

**SanDisk Corporation**  
**Reconciliation of Non-GAAP to GAAP Income Statement**  
**Three months ended September 30, 2007**  
(in thousands, except percentages and per share amounts, unaudited)

	<b>SanDisk Consolidated Non-GAAP</b>	<b>% of Rev</b>	<b>Share-based Compensation</b>	<b>Purchase Accounting Adjustments</b>	<b>SanDisk Consolidated GAAP</b>	<b>% of Rev</b>
Product revenue	\$ 918,810	88.6%	\$ -	\$ -	\$ 918,810	88.6%
License and royalty revenue	118,613	11.4%	-	-	118,613	11.4%
<b>Total revenues</b>	<b>1,037,423</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>1,037,423</b>	<b>100.0%</b>
Cost of product revenues	676,359	65.2%	4,162	-	680,521	65.6%
Amortization of acquisition-related intangible assets	-	-	-	14,582 (b)	14,582	1.4%
Total cost of product revenues	676,359	65.2%	4,162	14,582	695,103	67.0%
Product gross profit	242,451	26.4%	(4,162)	(14,582)	223,707	24.3%
Gross profit	361,064	34.8%	(4,162)	(14,582)	342,320	33.0%
Research and development	98,005	9.4%	12,528	-	110,533	10.7%
Sales and marketing	64,499	6.2%	7,956	-	72,455	7.0%
General and administrative	36,100	3.5%	9,481	-	45,581	4.4%
Amortization of acquisition-related intangible assets	-	-	-	4,600 (b)	4,600	0.4%
Total operating expenses	198,604	19.1%	29,965	4,600	233,169	22.5%
Operating income	162,460	15.7%	(34,127)	(19,182)	109,151	10.5%
Total other income	29,200	2.8%	-	-	29,200	2.8%
Income before taxes	191,660	18.5%	(34,127)	(19,182)	138,351	13.3%
Provision for income taxes	61,857	6.0%	(11,014)	2,870 (c)	53,713	5.2%
<b>Net income</b>	<b>\$ 129,803</b>	<b>12.5%</b>	<b>\$ (23,113)</b>	<b>\$ (22,052)</b>	<b>\$ 84,638</b>	<b>8.2%</b>
<b>Net income per share, diluted</b>	<b>\$ 0.54</b>				<b>\$ 0.36</b>	
Diluted shares used in computing net income per share	238,643				236,930	
Effective tax rate	32.3%				38.8%	

(b) 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).

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

**SanDisk Corporation**  
**Reconciliation of Non-GAAP to GAAP Income Statement**  
**Nine months ended September 30, 2007**  
(in thousands, except percentages and per share amounts, unaudited)

	<b>SanDisk Consolidated Non-GAAP</b>	<b>% of Rev</b>	<b>Share-based Compensation</b>	<b>Purchase Accounting Adjustments</b>	<b>SanDisk Consolidated GAAP</b>	<b>% of Rev</b>
Product revenue	\$ 2,328,158	87.8%	\$ -	\$ -	\$ 2,328,158	87.8%
License and royalty revenue	322,383	12.2%	-	-	322,383	12.2%
<b>Total revenues</b>	<b>2,650,541</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>2,650,541</b>	<b>100.0%</b>
Cost of product revenues	1,821,596	68.7%	10,683	7,066 (a)	1,839,345	69.4%
Amortization of acquisition-related intangible assets	-	-	-	50,227 (b)	50,227	1.9%
Total cost of product revenues	1,821,596	68.7%	10,683	57,293	1,889,572	71.3%
Product gross profit	506,562	21.8%	(10,683)	(57,293)	438,586	18.8%
Gross profit	828,945	31.3%	(10,683)	(57,293)	760,969	28.7%
Research and development	269,130	10.2%	38,228	-	307,358	11.6%
Sales and marketing	163,938	6.2%	25,240	-	189,178	7.1%
General and administrative	105,571	4.0%	28,166	-	133,737	5.0%
Restructuring	6,728	0.2%	-	-	6,728	0.3%
Amortization of acquisition-related intangible assets	-	-	-	20,750 (b)	20,750	0.8%
Total operating expenses	545,367	20.6%	91,634	20,750	657,751	24.8%
Operating income	283,578	10.7%	(102,317)	(78,043)	103,218	3.9%
Total other income	104,015	3.9%	-	-	104,015	3.9%
Income before taxes	387,593	14.6%	(102,317)	(78,043)	207,233	7.8%
Provision for income taxes	135,902	5.1%	(35,875)	(10,552) (c)	89,475	3.4%
Income after taxes	251,691	9.5%	(66,442)	(67,491)	117,758	4.4%
Minority interest	5,211	0.2%	-	-	5,211	0.2%
<b>Net income</b>	<b>\$ 246,480</b>	<b>9.3%</b>	<b>\$ (66,442)</b>	<b>\$ (67,491)</b>	<b>\$ 112,547</b>	<b>4.2%</b>
<b>Net income per share, diluted</b>	<b>\$ 1.04</b>				<b>\$ 0.48</b>	
Diluted shares used in computing net income per share	237,313				235,992	
Effective tax rate	35.1%				43.2%	

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

(b) 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).

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