,149) 5 (22,515) 5 22.4 GAAP COST OF PRODUCT REVENUES 5 421,576 5 663,400 (1,430) (5,440) Share-based compensation (a) (1,430) (1,430) (1,430) (2,20) (2,20) AMORECARD FOR FODUCT REVENUES 5 421,576 5 643,400 5 113,110 5 122,15 GAAP GROSS FROFT 5 248,977 5 150,871 5 247,588 5 464,60 2,009 4,330 5,5 Share-based compensation (a) 2,446 2,009 4,320 5,6 444,97 5 167,462 5 259,42 5 444,40 GAAP GROSS FROFT 5 248,977 5 167,462 5 259,42 5 444,60 20,09 5 7,			Three months ended			l			
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Share-based compensation (a) 22.354 25.106 35.684 44.3 Amorization equisition-related integets (c) 13.139 12.219 20.085 2.2.34 Incoase as adjustion-related integets (c) 0.4055 5 (22.311) 5 (22.315) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) 5 (22.317) <th>SUMMARY RECONCILIATION OF NET INCOME (LOSS)</th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th>	SUMMARY RECONCILIATION OF NET INCOME (LOSS)								
NON-GAAP NET INCOME (LOSS) 5 5 5 25.348 5 (22,341) 5 (23,515) 5 25.45 GAAP COST OF PRODUCT REVENUES S 431,576 S 665,140 S 1,142,186 S 1,256,3 Share-based compensation (a) GAAP COST OF PRODUCT REVENUES S 475,598 S 464,540 S 1,141,102 S 1,221,15 GAAP COST OF PRODUCT REVENUES S 475,598 S 402,60 46,50 (2,11) NON-GAAP COST OF PRODUCT REVENUES S 24,64 20,00 4,520 5,62,64 20,10 Share-based compensation (a) 3,1322 14,822 6,264 20,10 5,62,64 20,10 5,62,64 20,10 5,62,64 20,10 5,63,64 20,10 5,62,64 20,10 5,62,64 20,10 5,62,64 20,10 5,62,64 20,10 5,62,64 20,10 5,63,64 5,76,76,75 5,84,75 1,62,75 5,22,64 5,24,75 5,112,16 5,84,84,25 1,142,143	Share-based compensation (a) Amortization of acquisition-related intangible assets (b) Convertible debt interest (c)	\$	22,354 3,423 13,159	\$	25,108 19,135 12,219	\$	38,684 6,847 26,085	\$	(62,794) 48,334 38,192 24,216 (22,503)
Share-based compensation (a) (2,446) (2,009) (4,820) (5,6 Amortization of capatistion-related intangible assets (b) (3,12) (4,482) (6,24) (5,24) Share-based compensation (a) 2,446 2,009 4,820 5,8 4,006 Amortization of capatistion-related intangible assets (b) 3,112 1,4482 6,224 224,00 NON-GAAP GROSS PROFT \$ 244,575 \$ 167,462 \$ 258,902 \$ 4444 GAAP GROSS PROFT \$ 254,275 \$ 167,462 \$ 258,902 \$ 4444 GAAP GROSS PROFT \$ 254,275 \$ 167,462 \$ 258,902 \$ 4444 Share-based compensation (a) 112,143 \$ 178,155 \$ 225,457 NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES \$ 82,167 \$ 102,819 \$ 162,951 \$ 205,45 Share-based compensation (a) (4,886) (6,423) \$ (7,538 \$ 88,287 \$ 151,75 Share-based compensation (a) (4,886) (6,423) \$ (7,638 \$ 81,052 \$ 112,4 Share-based compensation (a) (4,886) (7,638 \$ 38,643		\$		\$		\$		\$	25,445
