

SanDisk Corporation
Reconciliation of Non-GAAP to GAAP Statement of Operations
Three months ended March 30, 2008
(in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Revenue	Share-based Compensation	Purchase Accounting Adjustments	SanDisk Consolidated GAAP	% of Revenue
Product revenue	\$ 724,051	85.2%	\$ -	\$ -	\$ 724,051	85.2%
License and royalty revenue	125,916	14.8%	-	-	125,916	14.8%
Total revenues	849,967	100.0%	-	-	849,967	100.0%
Cost of product revenues	572,975	67.4%	3,629	-	576,604	67.8%
Amortization of acquisition-related intangible assets	-	-	-	14,582 (a)	14,582	1.7%
Total cost of product revenues	572,975	67.4%	3,629	14,582	591,186	69.6%
Product gross profit	151,076	20.9%	(3,629)	(14,582)	132,865	18.4%
Gross profit	276,992	32.6%	(3,629)	(14,582)	258,781	30.4%
Research and development	102,608	12.1%	8,826	-	111,434	13.1%
Sales and marketing	76,645	9.0%	3,511	-	80,156	9.4%
General and administrative	50,544	5.9%	7,260	-	57,804	6.8%
Amortization of acquisition-related intangible assets	-	-	-	4,475 (a)	4,475	0.5%
Total operating expenses	229,797	27.0%	19,597	4,475	253,869	29.8%
Operating income	47,195	5.6%	(23,226)	(19,057)	4,912	0.6%
Total other income	25,882	3.0%	-	-	25,882	3.0%
Income before taxes	73,077	8.6%	(23,226)	(19,057)	30,794	3.6%
Provision for income taxes	25,291	3.0%	(8,038)	(4,339) (b)	12,914	1.5%
Net income	\$ 47,786	5.6%	\$ (15,188)	\$ (14,718)	\$ 17,880	2.1%
Net income per share calculation:						
Net income used in computing basic net income per share	\$ 47,786				\$ 17,880	
Tax-effected interest costs related to convertible long term debt	117				117	
Net income used in computing diluted net income per share	<u>\$ 47,903</u>				<u>\$ 17,997</u>	
Net income per share, diluted	\$ 0.21				\$ 0.08	
Diluted shares used in computing net income per share	229,383				229,480	
Effective tax rate	34.6%				41.9%	

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

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