FORM 10-K

GILEAD SCIENCES INC - GILD

Filed: February 27, 2008 (period: December 31, 2007)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 0-19731

GILEAD SCIENCES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-3047598**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
333 Lakeside Drive, Foster City, California	**94404**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: 650-574-3000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value per share	The Nasdaq Global Select Market

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-Accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based upon the closing price of its Common Stock on the Nasdaq Global Select Market on June 29, 2007 was $28,881,737,506.*

The number of shares outstanding of the registrant's Common Stock on February 22, 2008 was 928,870,032.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant's proxy statement, which will be filed with the Commission pursuant to Regulation 14A in connection with the registrant's 2008 Annual Meeting of Stockholders, to be held on May 8, 2008, are incorporated by reference into Part III of this Report.

* Based on a closing price of $38.80 per share on June 29, 2007. Excludes 181,194,654 shares of the registrant's Common Stock held by executive officers, directors and any stockholders whose ownership exceeds 5% of registrant's common stock outstanding at June 29, 2007. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

GILEAD SCIENCES, INC.

2007 Form 10-K Annual Report

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We own or have rights to various trademarks, copyrights and trade names used in our business, including the following: GILEAD SCIENCES®, TRUVADA®, VIREAD®, EMTRIVA®, HEPSERA®, AMBISOME®, VISTIDE® and LETAIRIS™. ATRIPLA® is a registered trademark belonging to Bristol-Myers Squibb & Gilead Sciences, LLC. MACUGEN® is a registered trademark belonging to OSI Pharmaceuticals, Inc. SUSTIVA® is a registered trademark of Bristol-Myers Squibb Company. TAMIFLU® is a registered trademark belonging to F. Hoffmann-La Roche Ltd. FLOLAN® and VOLIBRIS® are registered trademarks of GlaxoSmithKline Inc. This report also includes other trademarks, service marks and trade names of other companies.

This Annual Report on Form 10-K, including the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933, as amended (the Securities Act), and the Securities Exchange Act of 1934, as amended (the Exchange Act). Words such as "expect," "anticipate," "target," "goal," "project," "hope," "intend," "plan," "believe," "seek," "estimate," "continue," "may," "could," "should," "might," variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements, other than statements of historical fact, are forward-looking statements, including statements regarding overall trends, operating cost trends, liquidity and capital needs and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions. We have based these forward-looking statements on our current expectations about future events. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Our actual results may differ materially from those suggested by these forward-looking statements for various reasons, including those identified below under "Risk Factors," beginning at page 25. The risks, uncertainties and assumptions referred to above may include, but are not limited to, the following:

- *our ability to maintain or continue increasing sales of our HIV products;*
- *our ability to commercialize new products or expand the indications for existing products;*
- *the significant competition we face;*
- *significant safety issues may arise for our marketed products or our product candidates;*
- *our ability to comply with complex U.S. Food and Drug Administration (FDA) and comparable international regulations;*
- *the results and anticipated timelines of our clinical trials are uncertain and may not support continued development of a product pipeline;*
- *our reliance on third-party contract research organizations to conduct our clinical trials and our inability to directly control the timing, conduct, expense and quality of our clinical trials;*
- *our ability to obtain materials or supplies necessary to conduct clinical trials or to manufacture and sell our products;*
- *our dependence on relationships with other companies for sales and marketing performance and revenues;*
- *our ability to protect our patents and other intellectual property rights both domestically and internationally and our ability to operate without infringing upon the patents or other proprietary rights of third parties; and*
- *the risk factors listed from time to time in our filings with the U.S. Securities and Exchange Commission (SEC).*

Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements included in this report are made only as of the date hereof. Except as required under federal securities laws and the rules and regulations of the SEC, we do not undertake and specifically decline any obligation to update any of these statements or to publicly announce the results of any revisions to any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions or otherwise.

PART I

ITEM 1. BUSINESS

Overview

Gilead Sciences, Inc. (Gilead, we, us or our), incorporated in Delaware on June 22, 1987, is a biopharmaceutical company that discovers, develops and commercializes innovative therapeutics in areas of unmet medical need. Our mission is to advance the care of patients suffering from life-threatening diseases worldwide. Headquartered in Foster City, California, we have operations in North America, Europe and Australia. To date, we have focused our efforts on bringing novel therapeutics for the treatment of life-threatening diseases to market. We continue to seek to add to our existing portfolio of products through our internal discovery and clinical development programs and through an active product acquisition and in-licensing strategy.

Our Products

- ***Truvada*** (emtricitabine and tenofovir disoproxil fumarate) is an oral formulation dosed once a day as part of combination therapy to treat human immunodeficiency virus (HIV) infection in adults. It is a fixed-dose combination of our anti-HIV medications, Viread (tenofovir disoproxil fumarate) and Emtriva (emtricitabine). We promote Truvada in the United States through our U.S. commercial team and sell it in the United States exclusively through the wholesale channel. We promote and sell Truvada in Europe through our commercial team and distributors, in Australia and New Zealand through our commercial team and in certain Latin American, Middle Eastern and Asian countries through distributors. We promote and sell Truvada in Japan through our corporate partner, Japan Tobacco Inc. (Japan Tobacco). In addition, Truvada is made available by us at substantially reduced prices to certain developing world countries included in our Gilead Access Program.

- ***Atripla*** (efavirenz 600 mg/ emtricitabine 200 mg/ tenofovir disoproxil fumarate 300 mg) is an oral formulation dosed once a day for the treatment of HIV infection in adults. Atripla is the first once-daily single tablet regimen for HIV intended as a stand-alone therapy or in combination with other antiretrovirals. It is a fixed-dose combination of our anti-HIV medications, Viread and Emtriva, and Bristol Myers-Squibb Company's Sustiva (efavirenz). We promote Atripla with our joint venture partner, Bristol Myers-Squibb Company (BMS), in the United States through each company's commercial teams and sell it through our joint venture, Bristol Myers-Squibb & Gilead Sciences, LLC, in the United States exclusively through the wholesale channel. Atripla was approved for sale in the European Union in December 2007 and is currently sold in the United Kingdom, Germany and Austria. We plan to promote Atripla jointly with BMS in the majority of countries in Europe and are responsible for selling and distributing the product in these countries. In a limited number of Central and Eastern European countries, either we, BMS or a third-party distributor will be the sole promoting, selling and distributing company. In addition, we make Atripla available at substantially reduced prices to certain developing world countries through our collaboration with Merck & Co., Inc. (Merck).

- ***Viread*** is an oral formulation of a nucleotide analogue reverse transcriptase inhibitor, dosed once a day as part of combination therapy to treat HIV infection in adults. We promote Viread in the United States through our U.S. commercial team and sell it in the United States exclusively through the wholesale channel. We promote and sell Viread in Europe through our commercial team and distributors, in Australia and New Zealand through our commercial team and in certain Latin American, Middle Eastern and Asian countries through distributors. We promote and sell Viread in Japan through our corporate partner, Japan Tobacco. In addition, Viread is made available by us at substantially reduced prices to certain developing world countries included in our Gilead Access Program.

- ***Emtriva*** is an oral formulation of a nucleoside analogue reverse transcriptase inhibitor, dosed once a day as part of combination therapy to treat HIV infection in adults. In the United States and Europe, Emtriva is also approved as part of combination therapy to treat HIV infection in children. We promote

Emtriva in the United States through our U.S. commercial team and sell it in the United States exclusively through the wholesale channel. We promote and sell Emtriva in Europe through our commercial team and distributors, in Australia and New Zealand through our commercial team and in certain Latin American and Middle Eastern countries through distributors. We promote and sell Emtriva in Japan through our corporate partner, Japan Tobacco.

- ***Hepsera*** (adefovir dipivoxil) is an oral formulation of a nucleotide analogue hepatitis B virus (HBV) DNA polymerase inhibitor, dosed once a day to treat chronic hepatitis B. Hepsera is approved for sale in the United States for the treatment of chronic hepatitis B in adults with evidence of active viral replication and either evidence of persistent elevations in serum aminotransferases (ALT or AST) or histologically active liver disease. Our U.S. commercial team promotes Hepsera in the United States, and we sell it in the United States exclusively through the wholesale channel. We promote and sell Hepsera in Europe through our commercial team and distributors and in Australia and New Zealand through our commercial team. We have licensed the rights to commercialize Hepsera solely for the treatment of hepatitis B in Asia, Latin America and certain other territories to GlaxoSmithKline Inc. (GSK).

- ***AmBisome*** (amphotericin B liposome for injection) is a proprietary liposomal formulation of amphotericin B, an antifungal agent to treat serious invasive fungal infections caused by various fungal species. Our corporate partner, Astellas Pharma, Inc. (Astellas), promotes and sells AmBisome in the United States and Canada, and we promote and sell AmBisome in Europe, Australia and New Zealand through our commercial team and distributors. We also use various distributors to promote and sell AmBisome in certain Latin American, Middle Eastern and Asian countries (including India but excluding Japan, where Dainippon Sumitomo Pharma Co., Ltd. is responsible for promotion and distribution).

- ***Letairis*** (ambrisentan) is an endothelin receptor antagonist (ERA) indicated for the treatment of pulmonary arterial hypertension (PAH) (WHO Group 1) in patients with WHO Class II or III symptoms to improve exercise capacity and delay clinical worsening. Letairis, approved in the United States in June 2007, is available only through a special restricted distribution program called the Letairis Education and Access Program (LEAP). Only prescribers and pharmacies registered with LEAP may prescribe, sell and distribute Letairis. Letairis has been granted orphan drug status for the treatment of PAH in both the United States as well as the European Union, where it recently received a positive opinion from the European Committee for Human Medicinal Products for the treatment of PAH and will be marketed under the name Volibris by GSK upon approval. We have an exclusive license to patent rights and related technology for Letairis in the United States from Abbott Laboratories, Inc. (Abbott). We sublicensed to GSK the rights to Letairis for certain hypertensive conditions in territories outside of the United States.

- ***Vistide*** (cidofovir injection) is an antiviral medication for the treatment of cytomegalovirus retinitis in patients with AIDS. Vistide is approved for sale in the United States, where we sell the product exclusively through the wholesale channel. In 25 countries outside the United States, Vistide is sold by Pfizer Inc. (Pfizer).

- ***Flolan*** (epoprostenol sodium) is an injected medication for the long-term intravenous treatment of primary pulmonary hypertension and pulmonary hypertension associated with the scleroderma spectrum of disease in New York Heart Association Class III and Class IV patients who do not respond adequately to conventional therapy. We have a license agreement and a distribution and supply agreement with GSK under which we have exclusive rights to market, promote and distribute Flolan and the sterile diluent for Flolan in the United States until April 2009. Flolan is distributed in the United States through a specialty pharmacy.

The following table lists aggregate product sales for our major products (in thousands):

	2007	% of Total Product Sales	2006	% of Total Product Sales	2005	% of Total Product Sales
HIV products:						
Truvada	$ 1,589,229	43%	$ 1,194,292	46%	$ 567,829	31%
Atripla	903,381	24%	205,729	8%	—	—
Viread	613,169	16%	689,356	27%	778,783	43%
Emtriva	31,493	1%	36,393	1%	47,486	3%
Total HIV products	3,137,272	84%	2,125,770	82%	1,394,098	77%
Hepsera	302,722	8%	230,531	9%	186,532	10%
AmBisome	262,571	7%	223,031	9%	220,753	12%
Other	30,544	1%	8,865	0%	7,916	1%
Total product sales	$ 3,733,109	100%	$ 2,588,197	100%	$ 1,809,299	100%

See Item 8, Note 16 to our Consolidated Financial Statements on pages 123 through 124 included in this Annual Report on Form 10-K, for our total revenues by geographic area.

Royalties from Other Products

- ***Tamiflu*** (oseltamivir phosphate) is an oral antiviral available in capsule form for the treatment and prevention of influenza A and B. Tamiflu is in a class of prescription drugs called neuraminidase inhibitors. Tamiflu is approved for the treatment of influenza in children and adults in more than 60 countries, including the United States, Japan and the European Union and is approved for the prevention of influenza in children and adults in the United States, Japan and the European Union. We developed Tamiflu with F. Hoffmann-La Roche Ltd (together with Hoffmann-La Roche Inc., Roche), and Roche has the exclusive right to manufacture, by itself or through third parties, and sell Tamiflu worldwide, subject to its obligation to pay us royalties based on a percentage of the net sales that Roche generates from the sale of Tamiflu worldwide.

- ***Macugen*** (pegaptanib sodium injection) is an intravitreal injection of an anti-angiogenic oligonucleotide for the treatment of neovascular age-related macular degeneration. Macugen was approved by the FDA in the United States in December 2004, and sales commenced in January 2005. In February 2006, the product received marketing approval for sale in the European Union. Macugen was developed by OSI Pharmaceuticals, Inc. (OSI) using technology licensed from us and is now promoted in the United States by OSI. OSI holds the exclusive rights to manufacture and sell Macugen in the United States, and Pfizer holds the exclusive right to manufacture and sell Macugen in the rest of the world. We receive royalties from OSI based on sales of Macugen worldwide.

Commercialization and Distribution

We have U.S. and international commercial sales operations, with marketing subsidiaries in Australia, Austria, Canada, France, Germany, Greece, Ireland, Italy, New Zealand, Portugal, Spain, Switzerland, Turkey, the United Kingdom and the United States. We are in the process of establishing marketing subsidiaries in Belgium, Denmark, Finland, the Netherlands, Norway and Sweden and intend to terminate our distributor agreements covering these territories.

Our commercial teams promote Truvada, Viread, Emtriva, Hepsera, AmBisome, Letairis and Flolan through direct field contact with physicians, hospitals, clinics and other healthcare providers.

We sell and distribute Truvada, Viread, Emtriva, Hepsera and Vistide in the United States exclusively through our wholesale channel. Our corporate partner, Astellas, promotes, sells and distributes AmBisome in the United States. Letairis and Flolan are sold and distributed exclusively by specialty pharmacies, which are pharmacies specializing in the dispensing of medications for complex or chronic conditions that may require a high level of patient education and ongoing counseling, and Letairis is only available through LEAP, a special restricted distribution program.

We sell and distribute Truvada, Viread, Emtriva, Hepsera and AmBisome in Europe, either through our commercial team or third-party distributors, and in Australia and New Zealand through our commercial team.

We sell and distribute Truvada, Viread, Emtriva, Hepsera and AmBisome in countries outside of the United States and Europe, including countries in Asia, Latin America, the Middle East, Australia, New Zealand and Africa. In these territories, with the exception of Australia and New Zealand, we enter into agreements with third-party distributors granting them the exclusive right to sell our products in a particular territory for a specified period of time. Most of these agreements provide for collaborative efforts between the distributor and us for obtaining regulatory approval for the product in the specified territory. These agreements generally grant the distributor the right to promote the product in the territory.

We promote Atripla in the United States with our joint venture partner, BMS, through our respective commercial teams using direct field contact with physicians, hospitals, clinics and other healthcare providers who are involved in the treatment of patients with HIV. Atripla was approved for sale in the European Union in December 2007 and is currently sold in the United Kingdom, Germany and Austria. We plan to promote Atripla jointly with BMS in the majority of countries in Europe and are responsible for selling and distributing the product in these countries. In a limited number of Central and Eastern European countries, either we, BMS or a third-party distributor will be the sole promoting, selling and distributing company. In a smaller group of non-European Union Eastern and Central European countries, Atripla will be promoted by BMS either directly or through third-party distributors.

We had product sales to three large wholesalers, each accounting for more than 10% of total revenues for each of the years ended December 31, 2007, 2006 and 2005. On a combined basis, these wholesalers accounted for approximately 89% of our product sales in the United States and approximately 45% of our total revenues. The following table summarizes the percent of our total revenues that were attributed to product sales made to these three wholesalers:

	Year ended December 31,		
	2007	2006	2005
Cardinal Health, Inc.	20%	18%	18%
McKesson Corp.	15%	12%	12%
AmerisourceBergen Corp.	11%	11%	12%

Competition

Our products and development programs target a number of areas, including viral, fungal, respiratory and cardiovascular diseases. There are many commercially available products for the treatment of these diseases and a large number of companies and institutions are spending considerable amounts of money and other resources to develop additional products to treat these diseases. Our products compete with other available products based primarily on:

- efficacy;
- safety;
- tolerability;

- acceptance by doctors;
- ease of patient compliance;
- patent protection;
- ease of use;
- price;
- insurance and other reimbursement coverage;
- distribution; and
- marketing.

Our HIV Products. The HIV landscape is becoming more competitive and complex as treatment trends continue to evolve. A growing number of anti-HIV drugs are currently sold or are in advanced stages of clinical development. Of the approximately 26 branded HIV drugs available in the United States, our products primarily compete with the fixed-dose combination products in the nucleotide/nucleoside reverse transcriptase inhibitors (NRTI) class, including Combivir (lamivudine and zidovudine); Epzicom/Kivexa (abacavir and lamivudine) and Trizivir (abacavir/lamivudine/zidovudine), each sold by GSK. Other companies with HIV products competing in the same NRTI class include BMS and Roche, although our HIV products also compete broadly with HIV products from Boehringer Ingelheim GmbH, Merck, Abbott and Tibotec Therapeutics, a division of Ortho Biotech Products, L.P.