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Share-based compensation (a) 2,446 2,009 4,820 5,6 Amortization of acquisition-related intangible assets (b) 3,132 14,582 6,264 29,1 NON-GAAP GROSP ROFT \$ 244,675 \$ 112,143 \$ 178,155 \$ 225,942 \$ 244,675 GAAP RESEARCH AND DEVELOPMENT EXPENSES \$ 91,219 \$ 112,143 \$ 178,155 \$ 225,942 \$ 245,755 Share-based compensation (a) (6,052) (7,235) (6,22) (7,235) \$ 205,4 Share-based compensation (a) (4,4860) (6,423) (7,235) (9,9 NON-GAAP SALES AND MARKETING EXPENSES \$ 38,636 \$ 53,664 \$ 76,961 \$ 111,4 Share-based compensation (a) (4,3860) (6,423) (7,235) (9,9 NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES \$ 38,636 \$ 53,664 \$ 76,961 \$ 111,4 Share-based compensation (a) (19,908) (23,099) (33,864) (42,60 NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES \$ 180,555 \$ 225,103 \$ 34,751 \$ 505,50 GAAP TOTAL OPERATING EXPENSES \$ 160	NON-GAAP COST OF PRODUCT REVENUES	\$	475,998	\$	648,549	\$	1,131,102	\$	1,221,524
NON-GAAF GROSS PROFIT S 254,575 S 167,462 S 258,942 S 4444 GAAP RESEARCH AND DEVELOPMENT EXPENSES S 91,219 S 112,143 S 178,155 S 223,54 S 223,54 (15,204) S 223,54 Share-based compensation (a) (0,052) (0,324) (15,204) S 205,44 GAAP SALES AND MARKETING EXPENSES S 50,409 S 77,638 S 88,287 S 157,7 Share-based compensation (a) (6,423) (7,235) (11,425) (14,45) S 147,89 GAAP SALES AND MARKETING EXPENSES S 38,636 S 53,684 S 76,961 S 111,4 Share-based compensation (a) (19,008) (23,009) (7,352) (11,425) (14,65) NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES \$ 32,666 \$ 46,332 \$ 65,556 \$ 96,53 GAAP TOTAL OPERATING EXPENSES \$ 180,555 \$ 2	Share-based compensation (a)	\$	2,446	\$	2,009	\$	4,820	\$	409,652 5,638
GAAP RESEARCH AND DEVELOPMENT EXPENSES \$ 91,219 \$ 112,143 \$ 178,155 \$ 223,55 Share-based compensation (a) 0,052) \$ 0,052) \$ 102,819 \$ 162,051 \$ 205,44 \$ 102,819 \$ 162,051 \$ 205,44 \$ 102,819 \$ 162,051 \$ 205,44 \$ 102,819 \$ 162,051 \$ 205,44 \$ 102,819 \$ 162,051 \$ 205,44 \$ 102,819 \$ 162,951 \$ 205,44 \$ 102,819 \$ 162,951 \$ 205,44 \$ 102,819 \$ 102,819 \$ 162,951 \$ 205,44 \$ 102,819 \$ 102,819 \$ 103,55 \$ 223,57 (14,25) \$ 104,64 \$ 104,455 \$ 205,97 \$ 112,413,5 \$ 205,97 \$ 104,64 \$ 102,810 \$ 104,64 \$ 10		\$		\$		\$		\$	29,164 444,454
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Share-based compensation (a) (4.886) (6.423) (7.235) (9.9 NON-GAAP SALES AND MARKETING EXPENSES \$ 45.523 \$ 71.215 \$ 81.052 \$ 147,89 GAAP GENERAL AND ADMINISTRATIVE EXPENSES \$ 38.636 \$ 53,684 \$ 76,961 \$ 111,44 Share-based compensation (a) (11,425) (11,425) (11,425) (14,66 NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES \$ 180,555 \$ 252,103 \$ 344,751 \$ 505,99 Share-based compensation (a) (19,908) (23,099) (33,864) (42,66) 46,332 \$ 303,004 \$ 454,22 GAAP TOTAL OPERATING EXPENSES \$ 180,555 \$ 224,451 \$ 310,304 \$ 454,23 GAAP OPERATING INCOME (LOSS) \$ 68,442 \$ (101,232) \$ (96,893) \$ (96,33) \$ (96,33) \$ (96,33) \$ (96,33) \$ (96,33) \$ (96,	NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$	82,167	\$	102,819	\$	162,951	\$	205,427
NON-GAAP SALES AND MARKETING EXPENSES § 45,523 § 71,215 § 81,052 § 147,83 GAAP GENERAL AND ADMINISTRATIVE EXPENSES \$ 38,636 \$ 53,684 \$ 76,961 \$ 111,45 Share-based compensation (a) (11,425) (11,425) (11,425) (11,425) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (16,63) (14,62) (14,62) (16,63) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (14,62) (1		\$		\$	·	\$		\$	157,794 (9,934)
