

# Q2 2016 Earnings Results

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July 25, 2016



**GILEAD**

Advancing Therapeutics.  
Improving Lives.

# Forward-looking Statements

The projected financial results presented in the following slides represent management's estimates of Gilead's future financial results. Gilead cautions readers that forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include: Gilead's ability to achieve its anticipated full year 2016 financial results; Gilead's ability to sustain growth in revenues for its antiviral and other programs; the risk that estimates of patients with HCV or anticipated patient demand may not be accurate; the risk that private and public payers may be reluctant to provide, or continue to provide, coverage or reimbursement for new products, including Epclusa, Genvoya, Sovaldi and Harvoni; the potential for increased pricing pressure and contracting pressure as well as decreased volume and market share from additional competitive HCV launches, austerity measures in European countries and Japan that may increase the amount of discount required on Gilead's products, additional negotiated discounts for patient access, shifts in payer mix to more deeply discounted government payer segments and geographic regions and decreases in treatment duration; availability of funding for state AIDS Drug Assistance Programs (ADAPs); continued fluctuations in ADAP purchases driven by federal and state grant cycles which may not mirror patient demand and may cause fluctuations in Gilead's earnings; the possibility of unfavorable results from clinical trials involving investigational compounds, including bicitgravir and SOF/VEL/VOX; Gilead's ability to initiate clinical trials in its currently anticipated timeframes; the levels of inventory held by wholesalers and retailers which may cause fluctuations in Gilead's earnings; Gilead's ability to submit new drug applications for new product candidates in the timelines currently anticipated; Gilead's ability to receive regulatory approvals in a timely manner or at all, for new and current products; Gilead's ability to successfully commercialize its products, including Epclusa, Genvoya, Odefsey and Descovy; the risk that physicians and patients may not see advantages of these products over other therapies and may therefore be reluctant to prescribe the products; Gilead's ability to successfully develop its oncology, inflammation, cardiovascular and respiratory programs; safety and efficacy data from clinical studies may not warrant further development of Gilead's product candidates; Gilead's ability to complete its share repurchase program due to changes in its stock price, corporate or other market conditions; fluctuations in the foreign exchange rate of the U.S. dollar that may cause an unfavorable foreign currency exchange impact on Gilead's future revenues and pre-tax earnings; and other risks identified from time to time in Gilead's reports filed with the U.S. Securities and Exchange Commission (SEC). In addition, Gilead makes estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. Gilead bases its estimates on historical experience and on various other market specific and other relevant assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates. You are urged to consider statements that include the words may, will, would, could, should, might, believes, estimates, projects, potential, expects, plans, anticipates, intends, continues, forecast, designed, goal, or the negative of those words or other comparable words to be uncertain and forward-looking. Gilead directs readers to its press releases, Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and other subsequent disclosure documents filed with the SEC. Gilead claims the protection of the Safe Harbor contained in the Private Securities Litigation Reform Act of 1995 for forward-looking statements. All forward-looking statements are based on information currently available to Gilead, and Gilead assumes no obligation to update any such forward-looking statements.

This presentation includes GAAP and non-GAAP financial measures, a complete reconciliation between these two measures is available on the Company's website at [www.gilead.com](http://www.gilead.com) within the investor section. Management believes this non-GAAP information is useful for investors, when considered 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 U.S. GAAP. Non-GAAP measures may be defined and calculated differently by other companies in the same industry.

# Q2 2016 Earnings Call Agenda

**Introduction** Sung Lee, VP, Investor Relations

**Commentary** Robin Washington, EVP and CFO

Kevin Young, COO

John Milligan, President and CEO

**Q&A** Also:

Norbert Bischofberger, EVP, R&D and CSO

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# **Robin Washington**

EVP and Chief Financial Officer

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# Financial Highlights: Q2 2016

(in millions, except percentages and per share amounts)

	Q2 2015	Q2 2016	% Change
Net Product Sales	\$8,126	\$7,651	(6%)
Antiviral Products	7,631	7,126	(7%)
HCV	4,899	3,986	(19%)
HIV and Other Antiviral	2,732	3,140	15%
Other Products*	495	525	6%
Non-GAAP Costs and Expenses**	\$2,251	\$2,531	12%
COGS	788	653	(17%)
<i>Product Gross Margin</i>	90%	92%	
R&D	702	1,040	48%
SG&A	761	838	10%
<i>Operating Margin</i>	73%	68%	
Non-GAAP Net Income**	\$4,845	\$4,177	(14%)
Non-GAAP Diluted EPS**	\$3.15	\$3.08	(2%)

\* Other Products comprised primarily of Letairis, Ranexa, AmBisome, Zydelig, Cayston and Lexiscan.

\*\*Non-GAAP costs and expenses, net income and diluted EPS exclude acquisition-related, up-front collaboration, stock-based compensation and other expenses.

# Financial Highlights: Six Months Ended June 30

(in millions, except percentages and per share amounts)

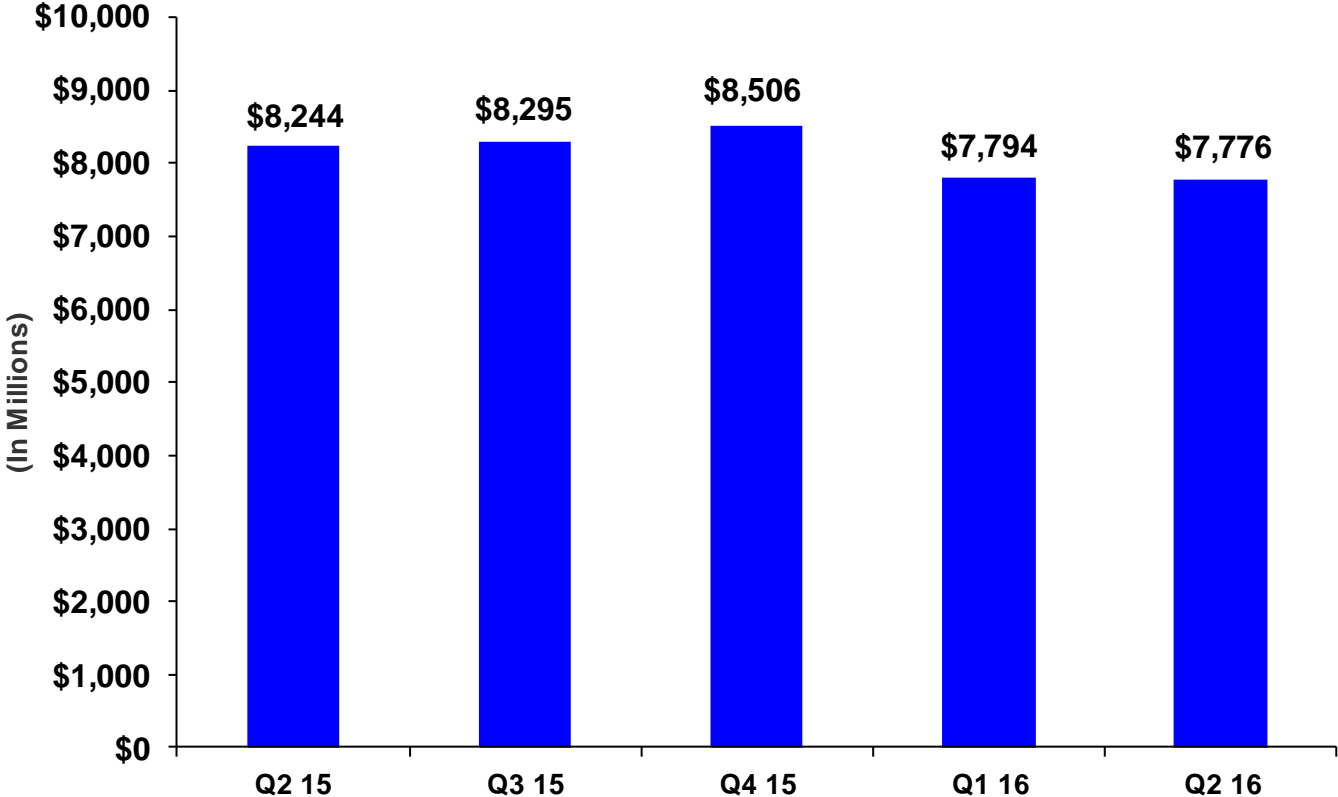
	2015	2016	% Change
Net Product Sales	\$15,531	\$15,332	(1%)
Antiviral Products	14,619	14,309	(2%)
HCV	9,450	8,280	(12%)
HIV and Other Antiviral	5,169	6,029	17%
Other Products*	912	1,023	12%
Non-GAAP Costs and Expenses**	\$4,176	\$4,921	18%
COGS	1,462	1,636	12%
<i>Product Gross Margin</i>	91%	89%	
R&D	1,353	1,809	34%
SG&A	1,361	1,476	8%
<i>Operating Margin</i>	74%	68%	
Non-GAAP Net Income**	\$9,449	\$8,451	(11%)
Non-GAAP Diluted EPS**	\$6.08	\$6.11	0%

\* Other Products comprised primarily of Letairis, Ranexa, AmBisome, Zydelig, Cayston and Lexiscan.

\*\*Non-GAAP costs and expenses, net income and diluted EPS exclude acquisition-related, up-front collaboration, stock-based compensation and other expenses.

# Total Revenues

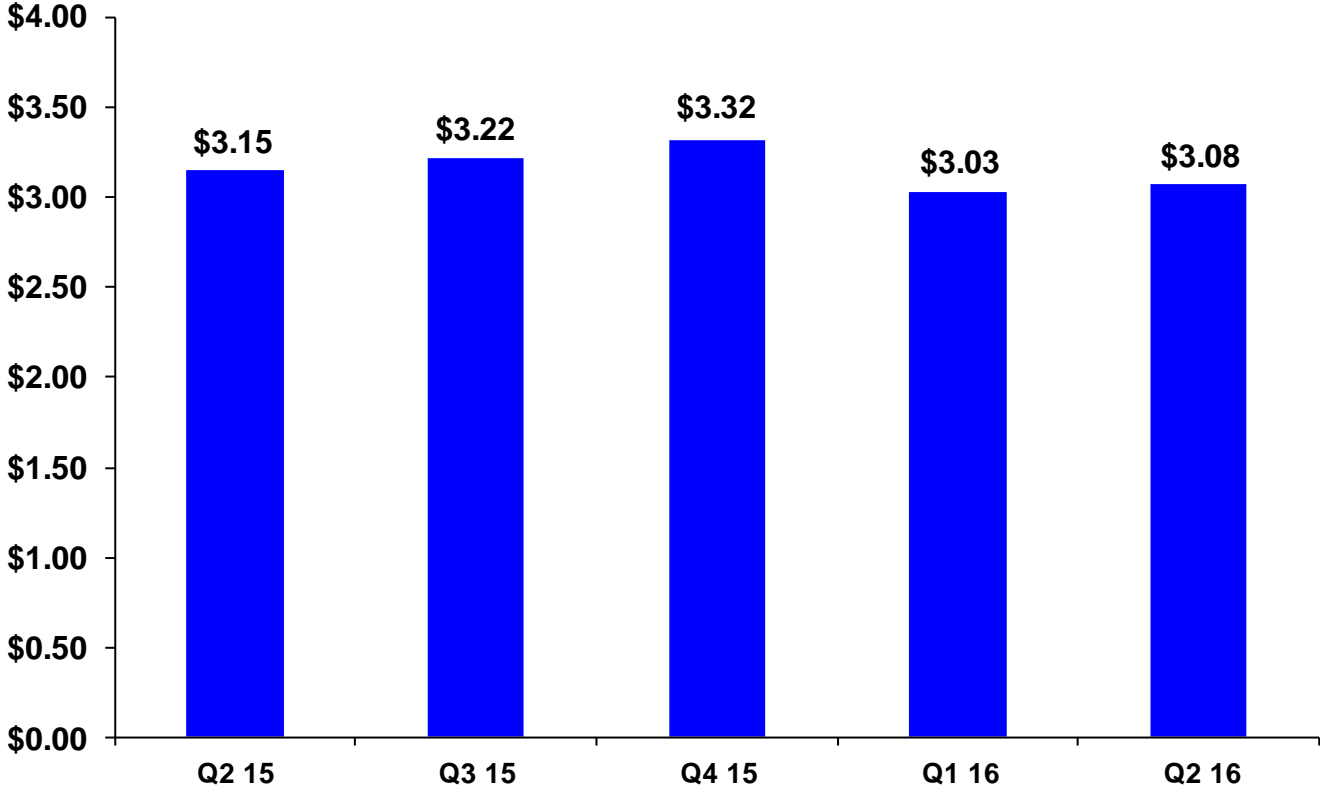
Q2 2016 down 6% from Q2 2015





# Non-GAAP Diluted EPS

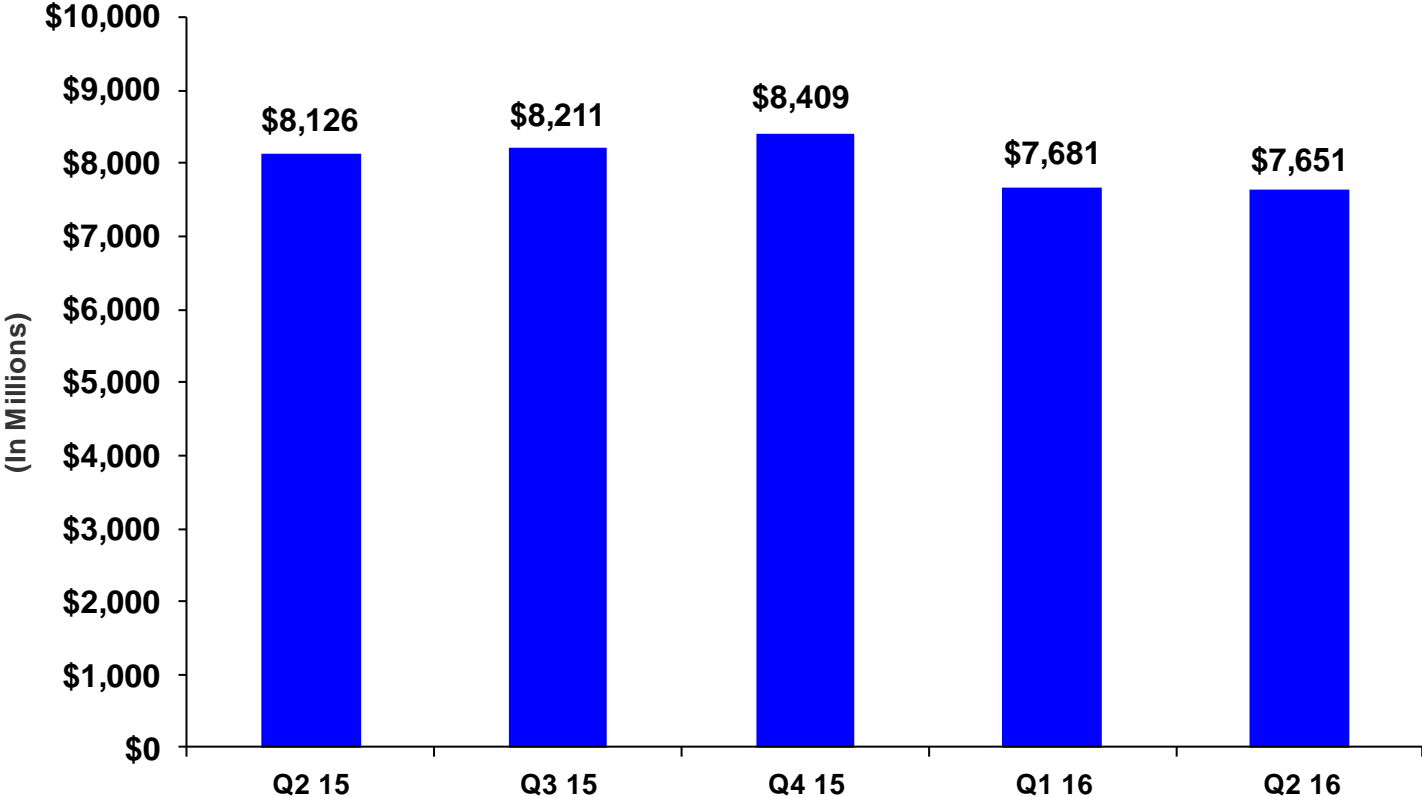
Q2 2016 down 2% from Q2 2015



Note: Non-GAAP diluted EPS excludes acquisition-related, up-front collaboration, stock-based compensation and other expenses.

