

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

(in thousands except percentages and per share amounts)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	YTD 2013	Q1 2014
<b>Cost of goods sold reconciliation:</b>						
GAAP cost of goods sold	\$ 634,448	\$ 684,663	\$ 681,868	\$ 857,523	\$ 2,858,502	\$ 813,205
Stock-based compensation expenses	(1,841)	(2,632)	(1,823)	(513)	(6,809)	(2,642)
Acquisition related-amortization of purchased intangibles	(21,264)	(21,264)	(21,264)	(79,526)	(143,318)	(199,230)
Non-GAAP cost of goods sold	\$ 611,343	\$ 660,767	\$ 658,781	\$ 777,484	\$ 2,708,375	\$ 611,333
<b>Product gross margin reconciliation:</b>						
GAAP product gross margin	73.5 %	74.2 %	74.8 %	71.8 %	73.5 %	83.3 %
Stock-based compensation expenses	0.1 %	0.1 %	0.1 %	0.0 %	0.1 %	0.1 %
Acquisition related-amortization of purchased intangibles	0.9 %	0.8 %	0.8 %	2.6 %	1.3 %	4.1 %
Non-GAAP product gross margin <sup>(1)</sup>	74.5 %	75.1 %	75.7 %	74.5 %	74.9 %	87.4 %
<b>Research and development expenses reconciliation:</b>						
GAAP research and development expenses	\$ 497,632	\$ 523,902	\$ 546,244	\$ 551,978	\$ 2,119,756	\$ 594,978
Stock-based compensation expenses	(26,875)	(24,646)	(27,740)	(29,511)	(108,772)	(34,350)
Restructuring expenses	(4,757)	(67)	31	176	(4,617)	(145)
Acquisition related-contingent consideration remeasurement	(6,024)	(11,418)	(30,000)	(11,258)	(58,700)	(2,678)
Non-GAAP research and development expenses	\$ 459,976	\$ 487,771	\$ 488,535	\$ 511,385	\$ 1,947,667	\$ 557,805
<b>Selling, general and administrative expenses reconciliation:</b>						
GAAP selling, general and administrative expenses	\$ 374,296	\$ 404,991	\$ 406,860	\$ 513,284	\$ 1,699,431	\$ 548,123
Stock-based compensation expenses	(33,051)	(28,675)	(33,010)	(41,894)	(136,630)	(45,233)
Restructuring expenses	(744)	306	2,972	(144)	2,390	(3)
Acquisition related-transaction costs	(7,156)	(4)	300	—	(6,860)	(448)
Acquisition related-amortization of purchased intangibles	(281)	(282)	(281)	(281)	(1,125)	(2,334)
Non-GAAP selling, general and administrative expenses	\$ 333,064	\$ 376,336	\$ 376,841	\$ 470,965	\$ 1,557,206	\$ 500,105
<b>Operating margin reconciliation:</b>						
GAAP operating margin	40.5 %	41.7 %	41.2 %	38.4 %	40.4 %	60.9 %
Stock-based compensation expenses	2.4 %	2.0 %	2.2 %	2.3 %	2.3 %	1.6 %
Restructuring expenses	0.2 %	0.0 %	(0.1)%	0.0 %	0.0 %	0.0 %
Acquisition related-transaction costs	0.3 %	0.0 %	0.0 %	—%	0.1 %	0.0 %
Acquisition related-amortization of purchased intangibles	0.9 %	0.8 %	0.8 %	2.6 %	1.3 %	4.0 %
Acquisition related-contingent consideration remeasurement	0.2 %	0.4 %	1.1 %	0.4 %	0.5 %	0.1 %
Non-GAAP operating margin <sup>(1)</sup>	44.5 %	44.9 %	45.2 %	43.6 %	44.5 %	66.6 %
<b>Other income (expense) reconciliation</b>						
GAAP other income (expense), net	\$ (3,324)	\$ (231)	\$ 5,777	\$ (11,108)	\$ (8,886)	\$ (17,912)
Acquisition related-transaction costs	—	—	—	—	—	(1,853)
