

SanDisk Corporation
Reconciliation of GAAP to Non-GAAP Income Statement
Three months ended, July 1, 2007
(In thousands, except percentages and per shares amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments	SanDisk Consolidated GAAP	% of Rev
Product revenue	\$ 719,991	87.1%	\$ -	\$ -	\$ 719,991	87.1%
License and royalty revenue	107,041	12.9%	-	-	107,041	12.9%
Total revenues	827,032	100.0%	-	-	827,032	100.0%
Cost of product revenue	583,310	70.5%	3,307	2,119 (a)	588,736	71.2%
Amortization of acquisition-related intangible assets	-	-	-	14,583 (b)	14,583	1.7%
Total cost of product revenues	583,310	70.5%	3,307	16,702	603,319	72.9%
Product gross profit	136,681	19.0%	(3,307)	(16,702)	116,672	16.2%
Total gross profit	243,722	29.5%	(3,307)	(16,702)	223,713	27.1%
Research and development	88,172	10.7%	13,013	-	101,185	12.2%
Sales and marketing	50,156	6.1%	10,361	-	60,517	7.3%
General and administrative	30,875	3.7%	10,290	-	41,165	5.0%
Restructuring charges	212	0.0%	-	-	212	0.0%
Amortization of acquisition-related intangible assets	-	-	-	7,050 (b)	7,050	0.9%
Total operating expenses	169,415	20.5%	33,664	7,050	210,129	25.4%
Operating income	74,307	9.0%	(36,971)	(23,752)	13,584	1.7%
Total other income	38,556	4.6%	-	-	38,556	4.6%
Income before taxes	112,863	13.6%	(36,971)	(23,752)	52,140	6.3%
Provision for income taxes	40,969	4.9%	(13,273)	(4,091) (c)	23,605	2.9%
Income after taxes	71,894	8.7%	(23,698)	(19,661)	28,535	3.4%
Minority interest	51	0.0%	-	-	51	0.0%
Net income	\$ 71,843	8.7%	\$ (23,698)	\$ (19,661)	\$ 28,484	3.4%
Net income per share, diluted	\$ 0.30				\$ 0.12	
Diluted shares used in computing net income per share	236,855				236,036	
Effective tax rate	36.3%				45.3%	

(a) Inventory step-up costs related to msystems Ltd. acquisition.

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

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

SanDisk Corporation
Reconciliation of GAAP to Non-GAAP Income Statement
Six months ended, July 1, 2007
(In thousands, except percentages and per shares amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments	SanDisk Consolidated GAAP	% of Rev
Product revenue	\$ 1,409,348	87.4%	\$ -	\$ -	\$ 1,409,348	87.4%
License and royalty revenue	203,770	12.6%	-	-	203,770	12.6%
Total revenues	1,613,118	100.0%	-	-	1,613,118	100.0%
Cost of product revenue	1,145,237	71.0%	6,521	7,066 (a)	1,158,824	71.8%
Amortization of acquisition-related intangible assets	-	-	-	35,645 (b)	35,645	2.2%
Total cost of product revenues	1,145,237	71.0%	6,521	42,711	1,194,469	74.0%
Product gross profit	264,111	18.7%	(6,521)	(42,711)	214,879	15.2%
Total gross profit	467,881	29.0%	(6,521)	(42,711)	418,649	26.0%
Research and development	171,125	10.6%	25,700	-	196,825	12.2%
Sales and marketing	99,439	6.2%	17,284	-	116,723	7.2%
General and administrative	69,471	4.3%	18,685	-	88,156	5.5%
Restructuring charges	6,728	0.4%	-	-	6,728	0.4%
Amortization of acquisition-related intangible assets	-	-	-	16,150 (b)	16,150	1.0%
Total operating expenses	346,763	21.5%	61,669	16,150	424,582	26.3%
Operating income	121,118	7.5%	(68,190)	(58,861)	(5,933)	-0.3%
Total other income	74,815	4.6%	-	-	74,815	4.6%
Income before taxes	195,933	12.1%	(68,190)	(58,861)	68,882	4.3%
Provision for income taxes	74,045	4.5%	(24,262)	(14,021) (c)	35,762	2.2%
Income after taxes	121,888	7.6%	(43,928)	(44,840)	33,120	2.1%
Minority interest	5,211	0.4%	-	-	5,211	0.4%
Net income	\$ 116,677	7.2%	\$ (43,928)	\$ (44,840)	\$ 27,909	1.7%
Net income per share, diluted	\$ 0.49				\$ 0.12	
Diluted shares used in computing net income per share	236,649				235,951	
Effective tax rate	37.8%				51.9%	

(a) Inventory step-up costs related to msystems Ltd. acquisition.

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

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