Share-based compensation (a) (5.970) (7,352) (11,425) (14,425) NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES \$ 32,666 \$ 46,332 \$ 65,536 \$ 96,8 GAAP TOTAL OPERATING EXPENSES \$ 180,555 \$ 252,103 \$ 344,751 \$ 505,9 Share-based compensation (a) (19,908) (23,099) (33,864) (42,6) Amorization of acquisition-related intangible assets (b) (201) (4,553) (583) (90) NON-GAAP TOTAL OPERATING EXPENSES \$ 160,356 \$ 224,451 \$ 310,304 \$ 4542 GAAP OPERATING INCOME (LOSS) \$ 68,442 \$ (101,232) \$ (96,893) \$ (96,393) Cost of product revenues adjustments (a) (b) 20,199 27,652 34,447 51,7 NON-GAAP OPERATING INCOME (LOSS) \$ 94,219 \$ (56,989) \$ (51,362) \$ (9,7) GAAP OTHER INCOME (EXPENSE) \$ 47,16 \$ 8,323 \$ (13,977) \$ 22,2 Convertible debt interest (c) 13,159 12,219 26,085 24,22 NON-GAAP OTHER INCOME (EXPENSE) \$ 5,578 16,591 11,084 <	· · · ·	\$		\$		\$		\$	147,860
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES \$ 32,666 \$ 46,332 \$ 65,556 \$ 96,8 GAAP TOTAL OPERATING EXPENSES \$ 180,555 \$ 252,103 \$ 344,751 \$ 505.9 Share-based compensation (a) (19,908) (23,099) (33,864) (42,6 Amortization of acquisition-related intangible assets (b) (291) (4,553) (583) (90) NON-GAAP TOTAL OPERATING EXPENSES \$ 160,356 \$ 224,451 \$ 310,304 \$ 4542.2 GAAP OPERATING INCOME (LOSS) \$ 68,442 \$ (101,232) \$ (96,893) \$ (96,33) Cost of product revenues adjustments (a) (b) 20,199 27,652 34,447 51,7 \$ (97) GAAP OPERATING INCOME (LOSS) \$ 94,219 \$ (56,989) \$ (51,362) \$ (97) GAAP OTHER INCOME (EXPENSE) \$ 4,716 \$ 8,323 \$ (13,977) \$ 22,29		\$		\$		\$		\$	111,488 (14,612)
Share-based compensation (a) (19,908) (23,099) (33,864) (42,6 Amorization of acquisition-related intangible assets (b) (291) (4,553) (583) (9,0) NON-GAAP TOTAL OPERATING EXPENSES \$ 160,356 \$ 224,451 \$ 310,304 \$ 454,22 GAAP OPERATING INCOME (LOSS) \$ 68,442 \$ (101,232) \$ (96,893) \$ (96,83) \$ (96,83) Cost of product revenues adjustments (a) (b) 5,578 16,591 11,084 34,80 Operating expense adjustments (a) (b) 20,199 27,652 34,447 51,77 NON-GAAP OPERATING INCOME (LOSS) \$ 44,219 \$ (56,989) \$ (51,362) \$ (9,7) GAAP OTHER INCOME (EXPENSE) \$ 4,716 \$ 8,323 \$ (13,977) \$ 22,22 Convertible debt interest (c) 13,159 12,219 26,085 24,22 NON-GAAP OTHER INCOME (LOSS) \$ 52,507 \$ (73,754) \$ (155,488) \$ (62,7) Cost of product revenues adjustments (a) (b) 5,578 16,591 11,084 34,84 Operating expense adjustments (a) (b) 5,578 16,591 11,084 34,84 Operating expense adjustments (a) (b) </td <td>· · · ·</td> <td>\$</td> <td></td> <td>\$</td> <td></td> <td>\$</td> <td></td> <td>\$</td> <td>96,876</td>	· · · ·	\$		\$		\$		\$	96,876