BMS's Videx EC (didanosine, ddI) became the first generic HIV product in the United States in 2004. GSK's Retrovir (zidovudine) also faces generic competition in the United States as a result of the launch of generic zidovudine in 2005. To date, there has been little impact from generic didanosine or generic zidovudine on the price of our HIV products; however, price decreases for all HIV products may result in the longer term.

AmBisome. AmBisome faces strong competition from several current and expected competitors. Competition from these current and expected competitors may erode the revenues we receive from sales of AmBisome. AmBisome faces competition from Vfend (voriconazole) developed by Pfizer and caspofungin, a product developed by Merck that is marketed as Cancidas in the United States and as Caspofungin elsewhere. AmBisome also competes with other lipid-based amphotericin B products, including Abelcet (amphotericin B lipid complex injection), sold by Enzon Pharmaceuticals, Inc. in the United States, Canada and Japan and by Zeneus Pharma Ltd. in Europe; Amphotec (amphotericin B cholesteryl sulfate complex for injection), sold by Three Rivers Pharmaceuticals, LLC worldwide; and Anfogen (amphotericin B liposomal), sold by Genpharma, S.A. in Argentina. BMS and numerous generic manufacturers sell conventional amphotericin B, which also competes with AmBisome.

We are aware of at least three lipid formulations that claim similarity to AmBisome becoming available outside of the United States, including the possible entry of one such formulation in Greece. These formulations may reduce market demand for AmBisome. Furthermore, the manufacture of lipid formulations of amphotericin B is very complex and if any of these formulations are found to be unsafe, sales of AmBisome may be negatively impacted by association.

Hepsera. Hepsera faces significant competition from existing and expected therapies for treating patients with chronic hepatitis B. Hepsera has faced increased competition from Baraclude (entecavir), an oral nucleoside analogue developed by BMS and launched in the United States in 2005, and Tyzeka/Sebivo (telbivudine), an oral nucleoside analogue developed by Novartis Pharmaceuticals Corporation (Novartis) for sale in the United States, the European Union and China. It also competes with Epivir-HBV/Zeffix (lamivudine), developed by GSK in collaboration with Shire Pharmaceuticals Group PLC and sold in the major countries throughout North and South America, Europe and Asia.

Hepsera also competes with established immunomodulatory therapies, including Intron-A (interferon alfa-2b), which is sold by Schering Plough Corporation in major countries throughout North and South America, Europe and Asia, and Pegasys (pegylated interferon alfa-2a), an injectable drug similar to Intron-A sold by Roche for the treatment of chronic hepatitis B.

Letairis. Letairis competes directly with Tracleer (bosentan) sold by Actelion Ltd. and indirectly with PAH products from United Therapeutics Corporation and Pfizer.

Vistide. Vistide competes with a number of drugs that also treat cytomegalovirus retinitis, including Cytovene IV and Cytovene (ganciclovir), sold in intravenous and oral formulations by Roche and as an ocular implant by Bausch & Lomb Incorporated; Valcyte (valganciclovir), also marketed by Roche; Foscavir (foscarnet), an intravenous drug sold by AstraZeneca PLC; and Vitravene (fomivirsen), a drug injected directly into the eye, sold by CibaVision.

Flolan. Flolan competes primarily with Remodulin (treprostinil), a form of prostacyclin that is administered via continuous subcutaneous infusion or continuous intravenous infusion, which is sold by United Therapeutics Corporation in the United States. Flolan also competes with Ventavis (iloprost), an inhaled form of prostacyclin sold by affiliates of Actelion Ltd. in the United States. In addition, because the patent covering Flolan has expired, one or more generic pharmaceutical companies may launch a generic version of Flolan in the United States.

Tamiflu. Tamiflu competes with Relenza (zanamivir), an anti-influenza drug that is sold by GSK. Relenza is a neuraminidase inhibitor that is delivered as an orally-inhaled dry powder. Generic competitors include amantadine and rimantadine, both oral tablets that only inhibit the replication of the influenza A virus. BioCryst Pharmaceuticals, Inc. is developing injectable formulations of peramivir, an influenza neuraminidase inhibitor, for the treatment of influenza, which is currently in Phase 2 clinical trials.

Macugen. Macugen competes primarily with Visudyne (verteporfin for injection), which is sold by Novartis and used in connection with photodynamic therapy, and Lucentis (ranibizumab), which is sold by Genentech, Inc.

A number of companies are pursuing the development of technologies which are competitive with our research programs. These competing companies include specialized pharmaceutical firms and large pharmaceutical companies acting either independently or together with other pharmaceutical companies. Furthermore, academic institutions, government agencies and other public and private organizations conducting research may seek patent protection and may establish collaborative arrangements for competitive products and programs.

We anticipate that we will face increased competition in the future as our existing and future competitors introduce new products to the market and new technologies become available. We cannot determine if existing products or new products that our competitors develop will be more effective or more effectively marketed and sold than any that we develop. Competitive products could render our technology and products obsolete or noncompetitive before we recover the investments and resources we used to develop these products.

Collaborative Relationships

As part of our business strategy, we establish collaborations with other companies, universities and medical research institutions to assist in the clinical development and/or commercialization of certain of our products and product candidates and to provide support for our research programs. We also evaluate opportunities for acquiring products or rights to products and technologies that are complementary to our business from other companies, universities and medical research institutions. More information regarding certain of these relationships, including their financial and accounting impact on our business can be found in Item 8, Note 10 to our Consolidated Financial Statements on pages 105 through 111 included in this Annual Report on Form 10-K.

Commercial Collaborations

The following list is representative of our commercial collaborations:

Commercial Collaboration Partner	Product	Year of Signing
Astellas	AmBisome	1991
IOCB/REGA	Truvada, Atripla, Viread, Hepsera and Vistide	1991
Emory	Truvada, Atripla and Emtriva	1996; 2005
Roche	Tamiflu	1996
Pfizer	Vistide and Macugen	1996; 2002
Sumitomo	AmBisome	1996; 2007
OSI	Macugen	2000
Abbott	Letairis	2001
GSK	Hepsera, Letairis and Flolan	2002; 2006
Japan Tobacco	Truvada, Viread and Emtriva	2003
BMS	Atripla	2004; 2007

- **Astellas Pharma Inc. (Astellas).** In 1991, we entered into an agreement with Astellas, as successor to Fujisawa USA, Inc., related to rights to market AmBisome. Under the agreement, Astellas is responsible for promoting AmBisome in the United States and Canada, and we have exclusive marketing rights to AmBisome in the rest of the world, subject to our obligation to pay royalties to Astellas in connection with sales in significant markets in Asia, including China, India, Japan, South Korea and Taiwan. Astellas collects all payments from the sale of AmBisome in the United States and Canada, subject to the obligation to pay us royalties on Astellas's gross profits from the sale of AmBisome in the United States and Canada.

- **Institute of Organic Chemistry and Biochemistry of the Academy of Sciences of the Czech Republic and Rega Stichting (IOCB/REGA).** In 1991 and 1992, we entered into agreements with IOCB/REGA relating to certain nucleotide compounds discovered at these two institutions. Under the agreements, we received the exclusive right to manufacture, use and sell these nucleotide compounds and are obligated to pay IOCB/REGA a percentage of net sales received from sales of products containing the patented compounds, subject to minimum royalty payments. The compounds covered by the original agreements include cidofovir (the active pharmaceutical ingredient in Vistide), adefovir (the active pharmaceutical ingredient in Hepsera) and tenofovir (the active pharmaceutical ingredient in Viread and one of the active pharmaceutical ingredients in Truvada and Atripla). In December 2000, the agreements with IOCB/REGA were amended to provide for a reduced royalty rate on future sales of product incorporating adefovir and tenofovir, in return for an up-front payment from us upon signing the amendment. In August 2004, IOCB/REGA agreed to waive their right to a royalty on sales of Truvada and Viread in the developing countries where we sell such products at substantially reduced prices under our Gilead Access Program and on sales of Atripla distributed by Merck in developing countries. In August 2006, we executed an amendment of the agreements with IOCB/REGA that sets forth our royalty obligations for sales of products containing tenofovir in certain upper and lower middle-income countries and for sales of products containing tenofovir manufactured by Indian generic companies in certain specified developing countries, including India.

- **Emory University (Emory).** In April 1996, we obtained an exclusive worldwide license to all of Emory's rights to purified forms of emtricitabine, the active pharmaceutical ingredient in Emtriva and

a component of Truvada and Atripla, for use in the treatment of HIV and HBV. Prior to July 2005, we paid royalties to Emory on worldwide net sales of product containing emtricitabine. In July 2005, we and Royalty Pharma purchased 65% and 35%, respectively, of the royalty interest owned by Emory in exchange for the elimination of the emtricitabine royalties payable to Emory. Since July 2005, we have paid royalties on worldwide net sales of products containing emtricitabine directly to Royalty Pharma at a rate proportional to its share of the purchase price. Also in July 2005, we made a payment to Emory in connection with the amendment and restatement of our existing license agreement with Emory, as it pertained to our obligation to develop emtricitabine for the hepatitis B indication.

- **F. Hoffmann-La Roche Ltd (together with Hoffmann-La Roche Inc., Roche).** In September 1996, we entered into a development and license agreement with Roche to develop and commercialize therapies to treat and prevent viral influenza. Tamiflu, an antiviral oral formulation for the treatment and prevention of influenza, was co-developed by us and Roche. Under the original agreement, Roche had the exclusive right to manufacture and sell Tamiflu worldwide, subject to its obligation to pay us a percentage of the net sales that Roche generated from Tamiflu sales. In November 2005, we entered into a first amendment and supplement to the original agreement with Roche. The amendment eliminated cost of goods adjustments from the royalty calculation, retroactive to calendar year 2004 and for all future calculations. The amendment also provided for the formation of a joint manufacturing committee to review Roche's existing manufacturing capacity for Tamiflu and global plans for manufacturing Tamiflu, a U.S. commercial committee to evaluate commercial plans and strategies for Tamiflu in the United States and a joint supervisory committee to evaluate Roche's overall commercial plans for Tamiflu on a global basis. Each of the committees consists of representatives from both Roche and us. Under the amendment, we have the option to provide a specialized sales force to supplement Roche's U.S. marketing efforts for Tamiflu, which we have not exercised to date.

- **Pfizer Inc. (Pfizer).** In August 1996, we granted Pfizer the exclusive right to market and sell Vistide in all countries outside of the United States, subject to payment to us of a percentage of net product sales of Vistide by Pfizer. Under the agreement, we are required to sell to Pfizer bulk cidofovir and to maintain the Vistide patents. In connection with the agreement, we received an up-front license fee and a milestone payment upon obtaining marketing approval in Europe, and are entitled to receive certain royalties on net sales of Vistide.

  In December 2002, OSI granted Pfizer a sublicense relating to Macugen, and in connection with this sublicense, we entered into a license with Pfizer on the same terms as contained in our agreement with OSI.

- **Dainippon Sumitomo Pharma Co., Ltd. (Sumitomo).** In September 1996, we entered into an agreement with Sumitomo, as successor to Sumitomo Pharmaceuticals Co., Ltd., pursuant to which Sumitomo agreed to develop and market AmBisome in Japan. This agreement was amended and restated in August 2007. Under the terms of the restated agreement, we received an up-front license fee and certain milestone payments and are entitled to receive royalties on all AmBisome sales in Japan. Under the agreement, we are required to supply Sumitomo with unlabeled vials of AmBisome for Sumitomo to package, label, market and distribute in Japan.

- **OSI Pharmaceuticals, Inc. (OSI).** In March 2000, we granted OSI worldwide rights to all therapeutic uses of Macugen. OSI has sublicensed the rights to Macugen in territories outside of the United States to Pfizer, and we entered into a license agreement with Pfizer on the same terms as contained in our agreement with OSI. We are entitled to receive payments from OSI if OSI reaches certain milestones, as well as royalties on worldwide net sales of Macugen, subject to our obligations to make payments to third parties relating to these royalties. In December 2003, we entered into an agreement with OSI to fill and finish Macugen for OSI.

- **Abbott Laboratories, Inc. (Abbott).** In October 2001, Abbott granted us an exclusive worldwide license to develop and commercialize ambrisentan, the active pharmaceutical ingredient in Letairis, for all therapeutic uses. Under the agreement, we will be required to make certain milestone payments as well as pay royalties based on net sales of Letairis. In June 2007, the FDA approved Letairis for the

treatment of PAH in the United States. In March 2006, as discussed below, we sublicensed to GlaxoSmithKline Inc. the rights to ambrisentan for certain hypertensive conditions in territories outside of the United States.

- **GlaxoSmithKline Inc. (GSK).** In April 2002, we granted GSK the right to commercialize Hepsera solely for the treatment of chronic hepatitis B in Asia, Latin America and certain other territories, the most significant of which include China, Japan, South Korea and Taiwan. Under the agreement, we retained rights to Hepsera in the United States, Canada, Europe, Australia, New Zealand and Turkey. We received an up-front license fee and all milestone payments payable under our licensing agreement. GSK has full responsibility for development and commercialization of Hepsera for the treatment of hepatitis B in its territories. In addition, GSK is required to pay us royalties on net sales of Hepsera and GSK's hepatitis product, Epivir-HBV/Zeffix, in the GSK territories. Hepsera launched in Japan, South Korea and Taiwan in 2004 and in China in 2005.

  In March 2006, we exclusively sublicensed to GSK rights to ambrisentan (the active pharmaceutical ingredient in Letairis) for certain hypertensive conditions in territories outside of the United States. Under the license agreement, we received an up-front payment and, subject to the achievement of specific milestones, we will be eligible to receive additional milestone payments. In addition, we will receive royalties based on net sales of Letairis in the GSK territories. GSK has an option to negotiate from us an exclusive sublicense for additional therapeutic uses for Letairis in the GSK territories during the term of the license agreement. Under the agreement, we will continue to conduct and bear the expense of all clinical development activities that we believe are required to obtain and maintain regulatory approvals for Letairis in the United States, Canada and the European Economic Area, and each party may conduct additional development activities in its territories at its own expense. The parties may agree to jointly develop Letairis for new indications in the licensed field, and each party will pay its share of external costs associated with such joint development. In March 2007, we received a milestone payment from GSK for the validation by the European Medicines Agency of the marketing authorization application for Letairis for the treatment of PAH.

  In March 2006, we entered into a license agreement and a distribution and supply agreement with GSK under which we have exclusive rights to promote, sell and distribute Flolan and the sterile diluent for Flolan in the United States until April 2009. In addition, GSK assigned to us its rights and responsibilities with respect to Flolan under certain agreements with specialty pharmacy distributors. To the extent our gross sales of Flolan in the United States exceed certain predefined targets, the supply price to be paid by us to GSK for Flolan will decrease on a sliding scale. We commenced distribution activities of Flolan in the United States under the distribution and supply agreement in April 2006.

- **Japan Tobacco Inc. (Japan Tobacco).** In July 2003, we entered into a licensing agreement with Japan Tobacco under which Japan Tobacco would commercialize certain of our HIV products, specifically Viread, Truvada and Emtriva, in Japan. Under the terms of the agreement, we received an up-front license fee and additional cash payments upon achievement of certain milestones. Japan Tobacco is also required to pay us a royalty on net sales of these products in Japan. In March 2004, Viread was approved for sale in Japan, and in March 2005, both Emtriva and Truvada were approved for sale in Japan.

- **Bristol-Myers Squibb Company (BMS).** In December 2004, we entered into a collaboration with BMS to develop and commercialize the single tablet regimen of our Truvada and BMS's Sustiva in the United States. This combination was approved for use in the United States in July 2006 and is sold under the name Atripla. We and BMS structured this collaboration as a joint venture by forming a limited liability company called Bristol-Myers Squibb & Gilead Sciences, LLC. Under the terms of the collaboration, we and BMS granted royalty-free sublicenses to the joint venture for the use of our respective company-owned technologies and, in return, were granted a license by the joint venture to use any intellectual property that results from the collaboration. The economic interests of the joint venture held by us and BMS (including share of revenues and out-of-pocket expenses) are based on the portion of the net selling price of Atripla attributable to Truvada (emtricitabine and tenofovir disoproxil

fumarate) and Sustiva (efavirenz), respectively. Since the net selling price for Truvada may change over time relative to the net selling price of Sustiva, both our and BMS's respective economic interests in the joint venture may vary annually. We and BMS share marketing and sales efforts, with both parties providing equivalent sales force efforts for a minimum number of years. The daily operations of the joint venture are governed by four primary joint committees formed by both BMS and us. We are responsible for accounting, financial reporting, tax reporting and product distribution for the joint venture. In September 2006, we and BMS amended the joint venture's collaboration agreement to allow the joint venture to sell Atripla into Canada.

In December 2007, we entered into a collaboration with BMS which sets forth the terms and conditions under which we and BMS will commercialize Atripla in the European Union, Norway, Iceland, Switzerland and Liechtenstein. Either we, BMS or a third-party distributor will act as the selling party in these countries and be responsible for, among other things, receiving and processing customer orders, warehousing product, collecting sales and handling returns. Manufacturing of Atripla will be coordinated by us, and we will be primarily responsible for distribution logistics. In general, the parties will share revenues and out-of-pocket expenses in proportion to the net selling prices of Truvada (emtricitabine and tenofovir disoproxil fumarate), with respect to us, and efavirenz, with respect to BMS.

