

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

(in millions, except percentages and per share amounts)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
<b>Cost of goods sold reconciliation:</b>										
GAAP cost of goods sold	\$ 1,193	\$ 864	\$ 1,129	\$ 1,075	\$ 4,261	\$ 957	\$ 1,126	\$ 1,032	\$ 1,256	\$ 4,371
Acquisition-related – amortization of purchased intangibles	(210)	(210)	(210)	(214)	(844)	(210)	(210)	(209)	(283)	(912)
Stock-based compensation expenses <sup>(1)</sup>	(3)	(4)	(4)	(3)	(14)	(4)	(4)	(4)	(12)	(24)
Other <sup>(2)</sup>	3	3	3	2	11	—	(20)	2	5	(13)
Non-GAAP cost of goods sold	\$ 983	\$ 653	\$ 918	\$ 860	\$ 3,414	\$ 743	\$ 892	\$ 821	\$ 966	\$ 3,422
<b>Product gross margin reconciliation:</b>										
GAAP product gross margin	84.5 %	88.7 %	84.8 %	85.1 %	85.8 %	85.0 %	84.0 %	83.9 %	78.5 %	83.0 %
Acquisition-related – amortization of purchased intangibles	2.7 %	2.7 %	2.8 %	3.0 %	2.8 %	3.3 %	3.0 %	3.3 %	4.8 %	3.6 %
Stock-based compensation expenses <sup>(1)</sup>	— %	— %	— %	— %	— %	— %	— %	— %	0.2 %	0.1 %
Other <sup>(2)</sup>	— %	— %	— %	— %	— %	— %	0.3 %	— %	(0.1)%	0.1 %
Non-GAAP product gross margin <sup>(6)</sup>	87.2 %	91.5 %	87.6 %	88.1 %	88.6 %	88.3 %	87.3 %	87.2 %	83.5 %	86.7 %
<b>Research and development expenses reconciliation:</b>										
GAAP research and development expenses	\$ 1,265	\$ 1,484	\$ 1,141	\$ 1,208	\$ 5,098	\$ 931	\$ 864	\$ 789	\$ 1,150	\$ 3,734
Up-front collaboration expenses	(368)	—	(5)	—	(373)	—	—	—	—	—
Acquisition-related expenses – acquired IPR&D	—	(400)	—	—	(400)	—	—	—	(222)	(222)
Acquisition-related – IPR&D impairment	(114)	—	(117)	(201)	(432)	—	—	—	—	—
Acquisition-related – other costs	—	—	—	—	—	—	—	—	(8)	(8)
Stock-based compensation expenses <sup>(1)</sup>	(41)	(44)	(44)	(47)	(176)	(42)	(47)	(53)	(90)	(232)
Other <sup>(2)</sup>	27	—	6	(1)	32	—	(5)	9	15	19
Non-GAAP research and development expenses	\$ 769	\$ 1,040	\$ 981	\$ 959	\$ 3,749	\$ 889	\$ 812	\$ 745	\$ 845	\$ 3,291
<b>Selling, general and administrative expenses reconciliation:</b>										
GAAP selling, general and administrative expenses	\$ 685	\$ 890	\$ 831	\$ 992	\$ 3,398	\$ 850	\$ 897	\$ 879	\$ 1,252	\$ 3,878
Acquisition-related – transaction costs	—	—	—	—	—	—	—	(12)	(36)	(48)
Acquisition-related – other costs	—	—	—	—	—	—	—	—	(46)	(46)
Stock-based compensation expenses <sup>(1)</sup>	(44)	(47)	(47)	(52)	(190)	(43)	(51)	(56)	(243)	(393)
Other <sup>(2)</sup>	(3)	(5)	(4)	(2)	(14)	—	(19)	(5)	(4)	(28)
Non-GAAP selling, general and administrative expenses	\$ 638	\$ 838	\$ 780	\$ 938	\$ 3,194	\$ 807	\$ 827	\$ 806	\$ 923	\$ 3,363
<b>Operating margin reconciliation:</b>										
GAAP operating margin	59.7 %	58.4 %	58.7 %	55.3 %	58.0 %	57.9 %	59.6 %	58.5 %	38.5 %	54.1 %
Up-front collaboration expenses	4.7 %	— %	0.1 %	— %	1.2 %	— %	— %	— %	— %	— %
Acquisition-related – amortization of purchased intangibles	2.7 %	2.7 %	2.8 %	2.9 %	2.8 %	3.2 %	2.9 %	3.2 %	4.8 %	3.5 %
Acquisition-related expenses – acquired IPR&D	— %	5.1 %	— %	— %	1.3 %	— %	— %	— %	3.7 %	0.9 %
Acquisition-related – IPR&D impairment	1.5 %	— %	1.6 %	2.7 %	1.4 %	— %	— %	— %	— %	— %
Acquisition-related – transaction costs	— %	— %	— %	— %	— %	— %	— %	0.2 %	0.6 %	0.2 %
Acquisition-related – other costs	— %	— %	— %	— %	— %	— %	— %	— %	0.9 %	0.2 %
Stock-based compensation expenses <sup>(1)</sup>	1.1 %	1.2 %	1.3 %	1.4 %	1.3 %	1.4 %	1.4 %	1.7 %	5.8 %	2.5 %
Other <sup>(2)</sup>	(0.3)%	— %	(0.1)%	— %	(0.1)%	— %	0.6 %	(0.1)%	(0.3)%	0.1 %
Non-GAAP operating margin <sup>(6)</sup>	69.3 %	67.5 %	64.3 %	62.3 %	65.9 %	62.5 %	64.6 %	63.6 %	54.0 %	61.4 %
<b>Interest expense reconciliation:</b>										
GAAP interest expense	\$ (230)	\$ (227)	\$ (242)	\$ (265)	\$ (964)	\$ (261)	\$ (269)	\$ (291)	\$ (297)	\$ (1,118)
Acquisition-related – transaction costs	—	—	—	—	—	—	—	18	—	18
Non-GAAP interest expense	\$ (230)	\$ (227)	\$ (242)	\$ (265)	\$ (964)	\$ (261)	\$ (269)	\$ (273)	\$ (297)	\$ (1,100)