Amortization of acquisition-related intangible assets (b) (291) (4,553) (583) (9,0) NON-GAAP TOTAL OPERATING EXPENSES \$ 160,356 \$ 224,451 \$ 310,304 \$ 454,25 GAAP OPERATING INCOME (LOSS) \$ 68,442 \$ (101,232) \$ (96,893) \$ (96,893) Cost of product revenues adjustments (a) (b) $5,578$ $16,591$ $11,084$ $34,88$ Operating expense adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,77$ NON-GAAP OPERATING INCOME (LOSS) \$ 94,219 \$ (56,989) \$ (51,362) \$ (9,77) GAAP OTHER INCOME (EXPENSE) \$ 4,716 \$ 8,323 \$ (13,977) \$ 22,29 Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,22$ NON-GAAP OTHER INCOME (LOSS) \$ 52,507 \$ (73,754) \$ (155,488) \$ (62,77) Cot of product revenues adjustments (a) (b) $5,578$ $16,591$ $11,084$ $34,84$ Operating expense adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,77$ Cot of product revenues adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,77$ Cot		\$,	\$	·	\$	· · · · · ·	\$	505,972
NON-GAAP TOTAL OPERATING EXPENSES \$ 160,356 \$ 224,451 \$ 310,304 \$ 454,27 GAAP OPERATING INCOME (LOSS) \$ 68,442 \$ (101,232) \$ (96,893) \$ (96,33) Cost of product revenues adjustments (a) (b) $5,578$ 16,591 11,084 34,88 Operating expense adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,77$ NON-GAAP OPERATING INCOME (LOSS) \$ 94,219 \$ (56,989) \$ (31,362) \$ (96,77) GAAP OTHER INCOME (EXPENSE) \$ 4,716 \$ 8,323 \$ (13,977) \$ 22,22 Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,22$ NON-GAAP OTHER INCOME (LOSS) \$ $52,507$ \$ (73,754) \$ (155,488) \$ (62,77) Gaap Net INCOME (LOSS) \$ $52,507$ \$ (73,754) \$ (155,488) \$ (62,77) Cost of product revenues adjustments (a) (b) </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>(42,696) (9,028)</td>									(42,696) (9,028)
Cost of product revenues adjustments (a) (b)5,57816,59111,08434,8Operating expense adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,7$ NON-GAAP OPERATING INCOME (LOSS)\$ 94,219\$ (56,989)\$ (51,362)\$ (9,7)GAAP OTHER INCOME (EXPENSE)\$ 4,716\$ 8,323\$ (13,977)\$ 22,20Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,22$ NON-GAAP OTHER INCOME (EXPENSE)\$ 17,875\$ 20,542\$ 12,108\$ 46,43GAAP OTHER INCOME (LOSS)\$ 52,507\$ (73,754)\$ (155,488)\$ (62,7)Convertible debt interest (c) $5,578$ 16,59111,08434,88Operating expense adjustments (a) (b) $5,578$ 16,59111,08434,88Operating expense adjustments (a) (b) $5,578$ 16,59111,08434,88Operating expense adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,7$ Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,2$ Income tax adjustments (d) $(8,495)$ $(5,049)$ $58,357$ $(22,51)$ NON-GAAP NET INCOME (LOSS)\$ 82,948\$ $(22,341)$ \$ $(25,515)$ \$ $25,44$ Diluted net income (loss) per share: $(6,AP)$ \$ $0,36$ \$ $(0,10)$ \$ $(0,69)$ \$ $(0,51)$ Shares used in computing diluted net income (loss) per share:S $0,36$ \$ $(0,10)$ \$ $(0,11)$ \$ $(0,51)$		\$		\$		\$		\$	454,248
NON-GAAP OPERATING INCOME (LOSS) $$$ 94,219 $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ $$$ <td></td> <td>\$</td> <td>,</td> <td>\$</td> <td></td> <td>\$</td> <td></td> <td>\$</td> <td>(96,320) 34,802</td>		\$,	\$		\$		\$	(96,320) 34,802
