

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

(in millions, except percentages and per share amounts)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015	Q1 2016
<b>Cost of goods sold reconciliation:</b>						
GAAP cost of goods sold	\$ 882	\$ 998	\$ 1,064	\$ 1,062	\$ 4,006	\$ 1,193
Acquisition related-amortization of purchased intangibles	(206)	(207)	(207)	(206)	(826)	(210)
Stock-based compensation expenses	(3)	(3)	(3)	(2)	(11)	(3)
Other <sup>(1)</sup>	1	—	2	3	6	3
Non-GAAP cost of goods sold	\$ 674	\$ 788	\$ 856	\$ 857	\$ 3,175	\$ 983
<b>Product gross margin reconciliation:</b>						
GAAP product gross margin	88.1 %	87.7 %	87.0 %	87.4 %	87.5 %	84.5 %
Acquisition related-amortization of purchased intangibles	2.8 %	2.5 %	2.5 %	2.4 %	2.6 %	2.7 %
Non-GAAP product gross margin <sup>(2)</sup>	90.9 %	90.3 %	89.6 %	89.8 %	90.1 %	87.2 %
<b>Research and development expenses reconciliation:</b>						
GAAP research and development expenses	\$ 696	\$ 818	\$ 743	\$ 757	\$ 3,014	\$ 1,265
Up-front collaboration expenses	—	—	—	—	—	(368)
Acquisition related expenses	—	(66)	—	—	(66)	—
Acquisition related-IPR&D impairment	—	—	—	—	—	(114)
Stock-based compensation expenses	(42)	(42)	(44)	(45)	(173)	(41)
Other <sup>(1)</sup>	(3)	(8)	14	67	70	27
Non-GAAP research and development expenses	\$ 651	\$ 702	\$ 713	\$ 779	\$ 2,845	\$ 769
<b>Selling, general and administrative expenses reconciliation:</b>						
GAAP selling, general and administrative expenses	\$ 645	\$ 812	\$ 903	\$ 1,066	\$ 3,426	\$ 685
Stock-based compensation expenses	(47)	(51)	(50)	(50)	(198)	(44)
Other <sup>(1)</sup>	2	—	(3)	(3)	(4)	(3)
Non-GAAP selling, general and administrative expenses	\$ 600	\$ 761	\$ 850	\$ 1,013	\$ 3,224	\$ 638
<b>Operating margin reconciliation:</b>						
GAAP operating margin	70.7 %	68.1 %	67.3 %	66.1 %	68.0 %	59.7 %
Up-front collaboration expenses	— %	— %	— %	— %	— %	4.7 %
Acquisition related-amortization of purchased intangibles	2.7 %	2.5 %	2.5 %	2.4 %	2.5 %	2.7 %
Acquisition related expenses	— %	0.8 %	— %	— %	0.2 %	— %
Acquisition related-IPR&D impairment	— %	— %	— %	— %	— %	1.5 %
Stock-based compensation expenses	1.2 %	1.2 %	1.2 %	1.1 %	1.2 %	1.1 %
Other <sup>(1)</sup>	— %	0.1 %	(0.2)%	(0.8)%	(0.2)%	(0.3)%
Non-GAAP operating margin <sup>(2)</sup>	74.7 %	72.7 %	70.8 %	68.9 %	71.7 %	69.3 %
<b>Other income (expense) reconciliation:</b>						
GAAP other income (expense), net	\$ 21	\$ 35	\$ 52	\$ 46	\$ 154	\$ 81
Other <sup>(1)</sup>	—	—	1	—	1	—
Non-GAAP other income (expense), net	\$ 21	\$ 35	\$ 53	\$ 46	\$ 155	\$ 81
<b>Effective tax rate reconciliation:</b>						
GAAP effective tax rate	17.3 %	18.4 %	16.1 %	13.8 %	16.4 %	20.8 %
Up-front collaboration expenses	— %	— %	— %	— %	— %	(1.5)%
Acquisition related-amortization of purchased intangibles	(0.4)%	(0.5)%	(0.2)%	— %	(0.3)%	(0.7)%
Acquisition related expenses	— %	(0.2)%	— %	— %	— %	— %
Stock-based compensation expenses	— %	— %	0.4 %	— %	0.1 %	— %
Other <sup>(1)</sup>	— %	— %	— %	0.1 %	— %	0.1 %
Non-GAAP effective tax rate <sup>(2)</sup>	16.9 %	17.7 %	16.3 %	13.9 %	16.2 %	18.7 %
<b>Net income attributable to Gilead reconciliation:</b>						
GAAP net income attributable to Gilead	\$ 4,333	\$ 4,492	\$ 4,600	\$ 4,683	\$ 18,108	\$ 3,566
Up-front collaboration expenses	—	—	—	—	—	368
Acquisition related-amortization of purchased intangibles	201	202	202	203	808	204
Acquisition related expenses	—	66	—	—	66	—
Acquisition related-IPR&D impairment	—	—	—	—	—	99
Stock-based compensation expenses	69	71	44	67	251	64
Other <sup>(1)</sup>	1	14	(10)	(64)	(59)	(27)
Non-GAAP net income attributable to Gilead	\$ 4,604	\$ 4,845	\$ 4,836	\$ 4,889	\$ 19,174	\$ 4,274
<b>Diluted earnings per share reconciliation:</b>						
GAAP diluted earnings per share	\$ 2.76	\$ 2.92	\$ 3.06	\$ 3.18	\$ 11.91	\$ 2.53
Up-front collaboration expenses	—	—	—	—	—	0.26
Acquisition related-amortization of purchased intangibles	0.13	0.13	0.13	0.14	0.53	0.14
Acquisition related expenses	—	0.04	—	—	0.04	—
Acquisition related-IPR&D impairment	—	—	—	—	—	0.07
Stock-based compensation expenses	0.04	0.05	0.03	0.05	0.17	0.05
Other <sup>(1)</sup>	—	—	(0.01)	(0.04)	(0.04)	(0.02)
Non-GAAP diluted earnings per share <sup>(2)</sup>	\$ 2.94	\$ 3.15	\$ 3.22	\$ 3.32	\$ 12.61	\$ 3.03
<b>Shares used in per share calculation (diluted) reconciliation:</b>						
GAAP shares used in per share calculation (diluted)	1,569	1,540	1,503	1,472	1,521	1,412
Share impact of current stock-based compensation rules	(1)	—	(1)	—	—	(1)
Non-GAAP shares used in per share calculation (diluted)	1,568	1,540	1,502	1,472	1,521	1,411
<b>Non-GAAP adjustment summary:</b>						
Cost of goods sold adjustments	\$ 208	\$ 210	\$ 208	\$ 205	\$ 831	\$ 210
Research and development expenses adjustments	45	116	30	(22)	169	496
Selling, general and administrative expenses adjustments	45	51	53	53	202	47
Other income (expense) adjustments	—	—	1	—	1	—
Total non-GAAP adjustments before tax	298	377	292	236	1,203	753
Income tax effect	(28)	(30)	(58)	(34)	(150)	(45)
Other <sup>(1)</sup>	1	6	2	4	13	—
Total non-GAAP adjustments after tax attributable to Gilead	\$ 271	\$ 353	\$ 236	\$ 206	\$ 1,066	\$ 708

Notes:

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

<sup>(2)</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.