# Total Product Sales

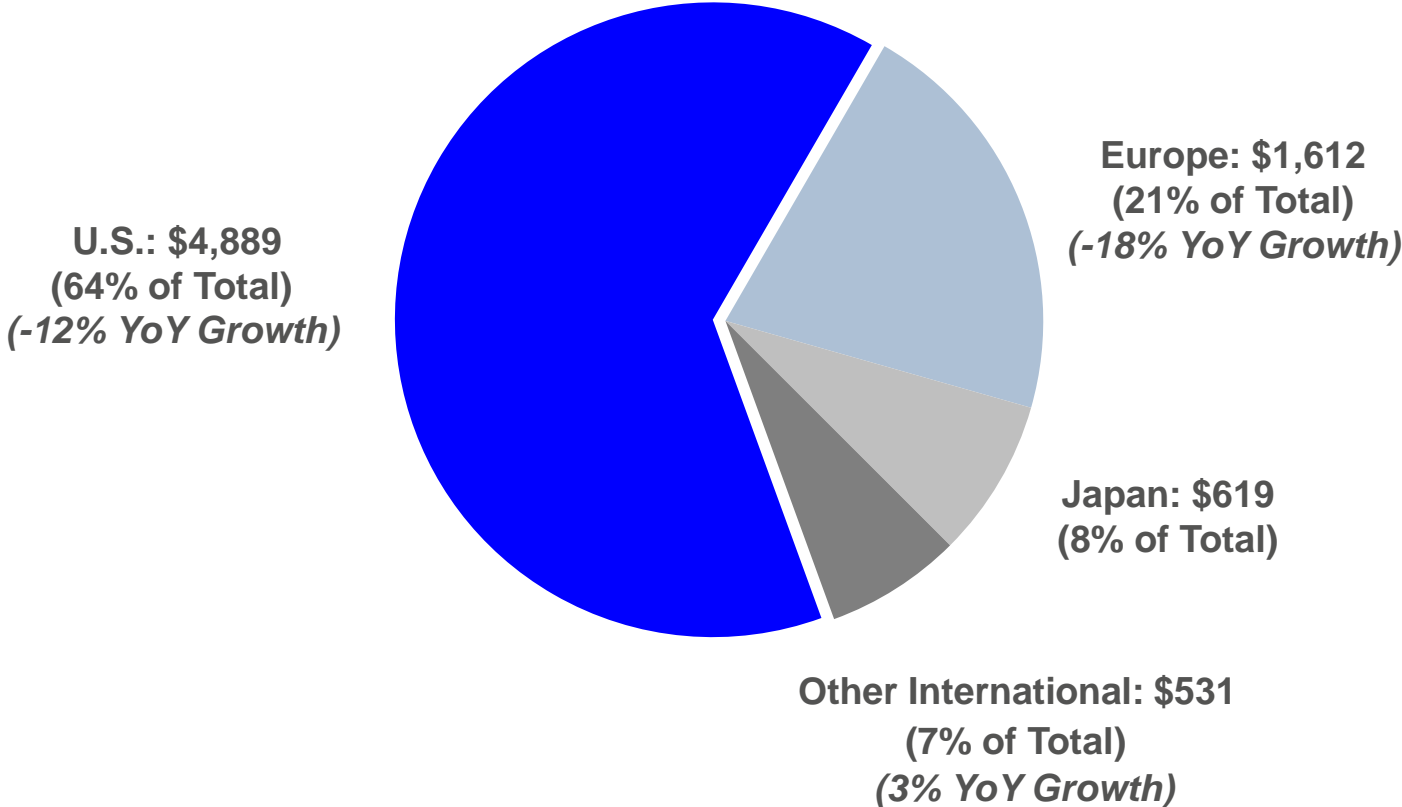
Q2 2016 down 6% from Q2 2015



# Product Sales by Geography

(in millions, except percentages)

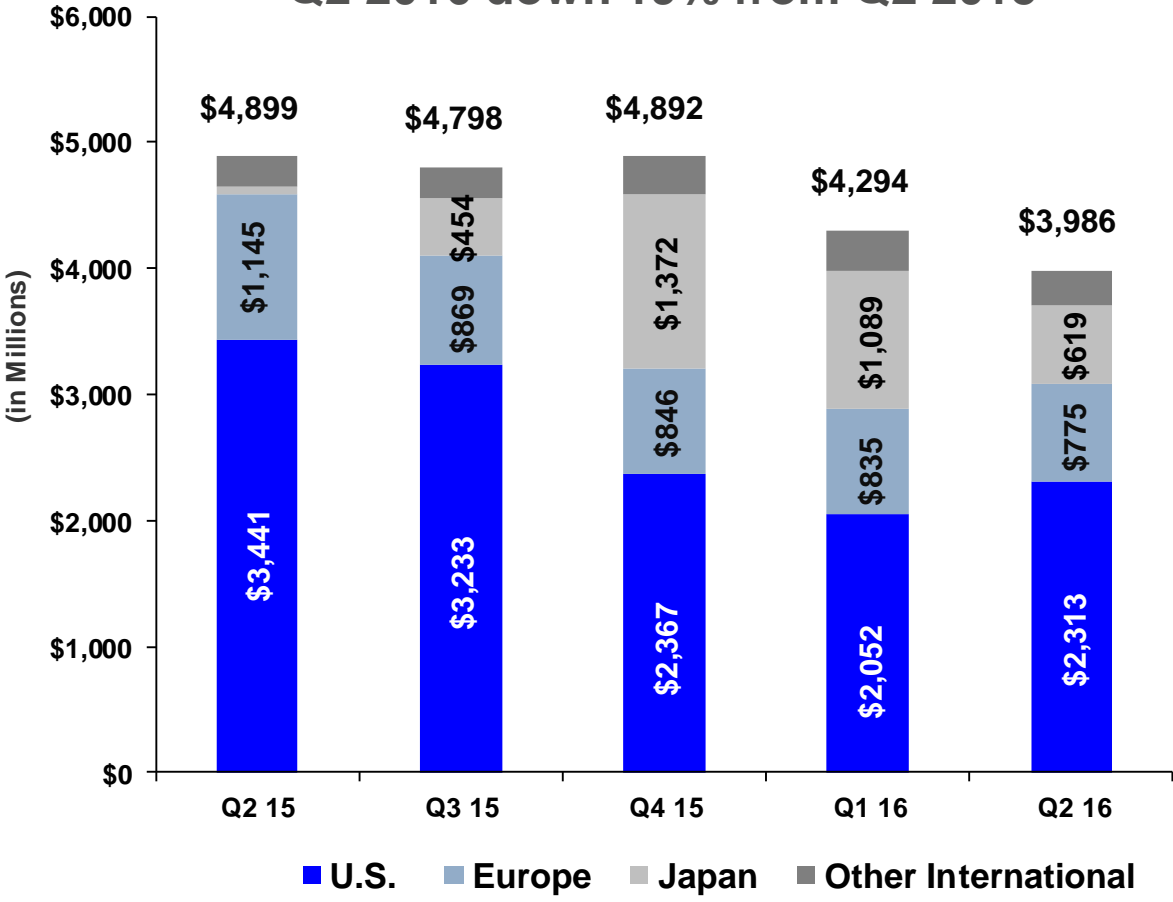
**Q2 2016: \$7,651**  
**(-6% YoY Growth)**



Note: Amounts may not sum due to rounding.

# Total HCV Product Sales

Q2 2016 down 19% from Q2 2015



## Key Metrics

### U.S.:

- YoY decrease from Q2 15 driven by lower Harvoni patient starts, incrementally higher rebates for opening access and lower revenue per patient from payer mix shift
- Sequential increase from Q1 16 driven by \$279 million sales return reserve adjustment and initial Eplclusa sales offset by higher gross-to-net due to payor mix shift

### Europe:

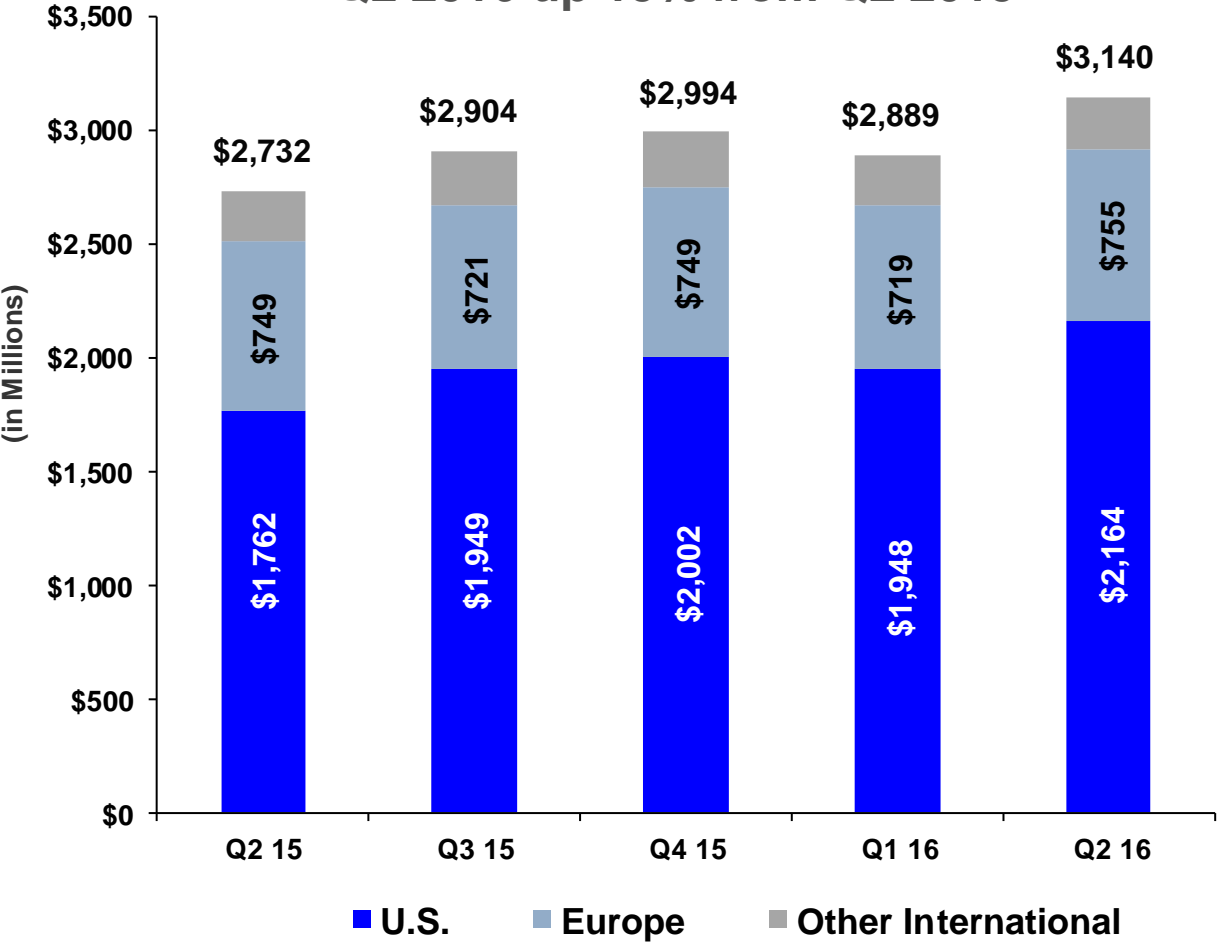
- YoY and sequential decreases driven by lower patient starts and a higher proportion of patient starts from countries with a lower average net price

### Japan:

- Sequential decrease driven by lower Harvoni patient starts following warehouse peak in Q1 16 and full quarter impact of mandatory price reductions for Sovaldi and Harvoni

# Total HIV & Other Antiviral Product Sales

Q2 2016 up 15% from Q2 2015



## Key Metrics

U.S.:

- Increase from Q2 15 driven by launches of Genvoya, Odefsey and Descovy and uptake of Truvada for PrEP
- Sequential increase from Q1 16 driven primarily by seasonal inventory patterns and sales ramp of TAF-based regimens

Europe:

- Sequential increase from Q1 16 driven primarily by launches of Genvoya and Descovy

