

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	Q2 2012	YTD 2012
Cost of goods sold reconciliation:								
GAAP cost of goods sold	\$ 474,111	\$ 533,863	\$ 531,989	\$ 584,447	\$ 2,124,410	\$ 580,931	\$ 617,345	\$ 1,198,276
Stock-based compensation expenses	(2,644)	(2,887)	(2,234)	(668)	(8,433)	(2,101)	(2,119)	(4,220)
Acquisition related-amortization of purchased intangibles	(17,407)	(17,408)	(17,407)	(17,407)	(69,629)	(15,836)	(15,836)	(31,672)
Non-GAAP cost of goods sold	\$ 454,060	\$ 513,568	\$ 512,348	\$ 566,372	\$ 2,046,348	\$ 562,994	\$ 599,390	\$ 1,162,384
Product gross margin reconciliation:								
GAAP product gross margin	74.6 %	73.9 %	74.3 %	72.6 %	73.8 %	73.7 %	73.5 %	73.6 %
Stock-based compensation expenses	0.1 %	0.1 %	0.1 %	0.0 %	0.1 %	0.1 %	0.1 %	0.1 %
Acquisition related-amortization of purchased intangibles	0.9 %	0.9 %	0.8 %	0.8 %	0.9 %	0.7 %	0.7 %	0.7 %
Non-GAAP product gross margin ⁽¹⁾	75.7 %	74.9 %	75.3 %	73.4 %	74.8 %	74.5 %	74.3 %	74.4 %
Research and development expenses reconciliation:								
GAAP research and development expenses	\$ 254,446	\$ 282,403	\$ 290,066	\$ 402,236	\$ 1,229,151	\$ 458,211	\$ 396,244	\$ 854,455
Stock-based compensation expenses	(16,720)	(19,420)	(18,389)	(18,961)	(73,490)	(118,623)	(20,355)	(138,978)
Restructuring expenses	213	(767)	(806)	(78)	(1,438)	(5,514)	(1,576)	(7,090)
Acquisition related-transaction costs	(446)	-	-	-	(446)	-	(345)	(345)
Acquisition related-contingent consideration remeasurement	-	418	(1,616)	(7,286)	(8,484)	(2,736)	(2,570)	(5,306)
Acquisition related-IPR&D impairment	-	-	-	(26,630)	(26,630)	-	-	-
Non-GAAP research and development expenses	\$ 237,493	\$ 262,634	\$ 269,255	\$ 349,281	\$ 1,118,663	\$ 331,338	\$ 371,398	\$ 702,736
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	\$ 332,505	\$ 775,626
Stock-based compensation expenses	(30,106)	(27,818)	(25,897)	(26,634)	(110,455)	(121,944)	(25,929)	(147,873)
Restructuring expenses	(2,019)	353	(4,388)	(1,233)	(7,287)	(3,156)	(7,251)	(10,407)
Acquisition related-transaction costs	(378)	(365)	(535)	(28,466)	(29,744)	(10,280)	(594)	(10,874)
Non-GAAP selling, general and administrative expenses	\$ 263,065	\$ 276,439	\$ 265,107	\$ 289,886	\$ 1,094,497	\$ 307,741	\$ 298,731	\$ 606,472
Operating margin reconciliation:								
GAAP operating margin	46.8 %	47.6 %	47.3 %	39.4 %	45.2 %	35.1 %	44.0 %	39.7 %
Stock-based compensation expenses	2.6 %	2.3 %	2.2 %	2.1 %	2.3 %	10.6 %	2.0 %	6.2 %
Restructuring expenses	0.1 %	- %	0.2 %	0.1 %	0.1 %	0.4 %	0.4 %	0.4 %
Acquisition related-transaction costs	0.0 %	- %	- %	1.3 %	0.4 %	0.5 %	- %	0.2 %
Acquisition related-amortization of purchased intangibles	0.9 %	0.8 %	0.8 %	0.8 %	0.8 %	0.7 %	0.7 %	0.7 %
Acquisition related-contingent consideration remeasurement	-	-	0.1 %	0.3 %	0.1 %	0.1 %	0.1 %	0.1 %
Acquisition related-IPR&D impairment	-	-	-	1.2 %	0.3 %	-	-	-
Non-GAAP operating margin ⁽¹⁾	50.4 %	50.7 %	50.7 %	45.2 %	49.2 %	47.3 %	47.2 %	47.3 %