Access in the Developing World

Through the Gilead Access Program, established in 2002, we make Truvada and Viread available at substantially reduced prices in more than 125 countries in the developing world. We have developed a system of tiered pricing that reflects the economic status (using gross national income—GNI—per capita) and disease prevalence of low- and lower middle-income countries. This approach allows us to price our therapies based on a country's ability to pay. For example, if a higher prevalence exists in a certain country, but the country also has a relatively high GNI, the country would be moved to a lower price tier to accommodate higher burden of disease.

We also support many clinical studies through the donation of our products to help define the best treatment strategies in the developing world. Some of the studies that we support include:

- **The DART Study.** In November 2002, we entered into a collaborative agreement with the Medical Research Council (MRC) of the United Kingdom, Boehringer Ingelheim GmbH and GSK in connection with a five-year clinical study conducted by the MRC on antiretroviral HIV therapy in Africa. The trial is called the DART (Development of AntiRetroviral Therapy) study and is aimed at studying clinical versus laboratory monitoring practices and structured treatment interruptions on continuous antiretroviral therapy in adults with HIV infection in sub-Saharan Africa. We provide Viread at no cost for the DART study.

- **The Institute for One World Health.** In January 2003, we entered into an agreement with the Institute for One World Health, pursuant to which we provide AmBisome at our cost for a Phase 3 clinical trial evaluating AmBisome for the treatment of visceral leishmaniasis with paromomycin in India, where the greatest global burden of visceral leishmaniasis exists. The clinical trial has been conducted by the Institute for One World Health in partnership with the World Health Organization.

We have also entered into a number of collaborations in the developing world, which include:

- **Aspen Pharmacare Holdings Ltd (Aspen).** In October 2005, we entered into a non-exclusive manufacturing and distribution agreement with Aspen, providing for the manufacture and distribution of Viread and Truvada to certain developing world countries included in our Gilead Access Program. In November 2007, we amended our agreement with Aspen. Under the amended agreement, Aspen retained the right to manufacture and distribute Viread and Truvada in certain developing world countries in our Gilead Access Program. Aspen has the right to purchase Viread and Truvada in brite-stock form from us for distribution in such countries, and also has the right to manufacture Viread and Truvada using active pharmaceutical ingredient that has been purchased by Aspen from suppliers

approved by us. Aspen was also granted an option to manufacture and distribute generic versions of emtricitabine and tenofovir disoproxil fumarate that meet certain regulatory standards. Upon executing the amended agreement, Aspen notified us that they intend to exercise their option to manufacture and distribute the generic products in certain developing world countries. Aspen is required to pay us royalties on net sales of Viread and Truvada, or generic versions of emtricitabine and tenofovir disoproxil fumarate manufactured and distributed by Aspen.

- **Generic Licenses.** During 2006, we entered into non-exclusive license agreements with ten Indian generic manufacturers, granting them the rights to produce and distribute generic versions of tenofovir disoproxil fumarate to 95 low-income countries around the world, which included India and many of the low-income countries in our Gilead Access Program. The agreements require that the generic manufacturers meet certain national and international regulatory standards and include technology transfer to enable expeditious production of large volumes of high-quality generic versions of tenofovir disoproxil fumarate. In addition, these agreements allow for the manufacture of commercial quantities of both active pharmaceutical ingredient and finished product.

- **Merck.** In August 2006, we entered into an agreement with an affiliate of Merck pursuant to which we provide Atripla at substantially reduced prices to HIV-infected patients in developing countries in Africa, the Caribbean, Latin America and Southeast Asia, utilizing a different trade dress than our U.S. or European tablets. Under the agreement, we will manufacture Atripla using efavirenz supplied by Merck, and Merck will handle distribution of the product in the countries covered by the agreement.

- **International Partnership for Microbicides (IPM) and CONRAD.** In December 2006, we entered into an agreement under which we granted rights to IPM and CONRAD, a cooperating agency of the U.S. Agency for International Development (USAID) committed to improving reproductive health by expanding the contraceptive choices of women and men, to develop, manufacture and, if proven efficacious, arrange for distribution in resource-limited countries of tenofovir as a microbicide to prevent HIV infection.

Research Collaborations

The following list is representative of our research collaborations:

Research Collaboration Partner	Program Area	Year of Signing
University of Texas System	Novel compounds for the treatment of cardiac hypertrophy, heart disease and heart failure as well as fibrosis, respiratory and pulmonary diseases	1999
Abbott Laboratories	Darusentan for the treatment of certain hypertensive conditions	2003
Novartis Institutes	Novel compounds for the treatment of cardiovascular disease	2003
Novartis Vaccines	Small molecule therapeutics against certain hepatitis C virus (HCV) drug targets	2003
Genelabs	Nucleoside, RNA polymerase inhibitors for the treatment of HCV	2004
Achillion	Compounds for the treatment of HCV	2004
Japan Tobacco	Elvitegravir (also known as GS 9137) for the treatment of HIV	2005
Parion	P-680 (GS 9411), an epithelial sodium channel (ENaC) inhibitor for the treatment of pulmonary diseases	2007
LGLS	Caspase inhibitors for the treatment of fibrotic diseases	2007

- **University of Texas System.** In December 1999, we entered into a license agreement with the University of Texas System, granting us exclusive rights to certain patents and technology related to cardiac hypertrophy, heart disease and heart failure. Concurrently, we entered into a sponsored research

agreement with the university to fund research on cardiac hypertrophy and heart failure at the University of Texas Southwestern Medical Center. In November 2007, we amended and restated the sponsored research agreement to extend the term of the research collaboration to March 2009, expand the scope of the research collaboration to include research relating to fibrosis, respiratory and pulmonary diseases and increase the amount of funding that we are providing for the sponsored research. Concurrently, we amended and restated the license agreement to provide us with the right to license inventions arising from the sponsored research conducted under the amended and restated sponsored research agreement. We are obligated to pay certain annual fees as well as a percentage of sublicense revenue and royalties based upon net sales. Additionally, we are obligated to make milestone payments for any products developed from the licensed technology.

In January 2002, we entered into a second license agreement, which was amended in February 2004 and November 2007, and a related sponsored research agreement with the University of Texas System, which was also amended in May 2003 and November 2007. Under these amended agreements, we received exclusive rights to certain patents and technology relating to cardiac hypertrophy, heart disease and heart failure, including inventions that arose during the conduct of the sponsored research. The research conducted under the sponsored research agreement has been completed. We have an obligation to pay milestone payments plus a percentage of sublicense revenue and royalties based upon a percentage of net sales on products covered by the license agreement.

- **Abbott.** In June 2003, we entered into an exclusive worldwide license agreement with Abbott to develop and commercialize darusentan for all conditions except oncology. We are obligated to make future milestone payments as well as pay royalties based on net sales if we successfully commercialize the drug for any indication. If we do not commercialize darusentan in certain markets, Abbott may market the product on its own in the affected markets and pay us a royalty on its sales. Darusentan is currently being studied in Phase 3 clinical trials for the treatment of patients with resistant hypertension.

- **Novartis Institutes for BioMedical Research, Inc. (Novartis Institutes).** In October 2003, we entered into a research collaboration with Novartis Institutes for the discovery and development of novel drugs for the treatment of cardiovascular disease. Novartis Institutes provides research funding to us in exchange for rights to license compounds developed under the collaboration. In May 2005, the collaboration was expanded to include the histone deacetylase inhibitor (HDACi) program acquired from Myogen, Inc. (Myogen). Novartis Institutes has the exclusive option to license our discoveries in the relevant field, with limited exceptions, until May 2008 (relating to HDACi product candidates) and until October 2008 (relating to product candidates other than HDACi product candidates). Upon execution of a license for a product candidate, Novartis Institutes is obligated to fund all further development of that product candidate, make payments to us upon the achievement of certain milestones and pay us royalties for sales if the product is successfully commercialized. To date, Novartis Institutes has not licensed any drug targets or compounds under the terms of the collaboration.

- **Novartis Vaccines and Diagnostics, Inc. (Novartis Vaccines).** In August 2003, we entered into a non-exclusive licensing agreement with Novartis Vaccines, as successor to Chiron Corporation, for the research, development and commercialization of small molecule therapeutics against selected HCV drug targets. Under the agreement, we received non-exclusive rights to use Novartis Vaccines's HCV technology to develop and commercialize products for the treatment of HCV. Under the terms of the agreement, we paid Novartis Vaccines an up-front license fee and agreed to make additional payments if certain clinical, regulatory or other contractually determined milestones are met. Additionally, we are obligated to make royalty payments in the event a product is developed using the licensed technology.

- **Genelabs Technologies, Inc. (Genelabs).** In September 2004, we entered into a license and research collaboration agreement with Genelabs to research, develop and commercialize certain of Genelabs's novel nucleoside inhibitors of HCV polymerase for the treatment of chronic infection caused by HCV. In conjunction with the signing of the agreement, we paid an up-front license fee. The agreement

provided that we would support ongoing research into nucleoside HCV inhibitors at Genelabs and fund full-time equivalents over a three year term, which expired in September 2007. We are currently selecting certain inhibitors for further development, and are obligated to make additional payments upon the achievement of certain milestones and pay royalties on future net sales of selected compounds that are developed and approved in relation to the collaboration.

- **Achillion Pharmaceuticals, Inc. (Achillion).** In November 2004, we entered into an exclusive license and collaboration agreement with Achillion. Pursuant to this agreement, we were granted worldwide rights for the research, development and commercialization of certain small molecule HCV replication inhibitors involving HCV protease for the treatment of hepatitis C infection. Under this collaboration, Achillion is obligated to continue development of the inhibitor compounds according to a mutually agreed upon development plan, through completion of a proof-of-concept clinical study in HCV-infected patients. The costs incurred to achieve proof-of-concept will be shared equally between Achillion and us up to a contractually agreed upon budget. Following the proof-of-concept study, we are obligated to assume full responsibilities and incur all costs associated with development and commercialization of compounds warranting further development. Achillion has the option to participate in U.S. commercialization efforts for future products arising from this collaboration. In conjunction with the signing of the collaboration, we paid an up-front license fee and made certain investments in Achillion's equity. We also agreed to make payments to Achillion upon achievement of certain milestones outlined in the agreement and to pay royalties on future net sales of products arising from the collaboration. In December 2006, Achillion began dosing HCV-infected patients in a Phase 1/2 clinical study of GS 9132 (also known as ACH-806) for the treatment of hepatitis C infection. In February 2007, based on preliminary data from the Phase 1b/2 study, the companies decided to discontinue development of GS 9132. The two companies continue to explore other NS4A antagonists discovered by Achillion with Gilead taking the lead on future preclinical and clinical development work once an appropriate candidate is identified.

- **Japan Tobacco.** In March 2005, we entered into a licensing agreement with Japan Tobacco, under which Japan Tobacco granted us exclusive rights to develop and commercialize elvitegravir, a novel HIV integrase inhibitor (also known as GS 9137), in all countries of the world, excluding Japan, where Japan Tobacco would retain such rights. Under the terms of the agreement, we paid an up-front license fee and a milestone payment. Additionally, we are obligated to make additional cash payments upon the achievement of certain milestones, as well as pay royalties based on any net sales in the territories where we market the product.

- **Parion Sciences, Inc. (Parion).** In August 2007, we entered into an exclusive licensing and co-development agreement with Parion focused on P-680 (GS 9411), an epithelial sodium channel (ENaC) inhibitor discovered by Parion. The agreement granted us worldwide commercialization rights to GS 9411 for the treatment of pulmonary diseases, including cystic fibrosis (CF), chronic obstructive pulmonary disease and non-CF bronchiectasis. In addition, we and Parion will collaborate on a research program to identify other promising ENaC blocker-based drug candidates utilizing Parion's proprietary ENaC-based chemistry platform. Under the terms of the agreement, we paid Parion an up-front payment. In addition, we are obligated to provide research funding, pay Parion royalties based on potential future products sales and make cash payments upon achievements of certain milestones.

- **LG Life Sciences, Ltd (LGLS)**. In November 2007, we entered into an exclusive license agreement with LGLS focused on the development of caspase inhibitors for the treatment of fibrotic diseases. The agreement granted us commercialization rights to LGLS's caspase inhibitors, including LB84451 (now known as GS 9450). GS 9450 is an investigational caspase inhibitor currently being evaluated in a Phase 2a clinical trial in patients chronically infected with HCV. The agreement also obligated us to fund a collaborative research program for two years to identify other potential caspase inhibitor drug candidates. Under the terms of the agreement, we paid LGLS an up-front license payment and will be obligated to fund additional research and pay LGLS royalties based on net product sales. We may also be obligated to make milestone payments upon the achievement of certain development, regulatory and

commercial objectives. Our license is worldwide, with the exception of Korea, China and India where LGLS has retained rights. LGLS also has retained the right to develop and commercialize caspase inhibitors for ophthalmic and topical uses worldwide.

Research and Development

In addition to entering into collaborations with other companies, universities and medical research institutions, we seek to add to our existing portfolio of products through our internal discovery and clinical development programs and through an active in-licensing and product acquisition strategy, such as with our acquisitions of Myogen and Corus Pharma, Inc. during 2006. We have research scientists in Foster City and San Dimas, California; Durham, North Carolina; Seattle, Washington; and Westminster, Colorado, engaged in the discovery and development of new molecules and technologies that we hope will lead to new medicines and novel formulations of existing drugs.

Our internal research is focused on the discovery and development of treatments for diseases in the following areas:

- ***HIV***

  In February 2007, we completed a Phase 2 study of elvitegravir, also known as GS 9137, our novel integrase inhibitor for HIV licensed from Japan Tobacco. We are in discussions with the FDA and the European Medicines Evaluation Agency (EMEA) concerning the design of the Phase 3 program, and pending a positive outcome of these discussions, we hope to dose the first patients in a Phase 3 clinical study for elvitegravir in 2008.

  During the third quarter of 2007, we completed a Phase 1 single dose pharmacokinetic study of GS 9131 in healthy volunteers. GS 9131 is a novel nucleotide analog designed to deliver high intracellular concentrations of the active molecule allowing for lower doses with higher potency. Results from the Phase 1 study confirmed the preclinical results of delivery of high intracellular concentrations of the compound at low doses of GS 9131. As a result, pending discussions with the FDA on the design of the Phase 1/2 protocol, we anticipate dosing the first patients in a Phase 1/2 study evaluating GS 9131 in treatment-experienced HIV infected patients with confirmed NRTI resistance during the first half of 2008.

- ***Hepatitis***

  In HBV, in November 2007, we presented positive results from two Phase 3 pivotal studies comparing the efficacy and safety of tenofovir disoproxil fumarate, the active pharmaceutical ingredient in Viread, versus Hepsera in patients with chronic hepatitis B. Based on these data, in October 2007, we filed a supplemental new drug application (NDA) with the FDA, as well as a Type II variation to the EMEA, for marketing approval of Viread for the treatment of chronic hepatitis B in adults.

  In HCV, in November 2007, we released preliminary Phase 1a/b data on the single dose and first two doses of a seven-day treatment course of GS 9190, our novel non-nucleoside polymerase inhibitor. The data demonstrated favorable antiviral activity, pharmacokinetics and exposure at the doses evaluated. In this study we also observed a possible QT prolongation at the 120 mg dose, a measure for cardiovascular safety. We conducted and have now completed a pilot QT study in healthy volunteers at the 120 mg and the 40 mg doses, which confirmed QT prolongations at the 120 mg dose, but prolongations at the 40 mg dose were small and we believe clinically manageable. Therefore, we are seeking the FDA's consent to reinitiate dosing of HCV-infected individuals to further define the efficacy and safety of the compound. Also in HCV, in November 2007, we entered into an exclusive license agreement with LGLS focused on the development of caspase inhibitors for the treatment of fibrotic diseases. The agreement granted us commercialization rights to LGLS's caspase inhibitors, including GS 9450, LGLS's lead compound formerly called LB84451. GS 9450 is an investigational

caspase inhibitor currently being evaluated in a Phase 2a clinical trial in patients with chronic hepatitis C. We anticipate data from this trial by the end of 2008. In addition, our research collaborations with Achillion and Genelabs continue and we hope development candidates emerge from those efforts.

- ***Respiratory and Cardiovascular Diseases***

  In the respiratory area, in October 2007, we presented data from the second of two pivotal Phase 3 studies of aztreonam lysine for inhalation, an inhaled antibiotic for the treatment of patients with CF who have pulmonary infection with *Pseudomonas aeruginosa* (*P. aeruginosa*). In November 2007, we submitted an NDA to the FDA for marketing approval of aztreonam lysine for inhalation (75 mg three times daily) for the treatment of pulmonary *P. aeruginosa* infection in people with CF. Based on discussions with the EMEA, we plan to submit a marketing authorization application in the second quarter of 2008. In October 2007, we also presented data on GS 9310/11, a proprietary inhaled formulation of tobramycin and fosfomycin, demonstrating the compound's activity against pathogens commonly found in patients with CF and bronchiectasis. Based on these and other pre-clinical study results, we initiated and completed a single Phase 1a study in healthy volunteers and began enrolling patients with either CF or bronchiectasis in a Phase 1b study in the third quarter of 2007.

