

GILEAD SCIENCES, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION
(unaudited)
(in thousands except percentages and per share amounts)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	YTD 2011	Q1 2012
Cost of goods sold reconciliation:						
GAAP cost of goods sold	\$ 474,111	\$ 533,863	\$ 531,989	\$ 584,447	\$ 2,124,410	\$ 580,931
Stock-based compensation expenses	(2,644)	(2,887)	(2,234)	(668)	(8,433)	(2,101)
Acquisition-related amortization of purchased intangibles	(17,407)	(17,408)	(17,407)	(17,407)	(69,629)	(15,836)
Non-GAAP cost of goods sold	<u>\$ 454,060</u>	<u>\$ 513,568</u>	<u>\$ 512,348</u>	<u>\$ 566,372</u>	<u>\$ 2,046,348</u>	<u>\$ 562,994</u>
Product gross margin reconciliation:						
GAAP product gross margin	74.6 %	73.9 %	74.3 %	72.6 %	73.8 %	73.7 %
Stock-based compensation expenses	0.1 %	0.1 %	0.1 %	0.0 %	0.1 %	0.1 %
Acquisition-related amortization of purchased intangibles	0.9 %	0.9 %	0.8 %	0.8 %	0.9 %	0.7 %
Non-GAAP product gross margin ⁽¹⁾	<u>75.7 %</u>	<u>74.9 %</u>	<u>75.3 %</u>	<u>73.4 %</u>	<u>74.8 %</u>	<u>74.5 %</u>
Research and development expenses reconciliation:						
GAAP research and development expenses	\$ 254,446	\$ 282,403	\$ 290,066	\$ 402,236	\$ 1,229,151	\$ 458,211
Stock-based compensation expenses	(16,720)	(19,420)	(18,389)	(18,961)	(73,490)	(118,623)
Restructuring expenses	213	(767)	(806)	(78)	(1,438)	(5,514)
Acquisition-related transaction costs	(446)	-	-	-	(446)	-
Acquisition-related remeasurement of contingent consideration	-	418	(1,616)	(7,286)	(8,484)	(2,736)
Acquisition-related IPR&D impairment	-	-	-	(26,630)	(26,630)	-
Non-GAAP research and development expenses	<u>\$ 237,493</u>	<u>\$ 262,634</u>	<u>\$ 269,255</u>	<u>\$ 349,281</u>	<u>\$ 1,118,663</u>	<u>\$ 331,338</u>
Selling, general and administrative expenses reconciliation:						
GAAP selling, general and administrative expenses	\$ 295,568	\$ 304,269	\$ 295,927	\$ 346,219	\$ 1,241,983	\$ 443,121
Stock-based compensation expenses	(30,106)	(27,818)	(25,897)	(26,634)	(110,455)	(121,944)
Restructuring expenses	(2,019)	353	(4,388)	(1,233)	(7,287)	(3,156)
Acquisition-related transaction costs	(378)	(365)	(535)	(28,466)	(29,744)	(10,280)
Non-GAAP selling, general and administrative expenses	<u>\$ 263,065</u>	<u>\$ 276,439</u>	<u>\$ 265,107</u>	<u>\$ 289,886</u>	<u>\$ 1,094,497</u>	<u>\$ 307,741</u>
Operating margin reconciliation:						
GAAP operating margin	46.8 %	47.6 %	47.3 %	39.4 %	45.2 %	35.1 %
Stock-based compensation expenses	2.6 %	2.3 %	2.2 %	2.1 %	2.3 %	10.6 %
Restructuring expenses	0.1 %	0.0 %	0.2 %	0.1 %	0.1 %	0.4 %
Acquisition-related transaction costs	0.0 %	0.0 %	0.0 %	1.3 %	0.4 %	0.5 %
Acquisition-related amortization of purchased intangibles	0.9 %	0.8 %	0.8 %	0.8 %	0.8 %	0.7 %
Acquisition-related remeasurement of contingent consideration	-	0.0 %	0.1 %	0.3 %	0.1 %	0.1 %
Acquisition-related IPR&D impairment	-	-	-	1.2 %	0.3 %	-
Non-GAAP operating margin ⁽¹⁾	<u>50.4 %</u>	<u>50.7 %</u>	<u>50.7 %</u>	<u>45.2 %</u>	<u>49.2 %</u>	<u>47.3 %</u>
Interest expense reconciliation:						
GAAP interest expense	\$ (41,216)	\$ (46,107)	\$ (43,097)	\$ (74,998)	(205,418)	(97,270)
Acquisition-related transaction costs	-	-	-	23,817	23,817	7,333