Non-GAAP other income (expense), net	\$ (3,324)	\$ (231)	\$ 5,777	\$ (11,108)	\$ (8,886)	\$ (19,765)
<b>Effective tax rate reconciliation:</b>						
GAAP effective tax rate	23.7 %	28.6 %	27.3 %	29.3 %	27.3 %	24.6 %
Restructuring expenses	(0.1)%	—%	—%	—%	—%	—%
Acquisition related-amortization of purchased intangibles	—%	—%	—%	(1.5)%	(0.4)%	(1.4)%
Acquisition related-contingent consideration remeasurement	(0.1)%	(0.3)%	(0.9)%	(0.3)%	(0.4)%	—%
Non-GAAP effective tax rate <sup>(1)</sup>	23.5 %	28.3 %	26.4 %	27.5 %	26.5 %	23.2 %
<b>Net income attributable to Gilead reconciliation:</b>						
GAAP net income attributable to Gilead, net of tax	\$ 722,186	\$ 772,605	\$ 788,606	\$ 791,411	\$ 3,074,808	\$ 2,227,410
Stock-based compensation expenses	45,380	40,379	46,576	52,967	185,302	63,136
Restructuring expenses	5,368	(244)	(2,076)	(40)	3,008	148
Acquisition related-transaction costs	7,156	4	(300)	—	6,860	(975)
Acquisition related-amortization of purchased intangibles	15,829	15,563	16,275	74,211	121,878	195,412
Acquisition related-contingent consideration remeasurement	6,024	11,418	30,000	11,258	58,700	2,678
Non-GAAP net income attributable to Gilead, net of tax	\$ 801,943	\$ 839,725	\$ 879,081	\$ 929,807	\$ 3,450,556	\$ 2,487,809
<b>Diluted earnings per share reconciliation:</b>						
GAAP diluted earnings per share	\$ 0.43	\$ 0.46	\$ 0.47	\$ 0.47	\$ 1.81	\$ 1.33
Stock-based compensation expenses	0.03	0.02	0.03	0.03	0.11	0.04
Restructuring expenses	0.00	(0.00)	(0.00)	(0.00)	0.00	0.00
Acquisition related-transaction costs	0.00	0.00	(0.00)	—	0.00	(0.00)
Acquisition related-amortization of purchased intangibles	0.01	0.01	0.01	0.04	0.07	0.12
Acquisition related-contingent consideration remeasurement	0.00	0.01	0.02	0.01	0.03	0.00
Non-GAAP diluted earnings per share <sup>(1)</sup>	\$ 0.48	\$ 0.50	\$ 0.52	\$ 0.55	\$ 2.04	\$ 1.48
<b>Shares used in per share calculation (diluted) reconciliation:</b>						
GAAP shares used in per share calculation (diluted)	1,665,060	1,694,577	1,691,898	1,694,212	1,694,747	1,679,871
Share impact of current stock-based compensation rules	(1,716)	(1,228)	(1,139)	(1,002)	(1,190)	(911)
Non-GAAP shares used in per share calculation (diluted)	1,663,344	1,693,349	1,690,759	1,693,210	1,693,557	1,678,960
<b>Non-GAAP adjustment summary:</b>						
Cost of goods sold adjustments	\$ 23,105	\$ 23,896	\$ 23,087	\$ 80,039	\$ 150,127	\$ 201,872
Research and development expenses adjustments	37,656	36,131	57,709	40,593	172,089	37,173
Selling, general and administrative expenses adjustments	41,232	28,655	30,019	42,319	142,225	48,018
Other income (expense), net adjustments	—	—	—	—	—	(1,853)
Total non-GAAP adjustments before tax	101,993	88,682	110,815	162,951	464,441	285,210
Income tax effect	(22,236)	(21,562)	(20,340)	(24,555)	(88,693)	(24,811)
Total non-GAAP adjustments after tax	\$ 79,757	\$ 67,120	\$ 90,475	\$ 138,396	\$ 375,748	\$ 260,399

Note:

<sup>(1)</sup> 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.