  In the cardiovascular area, we are conducting two Phase 3 clinical studies for darusentan for the treatment of resistant hypertension, a program we obtained from the Myogen acquisition, and we expect to complete enrollment and receive data from both of these studies in 2009. In addition, our research collaborations with both the University of Texas and Novartis Institutes continue and we seek to identify development candidates for the treatment of cardiovascular disorders.

We face numerous risks and uncertainties with our product candidates, including each of those listed above. These risks include challenges in clinical trial protocol design, our ability to enroll patients in clinical trials, the possibility of unfavorable results of our clinical trials, the need to modify or delay our clinical trials or to perform additional trials and the risk of failing to obtain FDA and other regulatory body approvals. As a result, our product candidates may never be successfully commercialized. Further, we may make a strategic decision to discontinue development of our product candidates. If these programs and others in our pipeline cannot be completed on a timely basis or at all, then our prospects for future revenue growth may be adversely impacted.

In total, our research and development expenses for 2007 were $591.0 million, compared with $383.9 million for 2006 and $277.7 million for 2005.

Patents and Proprietary Rights

Patents and other proprietary rights are very important to our business. If we have a properly designed and enforceable patent it can be more difficult for our competitors to use our technology to create competitive products and more difficult for our competitors to obtain a patent that prevents us from using technology we create. As part of our business strategy, we actively seek patent protection both in the United States and internationally and file additional patent applications, when appropriate, to cover improvements in our compounds, products and technology. We also rely on trade secrets, internal know-how, technological innovations and agreements with third parties to develop, maintain and protect our competitive position. Our ability to be competitive will depend on the success of this strategy.

We have a number of U.S. and foreign patents, patent applications and rights to patents related to our compounds, products and technology, but we cannot be certain that issued patents will be enforceable or provide adequate protection or that pending patent applications will result in issued patents.

The following table shows the actual or estimated expiration dates in the United States and Europe for the primary patents and for patents that may issue under pending applications that cover the compounds in our marketed products:

Products	U.S. Patent Expiration	European Patent Expiration
Vistide	2010	2012
Hepsera	2014	2011
Letairis	2015	2015
AmBisome	2016	2008
Tamiflu	2016	2016
Macugen	2017	2017
Viread	2017	2018
Emtriva	2021	2016
Truvada	2021	2018
Atripla	2021	2018

Patents covering the active pharmaceutical ingredients of Truvada, Atripla, Viread, Emtriva, Hepsera, Letairis and Vistide are held by third parties. We acquired exclusive rights to these patents in the agreements we have with these parties. See “Commercial Collaborations” above. Patents do not cover the active ingredients in AmBisome. Instead, we hold patents to the liposomal formulations of this compound and also protect formulations through trade secrets. In addition, we do not have patent filings in China and certain other Asian countries covering all forms of adefovir dipivoxil, the active ingredient in Hepsera. We do have applications pending in various countries in Asia, including China, that relate to specific forms and formulations of Hepsera. Asia is a major market for therapies for hepatitis B infection, the indication for which Hepsera has been developed. Further, the patent covering Flolan, which was held by a third party, and market exclusivity protection have expired. As a result, one or more generic pharmaceutical companies may launch a generic version of Flolan in the United States.

We may obtain patents for certain products many years before we obtain marketing approval for those products. Because patents have a limited life, which may begin to run prior to the commercial sale of the related product, the commercial value of the patent may be limited. However, we may be able to apply for patent term extensions. For example, extensions for the patents on Vistide have been granted in the United States and in a number of European countries, compensating in part for delays in obtaining marketing approval. Similar patent term extensions may be available for other products that we are developing, but we cannot be certain we will obtain them.

It is also very important that we do not infringe patents or proprietary rights of others and that we do not violate the agreements that grant proprietary rights to us. If we do infringe patents or violate these agreements, we could be prevented from developing or selling products or from using the processes covered by those patents or agreements, or we could be required to obtain a license from the third party allowing us to use their technology. We cannot be certain that, if required, we could obtain a license to any third-party technology or that we could obtain one at a reasonable cost. If we were not able to obtain a required license or alternative technologies, we may be unable to develop or commercialize some or all of our products, and our business could be adversely affected. For example, we are aware of a body of patents that may relate to our operation of LEAP, our restricted distribution program designed to support Letairis. We are evaluating these patents and their relevance to LEAP.

Because patent applications are confidential for at least some period of time until a patent is issued, we may not know if our competitors filed patent applications for technology covered by our pending applications or if we were the first to invent the technology that is the subject of our patent applications. Competitors may have filed patent applications or received patents and may obtain additional patents and proprietary rights that block or

compete with our patents. If competitors file patent applications covering our technology, we may have to participate in interference proceedings or litigation to determine the right to a patent. Litigation and interference proceedings are expensive even if we are ultimately successful.

Patents relating to pharmaceutical, biopharmaceutical and biotechnology products, compounds and processes such as those that cover our existing compounds, products and processes and those that we will likely file in the future, do not always provide complete or adequate protection. Future litigation or re-examination proceedings regarding the enforcement or validity of our existing patents or any future patents could invalidate our patents or substantially reduce their protection. For example, in March 2007, the Public Patent Foundation filed requests for re-examination with the United States Patent and Trademark Office (PTO) challenging four of our patents related to tenofovir disoproxil fumarate, an active ingredient in Truvada, Atripla and Viread. The PTO granted these requests in July 2007. The PTO issued non-final rejections for the four patents, which is a step common in a re-examination proceeding to initiate the re-examination process. We cannot predict the ultimate outcome of these office actions. If we are unsuccessful in responding to these office actions, some or all of the original claims in our patents may be narrowed or invalidated. If the PTO narrows or invalidates any of our patents, this may cause similar organizations to seek re-examination proceedings challenging our patents in foreign jurisdictions.

Our pending patent applications and patent applications filed by our collaborative partners may not result in the issuance of any patents or may result in patents that do not provide adequate protection. As a result, we may not be able to prevent third parties from developing the same compounds and products that we have developed or are developing. In addition, certain countries in Africa and Asia, including China, do not permit enforcement of our patents, and manufacturers are able to sell generic versions of our products in those countries.

As part of the approval process of some of our products, the FDA has determined that the products would be granted an exclusivity period during which other manufacturers' applications for approval of generic versions of our product will not be granted. Generic manufacturers often wait to challenge the patents protecting products that have been granted exclusivity until one year prior to the end of the exclusivity period. From time to time, we have received notices from manufacturers indicating that they intend to import chemical intermediates possibly for use in making our products. It is, therefore, possible that generic manufacturers are considering attempts to seek FDA approval for a similar or identical drug through an abbreviated NDA, which is the application form typically used by manufacturers seeking approval of a generic drug. If our patents are subject to challenges, we may need to spend significant resources to defend such challenges and we may not be able to defend our patents successfully.

We also rely on unpatented trade secrets and improvements, unpatented internal know-how and technological innovation. In particular, a great deal of our liposomal manufacturing expertise, which is a key component of our liposomal technology, is not covered by patents but is instead protected as a trade secret. We protect these rights mainly through confidentiality agreements with our corporate partners, employees, consultants and vendors. These agreements provide that all confidential information developed or made known to an individual during the course of their relationship with us will be kept confidential and will not be used or disclosed to third parties except in specified circumstances. In the case of employees, the agreements provide that all inventions made by an individual while employed by us will be our exclusive property. We cannot be certain that these parties will comply with these confidentiality agreements, that we have adequate remedies for any breach or that our trade secrets will not otherwise become known or be independently discovered by our competitors. Under some of our research and development agreements, inventions discovered in certain cases become jointly owned by us and our corporate partner and in other cases become the exclusive property of one of us. It can be difficult to determine who owns a particular invention and disputes could arise regarding those inventions.

In August 2007, the PTO adopted new rules which were scheduled to become effective on November 1, 2007. In October 2007, GSK successfully obtained a preliminary injunction against implementation of these rules. The rules include limitations on the number of claims that are permitted in a patent application, and the number of continuing patent applications that can be filed. If the rules are implemented, we may be limited in our

ability to obtain broad patent coverage for our products and product candidates and this may allow competitors to market products very similar to ours or to obtain patent coverage for closely related products.

Manufacturing and Raw Materials

Antiviral Products

We contract with third parties to manufacture our antiviral products for clinical and commercial purposes, including Truvada, Atripla, Viread, Emtriva, Hepsera and Vistide. We had not historically manufactured any of our antiviral products on a commercial scale. However, as a result of our acquisition of Raylo Chemicals Inc., a subsidiary of Germany-based specialty chemicals company Degussa AG, in November 2006, we began to produce quantities of tenofovir disoproxil fumarate, the active pharmaceutical ingredient in Viread and one of the active pharmaceutical ingredients of Truvada and Atripla, and emtricitabine, the active pharmaceutical ingredient in Emtriva and one of the active pharmaceutical ingredients in Truvada and Atripla, at our Edmonton, Alberta, Canada facility. We also utilize this site for process research and scale-up of our clinical development candidates, for the manufacture of our active pharmaceutical ingredients for investigational products and for our chemical development activities to improve existing commercial manufacturing processes.

We continue to use multiple third-party contract manufacturers to manufacture additional quantities of tenofovir disoproxil fumarate and emtricitabine, and to manufacture adefovir dipivoxil, the active pharmaceutical ingredient in Hepsera, and cidofovir, the active pharmaceutical ingredient in Vistide.

We use multiple third-party contract manufacturers to tablet Truvada, Atripla, Viread, Emtriva and Hepsera. These manufacturers have been qualified and are approved to supply product to the United States, the European Union and other markets. Emtriva capsulation is also completed by third-party contract manufacturers. We use a single third-party manufacturer to supply Vistide.

We fill and package drug product for Truvada, Atripla, Viread, Emtriva and Hepsera in their finished forms at our facilities in San Dimas, California and near Dublin, Ireland. In September 2007, we acquired Nycomed Limited, a wholly-owned Irish subsidiary of Germany-based pharmaceutical company, Nycomed GmbH. We have transferred certain of our operations from our Dublin, Ireland area site to this facility located in Cork, Ireland, and utilize the site primarily for solid dose tablet manufacturing of certain of our antiviral products, as well as product packaging activities.

Roche, by itself and through third parties, is responsible for the manufacturing of Tamiflu. Under our agreement with Roche, through a joint manufacturing committee composed of representatives from Roche and us, we have the opportunity to review Roche's existing manufacturing capacity for Tamiflu and global plans for manufacturing Tamiflu.

For our future antiviral products, we will continue to consider developing additional manufacturing capabilities and establishing additional third-party suppliers to manufacture sufficient quantities of our product candidates to undertake clinical trials and to manufacture sufficient quantities of any product that is approved for commercial sale. If we are unable to develop manufacturing capabilities internally or contract for large scale manufacturing with third parties on acceptable terms for our future antiviral products, our ability to conduct large scale clinical trials and meet customer demand for commercial products would be adversely affected.

We believe the technology we use to manufacture our products is proprietary. For our antiviral products, we have disclosed all necessary aspects of this technology to contract manufacturers to enable them to manufacture the products for us. We have agreements with these manufacturers that are intended to restrict these manufacturers from using or revealing this technology, but we cannot be certain that these manufacturers will comply with these restrictions. In addition, these manufacturers could develop their own technology related to the work they perform for us that we may need to manufacture our products. We could be required to enter into

additional agreements with these manufacturers if we wanted to use that technology ourselves or allow another manufacturer to use that technology. The manufacturer could refuse to allow us to use their technology or could demand terms to use their technology that are not acceptable to us.

AmBisome

We manufacture AmBisome in commercial quantities at our FDA-approved facilities in San Dimas, California. The Medicines Control Agency of the United Kingdom and the FDA approved the commercial production of AmBisome in these facilities. To import AmBisome into the European Union, we own a manufacturing facility near Dublin, Ireland where we perform quality control testing, final labeling, packaging and distribution for the European Union and elsewhere. We use commercially available materials and equipment to manufacture these products. Currently, we obtain the cholesterol that we use to manufacture AmBisome from a single approved supplier.

AmBisome is sold as a freeze-dried product. Given our current projections for AmBisome demand, we believe we have sufficient production capacity at our San Dimas facility to meet future demand. We also have the option of installing additional freeze-drying capacity in San Dimas should additional requirements become necessary.

Letairis

We manufacture the active pharmaceutical ingredient in Letairis exclusively at our Edmonton, Alberta facility, although another third-party supplier is qualified to make the active pharmaceutical ingredient in Letairis. We rely on a single third-party supplier to tablet Letairis.

Flolan

GSK and its affiliates, by themselves or through third parties, manufacture Flolan for distribution by us in the United States under the terms of our distribution and supply agreement with GSK.

Macugen

We manufacture Macugen in commercial quantities at our facilities in San Dimas under our manufacturing agreements with OSI and Pfizer. Currently, OSI provides pegaptanib sodium, the active pharmaceutical ingredient in Macugen. Based on OSI's and Pfizer's current projections for Macugen demand, we believe we have sufficient production capacity to meet future demand.

Seasonal Operations and Backlog

Our worldwide product sales do not reflect any significant degree of seasonality. However, our royalty revenues, which represented about 11% of our total revenues in 2007 and of which Tamiflu royalties comprised a significant portion, is affected by seasonality. Royalty revenue that we recognize from Roche's sales of Tamiflu can be impacted by the severity associated with flu seasons and product delivery in response to the avian influenza pandemic threat.

For the most part, we operate in markets characterized by short lead times and the absence of significant backlogs. We do not believe that backlog information is material to our business as a whole.

Government Regulation

Our operations and activities are subject to extensive regulation by numerous government authorities in the United States and other countries. In the United States, drugs are subject to rigorous FDA regulation. The Federal

Food, Drug and Cosmetic Act and other federal and state statutes and regulations govern the testing, manufacture, safety, efficacy, labeling, storage, record keeping, approval, advertising and promotion of our products. As a result of these regulations, product development and product approval processes are very expensive and time consuming.

The FDA must approve a drug before it can be sold in the United States. The general process for this approval is as follows:

Preclinical Testing

Before we can test a drug candidate in humans, we must study the drug in laboratory experiments and in animals to generate data to support the drug candidate's potential benefits and safety. We submit this data to the FDA in an investigational new drug (IND) application seeking their approval to test the compound in humans.

Clinical Trials

If the FDA accepts the IND application, we study the drug candidate in human clinical trials to determine if the drug candidate is safe and effective. These clinical trials involve three separate phases that often overlap, can take many years and are very expensive. These three phases, which are subject to considerable regulation, are as follows:

- Phase 1. The drug candidate is given to a small number of healthy human control subjects or patients suffering from the indicated disease, to test for safety, dose tolerance, pharmacokinetics, metabolism, distribution and excretion.

- Phase 2. The drug candidate is given to a limited patient population to determine the effect of the drug candidate in treating the disease, the best dose of the drug candidate, and the possible side effects and safety risks of the drug candidate. It is not uncommon for a drug candidate that appears promising in Phase 1 clinical trials to fail in the more rigorous Phase 2 clinical trials.

- Phase 3. If a drug candidate appears to be effective and safe in Phase 2 clinical trials, Phase 3 clinical trials are commenced to confirm those results. Phase 3 clinical trials are long-term, involve a significantly larger population, are conducted at numerous sites in different geographic regions and are carefully designed to provide reliable and conclusive data regarding the safety and benefits of a drug candidate. It is not uncommon for a drug candidate that appears promising in Phase 2 clinical trials to fail in the more rigorous Phase 3 clinical trials.

FDA Approval Process

When we believe that the data from the Phase 3 clinical trials show an adequate level of safety and efficacy, we submit the appropriate filing, usually in the form of an NDA or sNDA, with the FDA seeking approval to sell the drug candidate for a particular use. The FDA may hold a public hearing where an independent advisory committee of expert advisors asks additional questions and makes recommendations regarding the drug candidate. This committee makes a recommendation to the FDA that is not binding but is generally followed by the FDA. If the FDA agrees that the compound has met the required level of safety and efficacy for a particular use, it will allow us to sell the drug candidate in the United States for that use. It is not unusual, however, for the FDA to reject an application because it believes that the drug candidate is not safe enough or efficacious enough or because it does not believe that the data submitted is reliable or conclusive.

At any point in this process, the development of a drug candidate could be stopped for a number of reasons including safety concerns and lack of treatment benefit. We cannot be certain that any clinical trials that we are currently conducting or any that we conduct in the future will be completed successfully or within any specified time period. We may choose, or the FDA may require us, to delay or suspend our clinical trials at any time if it appears that the patients are being exposed to an unacceptable health risk or if the drug candidate does not appear to have sufficient treatment benefit.

The FDA may also require Phase 4 non-registrational studies to explore scientific questions to further characterize safety and efficacy during commercial use of our drug. The FDA may also require us to provide additional data or information, improve our manufacturing processes, procedures or facilities or may require extensive post-marketing testing and surveillance to monitor the safety or benefits of our product candidates if it determines that our filing does not contain adequate evidence of the safety and benefits of the drug. In addition, even if the FDA approves a drug, it could limit the uses of the drug. The FDA can withdraw approvals if it does not believe that we are complying with regulatory standards or if problems are uncovered or occur after approval.

