

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

	Three months ended		Nine months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Revenue	\$ 1,452,285	\$ 1,746,491	\$ 4,021,722	\$ 4,892,447
Cost of revenue	820,633	900,830	2,307,111	2,496,509
Amortization of acquisition-related intangible assets	28,822	28,523	82,400	67,860
Total cost of revenue	849,455	929,353	2,389,511	2,564,369
Gross profit	602,830	817,138	1,632,211	2,328,078
Operating expenses:				
Research and development	211,635	223,309	652,779	626,168
Sales and marketing	96,042	111,392	294,543	271,762
General and administrative	43,614	60,044	133,593	162,798
Amortization of acquisition-related intangible assets	13,256	9,615	40,618	12,742
Impairment of acquisition-related intangible assets	—	—	61,000	—
Restructuring and other	875	24,984	51,162	24,984
Total operating expenses	365,422	429,344	1,233,695	1,098,454
Operating income	237,408	387,794	398,516	1,229,624
Other income (expense), net	(23,192)	(14,875)	(59,539)	(44,089)
Income before income taxes	214,216	372,919	338,977	1,185,535
Provision for income taxes	81,205	110,258	85,968	379,980
Net income	\$ 133,011	\$ 262,661	\$ 253,009	\$ 805,555
Net income per share:				
Basic	\$ 0.65	\$ 1.18	\$ 1.22	\$ 3.59
Diluted	\$ 0.65	\$ 1.09	\$ 1.18	\$ 3.37
Shares used in computing net income per share:				
Basic	203,118	222,201	207,094	224,530
Diluted	205,787	240,685	214,243	239,275

