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


Cost of goods sold reconciliation:
GAAP cost of goods sold $ 239,848 $ 265,684 $ 300,183 $ 321,531 $ 1,127,246 $ 329,414 $ 383,045 $ 712,469
Acquisition-related amortization of inventory mark-up - - - (3,711) - - - (3,711)
Acquisition-related amortization of purchased intangibles - - - (20,050) - - - (20,050)
Stock-based compensation expenses (1,694) (2,848) (2,562) (3,178) (10,312) (2,354) (2,771) (2,771)
Non-GAAP cost of goods sold $ 235,154 $ 262,836 $ 297,651 $ 318,362 $ 1,117,934 $ 326,962 $ 386,497 $ 710,697

Product gross margin reconciliation:
GAAP product gross margin 79.4 % 78.6 % 77.9 % 77.2 % 78.4 % 77.4 % 78.6 % 78.5 %
Acquisition-related amortization of inventory mark-up - - - - - - - -
Acquisition-related amortization of purchased intangibles - - - 0.2 % - - - 0.1 %
Stock-based compensation expenses 0.1 % 0.2 % 0.2 % 0.2 % 0.2 % 0.2 % 0.2 % 0.2 %
Non-GAAP product gross margin 79.5 % 78.8 % 78.1 % 77.4 % 78.4 % 77.6 % 78.9 % 77.8 %

Research and development expenses reconciliation:
GAAP research and development expenses $ 155,361 $ 176,542 $ 188,062 $ 201,863 $ 721,788 $ 188,779 $ 241,638 $ 430,417
Restructuring expenses - - - - (11,251) - - (11,251)
Non-GAAP research and development expenses $ 136,466 $ 151,372 $ 161,334 $ 175,290 $ 655,289 $ 171,624 $ 210,986 $ 392,537

Selling, general and administrative expenses reconciliation:
GAAP selling, general and administrative expenses $ 194,967 $ 219,533 $ 189,189 $ 193,665 $ 797,344 $ 203,951 $ 261,411 $ 465,362
Acquisition-related transaction costs - - - - (8,165) - - (8,165)
Restructuring expenses - - - - - (12,856) - (12,856)
Stock-based compensation expenses (17,547) (16,857) (21,322) (19,003) (76,529) (20,836) (27,189) (48,020)
Non-GAAP selling, general and administrative expenses $ 174,126 $ 186,772 $ 165,663 $ 165,359 $ 645,867 $ 171,295 $ 213,556 $ 395,386

Operating margin reconciliation:
GAAP operating margin 53.1 % 47.4 % 50.6 % 49.8 % 50.2 % 52.8 % 46.2 % 49.4 %
Acquisition-related transaction costs - - - - - - - -
Acquisition-related amortization of inventory mark-up - - - 0.5 % - - - 0.3 %
Acquisition-related amortization of purchased intangibles - - - 0.2 % - - - 0.1 %
Acquisition-related amortization of purchased intangibles - - - 0.7 % - - - 0.4 %
Restructuring expenses - - - 1.5 % - - - 0.9 %
Stock-based compensation expenses 2.9 % 2.9 % 3.0 % 2.7 % 2.9 % 2.7 % 3.3 % 3.0 %
Purchased in-process research and development expense 0.8 % - - 0.2 % - - - 0.0 %
Non-GAAP operating margin 56.0 % 50.9 % 53.8 % 52.4 % 53.6 % 54.7 % 48.4 % 51.5 %

Net Income attributable to Gilead:
GAAP net income attributable to Gilead $ 488,360 $ 434,783 $ 495,853 $ 599,963 $ 1,978,899 $ 589,112 $ 571,398 $ 1,160,510
Acquisition-related transaction costs - - - - - - - -
Acquisition-related amortization of inventory mark-up - - - - - - - -
Acquisition-related amortization of purchased intangibles - - - - - - - -
Restructuring expenses - - - - - - - -
Stock-based compensation expenses 26,001 26,409 30,081 30,308 112,796 30,288 70,246 39,961
Purchased in-process research and development expense 7,769 - - - - - -
Non-GAAP net income attributable to Gilead $ 514,361 $ 461,592 $ 525,944 $ 590,271 $ 2,098,606 $ 589,399 $ 648,864 $ 1,263,256

 Diluted earnings per share reconciliation:
GAAP diluted earnings per share $ 0.51 $ 0.45 $ 0.52 $ 0.59 $ 2.06 $ 0.63 $ 0.61 $ 1.24
Acquisition-related transaction costs - - - - - - - -
Acquisition-related amortization of inventory mark-up - - - - - - - -
Acquisition-related amortization of purchased intangibles - - - - - - - -
Restructuring expenses - - - - - - - -
Stock-based compensation expenses 0.03 0.03 0.03 0.03 0.12 0.03 0.04 0.07
Purchased in-process research and development expense - - - - - - - -
Non-GAAP diluted earnings per share $ 0.53 $ 0.48 $ 0.55 $ 0.62 $ 2.18 $ 0.66 $ 0.65 $ 1.31

 Shares used in per share calculation (diluted) reconciliation:
GAAP shares used in per share calculation (diluted) 966,554 965,663 960,585 942,837 958,825 934,374 928,500 909,978
Effect of SFAS 123R 1,694 2,848 2,592 3,178 10,312 3,254 2,771 6,025
Non-GAAP shares used in per share calculation (diluted) 968,248 968,511 963,177 945,515 969,137 937,648 931,275 916,003

Note: 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.