# European Product Sales

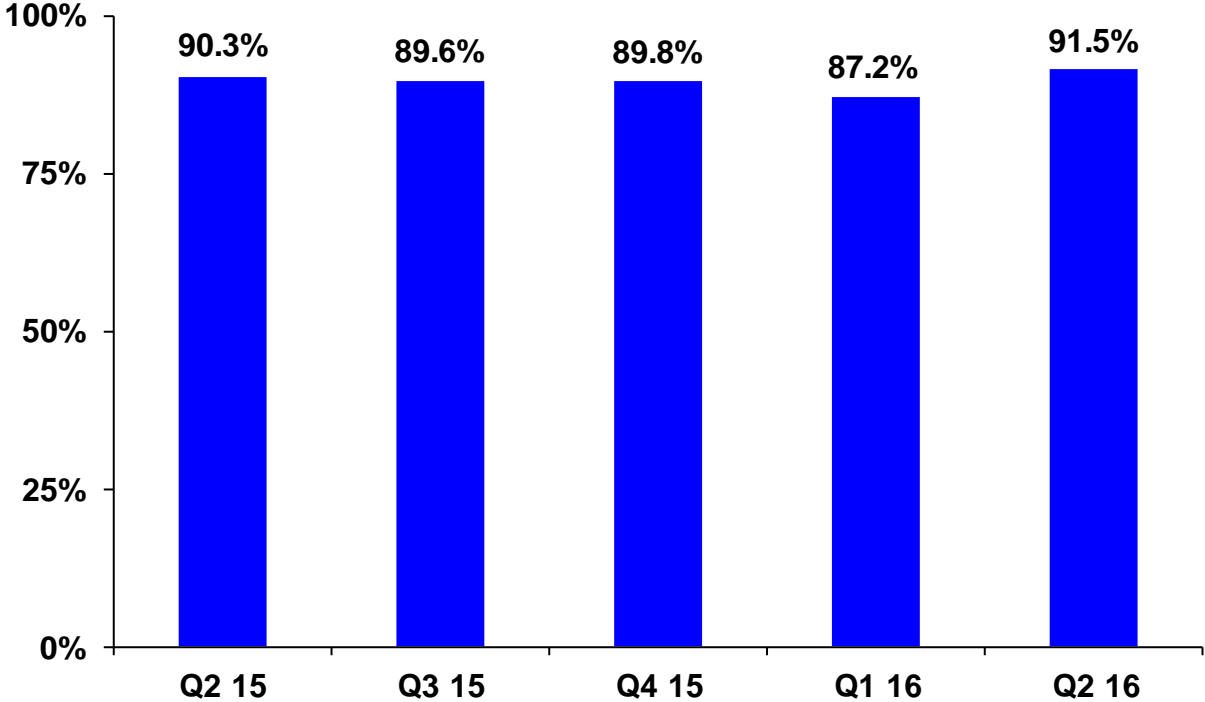
Q2 2016 down 18% (-13% excluding FX) from Q2 2015



- ◆ FX impact to European revenues was unfavorable \$24 million QoQ and unfavorable \$104 million YoY

	Q2 15	Q2 16	YoY	Excl Fx
Harvoni	\$ 623	\$ 512	(18%)	(13%)
Sovaldi	\$ 522	\$ 263	(50%)	(46%)
Truvada	\$ 277	\$ 245	(12%)	(6%)
Eviplera	\$ 145	\$ 156	8%	15%
Atripla	\$ 178	\$ 140	(21%)	(16%)
Stribild	\$ 65	\$ 84	29%	37%
Viread	\$ 77	\$ 81	5%	12%
Genvoya	\$ 0	\$ 30	NM	NM
Descovy	\$ 0	\$ 12	NM	NM
AmBisome	\$ 56	\$ 52	(7%)	(1%)
Other	\$ 32	\$ 37	16%	23%
<b>Total</b>	<b>\$ 1,974</b>	<b>\$ 1,612</b>	<b>(18%)</b>	<b>(13%)</b>

# Non-GAAP Product Gross Margin



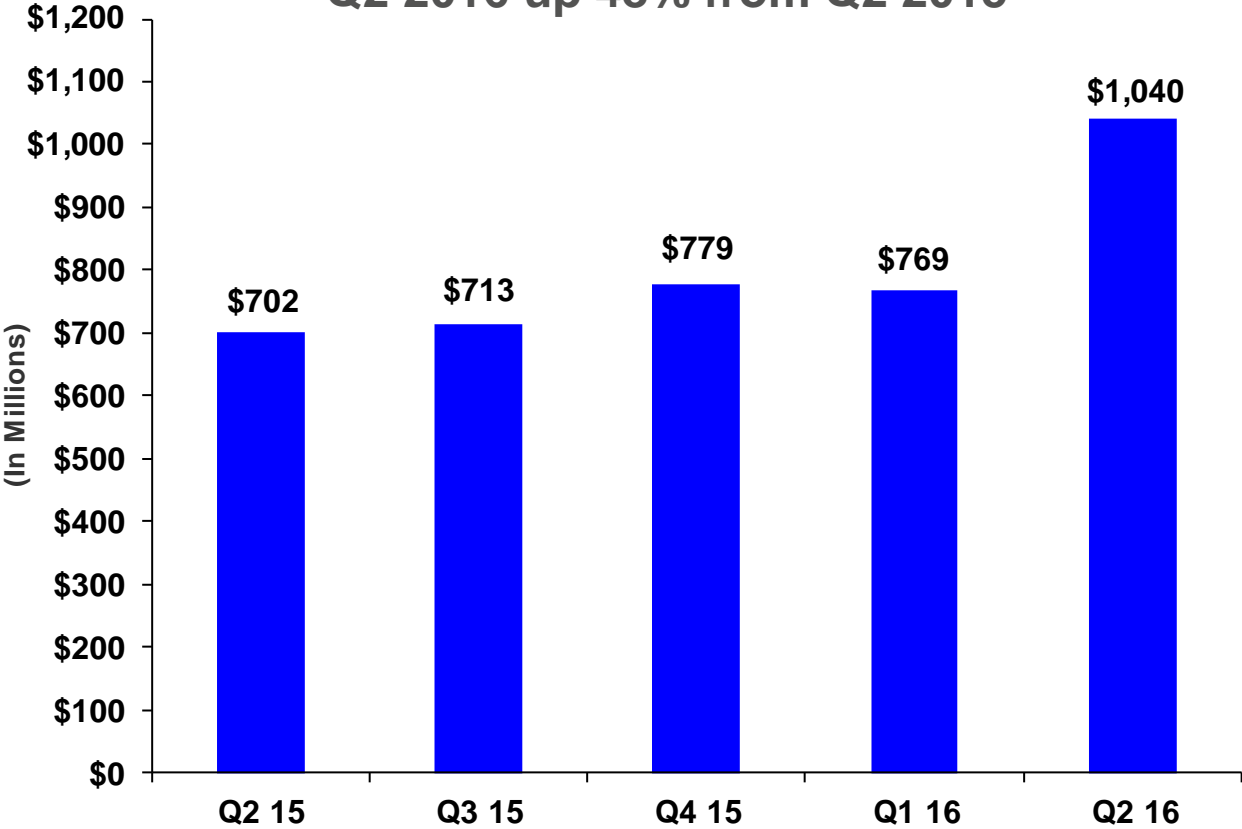
### Key Metrics

- Higher sequential Non-GAAP Product Gross Margin in Q2 16 compared to Q1 16 primarily due to the reversal of the \$200 million litigation reserve recorded in the first quarter of 2016 following a favorable court decision

Note: Non-GAAP product gross margin excludes acquisition-related, up-front collaboration, stock-based compensation and other expenses.

# Non-GAAP R&D Expenses

Q2 2016 up 48% from Q2 2015



### Key Metrics

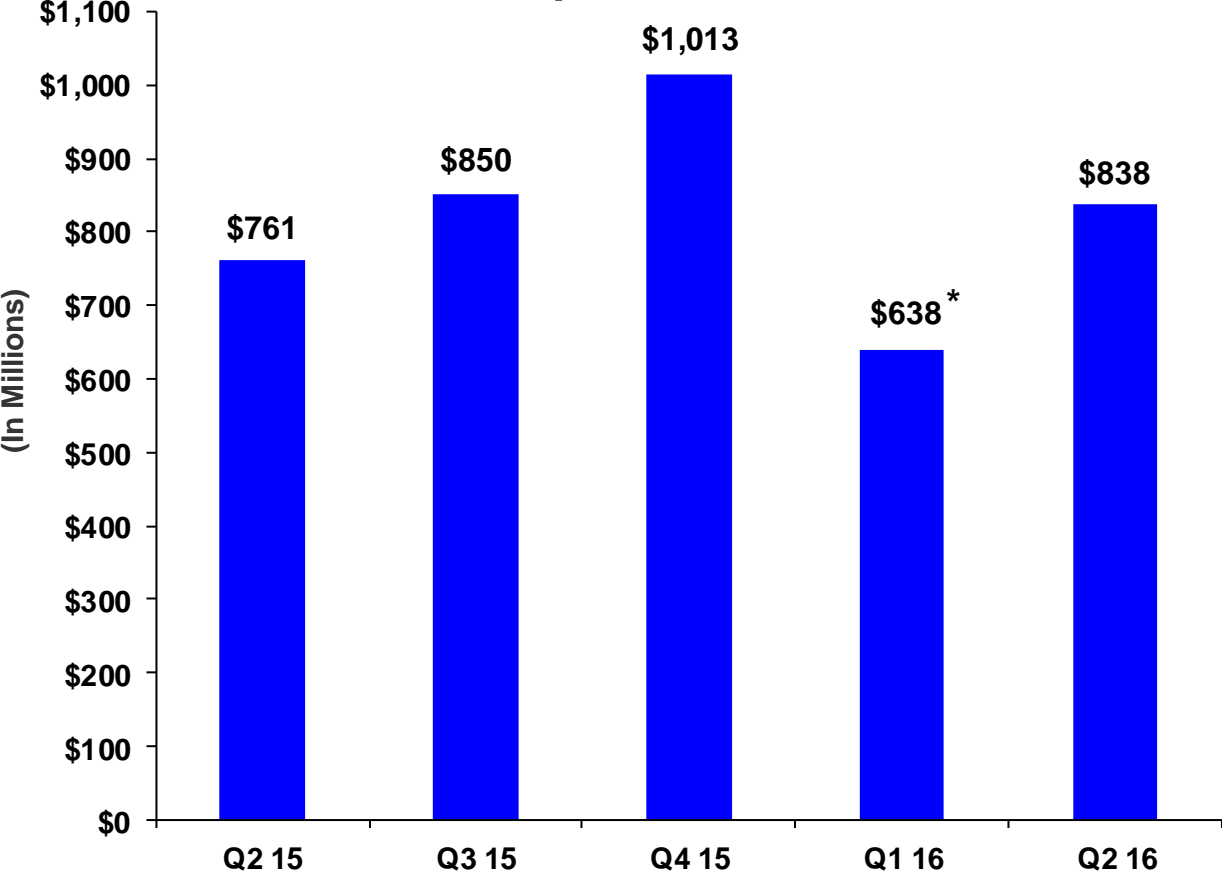
- Higher R&D expenses in Q2 16 over Q2 15 primarily due to the purchase of a FDA priority review voucher and the overall progression of clinical studies

Note: Non-GAAP R&D expenses exclude acquisition-related, up-front collaboration, stock-based compensation and other expenses.



# Non-GAAP SG&A Expenses

Q2 2016 up 10% from Q2 2015



### Key Metrics

- Higher SG&A expenses in Q2 16 over Q2 15 primarily due to higher costs to support new product launches and geographic expansion of the business
- FY 2016 Branded Prescription Drug fee is estimated to be in the range of \$250-\$350 million

Note: Non-GAAP SG&A expenses exclude acquisition-related, up-front collaboration, stock-based compensation and other expenses.

\* Q1 16 is favorably impacted by \$191 million following the receipt of preliminary 2016 IRS invoice associated with the Branded Prescription Drug fee.

# Other Select Financial Information

(in millions, except days sales outstanding)

	Mar. 31, 2016	Jun. 30, 2016
<b>Cash, Cash Equivalents &amp; Marketable Securities</b>	\$21,322	\$24,616
<b>Operating Cash Flows</b>	\$3,913	\$4,940
<b>Inventories</b>	\$1,880	\$1,862
<b>Days Sales Outstanding</b> (Accounts Receivable)	52	49
<b>Share Repurchases During the Quarter</b>	\$8,000	\$1,000
<b>Interest Expense and Other Income (Expense), net</b>	(\$149)	(\$139)
<b>Diluted Shares Used in Per Share Calculation for the Quarter (Non-GAAP)</b>	1,411	1,354
<b>Diluted Shares Used in Per Share Calculation for the Quarter (GAAP)</b>	1,412	1,355
<b>Basic Shares Outstanding</b>	1,383	1,335

# Return of Capital to Shareholders

**As of June 30, 2016, the amount of capital returned to shareholders year-to-date, consisting of dividends and share repurchases, exceeded the total amount of capital returned during the first three quarters of 2015 combined**

## ◆ Cash dividend program

- Paid quarterly dividend in Q2 16 of \$0.47 per share, which represented an increase of 10% from the prior dividend of \$0.43 per share.
- Declared Q3 16 quarterly dividend of \$0.47 per share. The Q3 16 quarterly dividend is payable September 29, 2016 to stockholders of record as of the close of business on September 16, 2016.

## ◆ Share repurchase programs

- Repurchased \$1 billion of stock and retired 10.5 million shares at an average price of \$95.35 in open market repurchases.
- \$11 billion of the January 2016 share repurchase program (\$12 billion authorization) remaining as of June 30, 2016.
- Under the \$15 billion January 2015 share repurchase program authorization, we repurchased a total of 99.2 million shares with an average purchase price of \$100.85 for a total of \$10 billion in an open market program. In addition, we received 46.1 million shares in Q1 16 and 8.1 million shares in Q2 16, for a total of 54.3 million shares with an average share price of \$92.09 under a \$5 billion accelerated share repurchase (ASR) program.
- Since 2012, repurchased approximately 19% of shares outstanding (over 285 million shares).

# Q2 2016 Share Activity

	Type of Activity	Dollar Amount (In Millions)	Shares	Average Purchase Price
Q1 2016	Open Market Share Repurchase*	\$3,000	33,431,835	\$89.73
Q1 2016	Accelerated Share Repurchase**	\$5,000	46,146,746	\$92.09
Q2 2016	Accelerated Share Repurchase**	\$0	8,149,217	\$92.09
Q2 2016	Open Market Share Repurchase*	\$1,000	10,487,835	\$95.35
<b>2016 Total</b>		<b>\$9,000</b>	<b>98,215,633</b>	

- A \$12 billion share repurchase program was authorized in January 2016, which we began in Q2 16. Under this program, we repurchased a total of 10.5 million shares with an average purchase price of \$95.35 in open market repurchases. As of June 30, 2016, \$11 billion remains outstanding under the January 2016 program.
- Under the \$15 billion January 2015 share repurchase program authorization, we repurchased a total of 99.2 million shares with an average purchase price of \$100.85 for a total of \$10 billion in an open market program. In addition, we received 46.1 million shares in Q1 and 8.1 million shares in Q2 16, for a total of 54.3 million shares with an average share price of \$92.09 under a \$5 billion ASR program.

\* Excludes commissions.

\*\* Under the ASR, average price of \$92.09 was determined in Q2 2016.