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

	Three months ended		Nine months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
<b>SUMMARY RECONCILIATION OF NET INCOME:</b>				
<b>GAAP NET INCOME</b>	\$ 133,011	\$ 262,661	\$ 253,009	\$ 805,555
Share-based compensation (a)	41,356	50,195	127,188	114,674
Amortization of acquisition-related intangible assets (b)	42,078	38,138	123,018	80,602
Inventory step-up expense (c)	—	4,903	—	4,903
Impairment of acquisition-related intangible assets (d)	—	—	61,000	—
Convertible debt interest (e)	22,704	21,493	67,441	63,582
Income tax adjustments (f)	(16,089)	(41,888)	(138,453)	(75,085)
<b>NON-GAAP NET INCOME</b>	<u>\$ 223,060</u>	<u>\$ 335,502</u>	<u>\$ 493,203</u>	<u>\$ 994,231</u>
<b>GAAP COST OF REVENUE</b>	\$ 849,455	\$ 929,353	\$ 2,389,511	\$ 2,564,369
Share-based compensation (a)	(5,479)	(4,001)	(14,563)	(10,118)
Amortization of acquisition-related intangible assets (b)	(28,822)	(28,523)	(82,400)	(67,860)
Inventory step-up expense (c)	—	(4,903)	—	(4,903)
<b>NON-GAAP COST OF REVENUE</b>	<u>\$ 815,154</u>	<u>\$ 891,926</u>	<u>\$ 2,292,548</u>	<u>\$ 2,481,488</u>
<b>GAAP GROSS PROFIT</b>	\$ 602,830	\$ 817,138	\$ 1,632,211	\$ 2,328,078
Share-based compensation (a)	5,479	4,001	14,563	10,118
Amortization of acquisition-related intangible assets (b)	28,822	28,523	82,400	67,860
Inventory step-up expense (c)	—	4,903	—	4,903
<b>NON-GAAP GROSS PROFIT</b>	<u>\$ 637,131</u>	<u>\$ 854,565</u>	<u>\$ 1,729,174</u>	<u>\$ 2,410,959</u>
<b>GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	\$ 211,635	\$ 223,309	\$ 652,779	\$ 626,168
Share-based compensation (a)	(20,600)	(21,469)	(63,952)	(54,644)
<b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	<u>\$ 191,035</u>	<u>\$ 201,840</u>	<u>\$ 588,827</u>	<u>\$ 571,524</u>
<b>GAAP SALES AND MARKETING EXPENSES</b>	\$ 96,042	\$ 111,392	\$ 294,543	\$ 271,762
Share-based compensation (a)	(8,701)	(13,800)	(28,184)	(27,261)
<b>NON-GAAP SALES AND MARKETING EXPENSES</b>	<u>\$ 87,341</u>	<u>\$ 97,592</u>	<u>\$ 266,359</u>	<u>\$ 244,501</u>
<b>GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 43,614	\$ 60,044	\$ 133,593	\$ 162,798
Share-based compensation (a)	(6,576)	(10,925)	(20,489)	(22,651)
<b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>\$ 37,038</u>	<u>\$ 49,119</u>	<u>\$ 113,104</u>	<u>\$ 140,147</u>
<b>GAAP TOTAL OPERATING EXPENSES</b>	\$ 365,422	\$ 429,344	\$ 1,233,695	\$ 1,098,454
Share-based compensation (a)	(35,877)	(46,194)	(112,625)	(104,556)
Amortization of acquisition-related intangible assets (b)	(13,256)	(9,615)	(40,618)	(12,742)
Impairment of acquisition-related intangible assets (d)	—	—	(61,000)	—
<b>NON-GAAP TOTAL OPERATING EXPENSES</b>	<u>\$ 316,289</u>	<u>\$ 373,535</u>	<u>\$ 1,019,452</u>	<u>\$ 981,156</u>
<b>GAAP OPERATING INCOME</b>	\$ 237,408	\$ 387,794	\$ 398,516	\$ 1,229,624
Cost of revenue adjustments (a) (b) (c)	34,301	37,427	96,963	82,881
Operating expense adjustments (a) (b) (d)	49,133	55,809	214,243	117,298
<b>NON-GAAP OPERATING INCOME</b>	<u>\$ 320,842</u>	<u>\$ 481,030</u>	<u>\$ 709,722</u>	<u>\$ 1,429,803</u>
<b>GAAP OTHER INCOME (EXPENSE), NET</b>	\$ (23,192)	\$ (14,875)	\$ (59,539)	\$ (44,089)
Convertible debt interest (e)	22,704	21,493	67,441	63,582
<b>NON-GAAP OTHER INCOME (EXPENSE), NET</b>	<u>\$ (488)</u>	<u>\$ 6,618</u>	<u>\$ 7,902</u>	<u>\$ 19,493</u>
<b>GAAP NET INCOME</b>	\$ 133,011	\$ 262,661	\$ 253,009	\$ 805,555
Cost of revenue adjustments (a) (b) (c)	34,301	37,427	96,963	82,881
Operating expense adjustments (a) (b) (d)	49,133	55,809	214,243	117,298
Other income (expense) adjustments (e)	22,704	21,493	67,441	63,582
Income tax adjustments (f)	(16,089)	(41,888)	(138,453)	(75,085)
<b>NON-GAAP NET INCOME</b>	<u>\$ 223,060</u>	<u>\$ 335,502</u>	<u>\$ 493,203</u>	<u>\$ 994,231</u>
Diluted net income per share:				
GAAP	\$ 0.65	\$ 1.09	\$ 1.18	\$ 3.37
Non-GAAP	\$ 1.09	\$ 1.45	\$ 2.36	\$ 4.29
Shares used in computing diluted net income per share:				
GAAP	205,787	240,685	214,243	239,275
Non-GAAP (g)	204,103	230,863	209,266	231,567

**SanDisk Corporation**  
**Reconciliation of Preliminary GAAP to Non-GAAP Operating Results <sup>(1)</sup>**  
(in thousands, unaudited)

	Three months ended		Nine months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
<b>SUMMARY RECONCILIATION OF DILUTED SHARES:</b>				
<b>GAAP</b>	205,787	240,685	214,243	239,275
Adjustments for share-based compensation	52	333	111	253
Offsetting shares from call options	(1,736)	(10,155)	(5,088)	(7,961)
<b>Non-GAAP (g)</b>	<u>204,103</u>	<u>230,863</u>	<u>209,266</u>	<u>231,567</u>