Non-GAAP interest expense	<u>(41,216)</u>	<u>(46,107)</u>	<u>(43,097)</u>	<u>(51,181)</u>	<u>(181,601)</u>	<u>(89,937)</u>
Net income attributable to Gilead reconciliation:						
GAAP net income attributable to Gilead, net of tax	\$ 651,141	\$ 746,227	\$ 741,124	\$ 665,145	\$ 2,803,637	\$ 441,956
Stock-based compensation expenses	36,614	37,915	35,221	35,303	145,053	229,604
Restructuring expenses	1,337	324	3,908	1,010	6,579	6,346
Acquisition-related transaction costs	824	365	535	12,798	14,522	12,891
Acquisition-related amortization of purchased intangibles	12,883	13,170	13,172	13,275	52,500	11,590
Acquisition-related remeasurement of contingent consideration	-	(313)	1,213	7,584	8,484	2,002
Acquisition-related IPR&D impairment	-	-	-	7,989	7,989	-
Non-GAAP net income attributable to Gilead, net of tax	<u>\$ 702,799</u>	<u>\$ 797,688</u>	<u>\$ 795,173</u>	<u>\$ 743,104</u>	<u>\$ 3,038,764</u>	<u>\$ 704,389</u>
Diluted earnings per share reconciliation:						
GAAP diluted earnings per share	\$ 0.80	\$ 0.93	\$ 0.95	\$ 0.87	\$ 3.55	\$ 0.57
Stock-based compensation expenses	0.05	0.05	0.05	0.05	0.18	0.30
Restructuring expenses	0.00	0.00	0.01	0.00	0.01	0.01
Acquisition-related transaction costs	0.00	0.00	0.00	0.02	0.02	0.02
Acquisition-related amortization of purchased intangibles	0.02	0.02	0.02	0.02	0.07	0.01
Acquisition-related remeasurement of contingent consideration	-	(0.00)	0.00	0.01	0.01	0.00
Acquisition-related IPR&D impairment	-	-	-	0.01	0.01	-
Non-GAAP diluted earnings per share ⁽¹⁾	<u>\$ 0.87</u>	<u>\$ 1.00</u>	<u>\$ 1.02</u>	<u>\$ 0.97</u>	<u>\$ 3.86</u>	<u>\$ 0.91</u>
Shares used in per share calculation (diluted) reconciliation:						
GAAP shares used in per share calculation (diluted)	811,857	800,800	781,312	766,326	790,118	777,388
Share impact of current stock-based compensation rules	(2,030)	(2,010)	(2,096)	(2,133)	(2,016)	(2,038)
Non-GAAP shares used in per share calculation (diluted)	<u>809,827</u>	<u>798,790</u>	<u>779,216</u>	<u>764,193</u>	<u>788,102</u>	<u>775,350</u>
Non-GAAP adjustment summary:						
Cost of goods sold adjustments	\$ 20,051	\$ 20,295	\$ 19,641	\$ 18,075	\$ 78,062	\$ 17,937
Research and development expenses adjustments	16,953	19,769	20,811	52,955	110,488	126,873
Selling, general and administrative expenses adjustments	32,503	27,830	30,820	56,333	147,486	135,380
Interest expense adjustments	-	-	-	23,817	23,817	7,333
Total non-GAAP adjustments before tax	69,507	67,894	71,272	151,180	359,853	287,523
Income tax effect	(17,849)	(16,433)	(17,223)	(73,221)	(124,726)	(25,090)
Total non-GAAP adjustments after tax	<u>\$ 51,658</u>	<u>\$ 51,461</u>	<u>\$ 54,049</u>	<u>\$ 77,959</u>	<u>\$ 235,127</u>	<u>\$ 262,433</u>

Note:

(1) Amounts may not sum due to rounding

Management believes the non-GAAP information presented above is useful for investors, taken in conjunction with Gilead's GAAP financial statements, because management uses such information internally for its operating, budgeting and financial planning purposes. Non-GAAP information is not prepared under a comprehensive set of accounting rules and should only be used to supplement an understanding of Gilead's operating results as reported under United States generally accepted accounting principles.