In addition to obtaining FDA approval for each drug, we obtain FDA approval of the manufacturing facilities for any drug we sell, including those of companies who manufacture our drugs for us. All of these facilities are subject to periodic inspections by the FDA. The FDA must also approve foreign establishments that manufacture products to be sold in the United States and these facilities are subject to periodic regulatory inspection. Our manufacturing facilities located in California, including our San Dimas and Foster City facilities, also must be licensed by the State of California in compliance with local regulatory requirements. Our manufacturing facilities located in Canada, including our Edmonton, Alberta facility and our facilities located near Dublin and in Cork, Ireland, also must obtain local licenses and permits in compliance with local regulatory requirements.

Drugs that treat serious or life-threatening diseases and conditions that are not adequately addressed by existing drugs and for which the development program is designed to address the unmet medical need may be designated as fast track candidates by the FDA and may be eligible for accelerated and priority review. Drugs for the treatment of HIV that are designated for use under the President's Emergency Plan for AIDS Relief may also qualify for an expedited or priority review. Viread, Truvada and Atripla received accelerated approval and priority reviews. Drugs receiving accelerated approval must be monitored in post-marketing clinical trials in order to confirm the safety and benefits of the drug.

We are also subject to other federal, state and local regulations regarding workplace safety and protection of the environment. We use hazardous materials, chemicals, viruses and various radioactive compounds in our research and development activities and cannot eliminate the risk of accidental contamination or injury from these materials. Any misuse or accidents involving these materials could lead to significant litigation, fines and penalties.

Drugs are also subject to extensive regulation outside of the United States. In the European Union, there is a centralized approval procedure that authorizes marketing of a product in all countries of the European Union (which includes most major countries in Europe). If this centralized approval procedure is not used, approval in one country of the European Union can be used to obtain approval in another country of the European Union under one of two simplified application processes: the mutual recognition procedure or the decentralized procedure, both of which rely on the principle of mutual recognition. After receiving regulatory approval through any of the European registration procedures, pricing and reimbursement approvals are also required in most countries.

Pricing and Reimbursement

Successful commercialization of our products depends, in part, on the availability of governmental and third-party payor reimbursement for the cost of such products and related treatments. Government health administration authorities, private health insurers and other organizations generally provide reimbursement. Government authorities and third-party payors increasingly are challenging the price of medical products and services, particularly for innovative new products and therapies. This has resulted in lower average selling prices. For example, a majority of our sales of Truvada, Atripla, Viread, Hepsera, AmBisome, Letairis and Vistide are subject to reimbursement by government agencies, resulting in significant discounts from list price and rebate obligations. Our business may be adversely affected by an increase in pricing pressures in the United States or internationally. These pressures can arise from rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and health care reform, pharmaceutical reimbursement policies and pricing in general.

Legislative and regulatory changes to government prescription drug procurement and reimbursement programs occur relatively frequently in the United States and foreign jurisdictions. There have been significant changes to the federal Medicare system in recent years in the United States that could impact the pricing of our products. Under the Medicare Prescription Drug Improvement and Modernization Act of 2003, Medicare beneficiaries are now able to elect coverage for prescription drugs under Medicare Part D. The prescription drug program began on January 1, 2006 and although we have benefited initially from patients transitioning from Medicaid to Medicare Part D in 2006, the longer term impact of this new law on our business is not yet clear to us, and the impact will depend in part on specific decisions regarding the level of coverage provided for the therapeutic categories in which our products are included, the terms on which such coverage is provided, and the extent to which preference is given to selected products in a category. Some of the entities providing Medicare Part D coverage have attempted to negotiate price concessions from pharmaceutical manufacturers. In addition, discussions are taking place at the federal level to pass legislation that would either allow or require the federal government to directly negotiate price concessions from pharmaceutical manufacturers. The increasing pressure to lower prescription drug prices may limit drug access for Medicare Part D enrollees. Further, Medicare patients will have to pay co-insurance, which may influence which products are recommended by physicians and selected by patients. Our results of operations could be materially adversely affected by the reimbursement changes emerging from the Medicare prescription drug coverage legislation. In addition to federal Medicare proposals, state Medicaid drug payment changes could also lower payment for our products. To the extent that private insurers or managed care programs follow Medicaid coverage and payment developments, the adverse effects may be magnified by private insurers adopting lower payment schedules. Additionally, health care reform at both the federal and state levels could adversely affect payment for our drugs. At this time, a few states have already enacted health care reform legislation.

In Europe, the success of Truvada, Atripla, Viread, Emtriva, Hepsera and AmBisome will also depend largely on obtaining and maintaining government reimbursement, because in many European countries patients are unlikely to use prescription drugs that are not reimbursed by their governments. In addition, negotiating prices with governmental authorities can delay commercialization by 12 months or more. We also expect that the success of our product candidates, particularly in Europe, will depend on our ability to obtain reimbursement for these product candidates when commercialized. Even if reimbursement is available, reimbursement policies may adversely affect our ability to sell our products on a profitable basis. For example, in Europe as in many international markets, governments control the prices of prescription pharmaceuticals and expect prices of prescription pharmaceuticals to decline over the life of the product or as volumes increase. As new drugs come to market, we may face significant price decreases for our products across most of the European countries. We believe that this will continue into the foreseeable future as governments struggle with escalating health care spending. As a result of these pricing practices, it may become difficult to maintain our historic levels of profitability or to achieve expected rates of growth.

Health Care Fraud and Abuse Laws

We are subject to various federal and state laws pertaining to health care "fraud and abuse," including anti-kickback laws and false claims laws. Anti-kickback laws make it illegal for a prescription drug manufacturer to solicit, offer, receive or pay any remuneration in exchange for, or to induce, the referral of business, including the purchase or prescription of a particular drug. Due to the breadth of the statutory provisions and the increasing attention being given to them by law enforcement authorities, it is possible that certain of our practices may be challenged under anti-kickback or similar laws. False claims laws prohibit anyone from knowingly and willingly presenting, or causing to be presented for payment to third-party payors (including Medicare and Medicaid), claims for reimbursed drugs or services that are false or fraudulent, claims for items or services not provided as claimed or claims for medically unnecessary items or services. Our sales and marketing activities may be subject to scrutiny under these laws. Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including fines and civil monetary penalties, as well as the possibility of exclusion from federal health care programs (including Medicare and Medicaid). If the government were to allege against or convict us of violating these laws, there could be a material adverse effect on our results of operations.

In November 2006, we received a subpoena from the United States Attorney's Office in San Francisco requesting documents regarding our marketing and medical education programs for Truvada, Viread and Emtriva. We are complying with the U.S. Attorney's subpoena and intend to cooperate with any related government investigation.

Compulsory Licenses

In a number of developing countries, government officials and other interested groups have suggested that pharmaceutical companies should make drugs for HIV infection available at low cost. Alternatively, governments in those developing countries could require that we grant compulsory licenses to allow competitors to manufacture and sell their own versions of our products, thereby reducing our product sales. For example, in the past, certain offices of the government of Brazil have expressed concern over the affordability of our HIV products and declared that they were considering issuing compulsory licenses to permit the manufacture of otherwise patented products for HIV infection, including Viread. As a result of discussions with the Brazilian government, we reached agreement with the Brazilian Health Ministry in May 2006 to reduce the price of Viread in Brazil by approximately 50%. In addition, concerns over the cost and availability of Tamiflu related to a potential avian flu pandemic have generated international discussions over compulsory licensing of our Tamiflu patents. For example, the Canadian government may allow Canadian manufacturers to manufacture and export the active ingredient in Tamiflu to eligible developing and least-developed countries under Canada's Access to Medicines Regime. Furthermore, Roche has issued voluntary licenses to permit third-party manufacturing of Tamiflu. For example, Roche has granted a sublicense to Shanghai Pharmaceutical (Group) Co., Ltd. for China and a sublicense to India's Hetero Drugs Limited for India and certain developing countries. Should one or more compulsory licenses be issued permitting generic manufacturing to override our Tamiflu patents, or should Roche issue additional voluntary licenses to permit third-party manufacturing of Tamiflu, those developments could reduce royalties we receive from Roche's sales of Tamiflu. Certain countries do not permit enforcement of our patents, and manufacturers are able to sell generic versions of our products in those countries. Compulsory licenses or sales of generic versions of our products could significantly reduce our sales and adversely affect our results of operations, particularly if generic versions of our products are imported into territories where we have existing commercial sales.

Employees

As of January 31, 2008, we had approximately 2,979 full-time employees. We believe that we have good relations with our employees.

Environment

We seek to comply with all applicable statutory and administrative requirements concerning environmental quality. We have made, and will continue to make, expenditures for environmental compliance and protection. Expenditures for compliance with environmental laws have not had, and are not expected to have, a material effect on our capital expenditures, results of operations or competitive position.

Other Information

We are subject to the information requirements of the Exchange Act. Therefore, we file periodic reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549 or by calling the SEC at 1-800-SEC-0330, by sending an electronic message to the SEC at publicinfo@sec.gov or by sending a fax to the SEC at 1-202-777-1027. In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically.

The mailing address of our headquarters is 333 Lakeside Drive, Foster City, California 94404, and our telephone number at that location is 650-574-3000. Our website is www.gilead.com. Through a link on the "Investors" section of our website (under "SEC Filings" in the "Financial Information" section), we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our Annual Reports on Form 10-K; Quarterly Reports on Form 10-Q; Current Reports on Form 8-K; and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All such filings are available free of charge upon request.

ITEM 1A. RISK FACTORS

In evaluating our business, you should carefully consider the following risks in addition to the other information in this Annual Report on Form 10-K. Any of the following risks could materially and adversely affect our business, results of operations and financial condition. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. It is not possible to predict or identify all such factors and, therefore, you should not consider the following risks to be a complete statement of all the potential risks or uncertainties that we face.

A substantial portion of our revenues is derived from sales of a limited number of products. If we are unable to maintain or continue increasing sales of our HIV products, our results of operations may be adversely affected.

We are currently dependent on sales of our products for the treatment of human immunodeficiency virus (HIV) infection, especially Truvada and Atripla, to support our existing operations. Our HIV products contain tenofovir disoproxil fumarate and/or emtricitabine, which belong to the nucleoside class of antiviral therapeutics. Were the treatment paradigm for HIV to change, causing nucleoside-based therapeutics to fall out of favor, or if we were unable to continue increasing our HIV product sales, our results of operations would likely suffer and we would likely need to scale back our operations, including our spending on research and development (R&D) efforts. HIV product sales for the year ended December 31, 2007 were $3.14 billion, or 74% of our total revenues, and sales of Truvada and Atripla accounted for 51% and 29%, respectively, of our total HIV product sales during the year ended December 31, 2007. We may not be able to continue the growth rate of sales of our HIV products for the reasons stated in this risk factor section and, in particular, for the following reasons:

- As our HIV products are used over a longer period of time in many patients and in combination with other products, and additional studies are conducted, new issues with respect to safety, resistance and interactions with other drugs may arise, which could cause us to provide additional warnings or contraindications on our labels, narrow our approved indications or halt sales of a product, each of which could reduce our revenues.

- As our HIV products mature, private insurers and government reimbursers often reduce the amount they will reimburse patients for these products, which increases pressure on us to reduce prices.

- A large part of the market for our HIV products consists of patients who are already taking other HIV drugs. If we are not successful in encouraging physicians to change patients' regimens to include our HIV products, the sales of our HIV products will be limited.

- As generic HIV products are introduced into major markets, our ability to maintain pricing may be affected.

A substantial portion of our pre-tax income is derived from royalty revenue recognized from sales of Tamiflu by Roche. As sales of Tamiflu decrease, our pre-tax income will be disproportionately affected.

F. Hoffmann-La Roche, Ltd (together with Hoffmann-La Roche Inc., Roche) markets Tamiflu worldwide for the treatment and prevention of influenza under a royalty-paying collaborative agreement with us. We recognized $414.5 million in royalty revenue during the year ended December 31, 2007 related to royalties

received from fourth quarter 2006 and first three quarters of 2007 sales of Tamiflu by Roche. Although such royalty revenue represented less than 10% of our total revenues in 2007, it represented 18% of our pre-tax income during the period. Roche's Tamiflu sales have unpredictable variability due to their strong relationship with global pandemic planning efforts. Sales of Tamiflu declined sharply in the second half of 2007 due to the fulfillment of most of the existing pandemic stockpiling orders from governments and corporations. Roche recently reported that it expects a significant decrease in Tamiflu sales in 2008. As sales of Tamiflu decrease, our royalty revenue will decrease and our pre-tax income will decrease disproportionately. Any such decrease could be material.

If we fail to commercialize new products or expand the indications for existing products, our prospects for future revenues and our stock price may be adversely affected.

If we do not introduce new products or increase revenues from our existing products, we will not be able to increase or maintain our total revenues. Each new product commercialization effort, including Letairis for the treatment of pulmonary arterial hypertension (PAH), which we launched in the United States in June 2007, will face the risks outlined in this section. If we fail to increase sales of our products or bring new products to market, we may not be able to increase revenues and expand our R&D efforts. For example, the new drug application (NDA) submitted by us in November 2007 for aztreonam lysine for inhalation for the treatment of cystic fibrosis (CF) or the marketing authorization applications submitted by us in October 2007 for Viread for the treatment of chronic hepatitis B in the United States and the European Union may not be granted under the timelines currently anticipated, or at all.

Further, in December 2007, the Committee for Medicinal Product for Human Use of the European Medicines Agency (EMEA) granted marketing authorization for Atripla in the European Union for the treatment of HIV-1 infection in adults with virologic suppression to HIV-1 RNA levels of less than 50 copies/ml on their current combination antiretroviral therapy for more than three months. Patients must not have experienced virological failure on any prior antiretroviral therapy and must be known not to have harbored virus strains with mutations conferring significant resistance to any of the three components contained in Atripla. This restriction of Atripla's use in the European Union will prevent us from promoting Atripla for use in patients who have not previously achieved this reduction in viral load through the use of antiretroviral therapy, including newly diagnosed patients. If we seek to expand the indication for Atripla in the European Union, the EMEA may require us to perform additional clinical trials, which we may be unable to complete. If we are unable to expand the indication for Atripla to include a broader population of patients, the impact to future sales of Atripla in the European Union is unknown but could be more limited than in other markets, including the United States, where we have no such restrictions. In addition, sales of Atripla may increase at the expense of product sales of its component products and our overall total revenues may not increase as Atripla sales increase.

We face numerous risks and uncertainties with our product candidates, including elvitegravir, our novel HIV integrase inhibitor also known as GS 9137, and darusentan for the treatment of resistant hypertension, both currently in Phase 3 clinical trials, that could prevent completion of development of these product candidates. These risks include our ability to enroll patients in clinical trials, the possibility of unfavorable results of our clinical trials, the need to modify or delay our clinical trials or to perform additional trials and the risk of failing to obtain United States Food and Drug Administration (FDA) and other regulatory body approvals. As a result, our product candidates may never be successfully commercialized. Further, we may make a strategic decision to discontinue development of our product candidates if, for example, we believe commercialization will be difficult relative to other opportunities in our pipeline. If these programs and others in our pipeline cannot be completed on a timely basis or at all, then our prospects for future revenue growth may be adversely impacted.

We face significant competition.

We face significant competition from large pharmaceutical and biotechnology companies, most of whom have substantially greater resources than we do. In addition, our competitors have more products and have operated in the fields in which we compete for longer than we have. Our HIV products compete primarily with products from GlaxoSmithKline Inc. (GSK), which markets fixed-dose combination products that compete with Truvada and Atripla. For Hepsera, we have encountered increased competition with Baraclude (entecavir) from Bristol-Myers Squibb Company (BMS) and Tyzeka/Sebivo (telbivudine) from Novartis Pharmaceuticals Corporation (Novartis) in the United States, the European Union and China. For AmBisome, we compete primarily with products produced by Merck & Co., Inc. (Merck) and Pfizer, Inc. (Pfizer). In addition, we are aware of at least three lipid formulations that claim similarity to AmBisome becoming available outside of the United States, including the possible entry of one such formulation in Greece. These formulations may reduce market demand for AmBisome. Furthermore, the manufacture of lipid formulations of amphotericin B is very complex and if any of these formulations are found to be unsafe, sales of AmBisome may be negatively impacted by association. Letairis competes directly with Actelion Pharmaceuticals US, Inc.'s Tracleer (bosentan) and indirectly with PAH products from United Therapeutics Corporation and Pfizer. Aztreonam lysine for inhalation for the treatment of CF, if approved for marketing, will compete with TOBI (tobramycin for inhalation) marketed by Novartis. Viread for the treatment of the hepatitis B virus, if approved for marketing, will compete with Hepsera, our current product for the treatment of chronic hepatitis B, Hepsera, as well as Baraclude (entecavir), and Tyzeka/Sebivo (telbivudine).

If significant safety issues arise for our marketed products or our product candidates, our future sales may be reduced, which would adversely affect our results of operations.