(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 and net income 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 they are consistent with the financial models and estimates published by many analysts who follow us. For example, because the non-GAAP results exclude the expenses we recorded for share-based compensation, inventory step-up expense, amortization of acquisition-related intangible assets related to acquisitions of Pliant Technology, Inc. in May 2011, FlashSoft Corporation in February 2012, Schooner Information Technology, Inc. in June 2012, SMART Storage Systems in August 2013 and Fusion-io, Inc. in July 2014, impairment of acquisition-related in-process research and development intangible assets, non-cash economic interest expense associated with the convertible senior notes, non-cash change in fair value of the liability component of the convertible senior notes due to the conversion of a portion of the 1.5% Convertible Senior Notes due 2017 and related tax adjustments, we believe the inclusion of non-GAAP financial measures provides consistency in our financial reporting. In addition, our non-GAAP diluted shares are adjusted for the impact of expensing share-based compensation and include the impact of the call options which, when exercised, will offset the issuance of dilutive shares from the convertible senior notes, while our GAAP diluted shares exclude the anti-dilutive impact of these call options. 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 share-based compensation, inventory step-up expense, amortization of acquisition-related intangible assets, impairment of acquisition-related in-process research and development intangible assets, non-cash economic interest expense associated with the convertible senior notes, non-cash change in fair value of the liability component of the convertible senior notes due to the conversion of a portion of the 1.5% Convertible Senior Notes due 2017 and related tax adjustments, 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 developed technology, customer relationships, and trademarks and trade names related to the acquisitions of Pliant Technology, Inc., FlashSoft Corporation, Schooner Information Technology, Inc., SMART Storage Systems and Fusion-io, Inc.
- (c) Inventory step-up expense related to the acquisition of Fusion-io, Inc.
- (d) Impairment of acquisition-related in-process research and development intangible assets related to the acquisition of Fusion-io, Inc.
- (e) Incremental interest expense related to the non-cash economic interest expense associated with the convertible senior notes and the non-cash change in fair value of the liability component of the convertible senior notes due to the conversion of a portion of the 1.5% Convertible Senior Notes due 2017.
- (f) 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 but not in the forecasted GAAP tax rate.
- (g) Non-GAAP diluted shares are adjusted for the impact of expensing share-based compensation and include the impact of offsetting shares from the call options related to the convertible senior notes.

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

	<b>September 27, 2015</b>	<b>December 28, 2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 698,073	\$ 809,003
Short-term marketable securities	1,000,621	1,455,509
Accounts receivable, net	740,637	842,476
Inventory	785,286	698,011
Deferred taxes	178,214	180,134
Other current assets	210,815	214,992
Total current assets	3,613,646	4,200,125
Long-term marketable securities	2,176,095	2,758,475
Property and equipment, net	831,064	724,357
Notes receivable and investments in Flash Ventures	978,949	962,817
Deferred taxes	167,053	161,827
Goodwill	831,328	831,328
Intangible assets, net	343,278	542,351
Other non-current assets	131,590	108,677
Total assets	\$ 9,073,003	\$ 10,289,957
<b>LIABILITIES, CONVERTIBLE SHORT-TERM DEBT CONVERSION OBLIGATION AND EQUITY</b>		
Current liabilities:		
Accounts payable trade	\$ 426,610	\$ 404,237
Accounts payable to related parties	143,301	136,051
Convertible short-term debt (1)	—	869,645
Other current accrued liabilities	337,089	506,293
Deferred income on shipments to distributors and retailers and deferred revenue	232,010	274,657
Total current liabilities	1,139,010	2,190,883
Convertible long-term debt	2,137,737	1,199,696
Non-current liabilities	162,181	245,554
Total liabilities	3,438,928	3,636,133
Convertible short-term debt conversion obligation (1)	—	127,143
Stockholders' equity:		
Common stock	5,233,066	5,236,982
Retained earnings	598,352	1,499,149
Accumulated other comprehensive loss	(197,343)	(208,072)
Total stockholders' equity	5,634,075	6,528,059
Non-controlling interests	—	(1,378)
Total equity	5,634,075	6,526,681
Total liabilities, convertible short-term debt conversion obligation and equity	\$ 9,073,003	\$ 10,289,957

(1) The 1.5% Convertible Senior Notes due 2017 were convertible during the calendar quarter ended December 31, 2014 as a result of the Company's common stock price exceeding the trigger price for the specified period of time during the prior calendar quarter, as set forth in the indenture. Accordingly, the carrying value of the notes was reported as short-term debt as of December 28, 2014. Based upon the Company's stock price not exceeding the trigger price for the specified period of time during the calendar quarter ended June 30, 2015, as set forth in the indenture, the 1.5% Convertible Senior Notes due 2017 were not convertible during the calendar quarter ended September 30, 2015 and, accordingly, the carrying value of the notes was reported as long-term debt as of September 27, 2015.