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	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
<b>Effective tax rate reconciliation:</b>										
GAAP effective tax rate	20.8 %	20.5 %	22.2 %	20.9 %	21.1 %	25.4 %	25.4 %	26.1 %	280.5 %	65.7 %
Up-front collaboration expenses	(1.5)%	— %	— %	— %	(0.4)%	— %	— %	— %	— %	— %
Acquisition-related – amortization of purchased intangibles	(0.7)%	(0.7)%	(0.4)%	(1.5)%	(0.8)%	(1.2)%	(1.1)%	(1.2)%	(1.1)%	(1.2)%
Acquisition-related expenses – acquired IPR&D	— %	(1.5)%	— %	— %	(0.4)%	— %	— %	— %	(2.1)%	(0.4)%
Acquisition-related – transaction costs	— %	— %	— %	— %	— %	— %	— %	— %	0.2 %	— %
Acquisition-related – other costs	— %	— %	— %	— %	— %	— %	— %	— %	0.3 %	— %
Stock-based compensation expenses <sup>(1)(3)</sup>	— %	— %	— %	— %	— %	0.6 %	0.5 %	0.8 %	2.6 %	0.8 %
Tax Reform impact <sup>(5)</sup>	— %	— %	— %	— %	— %	— %	— %	— %	(258.3)%	(40.6)%
Other <sup>(2)</sup>	0.1 %	— %	— %	— %	— %	— %	(0.1)%	— %	0.2 %	— %
Non-GAAP effective tax rate <sup>(6)</sup>	18.7 %	18.3 %	21.8 %	19.4 %	19.5 %	24.8 %	24.7 %	25.7 %	22.2 %	24.5 %
<b>Net income (loss) attributable to Gilead reconciliation:</b>										
GAAP net income attributable to Gilead	\$ 3,566	\$ 3,497	\$ 3,330	\$ 3,108	\$ 13,501	\$ 2,702	\$ 3,073	\$ 2,718	\$ (3,865)	\$ 4,628
Up-front collaboration expenses	368	—	5	—	373	—	—	—	—	—
Acquisition-related – amortization of purchased intangibles	204	204	204	206	818	202	202	201	246	851
Acquisition-related expenses – acquired IPR&D	—	400	—	—	400	—	—	—	222	222
Acquisition-related – IPR&D impairment	99	—	74	198	371	—	—	—	—	—
Acquisition-related – transaction costs	—	—	—	—	—	—	—	24	24	48
Acquisition-related – other costs	—	—	—	—	—	—	—	—	36	36
Stock-based compensation expenses <sup>(1)(3)</sup>	64	69	70	73	276	45	61	55	208	369
Tax Reform impact <sup>(5)</sup>	—	—	—	—	—	—	—	—	5,490	5,490
Other <sup>(2)</sup>	(27)	7	(6)	—	(26)	—	36	(8)	(18)	10
Non-GAAP net income attributable to Gilead	\$ 4,274	\$ 4,177	\$ 3,677	\$ 3,585	\$ 15,713	\$ 2,949	\$ 3,372	\$ 2,990	\$ 2,343	\$ 11,654
<b>Diluted earnings / (loss) per share reconciliation:</b>										
GAAP diluted earnings / (loss) per share <sup>(4)</sup>	\$ 2.53	\$ 2.58	\$ 2.49	\$ 2.34	\$ 9.94	\$ 2.05	\$ 2.33	\$ 2.06	\$ (2.96)	\$ 3.51
Up-front collaboration expenses	0.26	—	—	—	0.27	—	—	—	—	—
Acquisition-related – amortization of purchased intangibles	0.14	0.15	0.15	0.16	0.60	0.15	0.15	0.15	0.19	0.65
Acquisition-related expenses – acquired IPR&D	—	0.30	—	—	0.29	—	—	—	0.17	0.17
Acquisition-related – IPR&D impairment	0.07	—	0.06	0.15	0.27	—	—	—	—	—
