

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

(in thousands except percentages and per share amounts)

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	YTD 2012	Q1 2013
Cost of goods sold reconciliation:						
GAAP cost of goods sold	\$ 580,931	\$ 617,345	\$ 597,269	\$ 675,818	\$ 2,471,363	\$ 634,448
Stock-based compensation expenses	(2,101)	(2,119)	(1,864)	(977)	(7,061)	(1,841)
Acquisition related-amortization of purchased intangibles	(15,836)	(15,836)	(15,837)	(15,837)	(63,346)	(21,264)
Non-GAAP cost of goods sold	<u>\$ 562,994</u>	<u>\$ 599,390</u>	<u>\$ 579,568</u>	<u>\$ 659,004</u>	<u>\$ 2,400,956</u>	<u>\$ 611,343</u>
Product gross margin reconciliation:						
GAAP product gross margin	73.7 %	73.5 %	74.7 %	73.2 %	73.8 %	73.5 %
Stock-based compensation expenses	0.1 %	0.1 %	0.1 %	—%	0.1 %	0.1 %
Acquisition related-amortization of purchased intangibles	0.7 %	0.7 %	0.7 %	0.6 %	0.7 %	0.9 %
Non-GAAP product gross margin ⁽¹⁾	<u>74.5 %</u>	<u>74.3 %</u>	<u>75.5 %</u>	<u>73.8 %</u>	<u>74.5 %</u>	<u>74.5 %</u>
Research and development expenses reconciliation:						
GAAP research and development expenses	\$ 458,211	\$ 396,244	\$ 465,831	\$ 439,659	\$ 1,759,945	\$ 497,632
Stock-based compensation expenses	(118,623)	(20,355)	(23,236)	(24,886)	(187,100)	(26,875)
Restructuring expenses	(5,514)	(1,576)	(232)	(89)	(7,411)	(4,757)
Acquisition related-transaction costs	—	(345)	—	—	(345)	—
Acquisition related-contingent consideration remeasurement	(2,736)	(2,570)	(58,810)	(5,353)	(69,469)	(6,024)
Non-GAAP research and development expenses	<u>\$ 331,338</u>	<u>\$ 371,398</u>	<u>\$ 383,553</u>	<u>\$ 409,331</u>	<u>\$ 1,495,620</u>	<u>\$ 459,976</u>
Selling, general and administrative expenses reconciliation:						
GAAP selling, general and administrative expenses	\$ 443,121	\$ 332,505	\$ 319,583	\$ 365,825	\$ 1,461,034	\$ 374,296
Stock-based compensation expenses	(121,944)	(25,929)	(29,364)	(31,264)	(208,501)	(33,051)
Restructuring expenses	(3,156)	(7,251)	(2,792)	63	(13,136)	(744)
Acquisition related-transaction costs	(10,280)	(594)	(222)	(1,236)	(12,332)	(7,156)
Acquisition related-amortization of purchased intangibles	—	—	—	(1,125)	(1,125)	(281)
Non-GAAP selling, general and administrative expenses	<u>\$ 307,741</u>	<u>\$ 298,731</u>	<u>\$ 287,205</u>	<u>\$ 332,263</u>	<u>\$ 1,225,940</u>	<u>\$ 333,064</u>
Operating margin reconciliation:						
GAAP operating margin	35.1 %	44.0 %	43.0 %	42.8 %	41.3 %	40.5 %
Stock-based compensation expenses	10.6 %	2.0 %	2.2 %	2.2 %	4.2 %	2.4 %
Restructuring expenses	0.4 %	0.4 %	0.1 %	—%	0.2 %	0.2 %
Acquisition related-transaction costs	0.5 %	—%	—%	—%	0.1 %	0.3 %
Acquisition related-amortization of purchased intangibles	0.7 %	0.7 %	0.7 %	0.7 %	0.7 %	0.9 %
Acquisition related-contingent consideration remeasurement	0.1 %	0.1 %	2.4 %	0.2 %	0.7 %	0.2 %
Non-GAAP operating margin ⁽¹⁾	<u>47.3 %</u>	<u>47.2 %</u>	<u>48.5 %</u>	<u>45.9 %</u>	<u>47.2 %</u>	<u>44.5 %</u>