# Full Year 2016 Guidance

(in millions, except percentages and per share amounts)

	Initially Provided 2/2/2016 Reiterated 4/28/2016	Updated 7/25/2016
<b>Net Product Sales*</b>	<b>\$ 30,000 – \$ 31,000</b>	<b>\$ 29,500 – \$ 30,500</b>
<b>Non-GAAP**</b>		
<b>Product Gross Margin</b>	<b>88% – 90%</b>	<b>88% – 90%</b>
<b>R&amp;D Expenses</b>	<b>\$ 3,200 – \$ 3,500</b>	<b>\$ 3,600 – \$ 3,800</b>
<b>SG&amp;A Expenses</b>	<b>\$ 3,300 – \$ 3,600</b>	<b>\$ 3,100 – \$ 3,300</b>
<b>Effective Tax Rate</b>	<b>18.0% – 20.0%</b>	<b>18.0% – 20.0%</b>
<b>Diluted EPS Impact of GAAP to Non-GAAP Adjustments***</b>	<b>\$ 1.10 – \$ 1.16</b>	<b>\$ 1.47 – \$ 1.53</b>

\* This guidance is subject to a number of uncertainties including potential changes in the global macroeconomic environment; adoption of additional pricing measures to reduce HCV spending; volatility in foreign currency exchange rates; inaccuracy in our HCV patient estimates; additional competitive launches in HCV; an increase in discounts, chargebacks and rebates due to ongoing commercial payer contract negotiations and a larger than anticipated shift in payer mix to more highly discounted payer segments – such as PHS, FSS, Medicaid and the VA.

\*\* Non-GAAP product gross margin, expenses and effective tax rate exclude amounts related to acquisition-related, up-front collaboration, stock-based compensation and other expenses.

\*\*\* Includes amounts related to acquisition-related, up-front collaboration, stock-based compensation and other expenses.

# GAAP to Non-GAAP Reconciliation of Full Year 2016 Guidance

(in millions, except percentages and per share amounts)

Updated 7/25/2016

## Projected product gross margin GAAP to non-GAAP reconciliation:

GAAP projected product gross margin

85% - 87%

Acquisition related-expenses

3% - 3%

Non-GAAP projected product gross margin\*

88% - 90%

## Projected research and development expenses GAAP to non-GAAP reconciliation:

GAAP projected research and development expenses

\$4,700 - \$4,945

Acquisition related / up-front collaboration expenses

(915) - (945)

Stock-based compensation expenses

(185) - (200)

Non-GAAP projected research and development expenses

\$3,600 - \$3,800

## Projected selling, general and administrative expenses GAAP to non-GAAP reconciliation:

GAAP projected selling, general and administrative expenses

\$3,305 - \$3,515

Acquisition related-expenses

-

Stock-based compensation expenses

(205) - (215)

Non-GAAP projected selling, general and administrative expenses

\$3,100 - \$3,300

## Projected diluted EPS impact of acquisition-related, up-front collaboration, stock-based compensation and other expenses:

Acquisition-related / up-front collaboration expenses

\$1.26 - \$1.30

Stock-based compensation expense

0.21 - 0.23

Projected diluted EPS impact of acquisition-related, up-front collaboration, stock-based compensation and other

\$1.47 - \$1.53

\*Stock-based compensation expenses have a less than one percent impact on non-GAAP projected product gross margin.

**Kevin Young CBE**

COO

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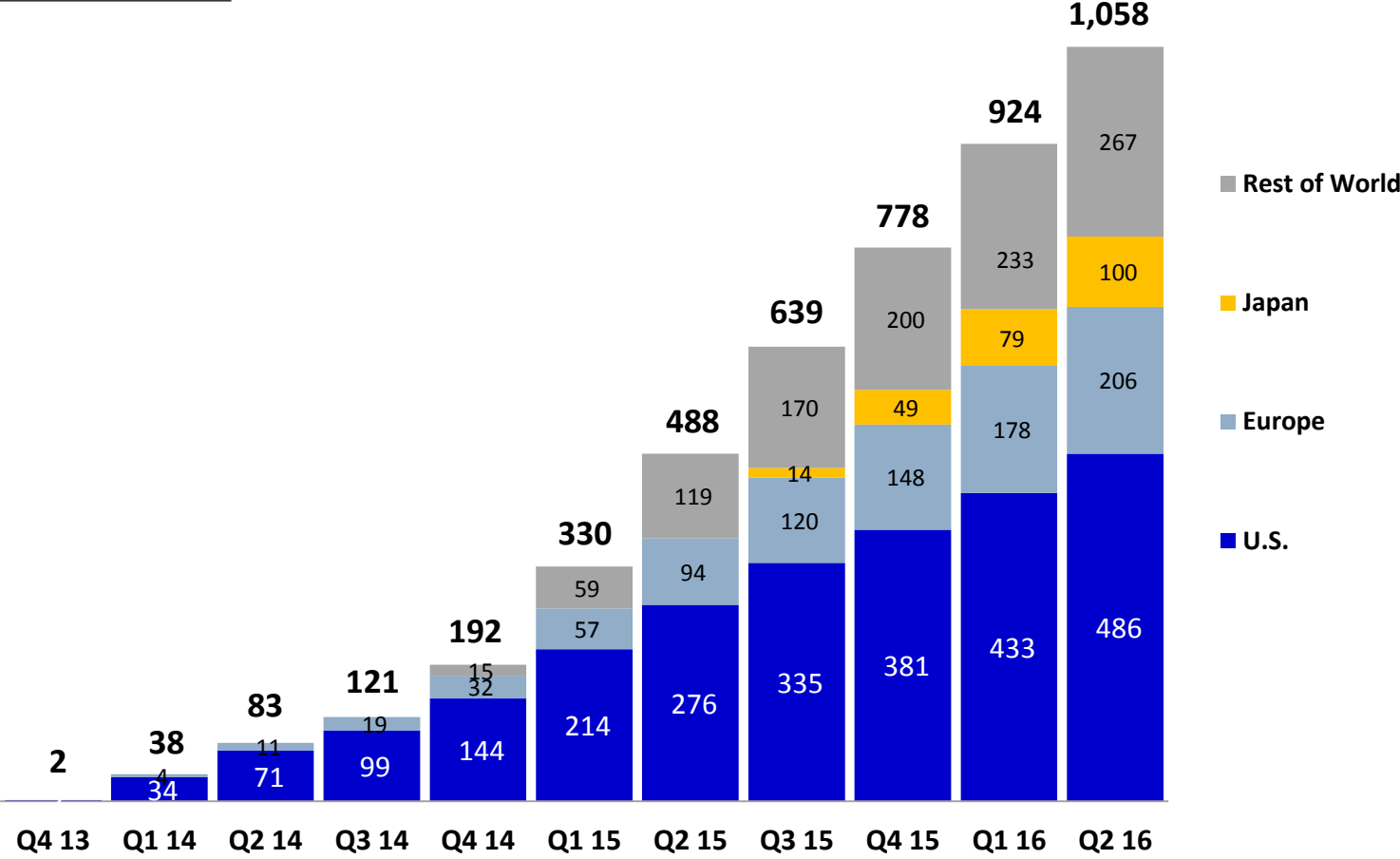


**HCV**



# More than One Million Patients have been Treated with a Sofosbuvir-Based Regimen Since December 2013

Patients in thousands

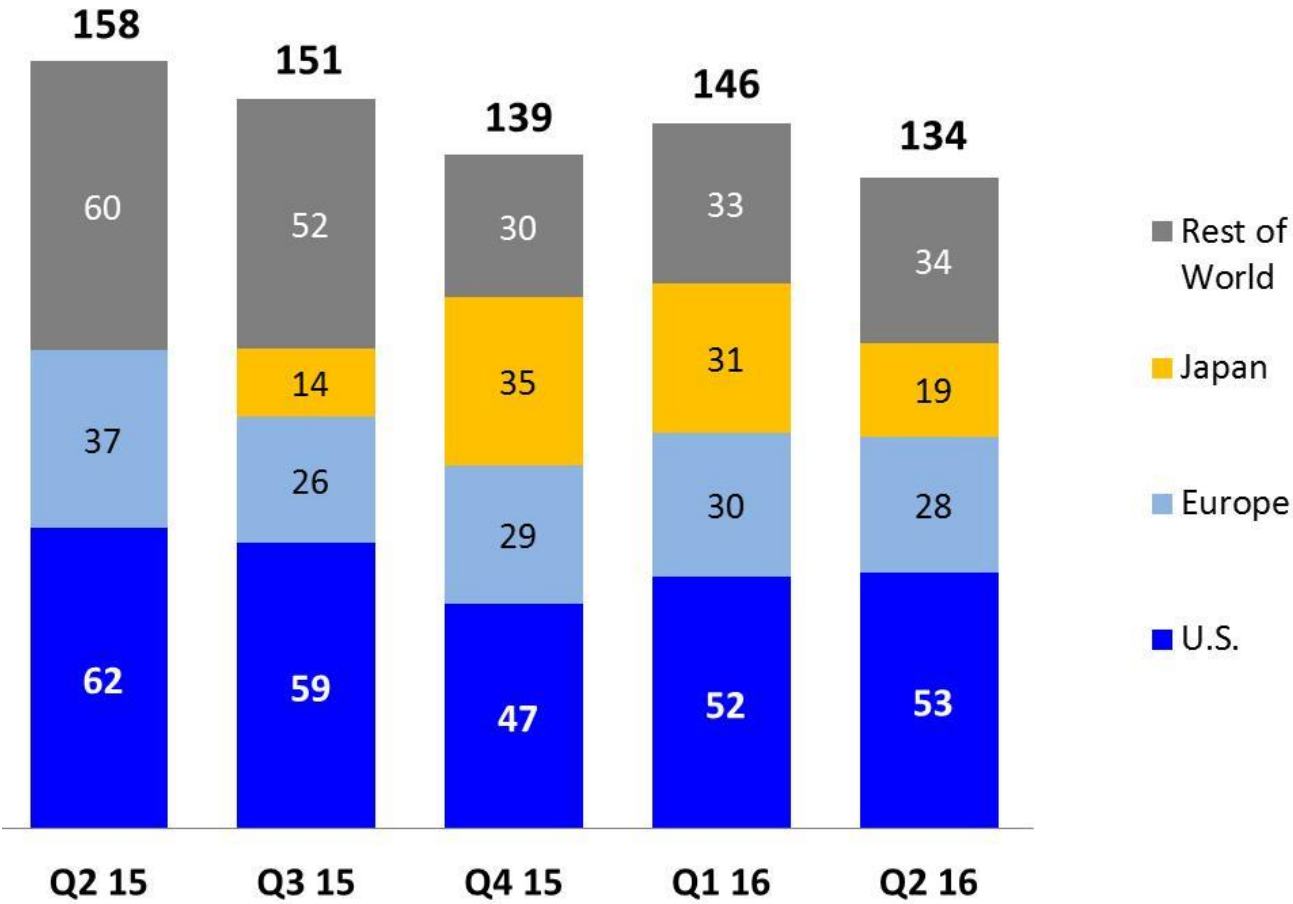


Note: Graph illustrates the estimated cumulative patients treated with a Gilead HCV drug since December 2013 through June 2016. Patient numbers are subject to adjustments. Rest of World is comprised primarily of Australia, Brazil, Egypt and Canada.

Sovaldi was approved in the U.S in December 2013 and in the EU in January 2014. Harvoni was approved in the U.S. in October 2014 and in the EU in November 2014. In Japan, Sovaldi launched in May 2015 and Harvoni launched in September 2015.

# HCV Patient Initiations on Sofosbuvir-Based Regimens

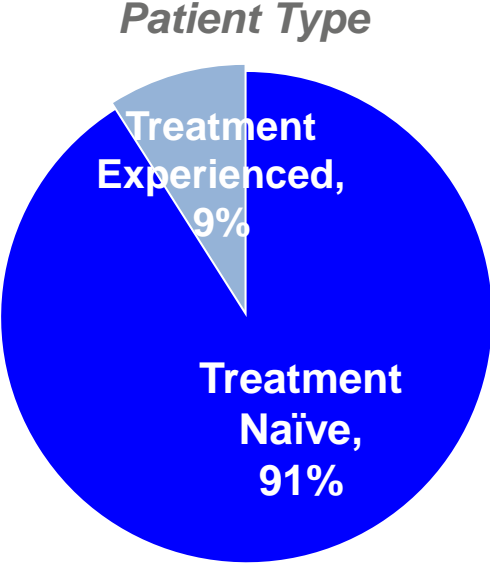
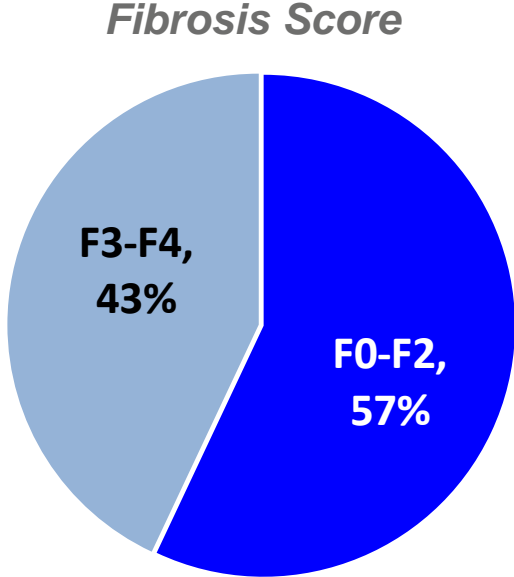
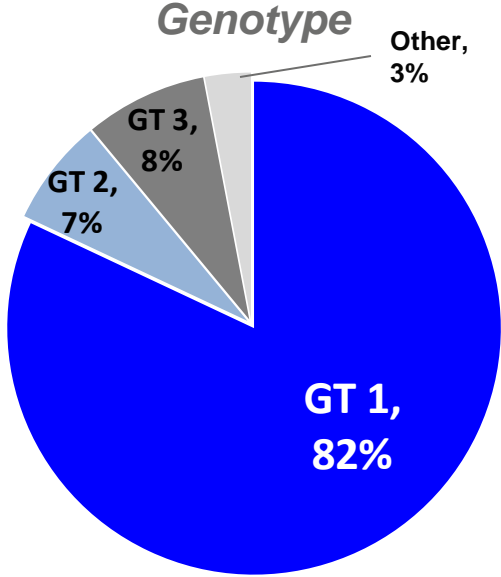
Patient Initiations in thousands



Note: Graph illustrates the estimated number of patients that started therapy with a Gilead HCV drug for each quarter. Patient numbers are subject to adjustments. Rest of World is comprised primarily of Australia, Brazil, Egypt and Canada.

Sovaldi was approved in the U.S in December 2013 and in the EU in January 2014. Harvoni was approved in the U.S. in October 2014 and in the EU in November 2014. In Japan, Sovaldi launched in May 2015 and Harvoni launched in September 2015.

# Profile of U.S. HCV Patients that are Intended for Treatment with a Sofosbuvir-Based Regimen (April – June 2016\*)



\*Data Source: Gilead market research Apr 1 – Jun 19, 2016.

Note:  
Fibrosis score is based on the METAVIR scoring system.  
'Intended for treatment' is based on scripts written, not scripts filled.