Acquisition-related – transaction costs	—	—	—	—	—	—	—	0.02	0.02	0.04
Acquisition-related – other costs	—	—	—	—	—	—	—	—	0.03	0.03
Stock-based compensation expenses <sup>(1)(3)</sup>	0.05	0.05	0.05	0.06	0.20	0.03	0.05	0.04	0.16	0.28
Tax Reform impact <sup>(5)</sup>	—	—	—	—	—	—	—	—	4.16	4.16
Other <sup>(2)</sup>	(0.02)	0.01	—	—	(0.02)	—	0.03	(0.01)	(0.01)	0.01
Non-GAAP diluted earnings per share <sup>(6)</sup>	\$ 3.03	\$ 3.08	\$ 2.75	\$ 2.70	\$ 11.57	\$ 2.23	\$ 2.56	\$ 2.27	\$ 1.78	\$ 8.84
<b>Non-GAAP adjustment summary:</b>										
Cost of goods sold adjustments	\$ 210	\$ 211	\$ 211	\$ 215	\$ 847	\$ 214	\$ 234	\$ 211	\$ 290	\$ 949
Research and development expenses adjustments	496	444	160	249	1,349	42	52	44	305	443
Selling, general and administrative expenses adjustments	47	52	51	54	204	43	70	73	329	515
Interest expense adjustments	—	—	—	—	—	—	—	18	—	18
Total non-GAAP adjustments before tax	753	707	422	518	2,400	299	356	346	924	1,925
Income tax effect <sup>(4)</sup>	(45)	(32)	(74)	(40)	(191)	(52)	(57)	(74)	(206)	(389)
Tax Reform impact <sup>(5)</sup>	—	—	—	—	—	—	—	—	5,490	5,490
Other <sup>(2)</sup>	—	5	(1)	(1)	3	—	—	—	—	—
Total non-GAAP adjustments after tax	\$ 708	\$ 680	\$ 347	\$ 477	\$ 2,212	\$ 247	\$ 299	\$ 272	\$ 6,208	\$ 7,026

Notes:

- (1) Stock-based compensation expenses for the three and twelve months ended December 31, 2017 include \$238 million associated with Gilead's acquisition of Kite
- (2) Amounts related to restructuring, contingent consideration, consolidation of a contract manufacturer and/or other individually insignificant amounts
- (3) Income tax effect related to stock-based compensation expenses for the three and twelve months ended December 31, 2017 includes the incremental tax benefit of \$31 million and \$91 million, respectively, recognized from the adoption of Accounting Standards Update 2016-09 "Improvements to Employee Share-Based Payment Accounting"
- (4) Shares used in loss per share calculation for the three months ended December 31, 2017 exclude 13 million shares from dilutive equity awards
- (5) Amounts for the three and twelve months ended December 31, 2017 represent the impact of the enactment of the Tax Cuts and Jobs Act (Tax Reform), which includes an estimated charge of \$5.8 billion relating to the deemed repatriation of unremitted earnings of foreign subsidiaries and an estimated benefit of \$308 million relating to the re-measurement of deferred taxes
- (6) 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.