

GILEAD SCIENCES, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION
(unaudited)

(in thousands except percentages and per share amounts)

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010	Q1 2011	Q2 2011	YTD 2011
Cost of goods sold reconciliation:								
GAAP cost of goods sold	\$ 440,430	\$ 455,525	\$ 477,584	\$ 496,337	\$ 1,869,876	\$ 474,111	\$ 533,863	\$ 1,007,974
Acquisition-related amortization of inventory mark-up	(4,978)	(2,042)	-	-	(7,020)	-	-	-
Acquisition-related amortization of purchased intangibles	(14,984)	(14,981)	(14,981)	(14,981)	(59,927)	(17,407)	(17,408)	(34,815)
Stock-based compensation expenses	(2,853)	(2,967)	(2,728)	(1,632)	(10,180)	(2,644)	(2,887)	(5,531)
Non-GAAP cost of goods sold	<u>\$ 417,615</u>	<u>\$ 435,535</u>	<u>\$ 459,875</u>	<u>\$ 479,724</u>	<u>\$ 1,792,749</u>	<u>\$ 454,060</u>	<u>\$ 513,568</u>	<u>\$ 967,628</u>
Product gross margin reconciliation:								
GAAP product gross margin	75.5 %	74.8 %	74.4 %	74.4 %	74.8 %	74.6 %	73.9 %	74.2 %
Acquisition-related amortization of inventory mark-up	0.3 %	0.1 %	-	-	0.1 %	-	-	-
Acquisition-related amortization of purchased intangibles	0.8 %	0.8 %	0.8 %	0.8 %	0.8 %	0.9 %	0.9 %	0.9 %
Stock-based compensation expenses	0.2 %	0.2 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Non-GAAP product gross margin (1)	<u>76.7 %</u>	<u>75.9 %</u>	<u>75.4 %</u>	<u>75.3 %</u>	<u>75.8 %</u>	<u>75.7 %</u>	<u>74.9 %</u>	<u>75.3 %</u>
Research and development expenses reconciliation:								
GAAP research and development expenses	\$ 218,664	\$ 231,066	\$ 230,440	\$ 392,760	\$ 1,072,930	\$ 254,446	\$ 282,403	\$ 536,849
Acquisition-related IPR&D impairment	-	-	-	(136,000)	(136,000)	-	-	-
Acquisition-related transaction costs	-	-	-	-	-	(446)	-	(446)
Acquisition-related remeasurement of contingent consideration	-	-	-	-	-	-	418	418
Restructuring expenses	(2,100)	(2,130)	(6,315)	(3,493)	(14,038)	213	(767)	(554)
Stock-based compensation expenses	(20,069)	(21,521)	(20,946)	(21,512)	(84,048)	(16,720)	(19,420)	(36,140)
Non-GAAP research and development expenses	<u>\$ 196,495</u>	<u>\$ 207,415</u>	<u>\$ 203,179</u>	<u>\$ 231,755</u>	<u>\$ 838,844</u>	<u>\$ 237,493</u>	<u>\$ 262,634</u>	<u>\$ 500,127</u>
Selling, general and administrative expenses reconciliation:								
GAAP selling, general and administrative expenses	\$ 265,618	\$ 248,006	\$ 250,559	\$ 280,209	\$ 1,044,392	\$ 295,568	\$ 304,269	\$ 599,837
Acquisition-related transaction costs	-	-	(387)	-	(387)	(378)	(365)	(743)
Restructuring expenses	(12,584)	(906)	(1,413)	(10,697)	(25,600)	(2,019)	353	(1,666)
Stock-based compensation expenses	(23,919)	(23,559)	(28,128)	(30,207)	(105,813)	(30,106)	(27,818)	(57,924)
Non-GAAP selling, general and administrative expenses	<u>\$ 229,115</u>	<u>\$ 223,541</u>	<u>\$ 220,631</u>	<u>\$ 239,305</u>	<u>\$ 912,592</u>	<u>\$ 263,065</u>	<u>\$ 276,439</u>	<u>\$ 539,504</u>
Operating margin reconciliation:								
GAAP operating margin	55.7 %	51.5 %	50.5 %	41.5 %	49.8 %	46.8 %	47.6 %	47.2 %
Acquisition-related transaction costs	-	0.0 %	0.0 %	-	0.0 %	0.0 %	0.0 %	0.0 %
Acquisition-related amortization of inventory mark-up	0.2 %	0.1 %	-	-	0.1 %	-	-	-
Acquisition-related amortization of purchased intangibles	0.7 %	0.8 %	0.8 %	0.7 %	0.8 %	0.9 %	0.8 %	0.9 %
Acquisition-related IPR&D impairment	-	-	-	6.8 %	1.7 %	-	-	-
Acquisition-related remeasurement of contingent consideration	-	-	-	-	-	-	-	-