Interest expense reconciliation:								
GAAP interest expense	\$ (41,216)	\$ (46,107)	\$ (43,097)	\$ (74,998)	\$ (205,418)	\$ (97,270)	\$ (88,418)	\$ (185,688)
Acquisition related-transaction costs	-	-	-	23,817	23,817	7,333	-	7,333
Non-GAAP interest expense	\$ (41,216)	\$ (46,107)	\$ (43,097)	\$ (51,181)	\$ (181,601)	\$ (89,937)	\$ (88,418)	\$ (178,355)
Net income attributable to Gilead reconciliation:								
GAAP net income attributable to Gilead	\$ 651,141	\$ 746,227	\$ 741,124	\$ 665,145	\$ 2,803,637	\$ 441,956	\$ 711,564	\$ 1,153,520
Stock-based compensation expenses	36,614	37,915	35,221	35,303	145,053	229,604	35,236	264,840
Restructuring expenses	1,337	324	3,908	1,010	6,579	6,346	6,426	12,772
Acquisition related-transaction costs	824	365	535	12,798	14,522	12,891	651	13,542
Acquisition related-amortization of purchased intangibles	12,883	13,170	13,172	13,275	52,500	11,590	11,529	23,119
Acquisition related-contingent consideration remeasurement	-	(313)	1,213	7,584	8,484	2,002	1,871	3,873
Acquisition related-IPR&D impairment	-	-	-	7,989	7,989	-	-	-
Non-GAAP net income attributable to Gilead	\$ 702,799	\$ 797,688	\$ 795,173	\$ 743,104	\$ 3,038,764	\$ 704,389	\$ 767,277	\$ 1,471,666
Diluted earnings per share reconciliation:								
GAAP diluted earnings per share	\$ 0.80	\$ 0.93	\$ 0.95	\$ 0.87	\$ 3.55	\$ 0.57	\$ 0.91	\$ 1.48
Stock-based compensation expenses	0.05	0.05	0.05	0.05	0.18	0.30	0.05	0.3
Restructuring expenses	-	-	0.01	-	0.01	0.01	0.01	0.0
Acquisition related-transaction costs	-	0.00	-	0.02	0.02	0.02	-	0.0
Acquisition related-amortization of purchased intangibles	0.02	0.02	0.02	0.02	0.07	0.01	0.01	0.0
Acquisition related-contingent consideration remeasurement	-	-	-	0.01	0.01	-	-	-
Acquisition related-IPR&D impairment	-	-	-	0.01	0.01	-	-	-
Non-GAAP diluted earnings per share ⁽¹⁾	\$ 0.87	\$ 1.00	\$ 1.02	\$ 0.97	\$ 3.86	\$ 0.91	\$ 0.99	\$ 1.89
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	780,506	779,246
Share impact of current stock-based compensation guidance	(2,030)	(2,010)	(2,096)	(2,133)	(2,016)	(2,038)	(1,573)	(1,671)
Non-GAAP shares used in per share calculation (diluted)	809,827	798,790	779,216	764,193	788,102	775,350	778,933	777,575
Non-GAAP adjustment summary:								
Cost of goods sold adjustments	\$ 20,051	\$ 20,295	\$ 19,641	\$ 18,075	\$ 78,062	\$ 17,937	\$ 17,955	\$ 35,892
Research and development expenses adjustments	16,953	19,769	20,811	52,955	110,488	126,873	24,846	151,719
Selling, general and administrative expenses adjustments	32,503	27,830	30,820	56,333	147,486	135,380	33,774	169,154
Interest expense adjustments	-	-	-	23,817	23,817	7,333	-	7,333
Total non-GAAP adjustments before tax	69,507	67,894	71,272	151,180	359,853	287,523	76,575	364,098
Income tax effect	(17,849)	(16,433)	(17,223)	(73,221)	(124,726)	(25,090)	20,862	45,952
Total non-GAAP adjustments after tax	\$ 51,658	\$ 51,461	\$ 54,049	\$ 77,959	\$ 235,127	\$ 262,433	\$ 55,713	\$ 318,146

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.