Interest expense reconciliation:						
GAAP interest expense	\$ (97,270)	\$ (88,418)	\$ (89,322)	\$ (85,906)	\$ (360,916)	\$ (81,787)
Acquisition related-transaction costs	7,333	—	—	—	7,333	—
Non-GAAP interest expense	<u>\$ (89,937)</u>	<u>\$ (88,418)</u>	<u>\$ (89,322)</u>	<u>\$ (85,906)</u>	<u>\$ (353,583)</u>	<u>\$ (81,787)</u>
Net income attributable to Gilead reconciliation:						
GAAP net income attributable to Gilead, net of tax	\$ 441,956	\$ 711,564	\$ 675,505	\$ 762,541	\$ 2,591,566	\$ 722,186
Stock-based compensation expenses	229,604	35,236	39,442	42,423	346,705	45,380
Restructuring expenses	6,346	6,426	2,165	101	15,038	5,368
Acquisition related-transaction costs	12,891	651	123	981	14,646	7,156
Acquisition related-amortization of purchased intangibles	11,590	11,529	11,462	12,605	47,186	15,829
Acquisition related-contingent consideration remeasurement	2,002	1,871	60,243	4,783	68,899	6,024
Non-GAAP net income attributable to Gilead, net of tax	<u>\$ 704,389</u>	<u>\$ 767,277</u>	<u>\$ 788,940</u>	<u>\$ 823,434</u>	<u>\$ 3,084,040</u>	<u>\$ 801,943</u>
Diluted earnings per share⁽²⁾ reconciliation:						
GAAP diluted earnings per share	\$ 0.28	\$ 0.46	\$ 0.43	\$ 0.47	\$ 1.64	\$ 0.43
Stock-based compensation expenses	0.15	0.02	0.02	0.03	0.22	0.03
Restructuring expenses	0.00	0.00	0.00	—	0.01	0.00
Acquisition related-transaction costs	0.01	0.00	0.00	—	0.01	0.00
Acquisition related-amortization of purchased intangibles	0.01	0.01	0.01	0.01	0.03	0.01
Acquisition related-contingent consideration remeasurement	0.00	0.00	0.04	—	0.04	0.00
Non-GAAP diluted earnings per share ⁽¹⁾	<u>\$ 0.45</u>	<u>\$ 0.49</u>	<u>\$ 0.50</u>	<u>\$ 0.50</u>	<u>\$ 1.95</u>	<u>\$ 0.48</u>
Shares used in per share calculation⁽²⁾ (diluted) reconciliation:						
GAAP shares used in per share calculation (diluted)	1,554,776	1,561,012	1,584,608	1,636,939	1,582,549	1,665,060
Share impact of current stock-based compensation rules	(4,076)	(3,146)	(2,620)	(1,965)	(2,522)	(1,716)
Non-GAAP shares used in per share calculation (diluted)	<u>1,550,700</u>	<u>1,557,866</u>	<u>1,581,988</u>	<u>1,634,974</u>	<u>1,580,027</u>	<u>1,663,344</u>
Non-GAAP adjustment summary:						
Cost of goods sold adjustments	\$ 17,937	\$ 17,955	\$ 17,701	\$ 16,814	\$ 70,407	\$ 23,105
Research and development expenses adjustments	126,873	24,846	82,278	30,328	264,325	37,656
Selling, general and administrative expenses adjustments	135,380	33,774	32,378	33,562	235,094	41,232
Interest expense adjustments	7,333	—	—	—	7,333	—
Total non-GAAP adjustments before tax	287,523	76,575	132,357	80,704	577,159	101,993
Income tax effect	(25,090)	(20,862)	18,922	(19,811)	(84,685)	(22,236)
Total non-GAAP adjustments after tax	<u>\$ 262,433</u>	<u>\$ 55,713</u>	<u>\$ 113,435</u>	<u>\$ 60,893</u>	<u>\$ 492,474</u>	<u>\$ 79,757</u>

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.