# Epclusa: The First Pan-Genotypic Single Tablet Regimen for HCV

## U.S.

- ◆ Approved by the FDA on June 28, 2016
- ◆ First STR approved for the treatment of patients with HCV genotype 2 and 3, without the need for ribavirin
- ◆ \$64 million in Q2 2016

## Europe

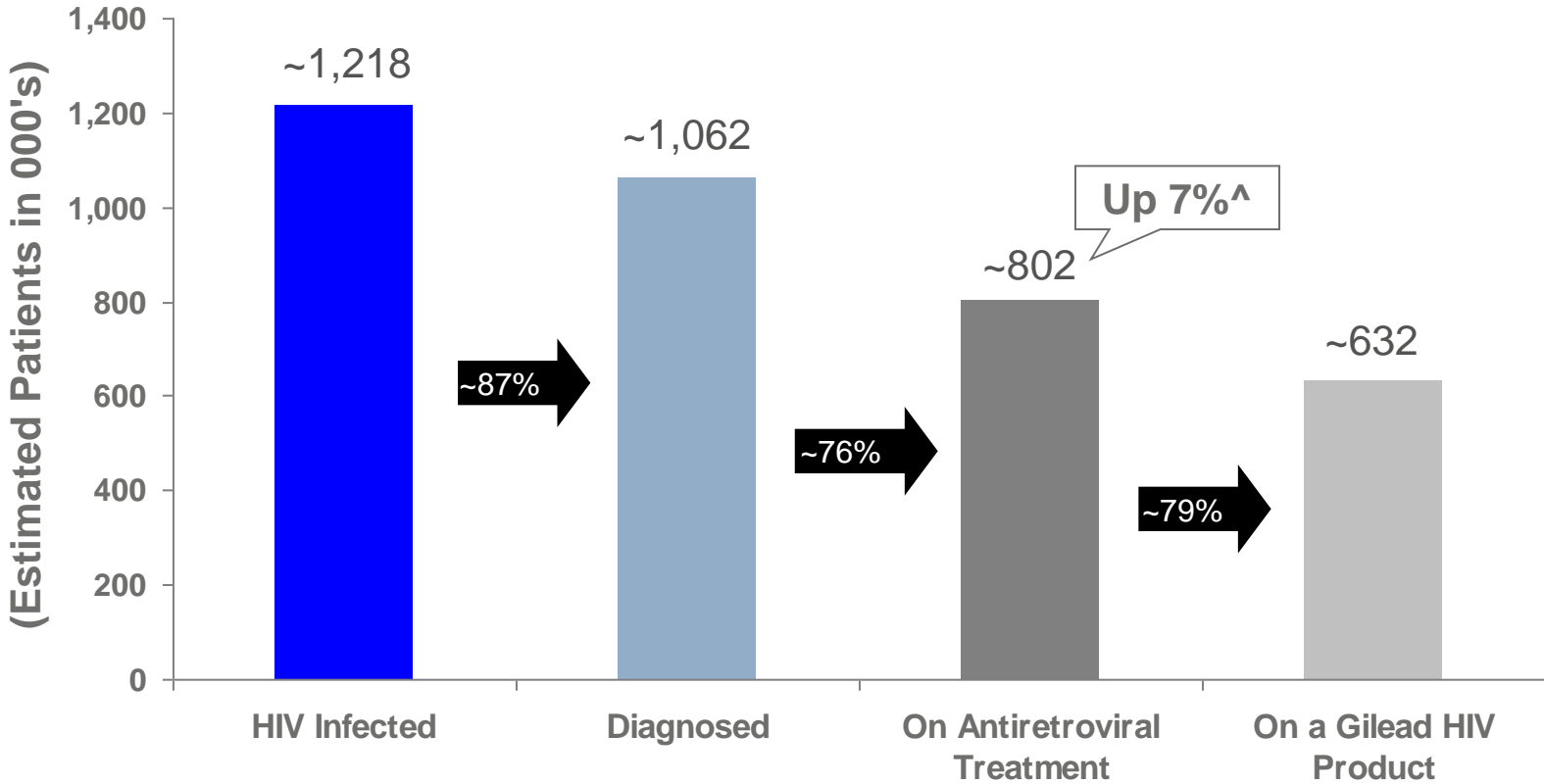
- ◆ Approved by the European Commission on July 8, 2016
- ◆ Pricing and reimbursement process is ongoing and could take up to 12 months to complete





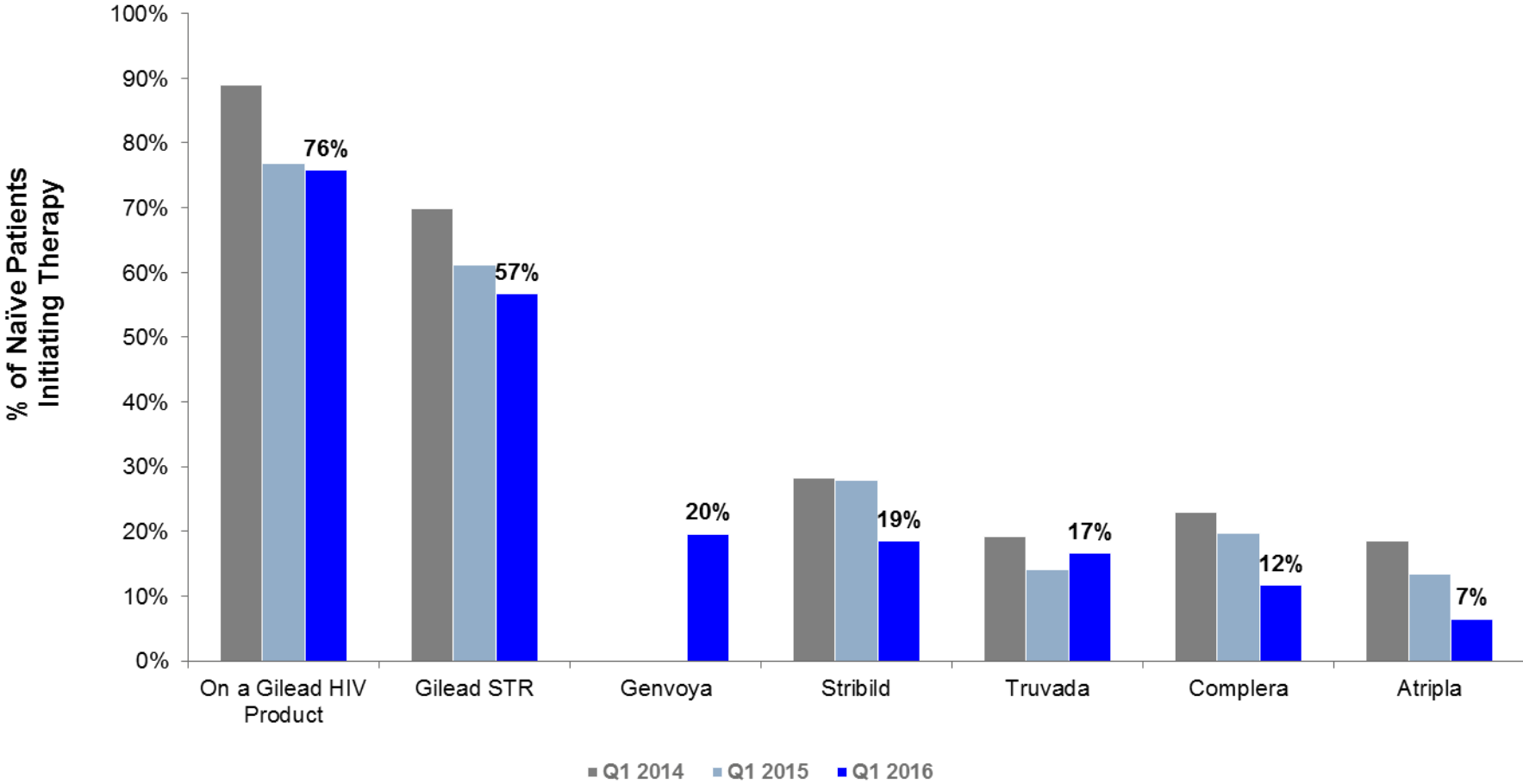
**HIV**

# U.S. HIV Market Dynamics



Sources:  
• CDC and Ipsos Healthcare U.S. HIV Monitor Q1 2016.  
• ^Growth rate calculated as MAT (moving annual total).

# Gilead U.S. Share in HIV Treatment Naïve Patients



Base: All initiations within each quarter.  
 Source: Ipsos Healthcare HIV U.S. Scope Q1 2016.

# Top Prescribed HIV Regimens

## U.S.

Rank	Naïve	All Patients
1	Other STR	Atripla
2	Genvoya	Stribild
3	Stribild	Other STR
4	Complera	Complera
5	Atripla	Genvoya

US Naïve Source: Ipsos Healthcare HIV U.S. Scope Q1 2016.  
 US All Patient Source: Ipsos Healthcare HIV U.S. Therapy Monitor Q1 2016.

## Europe Big-5

Rank	Naïve	All Patients
1	Stribild	Atripla
2	Other STR	Eviplera
3	Eviplera	Other STR
4	Truvada + other 3 <sup>rd</sup> Agent	Stribild
5	Atripla	Truvada + other 3 <sup>rd</sup> Agent

EU Naïve Source: Ipsos Healthcare HIV EU Scope Q1 2016.  
 EU All Patient Source: Ipsos Healthcare HIV EU Therapy Monitor Q1 2016.

 Gilead STR



# Genvoya: The First TAF-Containing Single Tablet Regimen for HIV

## U.S.

- ◆ Approved by the FDA on November 5, 2015
- ◆ Added to the “Recommended” category in the DHHS guidelines 13 days post-approval
- ◆ IAS-U.S. recently updated guidelines supporting the use of TAF-based regimens for initial therapy
- ◆ 78% of all Genvoya prescriptions have come from switches
- ◆ \$268 million in sales in Q2 2016

## Europe

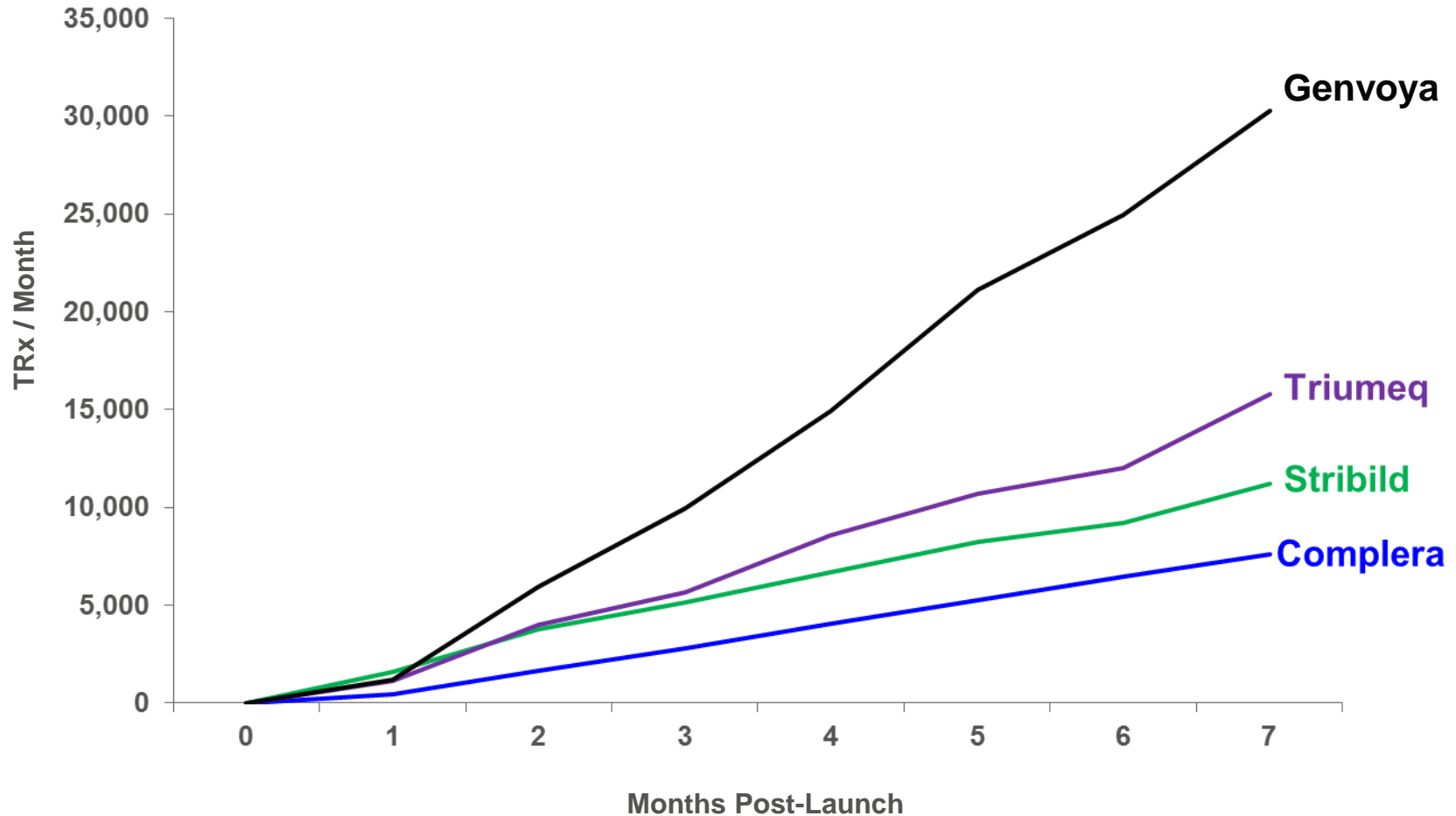
- ◆ Approved by the European Commission on November 23, 2015
- ◆ Preferred in the guidelines of Germany, Spain, Italy, Denmark and four additional countries
- ◆ Pricing and reimbursement achieved in Germany and Spain
- ◆ \$30 million in sales in Q2 2016

**Genvoya**™   
elvitegravir 150mg/cobicistat 150mg/emtricitabine  
200mg/tenofovir alafenamide 10mg tablets



# Genvoya U.S. Uptake

## Launched Aligned Monthly TRx



# Additional and Important TAF-Based Regimens

***IAS-U.S. and DHHS recently adopted guidelines supporting the use of TAF-based regimens for initial therapy***

**Odefsey™**  
emtricitabine 200mg/rilpivirine 25mg/  
tenofovir alafenamide 25mg tablets



- ◆ Approved in U.S. and EU on March 1, 2016 and June 23, 2016, respectively
- ◆ \$58 million in sales in Q2 2016