Restructuring expenses	0.7 %	0.2 %	0.4 %	0.7 %	0.5 %	0.1 %	0.0 %	0.1 %
Stock-based compensation expenses	2.2 %	2.5 %	2.7 %	2.7 %	2.5 %	2.6 %	2.3 %	2.5 %
Non-GAAP operating margin (1)	<u>59.6 %</u>	<u>55.0 %</u>	<u>54.4 %</u>	<u>52.4 %</u>	<u>55.4 %</u>	<u>50.4 %</u>	<u>50.7 %</u>	<u>50.6 %</u>
Net income attributable to Gilead reconciliation:								
GAAP net income attributable to Gilead	\$ 854,901	\$ 712,061	\$ 704,876	\$ 629,419	\$ 2,901,257	\$ 651,141	\$ 746,227	\$ 1,397,368
Acquisition-related transaction costs	-	-	388	-	388	824	365	1,189
Acquisition-related amortization of inventory mark-up	3,657	1,433	-	-	5,090	-	-	-
Acquisition-related amortization of purchased intangibles	11,008	10,721	10,951	11,663	44,343	12,883	13,170	26,053
Acquisition-related IPR&D impairment	-	-	-	86,328	86,328	-	-	-
Acquisition-related remeasurement of contingent consideration	-	-	-	-	-	-	(313)	(313)
Restructuring expenses	10,788	2,061	5,639	10,781	29,269	1,337	324	1,661
Stock-based compensation expenses	34,413	34,395	37,812	41,090	147,710	36,614	37,915	74,529
Non-GAAP net income attributable to Gilead	<u>\$ 914,767</u>	<u>\$ 760,671</u>	<u>\$ 759,666</u>	<u>\$ 779,281</u>	<u>\$ 3,214,385</u>	<u>\$ 702,799</u>	<u>\$ 797,688</u>	<u>\$ 1,500,487</u>
Diluted earnings per share reconciliation:								
GAAP diluted earnings per share	\$ 0.92	\$ 0.79	\$ 0.83	\$ 0.76	\$ 3.32	\$ 0.80	\$ 0.93	\$ 1.73
Acquisition-related transaction costs	-	-	0.00	-	0.00	0.00	0.00	0.00
Acquisition-related amortization of inventory mark-up	0.00	0.00	-	-	0.01	-	-	-
Acquisition-related amortization of purchased intangibles	0.01	0.01	0.01	0.01	0.05	0.02	0.02	0.03
Acquisition-related IPR&D impairment	-	-	-	0.10	0.10	-	-	-
Acquisition-related remeasurement of contingent consideration	-	-	-	-	-	-	(0.00)	(0.00)
Restructuring expenses	0.01	0.00	0.01	0.01	0.03	0.00	0.00	0.00
Stock-based compensation expenses	0.04	0.04	0.04	0.05	0.17	0.05	0.05	0.09
Non-GAAP diluted earnings per share (1)	<u>\$ 0.99</u>	<u>\$ 0.85</u>	<u>\$ 0.90</u>	<u>\$ 0.95</u>	<u>\$ 3.69</u>	<u>\$ 0.87</u>	<u>\$ 1.00</u>	<u>\$ 1.87</u>
Shares used in per share calculation (diluted) reconciliation:								
GAAP shares used in per share calculation (diluted)	928,368	898,753	847,228	824,076	873,396	811,857	800,800	806,462
Share impact of current stock-based compensation guidance	(703)	(1,555)	(2,208)	(2,185)	(1,741)	(2,030)	(2,010)	(1,993)
Non-GAAP shares used in per share calculation (diluted)	<u>927,665</u>	<u>897,198</u>	<u>845,020</u>	<u>821,891</u>	<u>871,655</u>	<u>809,827</u>	<u>798,790</u>	<u>804,469</u>
Non-GAAP adjustment summary:								
Cost of goods sold adjustments	\$ 22,815	\$ 19,990	\$ 17,709	\$ 16,613	\$ 77,127	\$ 20,051	\$ 20,295	\$ 40,346
Research and development expenses adjustments	22,169	23,651	27,261	161,005	234,086	16,953	19,769	36,722
Selling, general and administrative expenses adjustments	36,503	24,465	29,928	40,904	131,800	32,503	27,830	60,333
Total non-GAAP adjustments before tax	81,487	68,106	74,898	218,522	443,013	69,507	67,894	137,401
Income tax effect	(21,621)	(19,496)	(20,108)	(68,660)	(129,885)	(17,849)	(16,433)	(34,282)
Total non-GAAP adjustments after tax	<u>\$ 59,866</u>	<u>\$ 48,610</u>	<u>\$ 54,790</u>	<u>\$ 149,862</u>	<u>\$ 313,128</u>	<u>\$ 51,658</u>	<u>\$ 51,461</u>	<u>\$ 103,119</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.