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

	Three months ended		Nine months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
<b>Cash flows from operating activities:</b>				
Net income	\$ 133,011	\$ 262,661	\$ 253,009	\$ 805,555
Adjustments to reconcile net income to net cash provided by operating activities:				
Deferred taxes	(27,903)	(808)	(31,100)	6,784
Depreciation	72,036	66,198	211,191	187,651
Amortization	84,801	85,393	254,533	230,987
Provision for doubtful accounts	573	836	1,213	677
Share-based compensation expense	41,356	50,195	127,188	114,674
Excess tax benefit from share-based plans	(828)	(10,764)	(11,169)	(38,776)
Impairment and other	410	520	64,119	520
Other non-operating	(2,062)	(365)	(9,158)	343
Changes in operating assets and liabilities:				
Accounts receivable, net	(99,744)	(68,999)	101,965	(145,997)
Inventory	(5,109)	46,111	(86,761)	52,556
Other assets	97,034	10,900	(10,018)	10,381
Accounts payable trade	1,475	48,869	(20,882)	62,118
Accounts payable to related parties	3,530	(16,427)	7,250	(12,147)
Other liabilities	(23,608)	113,376	(238,679)	(64,691)
Total adjustments	141,961	325,035	359,692	405,080
Net cash provided by operating activities	<u>274,972</u>	<u>587,696</u>	<u>612,701</u>	<u>1,210,635</u>
<b>Cash flows from investing activities:</b>				
Purchases of short and long-term marketable securities	(604,843)	(597,716)	(1,878,429)	(3,376,250)
Proceeds from sales of short and long-term marketable securities	635,129	1,527,752	2,558,157	3,621,418
Proceeds from maturities of short and long-term marketable securities	99,644	184,395	306,336	563,890
Acquisition of property and equipment, net	(88,594)	(86,975)	(282,443)	(165,641)
Investment in Flash Ventures	—	—	—	(24,296)
Notes receivable issuances to Flash Ventures	(56,528)	(43,733)	(228,374)	(131,692)
Notes receivable proceeds from Flash Ventures	40,804	14,451	216,960	126,755
Purchased technology and other assets	1,147	(3,036)	(5,727)	(4,589)
Acquisitions, net of cash acquired	—	(1,066,166)	—	(1,063,798)
Other	—	—	(866)	—
Net cash provided by (used in) investing activities	<u>26,759</u>	<u>(71,028)</u>	<u>685,614</u>	<u>(454,203)</u>
<b>Cash flows from financing activities:</b>				
Repayment of debt financing	(5)	—	(73)	—
Proceeds from employee stock programs	25,460	55,480	61,159	159,044
Excess tax benefit from share-based plans	828	10,764	11,169	38,776
Dividends paid	(61,600)	(67,045)	(188,699)	(169,443)
Share repurchases (1)	(254,963)	(466,622)	(1,292,438)	(838,070)
Net cash used in financing activities	<u>(290,280)</u>	<u>(467,423)</u>	<u>(1,408,882)</u>	<u>(809,693)</u>
Effect of changes in foreign currency exchange rates on cash	832	(3,525)	(363)	(2,150)
Net increase (decrease) in cash and cash equivalents	12,283	45,720	(110,930)	(55,411)
Cash and cash equivalents at beginning of period	685,790	885,115	809,003	986,246
Cash and cash equivalents at end of period	<u>\$ 698,073</u>	<u>\$ 930,835</u>	<u>\$ 698,073</u>	<u>\$ 930,835</u>

(1) Share repurchases include cash used to repurchase common stock and cash used to settle employee tax withholding obligations due upon the vesting of restricted stock units.

