

GILEAD SCIENCES, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION
(unaudited)
(in millions, except percentages and per share amounts)

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Q1 2015	Q2 2015	Q3 2015	YTD 2015
Cost of goods sold reconciliation:									
GAAP cost of goods sold	\$ 813	\$ 925	\$ 987	\$ 1,063	\$ 3,788	\$ 882	\$ 998	\$ 1,064	\$ 2,944
Stock-based compensation expenses	(3)	(2)	(3)	(2)	(10)	(3)	(3)	(3)	(9)
Acquisition related-amortization of purchased intangibles	(199)	(200)	(201)	(218)	(818)	(206)	(207)	(207)	(620)
Other ⁽¹⁾	—	—	—	4	4	1	—	2	3
Non-GAAP cost of goods sold	\$ 611	\$ 723	\$ 783	\$ 847	\$ 2,964	\$ 674	\$ 788	\$ 856	\$ 2,318
Product gross margin reconciliation:									
GAAP product gross margin	83.3 %	85.6 %	83.5 %	85.3 %	84.5 %	88.1 %	87.7 %	87.0 %	87.6 %
Stock-based compensation expenses	0.1 %	— %	— %	— %	— %	— %	— %	— %	— %
Acquisition related-amortization of purchased intangibles	4.1 %	3.1 %	3.4 %	3.0 %	3.3 %	2.8 %	2.5 %	2.5 %	2.6 %
Other ⁽¹⁾	— %	— %	— %	0.1 %	— %	— %	— %	— %	— %
Non-GAAP product gross margin ⁽²⁾	87.4 %	88.7 %	86.9 %	88.3 %	87.9 %	90.9 %	90.3 %	89.6 %	90.2 %
Research and development expenses reconciliation:									
GAAP research and development expenses	\$ 595	\$ 584	\$ 630	\$ 1,045	\$ 2,854	\$ 696	\$ 818	\$ 743	\$ 2,257
Stock-based compensation expenses	(34)	(37)	(40)	(41)	(152)	(42)	(42)	(44)	(128)
Acquisition related expenses	—	—	—	(85)	(85)	—	(66)	—	(66)
Other ⁽¹⁾	(3)	(5)	(4)	(20)	(32)	(3)	(8)	14	3
Non-GAAP research and development expenses	\$ 558	\$ 542	\$ 586	\$ 899	\$ 2,585	\$ 651	\$ 702	\$ 713	\$ 2,066
Selling, general and administrative expenses reconciliation:									
GAAP selling, general and administrative expenses	\$ 548	\$ 614	\$ 945	\$ 876	\$ 2,983	\$ 645	\$ 812	\$ 903	\$ 2,360
Stock-based compensation expenses	(46)	(44)	(56)	(52)	(198)	(47)	(51)	(50)	(148)
Restructuring expenses	—	—	—	—	—	2	—	—	2
Acquisition related-amortization of purchased intangibles	(2)	—	(1)	(15)	(18)	—	—	—	—
Other ⁽¹⁾	—	—	—	(10)	(10)	—	—	(3)	(3)
Non-GAAP selling, general and administrative expenses	\$ 500	\$ 570	\$ 888	\$ 799	\$ 2,757	\$ 600	\$ 761	\$ 850	\$ 2,211
Operating margin reconciliation:									
GAAP operating margin	60.9 %	67.5 %	57.6 %	59.2 %	61.3 %	70.7 %	68.1 %	67.3 %	68.7 %
Stock-based compensation expenses	1.6 %	1.3 %	1.6 %	1.3 %	1.4 %	1.2 %	1.2 %	1.2 %	1.2 %
Acquisition related expenses	— %	— %	— %	1.2 %	0.3 %	— %	0.8 %	— %	0.3 %
Acquisition related-amortization of purchased intangibles	4.0 %	3.1 %	3.3 %	3.2 %	3.4 %	2.7 %	2.5 %	2.5 %	2.6 %
Other ⁽¹⁾	0.1 %	0.1 %	0.1 %	0.4 %	0.1 %	— %	0.1 %	(0.2)%	— %
Non-GAAP operating margin ⁽²⁾	66.6 %	71.9 %	62.6 %	65.2 %	66.6 %	74.7 %	72.7 %	70.8 %	72.7 %
Other income (expense) reconciliation:									
GAAP other income (expense), net	\$ (18)	\$ (4)	\$ (5)	\$ 30	\$ 3	\$ 21	\$ 35	\$ 52	\$ 108
Other ⁽¹⁾	(2)	—	—	—	(2)	—	—	1	1
Non-GAAP other income (expense), net	\$ (20)	\$ (4)	\$ (5)	\$ 30	\$ 1	\$ 21	\$ 35	\$ 53	\$ 109