The data supporting the marketing approvals for our products and forming the basis for the safety warnings in our product labels were obtained in controlled clinical trials of limited duration and, in some cases, from limited post-approval use. As our products are used over longer periods of time by many patients taking numerous other medicines, many of whom have underlying health problems, we expect to continue to find new issues such as safety, resistance or drug interaction issues, which may require us to provide additional warnings or contraindications on our labels or narrow our approved indications, each of which could reduce the market acceptance of these products. Safety and efficacy studies of Viread and Emtriva, dosed as separate products, are ongoing and have been underway for a longer period of time than the safety and efficacy studies of Truvada (Viread and Emtriva together), which are also underway. We are also conducting similar studies of Atripla (Truvada and Sustiva together). In addition, our product Letairis, which was approved by the FDA in June 2007, is a member of a new class of compounds called endothelin receptor antagonists which pose specific risks, including serious risks of liver injury and birth defects. Because of these risks, Letairis is available only through the Letairis Education and Access Program (LEAP), a restricted distribution program intended to help physicians and patients learn about the risks associated with the product and assure appropriate use of the product. As the product is used by additional patients, we may discover new risks associated with Letairis which may result in changes to the distribution program and additional restrictions on the use of Letairis which may decrease demand for the product. For example, since the launch of Letairis, cases of edema in certain patients taking Letairis have been reported. This information has recently been added to the product label, which may negatively impact demand for the product. If serious safety, resistance or drug interaction issues arise with our marketed products, sales of these products could be limited or halted by us or by regulatory authorities.

Our operations depend on compliance with complex FDA and comparable international regulations. Failure to obtain broad approvals on a timely basis or to achieve continued compliance could delay or halt commercialization of our products.

The products we develop must be approved for marketing and sale by regulatory authorities and, once approved, are subject to extensive regulation by the FDA and comparable regulatory agencies in other countries. We are continuing clinical trials for Truvada, Atripla, Viread, Emtriva, Hepsera, AmBisome and Letairis for

currently approved and additional uses. We anticipate that we will file for marketing approval in additional countries and for additional products over the next several years. These products may fail to receive marketing approval on a timely basis, or at all.

In addition, our marketed products and how we manufacture and sell these products are subject to extensive regulation and review. Discovery of previously unknown problems with our marketed products or problems with our manufacturing or promotional activities may result in restrictions on our products, including withdrawal of the products from the market. If we fail to comply with applicable regulatory requirements, we could be subject to penalties including fines, suspensions of regulatory approvals, product recalls, seizure of products and criminal prosecution.

On September 27, 2007, President Bush signed into law the Food and Drug Administration Amendments Act of 2007 (the FDAAA), which created significant additions to the FDA's authority. The FDAAA expanded the FDA's authority, among other things, to:

- require sponsors of marketed products to conduct post-approval clinical studies to assess a known serious risk, signals of serious risk or to identify an unexpected serious risk;
- mandate labeling changes to products, at any point in a product's lifecycle, based on new safety information; and
- require sponsors to implement a Risk Evaluation and Mitigation Strategy for a product which could include a medication guide, patient package insert, a communication plan to healthcare providers, or other elements as the FDA deems are necessary to assure safe use of the drug, which could include imposing certain restrictions on distribution or use of a product.

Failure to comply with the new requirements, if imposed on a sponsor by the FDA, could result in significant civil monetary penalties.

The results and anticipated timelines of our clinical trials are uncertain and may not support continued development of a product pipeline, which would adversely affect our prospects for future revenue growth.

We are required to demonstrate the safety and efficacy of products that we develop for each intended use through extensive preclinical studies and clinical trials. The results from preclinical and early clinical studies do not always accurately predict results in later, large-scale clinical trials. Even successfully completed large-scale clinical trials may not result in marketable products. If any of our product candidates fails to achieve its primary endpoint in clinical trials, if safety issues arise or if the results of our clinical trials are otherwise inadequate to support regulatory approval of our product candidates, commercialization of that product candidate could be delayed or halted. For example, we observed a possible QT prolongation, a measure for cardiovascular safety, in our Phase 1a/b study of our novel non-nucleoside polymerase inhibitor, also known as GS 9190. As a result, we conducted a pilot QT study in healthy volunteers at the 120 mg and the 40 mg bid doses. QT prolongations were confirmed at the 120 mg dose, but prolongations at the 40 mg dose were small and we believe clinically manageable. We are seeking the FDA's consent to reinitiate dosing of HCV-infected individuals to further define the efficacy and safety of the compound. This has delayed the development of this compound and if we are unable to obtain the FDA's consent to reinitiate dosing, this program may be further delayed or we may decide to cease our efforts to commercialize this compound. In addition, we may face challenges in clinical trial protocol design. For example, we are in discussions with the FDA and the European Medicines Evaluation Agency concerning the design of the Phase 3 clinical studies of elvitegravir, our novel HIV integrase inhibitor also known as GS 9137. If the results from these discussions are not positive, clinical trials of elvitegravir may not be completed on a timely basis or at all and our prospects for future revenue growth may be adversely impacted. In addition, clinical trials involving our commercial products could raise new safety issues for our existing products, which could in turn decrease our revenues and harm our business.

Due to our reliance on third-party contract research organizations to conduct our clinical trials, we are unable to directly control the timing, conduct, expense and quality of our clinical trials.

We extensively outsource our clinical trial activities and usually perform only a small portion of the start-up activities in-house. We rely on independent third-party contract research organizations (CROs), over which we do not have control, to perform most of our clinical studies, including document preparation, site identification, screening and preparation, pre-study visits, training, program management and bioanalytical analysis. If there is any dispute or disruption in our relationship with our CROs, our clinical trials may be delayed. Moreover, in our regulatory submissions, we rely on the quality and validity of the clinical work performed by third-party CROs. If any of our CROs' processes, methodologies or results were determined to be invalid or inadequate, our own clinical data and results and related regulatory approvals could be adversely impacted. In February 2007, we were advised by the FDA that it discovered certain irregularities during its inspection of bioanalytical analyses conducted for various organizations by one of our third-party CROs. During the period under review, the CRO performed bioanalytical analyses in studies for certain of our products. We do not know whether the investigation involves or will impact any of our clinical data results or related regulatory approvals.

Manufacturing problems could delay product shipments and regulatory approvals, which may adversely affect our results of operations.

We depend on third parties to perform manufacturing activities effectively and on a timely basis for Truvada, Atripla, Viread, Emtriva, Hepsera, Letairis and Vistide . In addition, Roche, either by itself or through third parties, is responsible for manufacturing Tamiflu. The manufacturing process for pharmaceutical products is highly regulated, and regulators may shut down manufacturing facilities that they believe do not comply with regulations. We and third-party manufacturers are subject to the FDA's current Good Manufacturing Practices (GMP), which are extensive regulations governing manufacturing processes, stability testing, record-keeping and quality standards and similar regulations are in effect in other countries. Our manufacturing operations are also subject to routine inspections by regulatory agencies. Additionally, these third-party manufacturers are independent entities who are subject to their own unique operational and financial risks which are out of our control. If we or any of these third-party manufacturers fail to perform as required, this could impair our ability to deliver our products on a timely basis or receive royalties or cause delays in our clinical trials and applications for regulatory approval. To the extent these risks materialize and affect their performance obligations to us, our financial results may be adversely affected.

Our ability to successfully manufacture and commercialize aztreonam lysine for inhalation, if approved, will depend upon our ability to continue to manufacture in a multi-product facility.

Aztreonam lysine is a mono-bactam Gram-negative antibiotic that we currently plan to manufacture, by ourselves or through third parties, in a multi-product manufacturing facility. Historically, the FDA has permitted the manufacture of mono-bactams in multi-product manufacturing facilities; however, there can be no assurances that the FDA will continue to allow this practice. We do not currently have a single-product facility that can be dedicated to the manufacture of aztreonam lysine for inhalation nor have we engaged a contract manufacturer with a single-product facility for aztreonam lysine for inhalation. If the FDA prohibits the manufacture of mono-bactam antibiotics, like aztreonam lysine for inhalation, in multi-product manufacturing facilities in the future, we may not be able to procure a single-product manufacturing facility in a timely manner, which would adversely affect our commercial supplies of aztreonam lysine for inhalation and our anticipated financial results attributable to such product, if approved.

We may not be able to obtain materials or supplies necessary to conduct clinical trials or to manufacture and sell our products, which could limit our ability to generate revenues.

We need access to certain supplies and products to conduct our clinical trials. Our inability to obtain any of these materials in a timely manner may delay our development efforts for our product candidates, which could limit our ability to generate revenues.

Suppliers of key components and materials must be named in an NDA filed with the FDA for a product candidate, and significant delays can occur if the qualification of a new supplier is required. If delivery of material from our suppliers were interrupted for any reason, we may be unable to ship certain of our products for commercial supply or to supply our products in development for clinical trials. In addition, some of our products and the materials that we utilize in our operations are made at only one facility. For example, we manufacture AmBisome and fill and finish Macugen exclusively at our facilities in San Dimas, California. In the event of a natural disaster, including an earthquake, equipment failure, strike or other difficulty, we may be unable to replace this manufacturing capacity in a timely manner and may be unable to manufacture AmBisome and Macugen to meet market needs.

In addition, we depend on a single supplier for high quality cholesterol, which is used in the manufacture of AmBisome. We also depend on single suppliers for the active pharmaceutical ingredient and for the tableting of Letairis. Our product candidate, aztreonam lysine for inhalation, which is pending FDA approval, is administered to the lungs of patients through a device that is made by a single supplier at a single site. We plan on seeking FDA approval for the manufacture of aztreonam lysine for inhalation at our facilities in San Dimas, but currently rely on a single third-party supplier for the manufacture of aztreonam lysine for inhalation. There can be no guarantee that the FDA will approve our facility for the manufacture of aztreonam lysine for inhalation in a timely manner or at all. In addition, we are aware that this third-party supplier has GMP compliance issues, which have resulted in the issuance of "approvable letters" by the FDA to other companies for which this supplier also manufactures. These approvable letters have indicated that the FDA is prepared to approve the NDAs upon the satisfaction of certain specified conditions, which have included the resolution of the GMP compliance issues by this supplier. If this supplier is unable to resolve these GMP compliance issues, we may also receive an approvable letter that will require the resolution of these compliance issues as a condition to obtaining marketing approval for the product. If the compliance issues are not resolved in a timely manner or if we are not able to obtain FDA approval for the manufacture of aztreonam lysine for inhalation at our facilities in San Dimas in a timely manner, aztreonam lysine for inhalation may not be approved in the anticipated timeframe, and our anticipated sales of this drug may be negatively impacted. Problems with any of the single suppliers we depend on may negatively impact our development and commercialization efforts.

We depend on relationships with other companies for sales and marketing performance and revenues. Failure to maintain these relationships, poor performance by these companies or disputes with these other companies could negatively impact our business.

We rely on a number of significant collaborative relationships with major pharmaceutical companies for our sales and marketing performance in certain territories. These include collaborations with BMS for Atripla in the United States, Europe and Canada; Japan Tobacco Inc. for Viread, Truvada and Emtriva in Japan; GSK for Hepsera outside of the United States; Astellas Pharma, Inc. for AmBisome in the United States and Canada and Dainippon Sumitomo Pharma Co., Ltd. for AmBisome in Japan; Pfizer for Vistide; Roche for Tamiflu; and OSI Pharmaceuticals, Inc. and Pfizer for Macugen. In many countries, we rely on international distributors for sales of Truvada, Viread, Emtriva, Hepsera and AmBisome. Some of these relationships also involve the clinical development of these products by our partners. Reliance on collaborative relationships poses a number of risks, including:

- inability to control the resources our corporate partners devote to our programs or products;
- disputes that may arise with respect to the ownership of rights to technology developed with corporate partners;
- disagreements with corporate partners that could cause delays in, or termination of, the research, development or commercialization of product candidates or result in litigation or arbitration;
- contracts with our corporate partners that may fail to provide significant protection or may fail to be effectively enforced if one of these partners fails to perform;
- corporate partners having considerable discretion in electing whether to pursue the development of any additional products and may pursue alternative technologies or products either on their own or in collaboration with our competitors;

- corporate partners with marketing rights that may choose to pursue competing technologies or to devote fewer resources to the marketing of our products than they do to products of their own development; and

- distributors and corporate partners that may be unable to pay us.

Given these risks, there is a great deal of uncertainty regarding the success of our current and future collaborative efforts. If these efforts fail, our product development or commercialization of new products could be delayed or revenue from products could decline.

Under our April 2002 licensing agreement with GSK, we gave GSK the right to control clinical and regulatory development and commercialization of Hepsera in territories in Asia, Africa and Latin America. These include major markets for Hepsera, such as China, Japan, Taiwan and South Korea. The success of Hepsera in these territories will depend almost entirely on the efforts of GSK. In this regard, GSK promotes Epivir-HBV/Zeffix, a product that competes with Hepsera. Consequently, GSK's marketing strategy for Hepsera may be influenced by its promotion of Epivir-HBV/Zeffix. We receive royalties from GSK equal to a percentage of GSK's net sales of Hepsera as well as net sales of GSK's Epivir-HBV/Zeffix. If GSK fails to devote sufficient resources to, or does not succeed in developing or commercializing Hepsera in its territories, our potential revenues from sales of Hepsera from these territories may be substantially reduced.

In addition, Letairis is distributed through third-party specialty pharmacies, which are pharmacies specializing in the dispensing of medications for complex or chronic conditions that may require a high level of patient education and ongoing counseling. The use of specialty pharmacies requires significant coordination with our sales and marketing, medical affairs, regulatory affairs, legal and finance organizations and involves risks, including but not limited to risks that these specialty pharmacies will:

- not provide us with accurate or timely information regarding their inventories, patient data or safety complaints;

- not effectively sell or support Letairis;

- not devote the resources necessary to sell Letairis in the volumes and within the time frames that we expect;

- not be able to satisfy their financial obligations to us or others; or

- cease operations.

We also rely on a third party to administer LEAP, the restricted distribution program designed to support Letairis. This third party provides information and education to prescribers and patients on the risks of Letairis, confirms insurance coverage and investigates alternative sources of reimbursement or assistance, ensures fulfillment of the risk management requirements mandated for Letairis by the FDA and coordinates and controls dispensing to patients through the third-party specialty pharmacies. Failure of this third party or the specialty pharmacies that distribute Letairis to perform as expected may result in regulatory action from the FDA or decreased Letairis sales, either of which would harm our business.

Further, we will be dependent on the supplier of the inhalation device that delivers aztreonam lysine for inhalation, if and when regulatory approval is obtained, to distribute the device through specialty pharmacies or other distribution channels, and we will not have control over many key aspects related to the device. For example, the supplier could encounter issues with regulatory agencies related to the device or be unable to supply sufficient quantities of this device at the time of a commercial launch or following such a launch. Any of these issues may cause a delay of the commercial launch of aztreonam lysine for inhalation, and we would not be able to realize the anticipated contribution of aztreonam lysine for inhalation to our financial results.

Expenses associated with clinical trials may cause our earnings to fluctuate, which could adversely affect our stock price.

The clinical trials required for regulatory approval of our products, as well as clinical trials we are required to conduct after approval, are very expensive. It is difficult to accurately predict or control the amount or timing of these expenses from quarter to quarter. Uneven and unexpected spending on these programs may cause our operating results to fluctuate from quarter to quarter.

Sales fluctuations as a result of inventory levels held by wholesalers and parallel importation make it difficult for us to accurately forecast sales and may cause our earnings to fluctuate, which could adversely affect our stock price.

We estimate the future demand for our products, consider the shelf life of our inventory and regularly review the realizability of our inventory. If actual demand is less than our estimated demand, we could be required to record inventory write-downs, which would have an adverse impact on our results of operations. For example, as a result of our review of inventory realizability, during the first and fourth quarters of 2006, we recorded write-downs of a portion of our Gilead Access Program inventory.

During the year ended December 31, 2007, approximately 89% of our product sales in the United States were to three wholesalers, Cardinal Health, Inc., McKesson Corp. and AmerisourceBergen Corp. Inventory levels held by those wholesalers can cause our operating results to fluctuate unexpectedly if our sales to wholesalers do not match end user demand. The U.S. wholesalers with whom we have entered into inventory management agreements may not be completely effective in matching inventory levels to end user demand, as they make estimates to determine end user demand. The non-retail sector in the United States, which includes government institutions, including state AIDS Drug Assistance Programs, correctional facilities and large health maintenance organizations, which contributed to approximately 30% of our sales of HIV products in the United States as of December 31, 2007, tends to be less consistent in terms of buying patterns, and often causes quarter over quarter fluctuations that do not necessarily mirror the purchasing patterns that can be seen in the retail sector.

In the European Union, we are required to permit products purchased in one country to be sold in another country. This allows buyers in countries where government-approved prices for our products are relatively high to purchase our products from countries where the prices for our products are relatively low. Purchases of our products in countries where our selling prices are relatively low for resale in countries in which our selling prices are relatively high affect the inventory level held by our wholesalers and us and can cause the relative sales levels in the various countries to fluctuate from quarter to quarter and be more difficult to forecast. In addition, wholesalers may attempt to arbitrage the pricing differential between countries by purchasing excessive quantities of our products. These activities may result in fluctuating quarterly sales in certain countries which do not reflect the actual demand for our products from customers. Such quarterly fluctuations may impact our earnings, which could adversely affect our stock price. For example, during 2007, we experienced increased sales of our HIV products in France. We believe a portion of these products was being re-exported to other countries and resold at higher prices. Our sales of Truvada and Viread in France and any countries to or from which sales have been re-exported may continue to fluctuate. If these activities continue in France, other European countries or elsewhere, our results of operations could be adversely affected.