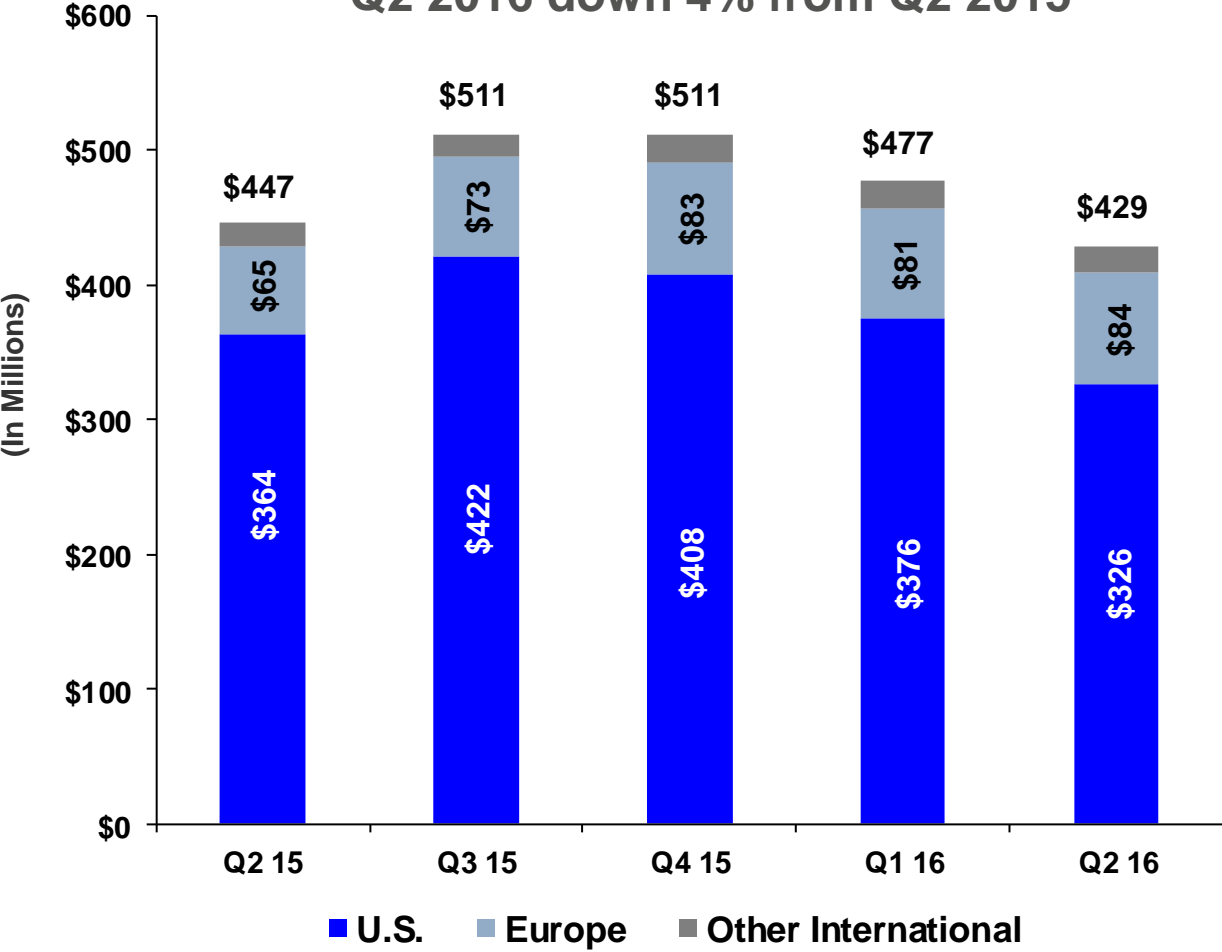
**Descovy®**  
emtricitabine 200mg/  
tenofovir alafenamide 25mg tablets



- ◆ Approved in U.S. and EU on April 4, 2016 and April 25, 2016, respectively
- ◆ First new HIV backbone approved in more than a decade
- ◆ \$61 million in sales in Q2 2016

# Stribild Product Sales

Q2 2016 down 4% from Q2 2015



### Key Metrics\*

**U.S.:**

- Sequential and year-over-year decrease reflects switches to Genvoya
- Captured 20% of naïve HIV patient share
- Number two most prescribed HIV regimen across all treated patients

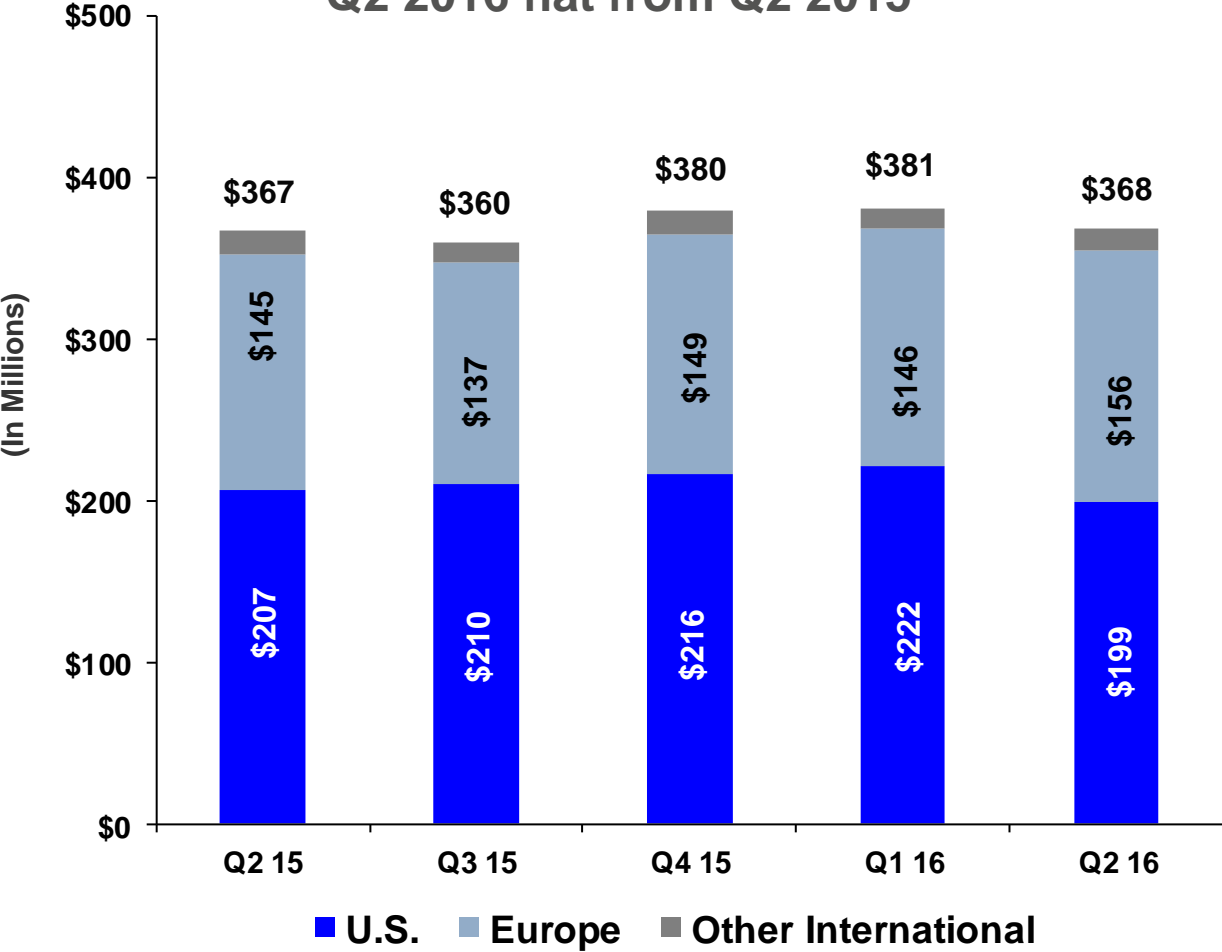
**Europe:**

- Captured 19% of naïve HIV patient share in Big-5
- Number one most prescribed HIV regimen in naïve patients

\*Sources:  
U.S. data from Ipsos Healthcare HIV U.S. Therapy Monitor Q1 2016 & Ipsos Healthcare HIV U.S. Scope Q1 2016.  
EU data from Ipsos Healthcare HIV EU Scope Q1 2016.

# Complera/Eviplera Product Sales

Q2 2016 flat from Q2 2015



## Key Metrics\*

### U.S. (Complera):

- Sequential and year-over-year decrease reflects switches to Odefsey
- Captured 12% of naïve HIV patient share
- Fourth most prescribed HIV regimen across all patients

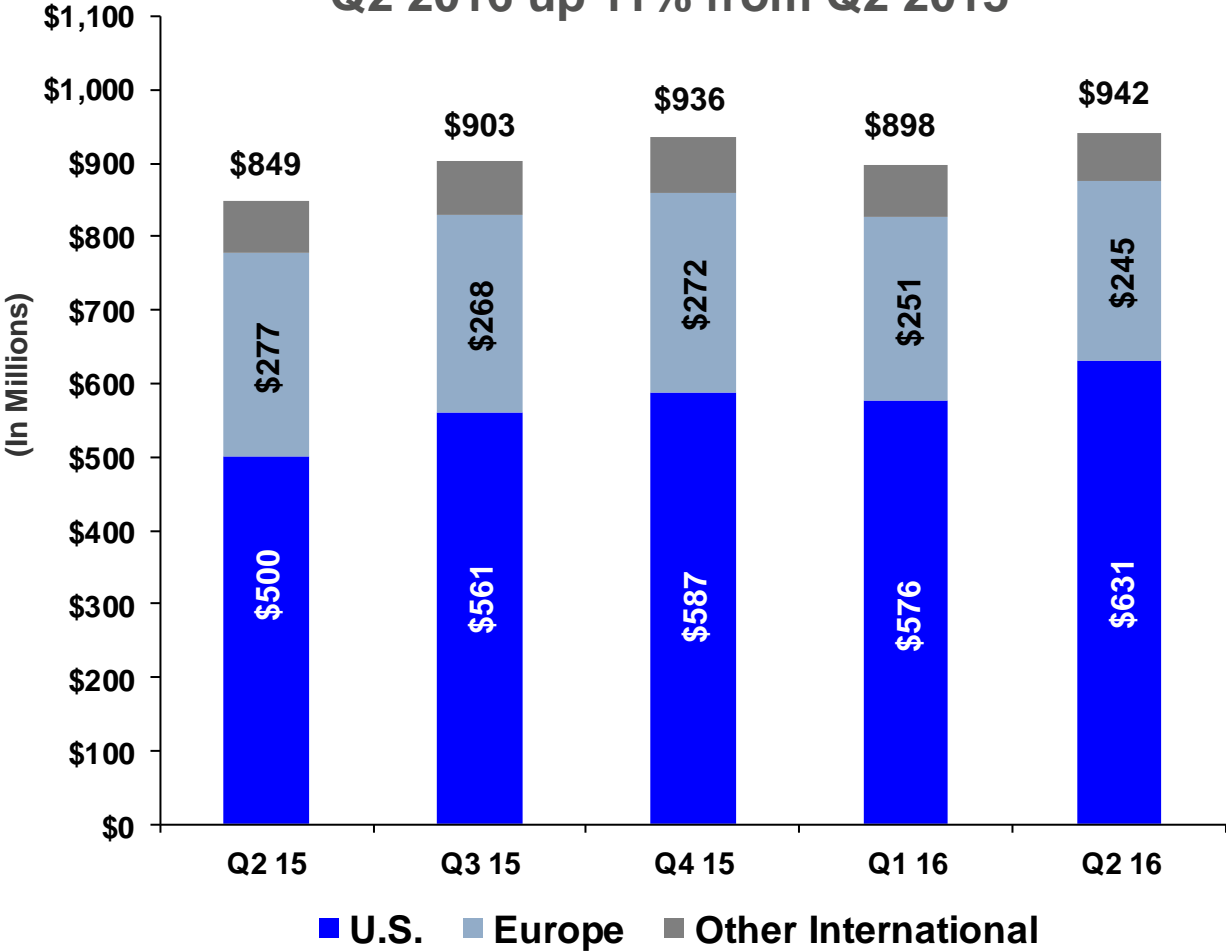
### Europe (Eviplera):

- Captured 15% of naïve HIV patient share in Big-5
- Number two most prescribed HIV regimen across all treated patients

\*Sources:  
 U.S. data from Ipsos Healthcare HIV U.S. Therapy Monitor Q1 2016 & Ipsos Healthcare HIV U.S. Scope Q1 2016.  
 EU data from Ipsos Healthcare HIV EU Therapy Monitor Q1 2016 & Ipsos Healthcare HIV EU Scope Q1 2016.

# Truvada Product Sales

Q2 2016 up 11% from Q2 2015



## Key Metrics\*

U.S.:

- 17% of naïve HIV patient share
- Growing use for PrEP

Europe:

- Most prescribed HIV product with 26% of all treated patients
- Captured 26% of naïve HIV patient share

\*Sources:  
 U.S. data from Ipsos Healthcare HIV U.S. Therapy Monitor Q1 2016 & Ipsos Healthcare HIV U.S. Scope Q1 2016.  
 EU data from Ipsos Healthcare HIV EU Therapy Monitor Q1 2016 & Ipsos Healthcare HIV EU Scope Q1 2016.

# Select Product Sales

(in millions)

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	% Change from Q2 2015
<b>Viread</b>	\$271	\$297	\$306	\$272	\$287	6%
<b>Letairis</b>	\$176	\$181	\$192	\$175	\$203	15%
<b>Ranexa</b>	\$141	\$161	\$169	\$144	\$153	9%
<b>AmBisome</b>	\$103	\$88	\$74	\$86	\$85	(17%)
<b>Zydelig</b>	\$30	\$36	\$40	\$49	\$41	37%
<b>Descovy</b>	-	-	-	-	\$61	NM
<b>Odefsey</b>	-	-	-	\$11	\$58	NM
<b>Other*</b>	\$45	\$43	\$48	\$44	\$43	(4%)

\*Other comprised primarily of Cayston and Lexiscan.

