

**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	Q2 2016	YTD 2016
<b>Cost of goods sold reconciliation:</b>								
GAAP cost of goods sold	\$ 882	\$ 998	\$ 1,064	\$ 1,062	\$ 4,006	\$ 1,193	\$ 864	\$ 2,057
Acquisition related-amortization of purchased intangibles	(206)	(207)	(207)	(206)	(826)	(210)	(210)	(420)
Stock-based compensation expenses	(3)	(3)	(3)	(2)	(11)	(3)	(4)	(7)
Other <sup>(1)</sup>	1	—	2	3	6	3	3	6
Non-GAAP cost of goods sold	\$ 674	\$ 788	\$ 856	\$ 857	\$ 3,175	\$ 983	\$ 653	\$ 1,636
<b>Product gross margin reconciliation:</b>								
GAAP product gross margin	88.1 %	87.7 %	87.0 %	87.4 %	87.5 %	84.5 %	88.7 %	86.6 %
Acquisition related-amortization of purchased intangibles	2.8 %	2.5 %	2.5 %	2.4 %	2.6 %	2.7 %	2.7 %	2.7 %
Non-GAAP product gross margin <sup>(2)</sup>	90.9 %	90.3 %	89.6 %	89.8 %	90.1 %	87.2 %	91.5 %	89.3 %
<b>Research and development expenses reconciliation:</b>								
GAAP research and development expenses	\$ 696	\$ 818	\$ 743	\$ 757	\$ 3,014	\$ 1,265	\$ 1,484	\$ 2,749
Up-front collaboration expenses	—	—	—	—	—	(368)	—	(368)
Acquisition related expenses-acquired IPR&D	—	(66)	—	—	(66)	—	(400)	(400)
Acquisition related-IPR&D impairment	—	—	—	—	—	(114)	—	(114)
Stock-based compensation expenses	(42)	(42)	(44)	(45)	(173)	(41)	(44)	(85)
Other <sup>(1)</sup>	(3)	(8)	14	67	70	27	—	27
Non-GAAP research and development expenses	\$ 651	\$ 702	\$ 713	\$ 779	\$ 2,845	\$ 769	\$ 1,040	\$ 1,809
<b>Selling, general and administrative expenses reconciliation:</b>								
GAAP selling, general and administrative expenses	\$ 645	\$ 812	\$ 903	\$ 1,066	\$ 3,426	\$ 685	\$ 890	\$ 1,575
Stock-based compensation expenses	(47)	(51)	(50)	(50)	(198)	(44)	(47)	(91)
Other <sup>(1)</sup>	2	—	(3)	(3)	(4)	(3)	(5)	(8)
Non-GAAP selling, general and administrative expenses	\$ 600	\$ 761	\$ 850	\$ 1,013	\$ 3,224	\$ 638	\$ 838	\$ 1,476
<b>Operating margin reconciliation:</b>								
GAAP operating margin	70.7 %	68.1 %	67.3 %	66.1 %	68.0 %	59.7 %	58.4 %	59.0 %
Up-front collaboration expenses	—	—	—	—	—	4.7 %	—	2.4 %
Acquisition related-amortization of purchased intangibles	2.7 %	2.5 %	2.5 %	2.4 %	2.5 %	2.7 %	2.7 %	2.7 %
Acquisition related expenses-acquired IPR&D	—	0.8 %	—	—	0.2 %	—	5.1 %	2.6 %
Acquisition related-IPR&D impairment	—	—	—	—	—	1.5 %	—	0.7 %
Stock-based compensation expenses	1.2 %	1.2 %	1.2 %	1.1 %	1.2 %	1.1 %	1.2 %	1.2 %
Other <sup>(1)</sup>	—	0.1 %	(0.2)%	(0.8)%	(0.2)%	(0.3)%	—	(0.2)%
Non-GAAP operating margin <sup>(2)</sup>	74.7 %	72.7 %	70.8 %	68.9 %	71.7 %	69.3 %	67.5 %	68.4 %
<b>Other income (expense) reconciliation:</b>								
GAAP other income (expense), net	\$ 21	\$ 35	\$ 52	\$ 46	\$ 154	\$ 81	\$ 88	\$ 169
Other <sup>(1)</sup>	—	—	1	—	1	—	—	—
Non-GAAP other income (expense), net	\$ 21	\$ 35	\$ 53	\$ 46	\$ 155	\$ 81	\$ 88	\$ 169