GAAP OTHER INCOME (EXPENSE)\$ $4,716$ \$ $8,323$ \$ $(13,977)$ \$ $22,22$ Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,2$ NON-GAAP OTHER INCOME (EXPENSE)\$ $17,875$ \$ $20,542$ \$ $12,108$ \$ $46,43$ GAAP NET INCOME (LOSS)\$ $52,507$ \$ $(73,754)$ \$ $(155,488)$ \$ $(62,77)$ Cost of product revenues adjustments (a) (b) $5,578$ $16,591$ $11,084$ $34,88$ Operating expense adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,77$ Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,2$ Income tax adjustments (d) $(62,77)$ $(8,495)$ $(5,049)$ $58,357$ $(22,51)$ NON-GAAP NET INCOME (LOSS) $$82,948$(22,341)$(25,515)$25,44Diluted net income (loss) per share:0.23(0.10)(0.11)<0.6Shares used in computing diluted net income (loss) per share:0.23(0.10)(0.11)0.6$		<i>.</i>							51,724
Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,2$ NON-GAAP OTHER INCOME (EXPENSE)\$ $17,875$ \$ $20,542$ \$ $12,108$ \$ $24,2$ GAAP NET INCOME (LOSS)\$ $52,507$ \$ $(73,754)$ \$ $(155,488)$ \$ $(62,77)$ Cost of product revenues adjustments (a) (b) $5,578$ $16,591$ $11,084$ $34,88$ Operating expense adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,77$ Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,2$ Income tax adjustments (d) $(8,495)$ $(5,049)$ $58,357$ $(22,50)$ NON-GAAP NET INCOME (LOSS)\$ $82,948$ \$ $(22,341)$ $$(25,515)$25,44Diluted net income (loss) per share:0.23(0.33)(0.69)(0.11)$0.6Shares used in computing diluted net income (loss) per share:0.23(0.10)(0.11)<0.7$	NON-GAAP OPERATING INCOME (LOSS)	\$	94,219	\$	(56,989)	\$	(51,362)	\$	(9,794)
GAAP NET INCOME (LOSS) \$ $52,507$ \$ $(73,754)$ \$ $(155,488)$ \$ $(62,77)$ Cost of product revenues adjustments (a) (b) $5,578$ $16,591$ $11,084$ $34,88$ Operating expense adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,77$ Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,2$ Income tax adjustments (d) $(8,495)$ $(5,049)$ $58,357$ $(22,50)$ NON-GAAP NET INCOME (LOSS) $$$ $82,948$ $$$ $(22,341)$ $$$ $(25,515)$ $$$ $25,44$ Diluted net income (loss) per share: $GAAP$ $$$ 0.23 $$$ (0.33) $$$ (0.69) $$$ (0.11) $$$ 0.504 Shares used in computing diluted net income (loss) per share: $$$ 0.36 $$$ (0.10) $$$ (0.11) $$$ 0.504		\$		\$		\$		\$	22,208 24,216
Cost of product revenues adjustments (a) (b) $5,578$ $16,591$ $11,084$ $34,88$ Operating expense adjustments (a) (b) $20,199$ $27,652$ $34,447$ $51,77$ Convertible debt interest (c) $13,159$ $12,219$ $26,085$ $24,2$ Income tax adjustments (d) $(8,495)$ $(5,049)$ $58,357$ $(22,50)$ NON-GAAP NET INCOME (LOSS) $$$ 82,948 $$ (22,341) $$ (25,515) $$ 25,44 Diluted net income (loss) per share: $$ 0.23 $$ (0.33) $$ (0.69) $$ (0.5,61,61,61,61,61,61,61,61,61,61,61,61,61,$	NON-GAAP OTHER INCOME (EXPENSE)	\$	17,875	\$	20,542	\$	12,108	\$	46,424
NON-GAAP NET INCOME (LOSS) \$ 82,948 \$ (22,341) \$ (25,515) \$ 25,4 Diluted net income (loss) per share: GAAP \$ 0.23 \$ (0.33) \$ (0.69) \$ (0.10) Non-GAAP \$ 0.36 \$ (0.10) \$ (0.11) \$ 0.	Cost of product revenues adjustments (a) (b) Operating expense adjustments (a) (b) Convertible debt interest (c)	\$	5,578 20,199 13,159	\$	16,591 27,652 12,219	\$	11,084 34,447 26,085	\$	(62,794) 34,802 51,724 24,216
Diluted net income (loss) per share: GAAP \$ 0.23 \$ (0.33) \$ (0.69) \$ (0.10) Non-GAAP \$ 0.36 \$ (0.10) \$ (0.11) \$ 0. Shares used in computing diluted net income (loss) per share:	-	¢		¢		¢		e	(22,503)
