

**SanDisk Corporation**  
**Reconciliation of Non-GAAP to GAAP Income Statement**  
**Three months ended December 30, 2007**

(in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP	% of Rev	Share-based Compensation	Purchase Accounting Adjustments	SanDisk Consolidated GAAP	% of Rev
Product revenue	\$ 1,117,967	89.7%	\$ -	\$ -	\$ 1,117,967	89.7%
License and royalty revenue	127,858	10.3%	-	-	127,858	10.3%
<b>Total revenues</b>	<b>1,245,825</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>1,245,825</b>	<b>100.0%</b>
Cost of product revenues	785,433	63.0%	4,060	-	789,493	63.4%
Amortization of acquisition-related intangible assets	-	-	-	14,582 (b)	14,582	1.1%
Total cost of product revenues	785,433	63.0%	4,060	14,582	804,075	64.5%
Product gross profit	332,534	29.7%	(4,060)	(14,582)	313,892	28.1%
Gross profit	460,392	37.0%	(4,060)	(14,582)	441,750	35.5%
Research and development	99,743	8.0%	10,965	-	110,708	8.9%
Sales and marketing	98,934	7.9%	6,482	-	105,416	8.5%
General and administrative	38,586	3.2%	9,186	-	47,772	3.8%
Amortization of acquisition-related intangible assets	-	-	-	4,558 (b)	4,558	0.4%
Total operating expenses	237,263	19.1%	26,633	4,558	268,454	21.6%
Operating income	223,129	17.9%	(30,693)	(19,140)	173,296	13.9%
Total other income	17,887	1.4%	-	-	17,887	1.4%
Income before taxes	241,016	19.3%	(30,693)	(19,140)	191,183	15.3%
Provision for income taxes	79,388	6.4%	6,504	(519) (c)	85,373	6.9%
<b>Net income</b>	<b>\$ 161,628</b>	<b>13.0%</b>	<b>\$ (37,197)</b>	<b>\$ (18,621)</b>	<b>\$ 105,810</b>	<b>8.5%</b>
Net income per share calculation:						
Net income used in computing basic net income per share	\$ 161,628				\$ 105,810	
Tax-effected interest costs related to convertible long term debt	117				117	
Net income used in computing diluted net income per share	<u>\$ 161,745</u>				<u>\$ 105,927</u>	
<b>Net income per share, diluted</b>	<b>\$ 0.69</b>				<b>\$ 0.45</b>	
Diluted shares used in computing net income per share	234,154				234,033	
Effective tax rate	32.9%				44.7%	

(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**  
**Twelve months ended December 30, 2007**  
(in thousands, except percentages and per share amounts, unaudited)

	SanDisk Consolidated Non-GAAP		Share-based Compensation	Purchase Accounting Adjustments	SanDisk Consolidated GAAP	
		% of Rev				% of Rev
Product revenue	\$ 3,446,125	88.4%	\$ -	\$ -	\$ 3,446,125	88.4%
License and royalty revenue	450,241	11.6%	-	-	450,241	11.6%
<b>Total revenues</b>	<b>3,896,366</b>	<b>100.0%</b>	-	-	<b>3,896,366</b>	<b>100.0%</b>
Cost of product revenues	2,607,029	66.9%	14,743	7,066 (a)	2,628,838	67.5%
Amortization of acquisition-related intangible assets	-	-	-	64,809 (b)	64,809	1.6%
Total cost of product revenues	2,607,029	66.9%	14,743	71,875	2,693,647	69.1%
Product gross profit	839,096	24.3%	(14,743)	(71,875)	752,478	21.8%
Gross profit	1,289,337	33.1%	(14,743)	(71,875)	1,202,719	30.9%
Research and development	368,873	9.5%	49,193	-	418,066	10.7%
Sales and marketing	262,872	6.7%	31,722	-	294,594	7.6%
General and administrative	144,157	3.7%	37,352	-	181,509	4.7%
Restructuring	6,728	0.2%	-	-	6,728	0.2%
Amortization of acquisition-related intangible assets	-	-	-	25,308 (b)	25,308	0.6%
Total operating expenses	782,630	20.1%	118,267	25,308	926,205	23.8%
Operating income	506,707	13.0%	(133,010)	(97,183)	276,514	7.1%
Total other income	121,902	3.1%	-	-	121,902	3.1%
Income before taxes	628,609	16.1%	(133,010)	(97,183)	398,416	10.2%
Provision for income taxes	215,289	5.5%	(29,371)	(11,070) (c)	174,848	4.5%
Income after taxes	413,320	10.6%	(103,639)	(86,113)	223,568	5.7%
Minority interest	5,211	0.1%	-	-	5,211	0.1%
<b>Net income</b>	<b>\$ 408,109</b>	<b>10.5%</b>	<b>\$ (103,639)</b>	<b>\$ (86,113)</b>	<b>\$ 218,357</b>	<b>5.6%</b>
Net income per share calculation:						
Net income used in computing basic net income per share	\$ 408,109				\$ 218,357	
Tax-effected interest costs related to convertible long term debt	469				469	
Net income used in computing diluted net income per share	\$ 408,578				\$ 218,826	
<b>Net income per share, diluted</b>	<b>\$ 1.73</b>				<b>\$ 0.93</b>	
Diluted shares used in computing net income per share	236,614				235,857	
Effective tax rate	34.2%				43.9%	

(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.