

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	Q3 2012	Q4 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	\$ 597,269	\$ 675,818	\$ 2,471,363
Stock-based compensation expenses	(2,644)	(2,887)	(2,234)	(668)	(8,433)	(2,101)	(2,119)	(1,864)	(977)	(7,061)
Acquisition related-amortization of purchased intangibles	(17,407)	(17,408)	(17,407)	(17,407)	(69,629)	(15,836)	(15,836)	(15,837)	(15,837)	(63,346)
Non-GAAP cost of goods sold	\$ 454,060	\$ 513,568	\$ 512,348	\$ 566,372	\$ 2,046,348	\$ 562,994	\$ 599,390	\$ 579,568	\$ 659,004	\$ 2,400,956
Product gross margin reconciliation:										
GAAP product gross margin	74.6 %	73.9 %	74.3 %	72.6 %	73.8 %	73.7 %	73.5 %	74.7 %	73.2 %	73.8 %
Stock-based compensation expenses	0.1 %	0.1 %	0.1 %	— %	0.1 %	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 %	0.6 %	0.7 %
Non-GAAP product gross margin ⁽¹⁾	75.7 %	74.9 %	75.3 %	73.4 %	74.8 %	74.5 %	74.3 %	75.5 %	73.8 %	74.5 %
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	\$ 465,831	\$ 439,659	\$ 1,759,945
Stock-based compensation expenses	(16,720)	(19,420)	(18,389)	(18,961)	(73,490)	(118,623)	(20,355)	(23,236)	(24,886)	(187,100)
Restructuring expenses	213	(767)	(806)	(78)	(1,438)	(5,514)	(1,576)	(232)	(89)	(7,411)
Acquisition related-transaction costs	(446)	—	—	—	(446)	—	(345)	—	—	(345)
Acquisition related-contingent consideration remeasurement	—	418	(1,616)	(7,286)	(8,484)	(2,736)	(2,570)	(58,810)	(5,353)	(69,469)
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	\$ 383,553	\$ 409,331	\$ 1,495,620
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	\$ 319,583	\$ 365,825	\$ 1,461,034
Stock-based compensation expenses	(30,106)	(27,818)	(25,897)	(26,634)	(110,455)	(121,944)	(25,929)	(29,364)	(31,264)	(208,501)
Restructuring expenses	(2,019)	353	(4,388)	(1,233)	(7,287)	(3,156)	(7,251)	(2,792)	63	(13,136)
Acquisition related-transaction costs	(378)	(365)	(535)	(28,466)	(29,744)	(10,280)	(594)	(222)	(1,236)	(12,332)
Acquisition related-amortization of purchased intangibles	—	—	—	—	—	—	—	—	(1,125)	(1,125)
Non-GAAP selling, general and administrative expenses	\$ 263,065	\$ 276,439	\$ 265,107	\$ 289,886	\$ 1,094,497	\$ 307,741	\$ 298,731	\$ 287,205	\$ 332,263	\$ 1,225,940
Operating margin reconciliation:										
GAAP operating margin	46.8 %	47.6 %	47.3 %	39.4 %	45.2 %	35.1 %	44.0 %	43.0 %	42.8 %	41.3 %
Stock-based compensation expenses	2.6 %	2.3 %	2.2 %	2.1 %	2.3 %	10.6 %	2.0 %	2.2 %	2.2 %	4.2 %
Restructuring expenses	0.1 %	— %	0.2 %	0.1 %	0.1 %	0.4 %	0.4 %	0.1 %	— %	0.2 %
Acquisition related-transaction costs	— %	— %	— %	1.3 %	0.4 %	0.5 %	— %	— %	— %	0.1 %
Acquisition related-amortization of purchased intangibles	0.9 %	0.8 %	0.8 %	0.8 %	0.8 %	0.7 %	0.7 %	0.7 %	0.7 %	0.7 %
Acquisition related-contingent consideration remeasurement	— %	— %	0.1 %	0.3 %	0.1 %	0.1 %	0.1 %	2.4 %	0.2 %	0.7 %
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 %	48.5 %	45.9 %	47.2 %
Interest expense reconciliation:										
GAAP interest expense	\$ (41,216)	\$ (46,107)	\$ (43,097)	\$ (74,998)	\$ (205,418)	\$ (97,270)	\$ (88,418)	\$ (89,322)	\$ (85,906)	\$ (360,916)
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)	\$ (89,322)	\$ (85,906)	\$ (353,583)