GAAP \$ 0.23 \$ (0.33) \$ (0.69) \$ (0.70) Non-GAAP \$ 0.36 \$ (0.10) \$ (0.11) \$ 0.70 Shares used in computing diluted net income (loss) per share: \$ 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 </td <td>NON-GAAP NET INCOME (LOSS)</td> <td>\$</td> <td>82,948</td> <td>\$</td> <td>(22,341)</td> <td>\$</td> <td>(25,515)</td> <td>\$</td> <td>25,445</td>	NON-GAAP NET INCOME (LOSS)	\$	82,948	\$	(22,341)	\$	(25,515)	\$	25,445
Shares used in computing diluted net income (loss) per share:		\$	0.23	\$	(0.33)	\$	(0.69)	\$	(0.28)
	Non-GAAP	\$	0.36	\$	(0.10)	\$	(0.11)	\$	0.11
GAAP 231.066 224.888 226.753 224.70	Shares used in computing diluted net income (loss) per share: GAAP		231,066		224,888		226,753		224,703
									227,703

SanDisk Corporation

Reconciliation of Preliminary GAAP to Non-GAAP Operating Results⁽¹⁾

(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, 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, and economic non-cash interest expense associated with our cash-settled convertible debt, 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, share-based compensation, and economic non-cash interest expense associated with our cash-settled convertible debt, 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.

(2) 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.

(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)

	June 28, 2009		December 28, 2008 ⁽¹⁾		
ASSETS					
Current assets:					
Cash and cash equivalents	\$	884,527	\$	962,061	
Short-term investments		477,622		477,296	
Accounts receivable from product revenues, net		150,830		122,092	
Inventory		527,071		598,251	
Deferred taxes		55,529		84,023	
Other current assets		197,559		469,961	
Total current assets		2,293,138		2,713,684	
Long-term investments		975,864		1,097,302	
Property and equipment, net		350,812		396,987	
Notes receivable and investments in the flash ventures with Toshiba		1,511,745		1,602,291	
Deferred taxes		14,640		15,188	
Intangible assets, net		61,472		63,182	
Other non-current assets		38,311		43,506	
Total assets	\$	5,245,982	\$	5,932,140	
LIABILITIES					
Current liabilities:					
Accounts payable trade	\$	116,298	\$	240,985	
Accounts payable to related parties		246,743		370,006	
Convertible short-term debt		75,000		-	
Other current accrued liabilities		204,148		502,443	
Deferred income on shipments to distributors and retailers and deferred revenue		172,987		149,575	
Total current liabilities		815,176		1,263,009	
Convertible long-term debt		905,766		954,094	
Non-current liabilities		259,588		274,316	
Total liabilities		1,980,530		2,491,419	
EQUITY					
Stockholders' equity:					
Common stock		4,198,674		4,154,392	
Accumulated deficit		(1,058,287)		(902,799)	
Accumulated other comprehensive income		125,924		188,977	
Total stockholders' equity		3,266,311		3,440,570	
Non-controlling interests		(859)		151	
Total equity		3,265,452		3,440,721	
Total liabilities and equity	\$	5,245,982	\$	5,932,140	

⁽¹⁾ 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 mor	nths ended	Six months ended			
