

GILEAD SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share amounts)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Revenues:				
Product sales	\$ 590,691	\$ 448,458	\$ 1,150,044	\$ 848,669
Royalty and contract revenues	94,611	46,811	228,136	77,014
Total revenues	<u>685,302</u>	<u>495,269</u>	<u>1,378,180</u>	<u>925,683</u>
Costs and expenses:				
Cost of goods sold (1)(3)	77,883	63,269	168,240	120,684
Research and development (1)	90,536	59,697	178,936	130,131
Selling, general and administrative (1)(4)	151,568	94,805	294,037	173,893
Total costs and expenses	<u>319,987</u>	<u>217,771</u>	<u>641,213</u>	<u>424,708</u>
Income from operations	365,315	277,498	736,967	500,975
Interest and other income, net (4)	37,360	9,787	65,885	17,106
Interest expense	(5,207)	(15)	(8,931)	(24)
Minority interest in joint venture	1,244	914	2,238	1,175
Income before provision for income taxes	398,712	288,184	796,159	519,232
Provision for income taxes (1)	133,562	92,217	268,305	166,152
Net income	<u>\$ 265,150</u>	<u>\$ 195,967</u>	<u>\$ 527,854</u>	<u>\$ 353,080</u>
Net income per share - basic	<u>\$ 0.58</u>	<u>\$ 0.43</u>	<u>\$ 1.15</u>	<u>\$ 0.78</u>
Net income per share - diluted (1)	<u>\$ 0.56</u>	<u>\$ 0.41</u>	<u>\$ 1.10</u>	<u>\$ 0.75</u>
Shares used in per share calculation - basic	<u>457,505</u>	<u>452,942</u>	<u>459,454</u>	<u>451,255</u>
Shares used in per share calculation - diluted (2)	<u>476,217</u>	<u>472,595</u>	<u>479,004</u>	<u>470,226</u>

Notes:

- (1) On January 1, 2006, we adopted SFAS 123(R) and recorded stock-based compensation expense during the three and six months ended June 30, 2006. The following is a reconciliation of our GAAP and non-GAAP net income:

	Three months ended	Six months ended
	June 30, 2006	June 30, 2006
Net income (GAAP)	\$ 265,150	\$ 527,854
Stock-based compensation expense:		
Cost of goods sold	2,526	5,713
Research and development expenses	12,892	24,842
Selling, general and administrative expenses	21,349	35,845
Provision for income taxes	(9,046)	(15,175)
Total stock-based compensation expense, net of taxes	<u>27,721</u>	<u>51,225</u>
Net income excluding after-tax stock-based compensation expense (Non-GAAP)	<u>\$ 292,871</u>	<u>\$ 579,079</u>
Shares used in per share calculation - diluted (Non-GAAP) (2)	<u>476,746</u>	<u>479,757</u>
Net income per share - diluted, excluding after-tax stock-based compensation expense (Non-GAAP)	<u>\$ 0.61</u>	<u>\$ 1.21</u>

- (2) Shares used in the calculation of GAAP and non-GAAP net income per diluted share for the three months ended June 30, 2006 include the effect of outstanding stock options to purchase 18.7 million and 19.2 million shares of common stock, respectively, applying the treasury stock method with and without stock-based compensation expense.

Shares used in the calculation of GAAP and non-GAAP net income per diluted share for the six months ended June 30, 2006 include the effect of outstanding stock options to purchase 19.5 million and 20.3 million shares of common stock, respectively, applying the treasury stock method with and without stock-based compensation expense.

- (3) For the six months ended June 30, 2006, cost of goods sold includes \$6.8 million recorded in the first quarter of 2006 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.