**John F. Milligan, Ph.D.**

President and CEO

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# Key Accomplishments and Corporate Highlights

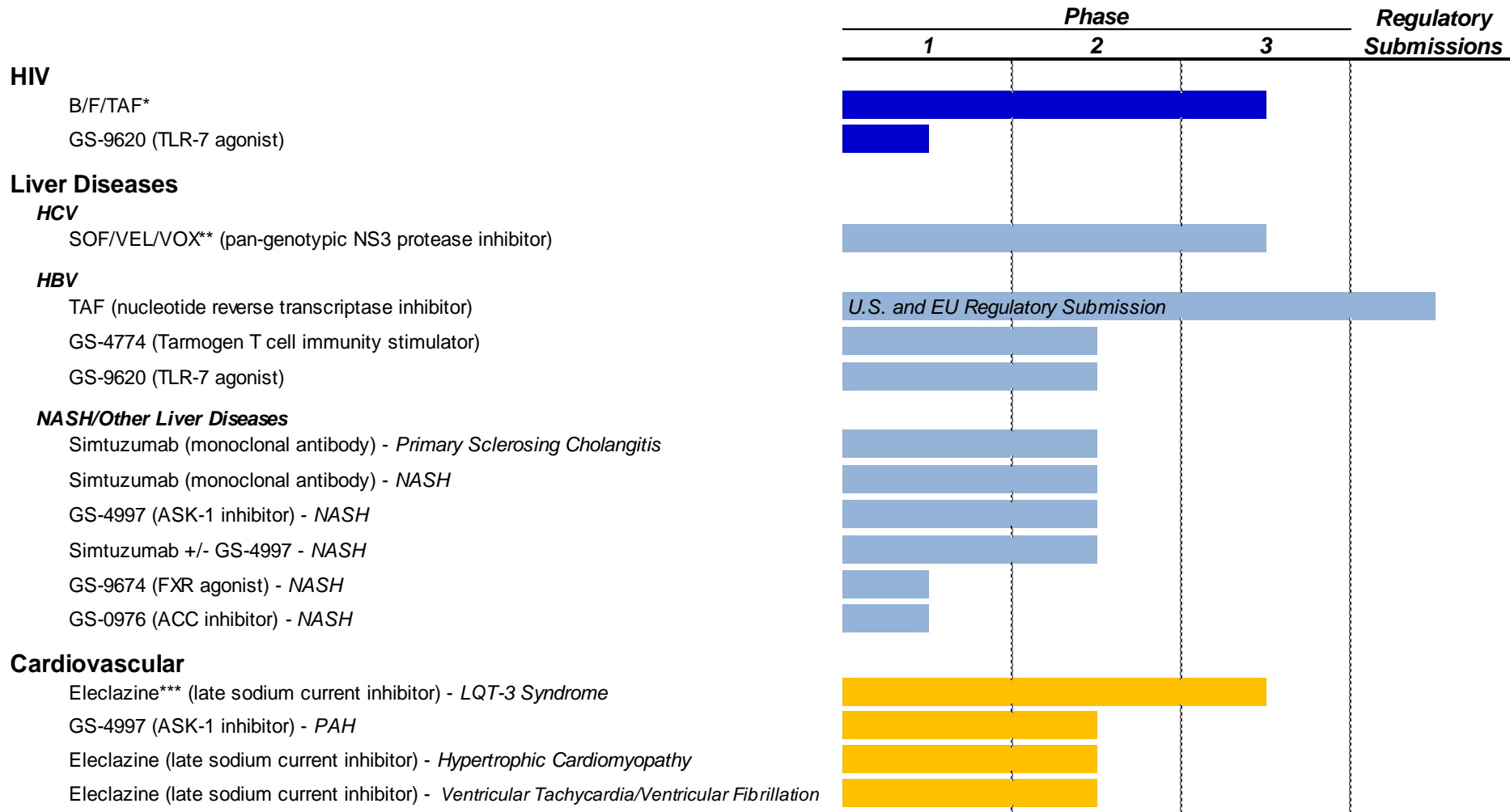
## ◆ HIV

- Approval of Descovy in the U.S. and EU
- Approval of Odefsey in the EU
- Positive preclinical and Phase 1 data presented for bicitegravir (GS-9883) at the recent American Society of Microbiology conference

## ◆ Liver Disease

- Approval of the first pan-genotypic regimen, Epclusa, in the U.S. and EU
- Completed acquisition of Nimbus Apollo, Inc. and its Acetyl-CoA Carboxylase (ACC) inhibitor program in NASH
- Treated more than one million patients worldwide with sofosbuvir-containing regimens since Dec 2013

# Pipeline Product Candidates



\*Bictegravir is abbreviated B and was formerly called GS-9883.

\*\*Velpatisivir is abbreviated VEL and was formerly called GS-5816. Voxilaprevir is abbreviated VOX and was formerly called GS-9857.

\*\*\*Formerly called GS-6615.

# Pipeline Product Candidates (continued)

## Hematology/Oncology

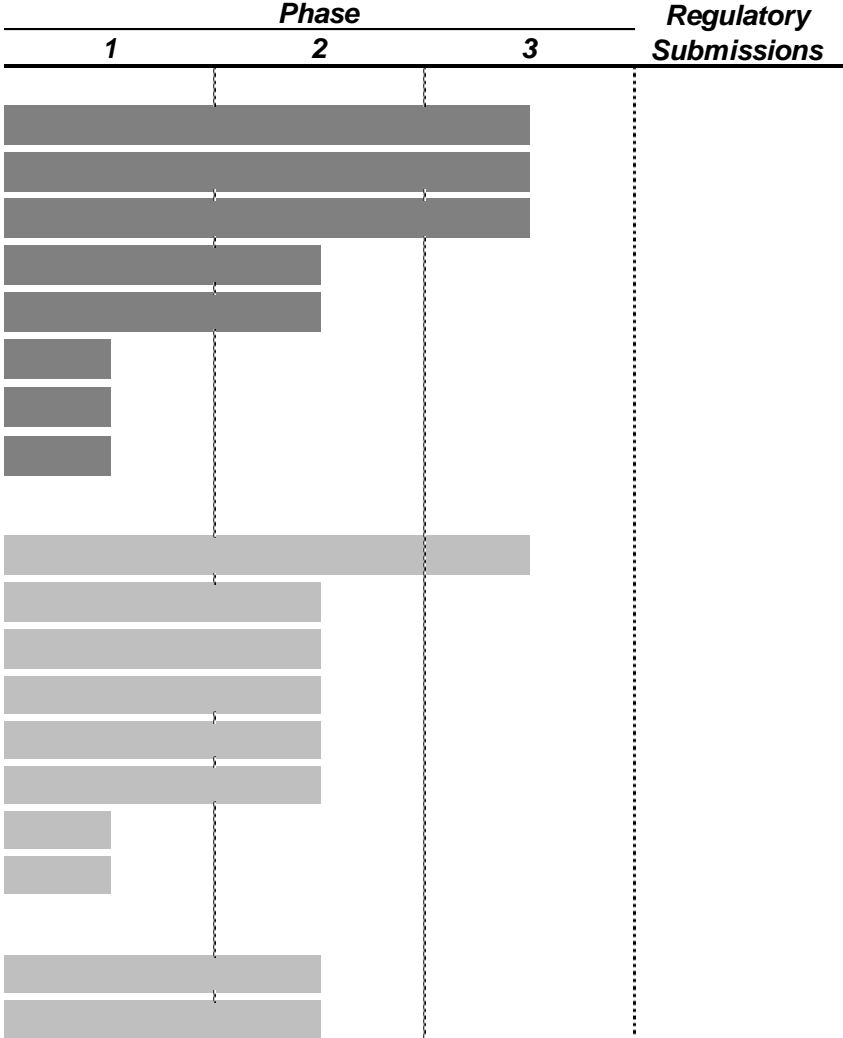
- Idelalisib (PI3K delta inhibitor) - *Relapsed/Refractory CLL*
- Momelotinib (JAK inhibitor) - *Myelofibrosis*
- GS-5745 (MMP9 mAb inhibitor) - *Gastric Cancer*
- Entospletinib (Syk inhibitor) - *Hematological Malignancies*
- Entospletinib (Syk inhibitor) - *AML*
- GS-4059 (BTK inhibitor) - *B-cell Malignancies*
- GS-5745 (MMP9 mAb inhibitor) - *Solid Tumors*
- GS-5829 (BET inhibitor) - *Solid Tumors*

## Inflammation/Respiratory

- GS-5745 (MMP9 mAb inhibitor) - *Ulcerative Colitis*
- Presatovir\* (fusion inhibitor) - *Respiratory Syncytial Virus*
- Filgotinib (JAK1 inhibitor) - *Rheumatoid Arthritis*
- Filgotinib (JAK1 inhibitor) - *Crohn's Disease*
- Entospletinib (Syk inhibitor) - *cGVHD*
- GS-5745 (MMP9 mAb inhibitor) - *Crohn's Disease*
- GS-5745 (MMP9 mAb inhibitor) - *Rheumatoid Arthritis*
- GS-9876 (Syk inhibitor) - *Rheumatoid Arthritis*

## Other

- GS-4997 (ASK-1 inhibitor) - *Diabetic Nephropathy*
- GS-5734 (Nuc inhibitor) - *Ebola*



\*Formerly called GS-5806.

# Significant Pipeline Milestones Anticipated in 2016 - 2017

<b>HIV</b>		
TAF	Q2 16	<input checked="" type="checkbox"/> Approval of F/TAF in the U.S.
	Q2 16	<input checked="" type="checkbox"/> Approval of F/TAF in the EU
	Q2 16	<input checked="" type="checkbox"/> Approval of R/F/TAF in the EU
B/F/TAF	Q2 17	<input type="checkbox"/> Achieve 48-week endpoint in Phase 3 studies in treatment-naïve and switch patients
GS-9620	Q4 16	<input type="checkbox"/> Complete Phase 1 study in HIV cure
<b>Cardiovascular</b>		
GS-4997	Q3 16	<input checked="" type="checkbox"/> Complete 24-week period of Phase 2 study in PAH
Eleclazine	Q2 16	<input checked="" type="checkbox"/> Complete enrollment of Phase 2 studies in VT/VF and HCM
	Q3 16	<input type="checkbox"/> Complete enrollment of Phase 3 study in LQT-3 syndrome
	Q4 16	<input type="checkbox"/> Complete Phase 2 study in VT/VF
	Q3 17	<input type="checkbox"/> Complete Phase 2 study in HCM
	Q2 17	<input type="checkbox"/> Complete Phase 3 study in LQT-3 syndrome
<b>Other</b>		
GS-4997	Q4 16	<input type="checkbox"/> Complete Phase 2 study in diabetic nephropathy
GS-5734	Q2 17	<input type="checkbox"/> Complete Phase 2 study in ebola virus disease (EVD)

# Significant Pipeline Milestones Anticipated in 2016 - 2017

(Continued)

<b>HBV</b>		
TAF	Q4 16	<input type="checkbox"/> Approval in the U.S. (PDUFA November 11)
	Q1 17	<input type="checkbox"/> Approval in the EU
GS-9620	Q2 16	<input checked="" type="checkbox"/> Complete Phase 2 study in virally suppressed patients
	Q4 16	<input type="checkbox"/> Complete Phase 2 study in treatment-naïve patients
<b>NASH, PBC and PSC</b>		
Simtuzumab	Q4 16	<input type="checkbox"/> Complete Phase 2 study in NASH
	Q4 16	<input type="checkbox"/> Complete Phase 2 study in PSC
GS-4997	Q3 16	<input type="checkbox"/> Complete Phase 2 study in NASH
GS-9674	Q3 16	<input type="checkbox"/> Initiate Phase 2 study in NASH
	Q4 16	<input type="checkbox"/> Initiate Phase 2 study in PBC and PSC
GS-0976 (ACC inhibitor)	Q3 16	<input type="checkbox"/> Initiate Phase 2 study in NASH
<b>HCV</b>		
SOF/VEL/VOX	Q4 16	<input type="checkbox"/> Complete Phase 3 studies
SOF/VEL	Q2 16	<input checked="" type="checkbox"/> FDA approved Epclusa for all HCV genotypes
	Q3 16	<input checked="" type="checkbox"/> Approval in the EU

# Significant Pipeline Milestones Anticipated in 2016 - 2017

(Continued)

Hematology/Oncology		
Momelotinib	Q2 16	<input checked="" type="checkbox"/> Complete enrollment in Phase 3 studies vs ruxolitinib and best available treatment for myelofibrosis (MF)
	Q4 16	<input type="checkbox"/> Complete Phase 3 studies for MF
	Q1 17	<input type="checkbox"/> Submit U.S. NDA and EU MAA
Entospletinib	Q2 16	<input checked="" type="checkbox"/> Initiate Phase 2 study in acute myeloid leukemia (AML)
	1H 17	<input type="checkbox"/> Initiate Phase 2 study with R-CHOP in diffuse large b-cell lymphoma (DLBCL)
GS-5745	Q2 17	<input type="checkbox"/> Interim analysis from Phase 3 study for gastric cancer
GS-4059	Q3 16	<input type="checkbox"/> Initiate Phase 2 with idelalisib in frontline CLL
	Q4 16	<input type="checkbox"/> Initiate Phase 2 study with entospletinib in frontline CLL

# Significant Pipeline Milestones Anticipated in 2016 - 2017

(Continued)

Inflammation/Respiratory		
Filgotinib	Q3 16	<input type="checkbox"/> Initiate Phase 3 studies in RA
	Q4 16	<input type="checkbox"/> Initiate Phase 3 studies in Crohn's Disease
	Q4 16	<input type="checkbox"/> Initiate Phase 2 study in UC
GS-5745	Q3 16	<input type="checkbox"/> Complete enrollment in Phase 2 study for Crohn's Disease
	Q3 16	<input type="checkbox"/> Initiate Phase 2 studies in RA and CF
	Q4 16	<input type="checkbox"/> Interim analysis of Phase 2/3 study for UC
	Q4 16	<input type="checkbox"/> Complete Phase 2 study for Crohn's Disease
Presatovir <i>(formerly GS-5806)</i>	Q2 17	<input type="checkbox"/> Complete RSV Phase 2 study in adults with infection in lower respiratory tract
	Q2 17	<input type="checkbox"/> Complete Phase 2 study in hospitalized adults
GS-9876	Q4 16	<input type="checkbox"/> Initiate Phase 2 study in RA
Entospletinib	Q2 16	<input checked="" type="checkbox"/> Initiate Phase 2 study in chronic graft versus host disease (cGVHD)

# Appendix Slides

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# Gilead's Efforts to Increase Global Access

## ◆ HIV and HCV Generic Licensing

- Entered into licensing agreements for HIV with eight India-based generic manufacturers in 2006
- Announced non-exclusive licensing agreements for HCV with eleven India-based generic manufacturers in 2014 and 2015
  - Includes Sovaldi and Harvoni
  - For distribution in 101 developing countries, where more than 100 million people estimated living with HCV

## ◆ Medicines Patent Pool (MPP)

- Announced new agreement with MPP to expand access to the investigational drug TAF for HIV and HBV, contingent on U.S. regulatory approval
- MPP can sub-license TAF to generic drug companies who may manufacture and distribute in 112 developing countries

## ◆ Gilead's Access Operations & Emerging Markets

- Combined access efforts reached ~10 million HIV patients in low and middle-income countries

# Innovation in HIV Continues with Bictegravir\*

- **B/F/TAF STR**

- Once daily unboosted integrase inhibitor (50mg), combined with F/TAF
- Four registrational studies fully enrolled

**Adult Tx-Naïve**  
**B/F/TAF vs ABC/DTG/3TC**  
(n=600)

**Adult Tx-Naïve**  
**B/F/TAF vs DTG + F/TAF**  
(n=600)

**Adult Switch from**  
**ABC/DTG/3TC**  
(n=520)

**Adult Switch from**  
**Boosted PI (DRV or ATV)**  
(n=520)

**Women's Switch from**  
**Current Regimen**  
(n=400)

\*Formerly called GS-9883.