Effective tax rate reconciliation:									
GAAP effective tax rate	24.6 %	15.2 %	19.2 %	18.2 %	18.8 %	17.3 %	18.4 %	16.1 %	17.3 %
Stock-based compensation expenses	— %	— %	— %	— %	— %	— %	— %	0.4 %	0.1 %
Acquisition related expenses	— %	— %	— %	— %	— %	— %	(0.2)%	— %	— %
Acquisition related-amortization of purchased intangibles	(1.4)%	(0.6)%	(1.0)%	(0.8)%	(0.9)%	(0.4)%	(0.5)%	(0.2)%	(0.4)%
Other ⁽¹⁾	— %	— %	— %	(0.1)%	— %	— %	— %	— %	— %
Non-GAAP effective tax rate ⁽²⁾	23.2 %	14.6 %	18.2 %	17.3 %	17.9 %	16.9 %	17.7 %	16.3 %	17.0 %
Net income attributable to Gilead reconciliation:									
GAAP net income attributable to Gilead	\$ 2,227	\$ 3,656	\$ 2,731	\$ 3,487	\$ 12,101	\$ 4,333	\$ 4,492	\$ 4,600	\$ 13,425
Stock-based compensation expenses	64	72	81	79	296	69	71	44	184
Restructuring expenses	—	—	—	—	—	(2)	—	—	(2)
Acquisition related expenses	—	—	—	71	71	—	66	—	66
Acquisition related-amortization of purchased intangibles	195	196	198	226	815	201	202	202	605
Other ⁽¹⁾	2	5	4	20	31	3	14	(10)	7
Non-GAAP net income attributable to Gilead	\$ 2,488	\$ 3,929	\$ 3,014	\$ 3,883	\$ 13,314	\$ 4,604	\$ 4,845	\$ 4,836	\$ 14,285
Diluted earnings per share reconciliation:									
GAAP diluted earnings per share	\$ 1.33	\$ 2.20	\$ 1.67	\$ 2.18	\$ 7.35	\$ 2.76	\$ 2.92	\$ 3.06	\$ 8.73
Stock-based compensation expenses	0.04	0.04	0.05	0.05	0.18	0.04	0.05	0.03	0.12
Acquisition related expenses	—	—	—	0.04	0.04	—	0.04	—	0.04
Acquisition related-amortization of purchased intangibles	0.12	0.12	0.12	0.14	0.49	0.13	0.13	0.13	0.39
Other ⁽¹⁾	—	—	—	0.01	0.02	—	—	(0.01)	0.01
Non-GAAP diluted earnings per share ⁽²⁾	\$ 1.48	\$ 2.36	\$ 1.84	\$ 2.43	\$ 8.09	\$ 2.94	\$ 3.15	\$ 3.22	\$ 9.29
Shares used in per share calculation (diluted) reconciliation:									
GAAP shares used in per share calculation (diluted)	1,680	1,664	1,637	1,597	1,647	1,569	1,540	1,503	1,538
Share impact of current stock-based compensation rules	(1)	(1)	(1)	(1)	(1)	(1)	—	(1)	(1)
Non-GAAP shares used in per share calculation (diluted)	1,679	1,663	1,636	1,596	1,646	1,568	1,540	1,502	1,537
Non-GAAP adjustment summary:									
Cost of goods sold adjustments	\$ 202	\$ 202	\$ 204	\$ 216	\$ 824	\$ 208	\$ 210	\$ 208	\$ 626
Research and development expenses adjustments	37	42	44	146	269	45	116	30	191
Selling, general and administrative expenses adjustments	48	44	57	77	226	45	51	53	149
Other income (expense) adjustments	(2)	—	—	—	(2)	—	—	1	1
Total non-GAAP adjustments before tax	285	288	305	439	1,317	298	377	292	967
Income tax effect	(24)	(14)	(23)	(38)	(99)	(28)	(30)	(58)	(116)
Other ⁽¹⁾	—	—	—	(5)	(5)	1	6	2	9
Total non-GAAP adjustments after tax attributable to Gilead	\$ 261	\$ 274	\$ 282	\$ 396	\$ 1,213	\$ 271	\$ 353	\$ 236	\$ 860

Notes:

⁽¹⁾ Amounts related to consolidation of a contract manufacturer, contingent consideration and/or other individually insignificant amounts

⁽²⁾ 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.