	June 28, 2009	June 29, 2008 ⁽¹⁾	June 28, 2009	June 29, 2008 ⁽¹⁾		
Cash flows from operating activities:						
Net income (loss)	\$ 52,507	\$ (73,754)	\$ (155,488)	\$ (62,794)		
Adjustments to reconcile net income (loss) to net cash flows from						
operating activities:						
Deferred and other taxes	(6,619)	(4,185)	2,303	(13,631)		
Depreciation	37,527	45,665	76,652	86,875		
Amortization	18,766	34,044	37,110	67,714		
Provision for doubtful accounts	(2,942)	1,177	(779)	6,951		
Share-based compensation expense	22,354	25,108	38,684	48,334		
Excess tax benefit from share-based compensation	-	(883)	-	(1,677)		
Impairment, restructuring and other charges	-	549	7,133	4,483		
Other non-cash charges	3,155	1,892	(967)	7,284		
Changes in operating assets and liabilities:						
Accounts receivable from product revenues	(38,793)	(24,935)	(27,960)	252,002		
Inventory	21,239	(99,997)	61,548	(240,359)		
Other assets	5,137	(159,556)	225,520	(49,575)		
Accounts payable trade	(12,226)	5,125	(124,686)	(47,889)		
Accounts payable to related parties	(53,108)	(29,976)	(123,263)	(26,255)		
Other liabilities	(71,284)	(52,920)	(154,355)	(145,476)		
Total adjustments	(76,794)	(258,892)	16,940	(51,219)		
Net cash provided by (used in) operating activities	(24,287)	(332,646)	(138,548)	(114,013)		
Cash flows from investing activities:						
Purchases of short and long-term investments	(367,171)	(537,265)	(536,109)	(892,220)		
Proceeds from sale of short and long-term investments	153,655	294,532	575,767	728,896		
Maturities of short and long-term investments	51,010	162,514	87,640	352,563		
Acquisition of property and equipment, net	(16,170)	(50,138)	(32,667)	(106,912)		
Investment in Flash Alliance Ltd.	(10,170)	(96,705)	(32,007)	(96,705)		
Distribution from FlashVision Ltd.		28,987	12,713	28,987		
Issuance of notes receivable from Flash Partners Ltd. and Flash		20,707	12,715	20,707		
Alliance Ltd.	(51 572)		(377,923)	(37,418)		
Proceeds from notes receivable from Flash Partners Ltd. and	(51,573)	-	(377,923)	(37,418)		
Flash Alliance Ltd.	52.070		330,149			
	53,079	-	,	(1.975)		
Purchased technology and other assets	(7,500)	(3,000)	(6,290)	(1,875)		
Acquisition of MusicGremlin, Inc.	(104 (70)	(4,528)	52 290	(4,528)		
Net cash provided by (used in) investing activities	(184,670)	(205,603)	53,280	(29,212)		
Cash flows from financing activities:						
Repayment of debt financing	-	-	-	(9,785)		
Proceeds from employee stock programs	1,705	2,913	6,275	9,350		
Excess tax benefit from share-based compensation	-	883	-	1,677		
Net cash provided by (used in) financing activities	1,705	3,796	6,275	1,242		
Effect of changes in foreign currency exchange rates on cash	1,700	(1,254)	1,459	(2,188)		
Net decrease in cash and cash equivalents	(205,552)	(535,707)	(77,534)	(144,171)		
Cash and cash equivalents at beginning of period	1,090,079	1,225,285	962,061	833,749		
				·		
Cash and cash equivalents at end of period	\$ 884,527	\$ 689,578	\$ 884,527	\$ 689,578		

⁽¹⁾ As adjusted for the adoption of FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including