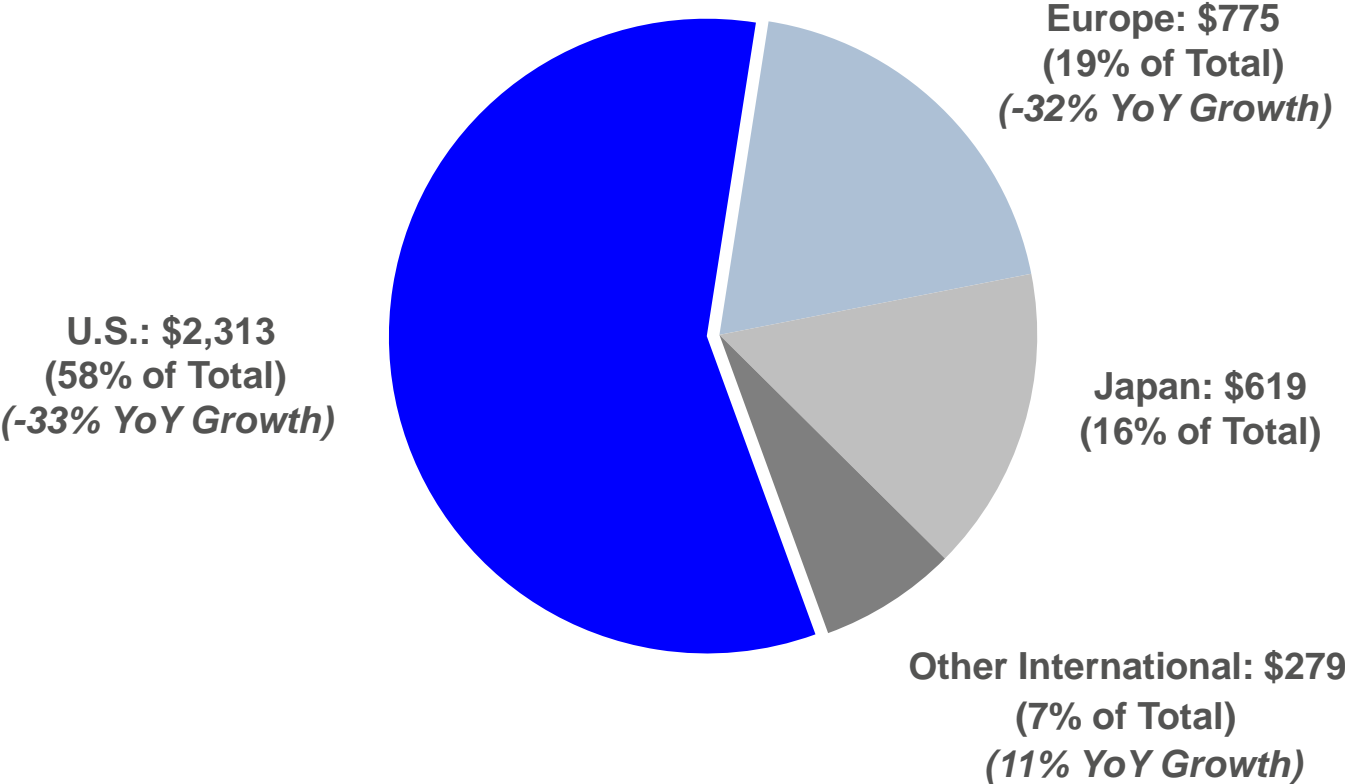
# TAF for HBV Top Line Results from Phase 3 Studies

- ◆ TAF is non-inferior to Viread
  - Study 108 (HBeAg-negative patients): **94.0%** of TAF patients compared to **92.9%** of Viread patients
  - Study 110 (HBeAg-positive patients): **63.9%** of TAF patients compared to **66.8%** of Viread patients
- ◆ Higher rates of ALT normalization
- ◆ The median change in estimated glomerular filtration rate (eGFR) from baseline to week 48 favored TAF in both studies ( $p < 0.01$ )
- ◆ Statistically significant smaller mean percentage decrease from baseline in hip and spine bone mineral density compared to Viread patients
- ◆ U.S. NDA and EU MAA submitted in Q1 2016. U.S. PDUFA date November 11, 2016

# Total HCV Sales by Geography

(in millions, except percentages)

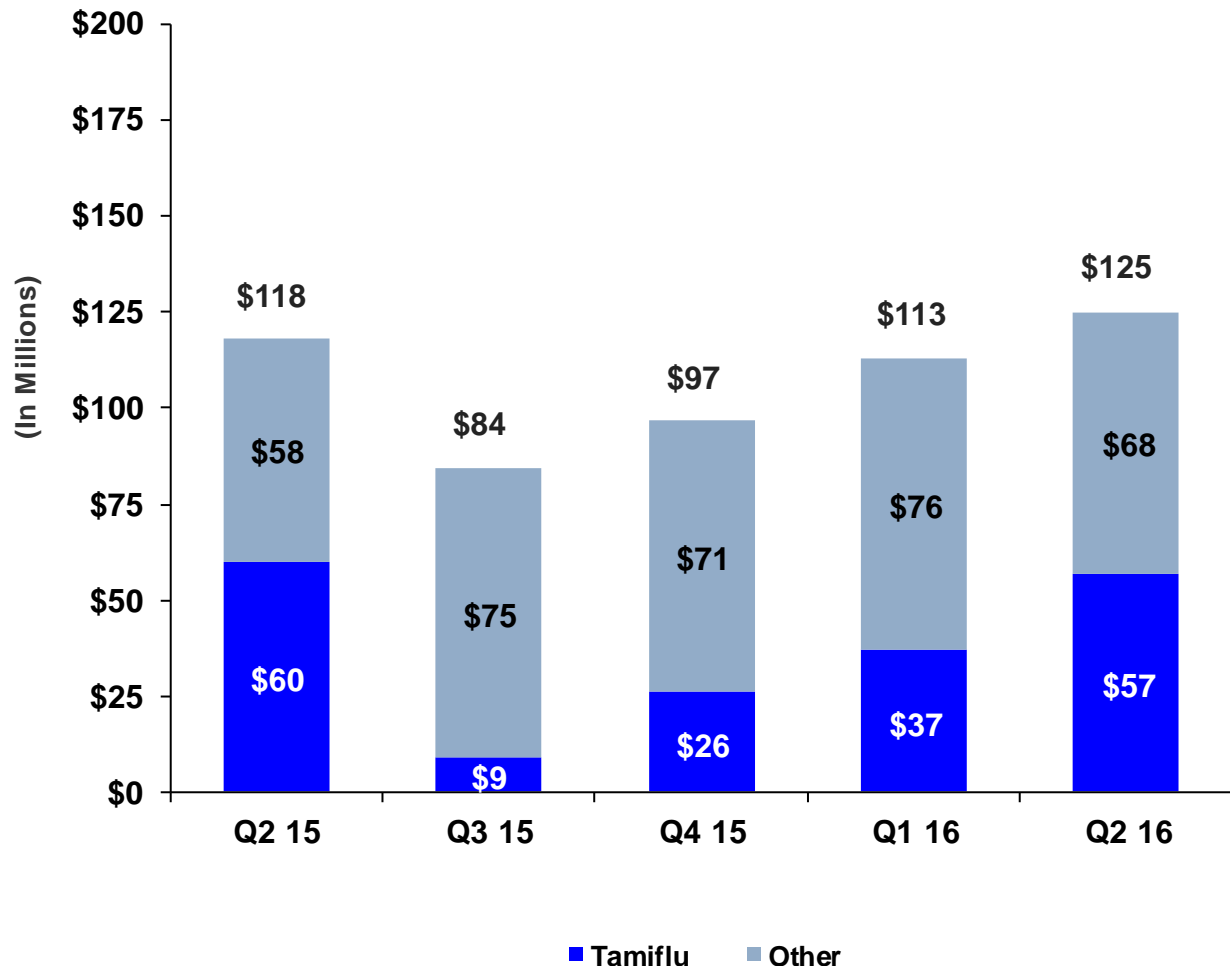
**Q2 2016: \$3,986**  
**(-19% YoY Growth)**



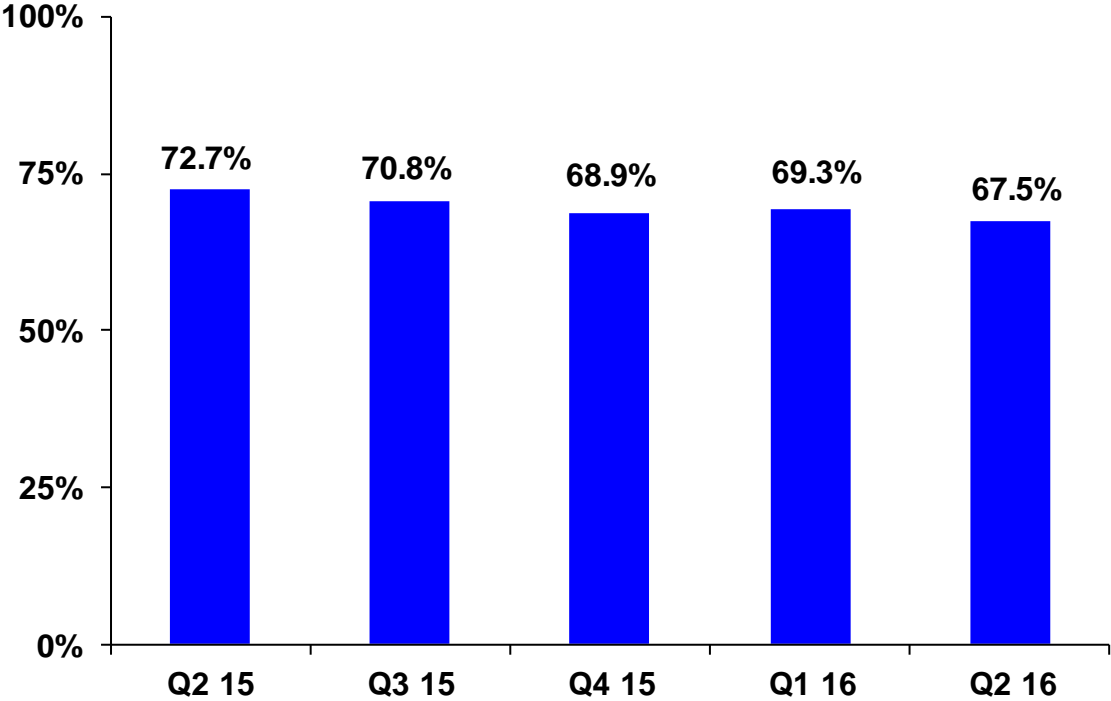
Note: Amounts may not sum due to rounding.

# Total Royalty, Contract and Other Revenues

Q2 2016 up 6% from Q2 2015



# Non-GAAP Operating Margin



### Key Metrics

- Lower Non-GAAP Operating Margin in Q2 16 over Q2 15 driven primarily by growth of operating expenses and lower revenues

Note: Non-GAAP operating margin excludes acquisition-related, up-front collaboration, stock-based compensation and other expenses.

# Non-GAAP Effective Tax Rate

	Q2 2015	Q2 2016
<b>Non-GAAP Effective Tax Rate</b>	17.7%	18.3%

- The increase from Q2 2015 is primarily due to the decrease in HCV revenue.

Note: Non-GAAP Effective Tax Rate excludes acquisition-related, up-front collaboration, stock-based compensation and other expenses.

# Outstanding Adjusted Debt

(in billions)

	<b>Dec. 31, 2015</b>	<b>Mar. 31, 2016</b>	<b>Jun. 30, 2016</b>
<b>Senior Unsecured Notes and Floating Rate Borrowings*</b>	<b>\$21.95</b>	<b>\$21.95</b>	<b>\$22.30</b>
<b>Convertible Notes*</b>	<b>\$0.29</b>	<b>\$0.25</b>	<b>-</b>
<b>Total Adjusted Debt*</b>	<b>\$22.24</b>	<b>\$22.20</b>	<b>\$22.30</b>
<b>Adjusted Debt to Adjusted EBITDA**</b>	<b>~0.95x</b>	<b>~0.98x</b>	<b>~1.04x</b>

\*Adjusted debt amount shown at face value. For purposes of this calculation, Q1 2016 total adjusted debt excludes \$792M conversion spread associated with our May 2016 Convertible Notes.

\*\*Represents the last twelve months of adjusted EBITDA.

Total interest expense and amortization from all issued debt is expected to be approximately \$217 million per quarter and \$867 million for full year 2016.

Please refer to the GAAP to non-GAAP table in the appendix for a reconciliation of the non-GAAP measures presented above.



# Dilution from 2016 Convertible Notes

	2016 Notes	Total Dilution
Average share price Q2 2016 \$88.75; YTD \$89.45		
<b>Convertible Notes<sup>(1)</sup></b> (Current Principal Outstanding)	\$0M	
Conversion Price <sup>(2)</sup>	\$22.33	
Q2 2016 Share Dilution	0.0M	0.0M
YTD Share Dilution	3.3M	
<b>Warrants<sup>(3)</sup></b> (Current Outstanding)	9.1M	
Warrant Exercise Price <sup>(2)</sup>	\$27.86	
Q2 2016 Share Dilution	6.2M	6.2M
YTD Share Dilution	6.2M	
<b>Total Q2 2016 Dilution from Convertible Notes and Warrants<sup>(4)</sup></b>		6.2M

(1) At issuance, the amount outstanding on the 2016 convertible notes was \$1.25 billion.

(2) Warrant exercise price post-Q2 16 dividend was \$27.86 ; pre-Q2 16 dividend prices were \$22.33 (convertible notes) and \$28.33 (warrants), respectively.

(3) At issuance, there were 55 million warrants outstanding. During Q2 15, 46 million warrants were redeemed early (55 million – 46 million = 9 million warrants).

(4) Represents 0.5% of diluted non-GAAP shares. Non-GAAP shares exclude impact of current stock-based compensation rules.

# GAAP to Non-GAAP Reconciliation of Outstanding Adjusted Debt and Adjusted EBITDA

(in billions)

	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016
<b>Convertible Notes</b>	\$0.28	\$0.25	\$0.00
<b>Senior Unsecured Notes and Floating Rate Borrowings</b>	21.77	21.78	22.13
<b>Total debt, net</b>	22.06	22.03	22.13
<b>Debt discounts, premiums and issuance costs</b>	0.18	0.17	0.17
<b>Total Adjusted Debt *</b>	\$22.24	\$22.20	\$22.30
	<b>Last Twelve Months Ended</b>		
	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016
<b>Net income attributable to Gilead</b>	\$18.11	\$17.34	\$16.35
Add: Interest expense & Other income (expense), net	0.53	0.55	0.59
Add: Tax	3.55	3.58	3.47
Add: Depreciation	0.16	0.17	0.17
Add: Amortization	0.94	0.95	0.95
<b>Adjusted EBITDA</b>	<b>\$23.29</b>	<b>\$22.59</b>	<b>\$21.52</b>
<b>Adjusted Debt to Adjusted EBITDA ratio</b>	<b>~0.95x</b>	<b>~0.98x</b>	<b>~1.04x</b>

\*Adjusted Debt amount shown at face value. For purposes of this calculation, Q1 2016 total adjusted debt excludes \$792M conversion spread associated with our May 2016 Convertible Notes.

# Q2 2016 Earnings Results

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July 25, 2016



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