Our success will depend to a significant degree on our ability to protect our patents and other intellectual property rights both domestically and internationally. We may not be able to obtain effective patents to protect our technologies from use by competitors and patents of other companies could require us to stop using or pay for the use of required technology.

Patents and other proprietary rights are very important to our business. Our success will depend to a significant degree on our ability to:

- obtain patents and licenses to patent rights;

- preserve trade secrets; and

- operate without infringing on the proprietary rights of others.

If we have a properly designed and enforceable patent, it can be more difficult for our competitors to use our technology to create competitive products and more difficult for our competitors to obtain a patent that prevents us from using technology we create. As part of our business strategy, we actively seek patent protection both in the United States and internationally and file additional patent applications, when appropriate, to cover improvements in our compounds, products and technology.

We have a number of U.S. and foreign patents, patent applications and rights to patents related to our compounds, products and technology, but we cannot be certain that issued patents will be enforceable or provide adequate protection or that pending patent applications will result in issued patents. Patent applications are confidential for at least some period of time until a patent is issued. As a result, we may not know if our competitors filed patent applications for technology covered by our pending applications or if we were the first to invent the technology that is the subject of our patent applications. Competitors may have filed patent applications or received patents and may obtain additional patents and proprietary rights that block or compete with our patents. In addition, if competitors file patent applications covering our technology, we may have to participate in interference proceedings or litigation to determine the right to a patent. Litigation and interference proceedings are expensive even if we are ultimately successful. In addition, from time to time, certain individuals or entities may challenge our patents. For example, in March 2007, the Public Patent Foundation filed requests for re-examination with the United States Patent and Trademark Office (PTO) challenging four of our patents related to tenofovir disoproxil fumarate, which is an active ingredient in Truvada, Atripla and Viread. The PTO granted these requests in July 2007. The PTO issued non-final rejections for the four patents, which is a step common in a re-examination proceeding to initiate the re-examination process. We cannot predict the ultimate outcome of these office actions. If we are unsuccessful in responding to these office actions, some or all of the original claims in our patents may be narrowed or invalidated. If the PTO narrows or invalidates any of our patents, this may cause similar organizations to seek re-examination proceedings challenging our patents in foreign jurisdictions.

Patents do not cover the active ingredients in AmBisome. In addition, we do not have patent filings in China or certain other Asian countries covering all forms of adefovir dipivoxil, the active ingredient in Hepsera. Asia is a major market for therapies for hepatitis B infection, the indication for which Hepsera has been developed. Flolan's patent and market exclusivity protection has expired. As a result, one or more generic pharmaceutical companies may launch a generic version of Flolan in the United States.

We may obtain patents for certain products many years before marketing approval is obtained for those products. Because patents have a limited life, which may begin to run prior to the commercial sale of the related product, the commercial value of the patent may be limited. However, we may be able to apply for patent term extensions.

As part of the approval process of some of our products, the FDA has determined that the products would be granted an exclusivity period during which other manufacturers' applications for approval of generic versions of our product will not be granted. Generic manufacturers often wait to challenge the patents protecting products that have been granted exclusivity until one year prior to the end of the exclusivity period. From time to time, we have received notices from manufacturers indicating that they intend to import chemical intermediates possibly for use in making our products. It is, therefore, possible that generic manufacturers are considering attempts to seek FDA approval for a similar or identical drug through an abbreviated NDA, which is the application form typically used by manufacturers seeking approval of a generic drug. If our patents are subject to challenges, we may need to spend significant resources to defend such challenges and we may not be able to defend our patents successfully.

In August 2007, the PTO adopted new rules which were scheduled to become effective on November 1, 2007. In October 2007, GSK successfully obtained a preliminary injunction against implementation of these

rules. The rules include limitations on the number of claims that are permitted in a patent application, and the number of continuing patent applications that can be filed. If the rules are implemented, we may be limited in our ability to obtain broad patent coverage for our products and product candidates and this may allow competitors to market products very similar to ours or to obtain patent coverage for closely related products.

Our success depends in large part on our ability to operate without infringing upon the patents or other proprietary rights of third parties.

If we infringe the patents of others, we may be prevented from commercializing products or may be required to obtain licenses from these third parties. We may not be able to obtain alternative technologies or any required license on reasonable terms or at all. If we fail to obtain these licenses or alternative technologies, we may be unable to develop or commercialize some or all of our products. For example, we are aware of a body of patents that may relate to our operation of LEAP, our restricted distribution program designed to support Letairis. We are evaluating these patents and their relevance to LEAP.

In addition, we use significant proprietary technology and rely on unpatented trade secrets and proprietary know-how to protect certain aspects of our production and other technologies. Our trade secrets may become known or independently discovered by our competitors.

A significant portion of our product sales occur outside the United States, and currency fluctuations may cause our earnings to fluctuate, which could adversely affect our stock price.

A significant percentage of our product sales are denominated in foreign currencies, primarily the Euro. We use foreign currency forward and option contracts to hedge a percentage of our forecasted international sales, primarily those denominated in the Euro. We also hedge a portion of our accounts receivable balances denominated in foreign currencies, which reduces but does not eliminate our exposure to currency fluctuations between the date a sale is recorded and the date that cash is collected. When the U.S. dollar strengthens against these foreign currencies, the relative value of sales made in the respective foreign currency decreases. Conversely, when the U.S. dollar weakens against these currencies, the relative value of such sales increase. Overall, we are a net receiver of foreign currencies and, therefore, benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to those foreign currencies in which we transact significant amounts of business. The net foreign currency exchange impact on our 2007 pre-tax earnings, including revenues and expenses generated from outside the United States and the impact of our hedging activities, was a favorable $71.2 million compared to 2006.

Our hedging program only hedges a portion of our total exposure and significant foreign exchange rate fluctuations within a short period of time could adversely affect our results of operations.

We face credit risks from our European customers that may adversely affect our results of operations.

Our European product sales to government-owned or supported customers in Greece, Italy, Portugal and Spain are subject to significant payment delays due to government funding and reimbursement practices. Our accounts receivable from government-owned or supported customers in these countries totaled approximately $436.4 million as of December 31, 2007. Historically, receivables accumulated over a period of time and were settled as large lump sum payments as government funding became available. If significant changes were to occur in the reimbursement practices of these European governments or if government funding becomes unavailable, we may not be able to collect on amounts due to us from these customers and our results of operations would be adversely affected.

Our product revenues and gross margin could be reduced by imports from countries where our products are available at lower prices.

Prices for our products are based on local market economics and competition and sometimes differ from country to country. Our sales in countries with relatively higher prices may be reduced if products can be imported into those or other countries from lower price markets. There have been cases in which other pharmaceutical products were sold at steeply discounted prices in the developing world and then re-exported to European countries where they could be re-sold at much higher prices. If this happens with our products, particularly Truvada and Viread, which we have agreed to make available at substantially reduced prices to more than 125 countries participating in our Gilead Access Program, or Atripla, which Merck distributes at substantially reduced prices to HIV-infected patients in developing countries under our August 2006 agreement, our revenues would be adversely affected. In addition, we have established partnerships with ten Indian generic manufacturers to distribute high-quality, low-cost generic versions of tenofovir disoproxil fumarate to 95 developing world countries, including India. If generic versions of our medications under these licenses are then re-exported to the United States, Europe or other markets outside of these 95 countries, our revenues would be adversely affected.

In addition, purchases of our products in countries where our selling prices are relatively low for resale in countries in which our selling prices are relatively high may adversely impact our revenues and gross margin and may cause our sales to fluctuate from quarter to quarter. During the year ended December 31, 2007, we have observed an increase in cross-border sales in the European Union, where we are required to permit cross-border sales. Further, some U.S. consumers have been able to purchase products, including HIV products, from internet pharmacies in other countries at substantial discounts. Such cross-border sales could adversely affect our revenues and gross margin.

In some countries, we may be required to grant compulsory licenses for our products or face generic competition for our products.

In a number of developing countries, government officials and other interested groups have suggested that pharmaceutical companies should make drugs for HIV infection available at low cost. Alternatively, governments in those developing countries could require that we grant compulsory licenses to allow competitors to manufacture and sell their own versions of our products, thereby reducing our product sales. For example, in the past, certain offices of the government of Brazil have expressed concern over the affordability of our HIV products and declared that they were considering issuing compulsory licenses to permit the manufacture of otherwise patented products for HIV infection, including Viread. As a result of discussions with the Brazilian government, we reached agreement with the Brazilian Health Ministry in May 2006 to reduce the price of Viread in Brazil by approximately 50%. In addition, concerns over the cost and availability of Tamiflu related to a potential avian flu pandemic have generated international discussions over compulsory licensing of our Tamiflu patents. For example, the Canadian government may allow Canadian manufacturers to manufacture and export the active ingredient in Tamiflu to eligible developing and least-developed countries under Canada's Access to Medicines Regime. Furthermore, Roche has issued voluntary licenses to permit third-party manufacturing of Tamiflu. For example, Roche has granted a sublicense to Shanghai Pharmaceutical (Group) Co., Ltd. for China and a sublicense to India's Hetero Drugs Limited for India and certain developing countries. Should one or more compulsory licenses be issued permitting generic manufacturing to override our Tamiflu patents, or should Roche issue additional voluntary licenses to permit third-party manufacturing of Tamiflu, those developments could reduce royalties we receive from Roche's sales of Tamiflu. Certain countries do not permit enforcement of our patents, and manufacturers are able to sell generic versions of our products in those countries. Compulsory licenses or sales of generic versions of our products could significantly reduce our sales and adversely affect our results of operations, particularly if generic versions of our products are imported into territories where we have existing commercial sales.

Our existing products are subject to reimbursement from government agencies and other third parties. Pharmaceutical pricing and reimbursement pressures may reduce profitability.

Successful commercialization of our products depends, in part, on the availability of governmental and third-party payor reimbursement for the cost of such products and related treatments. Government health administration authorities, private health insurers and other organizations generally provide reimbursement. Government authorities and third-party payors increasingly are challenging the price of medical products and services, particularly for innovative new products and therapies. This has resulted in lower average sales prices. For example, a majority of our sales of Truvada, Atripla, Viread, Hepsera, AmBisome, Vistide and Letairis are subject to reimbursement by government agencies, resulting in significant discounts from list price and rebate obligations. Our business may be adversely affected by an increase in pricing pressures in the United States and internationally. These pressures can arise from rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and health care reform, pharmaceutical reimbursement policies and pricing in general.

In Europe, the success of Truvada, Atripla, Viread, Emtriva, Hepsera, AmBisome and Tamiflu will also depend largely on obtaining and maintaining government reimbursement, because in many European countries patients are unlikely to use prescription drugs that are not reimbursed by their governments. In addition, negotiating prices with governmental authorities can delay commercialization by twelve months or more. We also expect that the success of our product candidates, particularly in Europe, will depend on our ability to obtain reimbursement for these product candidates when commercialized. Even if reimbursement is available, reimbursement policies may adversely affect our ability to sell our products on a profitable basis. For example, in Europe as in many international markets, governments control the prices of prescription pharmaceuticals and expect prices of prescription pharmaceuticals to decline over the life of the product or as volumes increase. As new drugs come to market, we may face significant price decreases for our products across most of the European countries. We believe that this will continue into the foreseeable future as governments struggle with escalating health care spending. As a result of these pricing practices, it may become difficult to maintain our historic levels of profitability or to achieve expected rates of growth.

Our results of operations could be adversely affected by current and future health care reforms.

Legislative and regulatory changes to government prescription drug procurement and reimbursement programs occur relatively frequently in the United States and foreign jurisdictions. There have been significant changes to the federal Medicare system in recent years in the United States that could impact the pricing of our products. Under the Medicare Prescription Drug Improvement and Modernization Act of 2003, Medicare beneficiaries are now able to elect coverage for prescription drugs under Medicare Part D. The prescription drug program began on January 1, 2006 and although we have benefited initially from patients transitioning from Medicaid to Medicare Part D in 2006, the longer term impact of this new law on our business is not yet clear to us, and the impact will depend in part on specific decisions regarding the level of coverage provided for the therapeutic categories in which our products are included, the terms on which such coverage is provided, and the extent to which preference is given to selected products in a category. Some of the entities providing Medicare Part D coverage have attempted to negotiate price concessions from pharmaceutical manufacturers. In addition, discussions are taking place at the federal level to pass legislation that would either allow or require the federal government to directly negotiate price concessions from pharmaceutical manufacturers. The increasing pressure to lower prescription drug prices may limit drug access for Medicare Part D enrollees. Further, Medicare patients will have to pay co-insurance, which may influence which products are recommended by physicians and selected by patients. Our results of operations could be materially adversely affected by the reimbursement changes emerging from the Medicare prescription drug coverage legislation. In addition to federal Medicare proposals, state Medicaid drug payment changes could also lower payment for our products. To the extent that private insurers or managed care programs follow Medicaid coverage and payment developments, the adverse effects may be magnified by private insurers adopting lower payment schedules. Additionally, health care reform at both the federal and state levels could adversely affect payment for our drugs. At this time, a few states have already enacted health care reform legislation.

We may face significant liability resulting from our products that may not be covered by insurance and successful claims could materially reduce our earnings.

The testing, manufacturing, marketing and use of our commercial products, as well as products in development, involve substantial risk of product liability claims. These claims may be made directly by consumers, healthcare providers, pharmaceutical companies or others. In recent years, coverage and availability of product liability insurance has decreased. The cost to defend lawsuits or pay damages for product liability claims may exceed our coverage, which could impair our financial condition and our ability to clinically test our product candidates and to market our products. In addition, claims, regardless of their merit may impair our financial condition and future demand for our products.

Our assumptions used to determine our self-insurance levels could be wrong and materially impact our business.

We continually evaluate our levels of self-insurance based on historical claims experience, demographic factors, severity factors and other actuarial assumptions. However, if future occurrences and claims differ from these assumptions and historical trends, our results of operations, business, cash flow and financial condition could be materially impacted by claims and other expenses.

Expensive litigation and government investigations may reduce our earnings.

We, along with certain of our officers and a former officer, were named as defendants in a class action lawsuit alleging violations of federal securities laws, which lawsuit has been dismissed by the court. However, the plaintiffs have appealed the dismissal. In November 2006, we received a subpoena from the U.S. Attorney's Office in San Francisco requesting documents regarding our marketing and medical education programs for Truvada, Viread and Emtriva. We have complied with the U.S. Attorney's subpoena and intend to cooperate with any related government investigation. The outcome of this lawsuit, any other lawsuits brought against us, the investigation, or any other such investigations brought against us, are inherently uncertain, and adverse developments or outcomes can result in significant monetary damages, penalties or injunctive relief against us that could significantly reduce our earnings and cash flows.

Changes in our effective income tax rate could reduce our earnings.

Various factors may have favorable or unfavorable effects on our income tax rate. These factors include, but are not limited to, interpretations of existing tax laws, changes in tax laws and rates, the accounting for stock options and other share-based payments, mergers and acquisitions, future levels of R&D spending, changes in accounting standards, future levels of capital expenditures, changes in the mix of earnings in the various tax jurisdictions in which we operate, changes in overall levels of pre-tax earnings and finalization of federal, state and foreign income tax audits. The impact on our income tax provision resulting from the above-mentioned factors may be significant and could have a negative impact on our net income.

Our income tax returns are audited by federal, state and foreign tax authorities. We are currently under examination by the Internal Revenue Service for the 2003 and 2004 tax years, by the Franchise Tax Board of California for the 2004 and 2005 tax years, and by various other state and foreign jurisdictions. There are differing interpretations of tax laws and regulations, and as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. Adverse resolution of one or more of these exposures in any reporting period could have a material impact on the results of operations for that period.

Changes in accounting may affect our financial position and results of operations.

U.S. generally accepted accounting principles and related implementation guidelines and interpretations can be highly complex and involve subjective judgments. Changes in these rules or their interpretation, the adoption of new pronouncements or the application of existing pronouncements to changes in our business could significantly affect our financial position and results of operations.

For example, on August 31, 2007, the FASB issued for comment a proposed Financial Accounting Standards Board (FASB) Staff Position (FSP) APB 14-a, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-a). The proposed FSP APB 14-a addresses instruments commonly referred to as Instrument C from EITF Issue No. 90-19, *Convertible Bonds with Issuer Option to Settle for Cash upon Conversion*, which requires the issuer to settle the principal amount in cash and the conversion spread in cash or net shares at the issuer's option. The proposed FSP APB 14-a requires bifurcation of the conversion option from the debt instrument, classification of the conversion option in equity, and then accretion of the resulting discount on the debt to result in additional interest expense being reported in the income statement. In November 2007, after the expiration of the initial comment period, the FASB announced that it would begin its redeliberations of the guidance in the proposed FSP in January 2008. The final guidance has not been issued and we cannot predict its ultimate outcome, including when the final guidance will be effective. We believe that if the FASB determines that we should account for Instrument C securities in the manner described above, the accounting for our convertible senior notes would be affected and the change in presentation on our balance sheet and the adverse impact to our results of operations would be material.