**SanDisk Corporation**  
**Preliminary Quarterly Metrics**

**Revenue Mix by Category**<sup>(1)</sup>

% of revenue (unaudited)

Percentages may not add to 100% due to rounding

	<u>Q1'14</u>	<u>Q2'14</u>	<u>Q3'14</u>	<u>Q4'14</u>	<u>Q1'15</u>	<u>Q2'15</u>	<u>Q3'15</u>	<u>FY'14</u>	<u>FY'15 YTD</u>
Embedded <sup>(2)</sup>	20%	19%	24%	26%	25%	20%	27%	23%	24%
Removable <sup>(3)</sup>	40%	40%	38%	33%	38%	44%	37%	38%	39%
Client SSD Solutions <sup>(4)</sup>	22%	21%	17%	16%	13%	10%	10%	19%	11%
Enterprise Solutions <sup>(5)</sup>	6%	8%	10%	15%	14%	14%	11%	10%	13%
Other <sup>(6)</sup>	11%	12%	11%	10%	10%	11%	15%	11%	12%
<b>Total Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Revenue is estimated based on analysis of the information the company collects in its sales reporting processes.

(2) Embedded includes products that attach to a host system board.

(3) Removable includes products such as cards, USB flash drives and audio/video players.

(4) Client SSD Solutions includes SSDs used in client devices and associated software.

(5) Enterprise Solutions includes SSDs, system solutions and software used in data center applications.

(6) Other includes wafers, components, accessories, and license and royalty.

**Revenue Mix by Channel**<sup>(1)</sup>

% of revenue (unaudited)

	<u>Q1'14</u>	<u>Q2'14</u>	<u>Q3'14</u>	<u>Q4'14</u>	<u>Q1'15</u>	<u>Q2'15</u>	<u>Q3'15</u>	<u>FY'14</u>	<u>FY'15 YTD</u>
Retail	35%	33%	32%	31%	35%	39%	33%	33%	36%
Commercial <sup>(2)</sup>	65%	67%	68%	69%	65%	61%	67%	67%	64%
<b>Total Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Revenue is estimated based on analysis of the information the company collects in its sales reporting processes.

(2) Commercial includes revenue from OEMs, system integrators, value-added resellers, direct sales, and license and royalties.

**SanDisk Corporation**  
**Preliminary Quarterly Metrics**  
(unaudited)

	<u>Q1'14</u>	<u>Q2'14</u>	<u>Q3'14</u>	<u>Q4'14</u>	<u>Q1'15</u>	<u>Q2'15</u>	<u>Q3'15</u>
Q/Q Change in Gigabytes Sold	-10%	+31%	+9%	+4%	-15%	-1%	+49%
Y/Y Change in Gigabytes Sold	+20%	+51%	+43%	+32%	+24%	-6%	+30%
Q/Q Change in ASP/Gigabyte	-3%	-16%	-3%	-4%	-10%	-6%	-22%
Y/Y Change in ASP/Gigabyte	-7%	-26%	-26%	-24%	-29%	-21%	-37%
Q/Q Change in Cost/Gigabyte <sup>(1)</sup>	-3%	-12%	-3%	+3%	-6%	-4%	-24%
Y/Y Change in Cost/Gigabyte <sup>(1)</sup>	-23%	-28%	-23%	-15%	-17%	-10%	-29%
Average Gigabyte/Unit Capacity	13.9	14.1	16.5	22.3	20.8	19.2	23.5
As of end of period:							
Factory Headcount <sup>(2)(3)</sup>	1,366	2,874	3,276	3,284	3,149	3,149	3,322
Non-Factory Headcount <sup>(4)</sup>	<u>4,490</u>	<u>4,664</u>	<u>5,461</u>	<u>5,412</u>	<u>5,490</u>	<u>5,371</u> <sup>(5)</sup>	<u>5,292</u>
Total Headcount	5,856	7,538	8,737	8,696	8,639	8,520	8,614

(1) Cost per gigabyte and cost reduction are non-GAAP and are computed from non-GAAP cost of revenue.

(2) Reflects SanDisk China and Malaysia factory employees, excluding temporary and contract workers.

(3) During 2014, 1,505 employees were converted from contractor to employee status in SanDisk's assembly and test facility in China.

(4) Reflects SanDisk non-factory employees, excluding temporary and contract workers.

(5) Headcount at the end of Q2'15 included 107 employees who had been notified of reduction-in-force but were still on the payroll as of the end of Q2'15.