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	\$ 711,564	\$ 675,505	\$ 762,541	\$ 2,591,566
Stock-based compensation expenses	36,614	37,915	35,221	35,303	145,053	229,604	35,236	39,442	42,423	346,705
Restructuring expenses	1,337	324	3,908	1,010	6,579	6,346	6,426	2,165	101	15,038
Acquisition related-transaction costs	824	365	535	12,798	14,522	12,891	651	123	981	14,646
Acquisition related-amortization of purchased intangibles	12,883	13,170	13,172	13,275	52,500	11,590	11,529	11,462	12,605	47,186
Acquisition related-contingent consideration remeasurement	—	(313)	1,213	7,584	8,484	2,002	1,871	60,243	4,783	68,899
Acquisition related-IPR&D impairment	—	—	—	7,989	7,989	—	—	—	—	—
Non-GAAP net income attributable to Gilead, net of tax	\$ 702,799	\$ 797,688	\$ 795,173	\$ 743,104	\$ 3,038,764	\$ 704,389	\$ 767,277	\$ 788,940	\$ 823,434	\$ 3,084,040
Diluted earnings per share⁽²⁾ reconciliation:										
GAAP diluted earnings per share	\$ 0.40	\$ 0.47	\$ 0.47	\$ 0.43	\$ 1.77	\$ 0.28	\$ 0.46	\$ 0.43	\$ 0.47	\$ 1.64
Stock-based compensation expenses	0.02	0.02	0.02	0.02	0.09	0.15	0.02	0.02	0.03	0.22
Restructuring expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	—	0.01
Acquisition related-transaction costs	0.00	0.00	0.00	0.01	0.01	0.01	0.00	0.00	—	0.01
Acquisition related-amortization of purchased intangibles	0.01	0.01	0.01	0.01	0.03	0.01	0.01	0.01	0.01	0.03
Acquisition related-contingent consideration remeasurement	—	(0.00)	0.00	0.00	0.01	0.00	0.00	0.04	—	0.04
Acquisition related-IPR&D impairment	—	—	—	0.01	0.01	—	—	—	—	—
Non-GAAP diluted earnings per share ⁽¹⁾	\$ 0.43	\$ 0.50	\$ 0.51	\$ 0.49	\$ 1.93	\$ 0.45	\$ 0.49	\$ 0.50	\$ 0.50	\$ 1.95
Shares used in per share calculation⁽²⁾ (diluted) reconciliation:										
GAAP shares used in per share calculation (diluted)	1,623,714	1,601,600	1,562,624	1,532,652	1,580,236	1,554,776	1,561,012	1,584,608	1,636,939	1,582,549
Share impact of current stock-based compensation rules	(4,060)	(4,020)	(4,192)	(4,266)	(4,032)	(4,076)	(3,146)	(2,620)	(1,965)	(2,522)
Non-GAAP shares used in per share calculation (diluted)	1,619,654	1,597,580	1,558,432	1,528,386	1,576,204	1,550,700	1,557,866	1,581,988	1,634,974	1,580,027
Non-GAAP adjustment summary:										
Cost of goods sold adjustments	\$ 20,051	\$ 20,295	\$ 19,641	\$ 18,075	\$ 78,062	\$ 17,937	\$ 17,955	\$ 17,701	\$ 16,814	\$ 70,407
Research and development expenses adjustments	16,953	19,769	20,811	52,955	110,488	126,873	24,846	82,278	30,328	264,325
Selling, general and administrative expenses adjustments	32,503	27,830	30,820	56,333	147,486	135,380	33,774	32,378	33,562	235,094
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	132,357	80,704	577,159
Income tax effect	(17,849)	(16,433)	(17,223)	(73,221)	(124,726)	(25,090)	(20,862)	18,922	(19,811)	(84,685)
Total non-GAAP adjustments after tax	\$ 51,658	\$ 51,461	\$ 54,049	\$ 77,959	\$ 235,127	\$ 262,433	\$ 55,713	\$ 113,435	\$ 60,893	\$ 492,474

Note:

⁽¹⁾ Amounts may not sum due to rounding

⁽²⁾ The earnings per share calculation and the number of shares used in the per share calculation reflect the two-for-one stock split in the form of a stock dividend declared on December 10, 2012 which took effect on January 25, 2013.

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.