<b>Effective tax rate reconciliation:</b>								
GAAP effective tax rate	17.3 %	18.4 %	16.1 %	13.8 %	16.4 %	20.8 %	20.5 %	20.6 %
Up-front collaboration expenses	—	—	—	—	—	(1.5)%	—	(0.7)%
Acquisition related-amortization of purchased intangibles	(0.4)%	(0.5)%	(0.2)%	—	(0.3)%	(0.7)%	(0.7)%	(0.7)%
Acquisition related expenses-acquired IPR&D	—	(0.2)%	—	—	—	—	(1.5)%	(0.8)%
Stock-based compensation expenses	—	—	0.4 %	—	0.1 %	—	—	—
Other <sup>(1)</sup>	—	—	—	0.1 %	—	0.1 %	—	0.1 %
Non-GAAP effective tax rate <sup>(2)</sup>	16.9 %	17.7 %	16.3 %	13.9 %	16.2 %	18.7 %	18.3 %	18.5 %
<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	\$ 3,497	\$ 7,063
Up-front collaboration expenses	—	—	—	—	—	368	—	368
Acquisition related-amortization of purchased intangibles	201	202	202	203	808	204	204	408
Acquisition related expenses-acquired IPR&D	—	66	—	—	66	—	400	400
Acquisition related-IPR&D impairment	—	—	—	—	—	99	—	99
Stock-based compensation expenses	69	71	44	67	251	64	69	133
Other <sup>(1)</sup>	1	14	(10)	(64)	(59)	(27)	7	(20)
Non-GAAP net income	\$ 4,604	\$ 4,845	\$ 4,836	\$ 4,889	\$ 19,174	\$ 4,274	\$ 4,177	\$ 8,451
<b>Diluted earnings per share reconciliation:</b>								
GAAP diluted earnings per share	\$ 2.76	\$ 2.92	\$ 3.06	\$ 3.18	\$ 11.91	\$ 2.53	\$ 2.58	\$ 5.11
Up-front collaboration expenses	—	—	—	—	—	0.26	—	0.27
Acquisition related-amortization of purchased intangibles	0.13	0.13	0.13	0.14	0.53	0.14	0.15	0.30
Acquisition related expenses-acquired IPR&D	—	0.04	—	—	0.04	—	0.30	0.29
Acquisition related-IPR&D impairment	—	—	—	—	—	0.07	—	0.07
Stock-based compensation expenses	0.04	0.05	0.03	0.05	0.17	0.05	0.05	0.10
Other <sup>(1)</sup>	—	—	(0.01)	(0.04)	(0.04)	(0.02)	0.01	(0.01)
Non-GAAP diluted earnings per share <sup>(2)</sup>	\$ 2.94	\$ 3.15	\$ 3.22	\$ 3.32	\$ 12.61	\$ 3.03	\$ 3.08	\$ 6.11
<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	1,355	1,383
Share impact of current stock-based compensation rules	(1)	—	(1)	—	—	(1)	(1)	—
Non-GAAP shares used in per share calculation (diluted)	1,568	1,540	1,502	1,472	1,521	1,411	1,354	1,383
<b>Non-GAAP adjustment summary:</b>								
Cost of goods sold adjustments	\$ 208	\$ 210	\$ 208	\$ 205	\$ 831	\$ 210	\$ 211	\$ 421
Research and development expenses adjustments	45	116	30	(22)	169	496	444	940
Selling, general and administrative expenses adjustments	45	51	53	53	202	47	52	99
Other income (expense) adjustments	—	—	1	—	1	—	—	—
Total non-GAAP adjustments before tax	298	377	292	236	1,203	753	707	1,460
Income tax effect	(28)	(30)	(58)	(34)	(150)	(45)	(32)	(77)
Other <sup>(1)</sup>	1	6	2	4	13	—	5	5
Total non-GAAP adjustments after tax	\$ 271	\$ 353	\$ 236	\$ 206	\$ 1,066	\$ 708	\$ 680	\$ 1,388

**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. Non-GAAP measures may be defined and calculated differently by other companies in the same industry.