

GILEAD SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)
(in thousands, except per share amounts)

	Three months ended	
	March 31,	
	2006	2005
Revenues:		
Product sales	\$ 559,353	\$ 400,211
Royalty and contract revenues	133,525	30,203
Total revenues	<u>692,878</u>	<u>430,414</u>
Costs and expenses:		
Cost of goods sold (1)(3)	90,357	57,415
Research and development (1)	88,400	70,434
Selling, general and administrative (1)(4)	142,469	79,088
Total costs and expenses	<u>321,226</u>	<u>206,937</u>
Income from operations	371,652	223,477
Interest and other income, net (4)	28,525	7,319
Interest expense	(3,724)	(9)
Minority interest in joint venture	994	261
Income before provision for income taxes	397,447	231,048
Provision for income taxes (1)	134,743	73,935
Net income	<u>\$ 262,704</u>	<u>\$ 157,113</u>
Net income per share - basic	<u>\$ 0.57</u>	<u>\$ 0.35</u>
Net income per share - diluted (1)	<u>\$ 0.55</u>	<u>\$ 0.34</u>
Shares used in per share calculation - basic	<u>461,425</u>	<u>449,549</u>
Shares used in per share calculation - diluted (2)	<u>481,802</u>	<u>467,619</u>

Notes:

(1) On January 1, 2006, we adopted SFAS 123(R) and recorded share-based employee compensation expense during the three months ended March 31, 2006. The following is a reconciliation of our GAAP and non-GAAP net income:

Net income (GAAP)	\$ 262,704
Share-based employee compensation expense:	
Cost of goods sold	3,187
Research and development expenses	11,949
Selling, general and administrative expenses	14,496
Provision for income taxes	(6,129)
Total share-based employee compensation expense, net of taxes	<u>23,503</u>
Net income excluding after-tax share-based employee compensation expense (Non-GAAP)	<u>\$ 286,207</u>
Shares used in per share calculation - diluted (Non-GAAP) (2)	<u>482,787</u>
Net income per share - diluted, excluding after-tax share-based employee compensation expense (Non-GAAP)	<u>\$ 0.59</u>

(2) Shares used in the calculation of GAAP and non-GAAP net income per diluted share for the three months ended March 31, 2006 include the effect of outstanding stock options to purchase 20.4 million and 21.4 million shares of common stock, respectively, applying the treasury stock method with and without share-based employee compensation expense.

(3) For the three months ended March 31, 2006, cost of goods sold includes \$6.8 million to decrease the book value of inventory for our Access Program to reflect its net realizable value.

(4) Certain prior period amounts have been reclassified to be consistent with current period presentation.