If we fail to attract and retain highly qualified personnel, we may be unable to successfully develop new product candidates, conduct our clinical trials and commercialize our product candidates.

Our future success will depend in large part on our continued ability to attract and retain highly qualified scientific, technical and management personnel, as well as personnel with expertise in clinical testing, governmental regulation and commercialization. We face competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations. Competition for qualified personnel in the biopharmaceutical field is intense, and there is a limited pool of qualified potential employees to recruit. We may not be able to attract and retain quality personnel on acceptable terms. If we are unsuccessful in our recruitment and retention efforts, our business may be harmed.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our corporate headquarters, including our principal offices and some of our commercial, administrative, research and development (R&D) facilities, are located in Foster City, California. At this location, we own 17 buildings.

We lease facilities in San Dimas, California, to house some of our manufacturing, warehousing and R&D activities. In addition, we also lease facilities in Durham, North Carolina; Westminster, Colorado; and Seattle, Washington to house some of our administrative and R&D activities.

Our European headquarters, which include some of our commercial, medical and administrative facilities, are located in the London area in the United Kingdom.

We also lease and own facilities in the Dublin area of Ireland to house our manufacturing and distribution activities. We acquired a manufacturing facility in Cork, Ireland in September 2007 in connection with the acquisition of Nycomed Limited. We have transferred certain of our operations from our Dublin area site to this facility and utilize the site primarily for solid dose tablet manufacturing of our antiviral products, as well as product packaging activities.

We also own a manufacturing facility in Edmonton, Alberta, Canada, that we use to conduct process research and scale-up of our clinical development candidates, the manufacturing of our active pharmaceutical ingredients for both investigational and commercial products and our chemical development activities to improve existing commercial manufacturing processes.

In addition, we have leased additional facilities to house our commercial, medical and administrative activities in Australia, Austria, Belgium, Canada, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

We believe that our existing properties, including both owned and leased sites, are in good condition and suitable for the conduct of our business. We believe our capital resources are sufficient to purchase, lease or construct any additional facilities required to meet our long-term growth needs.

ITEM 3. LEGAL PROCEEDINGS

Information pertaining to legal proceedings can be found under the heading “Legal Proceedings” in Item 8, Note 12 “Commitments and Contingencies” to our Consolidated Financial Statements on pages 114 and 115 of this Annual Report on Form 10-K and is incorporated by reference herein.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders during the quarter ended December 31, 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on The Nasdaq Global Select Market under the symbol "GILD". The following table sets forth for the periods indicated the high and low intra-day sale prices per share of our common stock on The Nasdaq Global Select Market. These prices represent quotations among dealers without adjustments for retail mark-ups, markdowns or commissions and may not represent prices of actual transactions.

	High	Low
2007		
First Quarter	$ 38.54	$ 30.96
Second Quarter	$ 42.24	$ 37.87
Third Quarter	$ 41.37	$ 35.22
Fourth Quarter	$ 47.90	$ 40.80
2006		
First Quarter	$ 32.33	$ 26.24
Second Quarter	$ 33.10	$ 26.28
Third Quarter	$ 34.64	$ 29.01
Fourth Quarter	$ 35.00	$ 30.76

As of February 22, 2008, we had 928,870,032 shares of common stock outstanding held by approximately 476 stockholders of record.

We have not paid cash dividends on our common stock since our inception. We currently expect to retain earnings for use in the operation and expansion of our business, and therefore, do not anticipate paying any cash dividends in the near future.

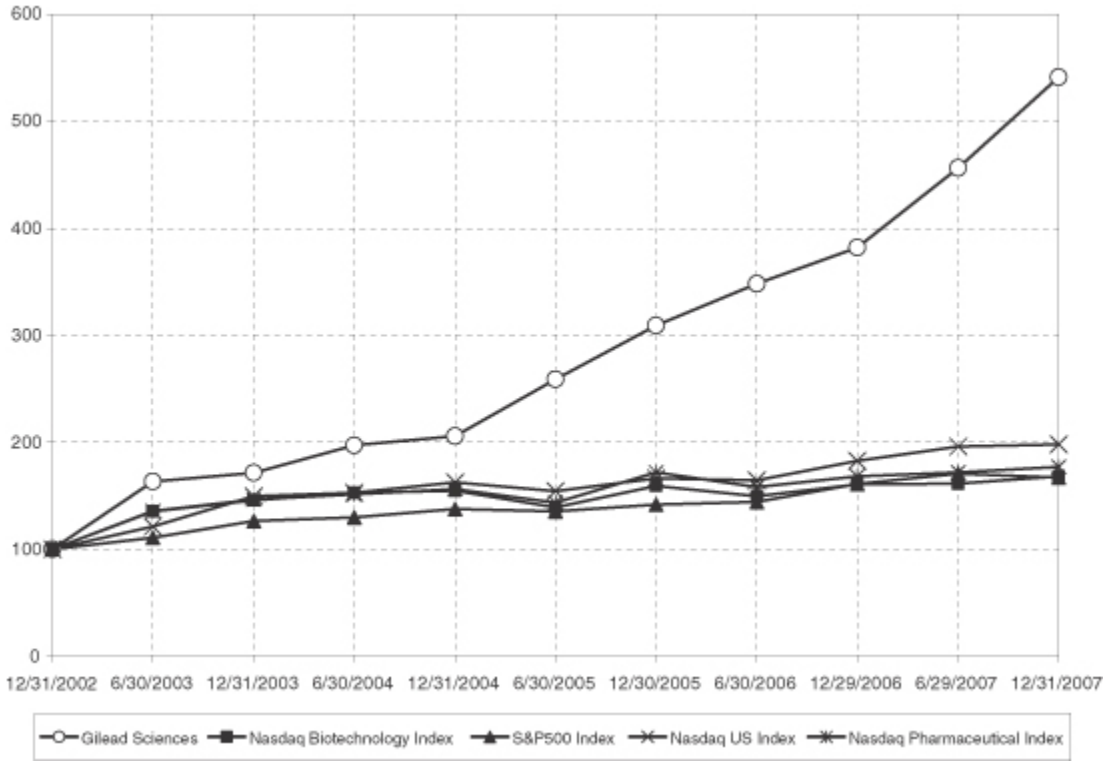
Performance Graph[1]

The following graph compares our total stockholder returns for the past five years to four indices: the Standard & Poor's 500 Stock Index, labeled S&P500 Index; the Nasdaq Biotechnology Index, labeled Nasdaq Biotechnology Index; the Nasdaq CRSP Total Return Index for the Nasdaq Global Select Market (U.S. companies), labeled Nasdaq US Index; and the Nasdaq Pharmaceutical Index, labeled Nasdaq Pharmaceutical Index. The total return for each index assumes the reinvestment of all dividends, if any, paid by companies included in these indices and are calculated as of December 31 of each year.

We are a composite member of each of the S&P500 Index and the Nasdaq Biotechnology Index and we intend to use these indices as comparators for our stock performance for the purposes of the following graph going forward. As a composite member of the S&P500 Index, we are required under applicable regulations to use this index as a comparator, and we believe the Nasdaq Biotechnology Index is a relevant comparator since it is composed of peer companies in lines-of-business similar to ours.

The stockholder return shown on the graph below is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder returns.

Comparison of Cumulative Total Return on Investment for Past Five Years [2]



(1) This section is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act or the Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

(2) Shows the cumulative return on investment assuming an investment of $100 in our common stock and the Nasdaq Biotechnology, S&P 500, Nasdaq US and Nasdaq Pharmaceutical indices on December 31, 2002.

Issuer Purchases of Equity Securities

In October 2007, our Board of Directors authorized a program for the repurchase of our common stock in an amount up to $3.0 billion through open market and private block transactions pursuant to Rule 10b5-1 plans, privately negotiated purchases or other means, including accelerated share repurchase transactions or similar arrangements. This stock repurchase program expires on December 31, 2010.

The table below summarizes our stock repurchase activity for the three months ended December 31, 2007 (in thousands, except per share amounts):

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Fair Value of Shares that May Yet Be Purchased Under the Program
October 1 – October 31, 2007	2	$ 42.57	—	$ 3,000,000
November 1 – November 30, 2007	—	$ —	—	$ 3,000,000
December 1 – December 31, 2007	706	$ 46.28	706	$ 2,967,344
Total	708(1)	$ 46.28	706(1)	

(1) The difference between total number of shares purchased and the total number of shares purchased as part of publicly announced programs is due to shares of common stock withheld by us from an employee restricted stock award in order to satisfy our applicable tax withholding obligations.

ITEM 6. SELECTED FINANCIAL DATA

GILEAD SCIENCES, INC.

SELECTED CONSOLIDATED FINANCIAL DATA
(in thousands, except per share data)

	Year ended December 31,				
	2007	2006	2005	2004	2003
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Total revenues	$ 4,230,045	$ 3,026,139	$ 2,028,400	$ 1,324,621	$ 867,864
Purchased in-process research and development[1]	$ —	$ 2,394,051	$ —	$ —	$ 488,599
Total costs and expenses[2]	$ 2,065,538	$ 3,784,892	$ 919,333	$ 697,234	$ 1,024,304
Income (loss) from operations	$ 2,164,507	$ (758,753)	$ 1,109,067	$ 627,387	$ (156,440)
Gain on warrant[1]	$ —	$ —	$ —	$ 20,576	$ —
Provision for (benefit from) income taxes[1][2]	$ 655,040	$ 551,750	$ 347,878	$ 207,051	$ (95,530)
Net income (loss)	$ 1,615,298	$ (1,189,957)	$ 813,914	$ 449,371	$ (72,003)
Net income (loss) per share—basic[3]	$ 1.74	$ (1.30)	$ 0.90	$ 0.52	$ (0.09)
Shares used in per share calculation—basic[3]	929,133	918,212	908,677	864,001	804,420
Net income (loss) per share—diluted[3]	$ 1.68	$ (1.30)	$ 0.86	$ 0.49	$ (0.09)
Shares used in per share calculation—diluted[3]	964,356	918,212	948,569	928,492	804,420

	As of December 31,				
	2007	2006	2005	2004	2003
CONSOLIDATED BALANCE SHEET DATA:					
Cash, cash equivalents and marketable securities	$ 2,722,422	$ 1,389,566	$ 2,311,033	$ 1,250,624	$ 704,136
Working capital	$ 2,292,017	$ 1,664,930	$ 2,627,045	$ 1,596,241	$ 1,080,003
Total assets	$ 5,834,716	$ 4,085,981	$ 3,766,316	$ 2,155,963	$ 1,554,722
Other long-term obligations[4]	$ 11,604	$ 91,847	$ 240,650	$ 234	$ 323
Convertible debt[4]	$ 1,300,000	$ 1,300,000	$ —	$ —	$ 345,000
Retained earnings (accumulated deficit)[5]	$ 249,080	$ (891,363)	$ 809,642	$ (4,272)	$ (453,643)
Total stockholders' equity	$ 3,459,990	$ 1,815,718	$ 3,027,778	$ 1,870,872	$ 1,002,974

(1)

- During 2007, we completed the acquisition of Nycomed Limited for an aggregate purchase price of $48.3 million which was allocated primarily to property, plant and equipment.

- During 2006, we completed the acquisition of Myogen, Inc. for an aggregate purchase price of $2.42 billion, of which $2.06 billion was allocated to purchased in-process research and development (IPR&D), $180.8 million was allocated to deferred tax assets primarily related to federal net operating loss and tax credit carryforwards and certain state amortizations, $70.9 million was allocated to

goodwill and $110.0 million was allocated to net tangible assets. In 2006, we also acquired the net assets of Corus Pharma, Inc. for $415.5 million, of which $335.6 million was allocated to purchased IPR&D, $71.2 million was allocated to net deferred tax assets primarily related to federal net operating loss and tax credit carryforwards and certain state amortizations, $7.2 million was allocated to net tangible assets and $1.6 million was allocated to assembled workforce.

- During 2005, we recognized $80.7 million in royalty revenue relating to the resolution of our dispute with F. Hoffmann-La Roche Ltd (together with Hoffmann-La Roche Inc., Roche). We also recorded a tax provision benefit of $25.1 million related to our repatriation of qualified foreign earnings under the American Jobs Creation Act (AJCA).

- During 2004, we recorded a gain of $20.6 million related to our warrant to purchase capital stock of Eyetech Pharmaceuticals, Inc., as predecessor to OSI Pharmaceuticals, Inc., which completed its initial public offering.

- During 2003, we completed the acquisition of all of the net assets of Triangle Pharmaceuticals, Inc. for an aggregate purchase price of $525.2 million. Approximately $488.6 million of the purchase price was allocated to purchased IPR&D. We also recorded an income tax benefit of $111.6 million related to the reduction of the valuation allowance on certain of our net deferred tax assets.

(2) We adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* on a modified prospective basis, beginning on January 1, 2006. See Notes 1 and 14 to our Consolidated Financial Statements.

(3) On September 3, 2004 and June 22, 2007, we implemented two-for-one stock splits in the form of a stock dividend. All share and per share amounts for all periods presented have been restated to reflect these stock splits.

(4)

- During 2006, we issued $1.30 billion principal amount of convertible senior notes in a private placement.

- During 2005, we entered into an uncollateralized $300.0 million term loan agreement to facilitate a cash dividend distribution as part of the repatriation of our qualified foreign earnings under the provisions of the AJCA.

(5) No cash dividends have been declared or paid on our common stock.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis (MD&A) is intended to help the reader understand our results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our audited Consolidated Financial Statements and the accompanying notes to the financial statements and other disclosures included in this Annual Report on Form 10-K (including the disclosures under "Item 1A. Risk Factors"). Our Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles and are presented in U.S. dollars.

Executive Summary

This past year marked the 20th anniversary of the founding of Gilead and the achievement of many important milestones as we continued to discover, develop and commercialize innovative therapeutics in areas of unmet medical need. We grew our product sales significantly, we executed on several product approvals and launches in multiple territories, in-licensed new compounds into our research pipeline as well as made progress on product candidates already in the clinic, integrated multiple sites that were acquired in 2006 and continued to strengthen our worldwide organization and infrastructure.

Our operating results for 2007 were led by product sales of $3.73 billion. HIV product sales (Truvada, Atripla, Viread and Emtriva) of $3.14 billion, which increased by 48% in 2007 over 2006, were the key driver for total product sales growth of 44% in 2007 compared to 2006. Total product sales of Truvada increased by $394.9 million (or 33%) in 2007 when compared to the prior year, despite the availability of Atripla in the United States since July 2006. Atripla product sales in 2007 increased by $697.7 million from 2006. Together, Truvada and Atripla sales comprised 67% of our total product sales in 2007.

In addition to the commercial progress and success of Atripla in the United States, we and our partner, Bristol-Myers Squibb Company (BMS), expanded our Atripla collaboration to include the 27 countries that comprise the European Union, as well as Norway and Iceland. In December 2007, we received approval from the European Commission to market and sell Atripla in these European territories. We have already begun shipping Atripla to Germany, the United Kingdom and Austria, and expect to launch the product throughout the remainder of the European Union, as pricing and other sales and marketing matters are finalized and approved. If Atripla continues to comprise a larger proportion of our total product sales, we expect our product gross margin will continue to decrease. This decrease results from the inclusion of BMS's Sustiva (efavirenz), which carries zero gross margin, in product sales and cost of goods for Atripla. Our 2007 product gross margin decreased to 79% due to the higher percentage of Atripla in our mix of product sales as compared to 2006.

Hepsera product sales for 2007 increased 31% from 2006 driven primarily by sales volume growth across most major geographical regions as well as a favorable foreign currency exchange environment. AmBisome product sales for 2007 increased 18% from 2006 driven primarily by sales volume growth in Europe as well as the impact of a favorable foreign currency exchange environment. Due to the depreciation of the U.S. dollar against major European currencies in 2007, foreign currency denominated product sales experienced a net benefit from the foreign currency fluctuations after considering the impact of our hedging activities. This resulted in foreign currency having a favorable impact of approximately $71.2 million on pre-tax income in 2007 compared to 2006.

In addition to the growth in our product sales, royalty revenues increased by 12% in 2007 compared to 2006. Of the $468.2 million in royalty revenues that we recognized, $414.5 million were recorded from royalties on the sales of Tamiflu by F. Hoffmann-La Roche Ltd (together with Hoffmann-La Roche Inc., Roche). Strong sales of Tamiflu by Roche, including sales of Tamiflu related to worldwide pandemic planning initiatives, contributed to the increase in our royalty revenues. Despite the higher royalties recognized in 2007, Roche recently announced that they expect to see a marked decline in Tamiflu sales related to pandemic planning. We expect this decline to significantly reduce the royalties we receive from the sale of Tamiflu which will adversely impact our 2008 financial results.

In June 2007, Letairis (ambrisentan), a product acquired in our 2006 acquisition of Myogen Inc. (Myogen), was approved by the U.S. Food and Drug Administration (FDA) for the treatment of pulmonary arterial hypertension (PAH). In October 2007, we filed a supplemental new drug application (NDA) with the FDA, as well as a Type II variation with the European Medicines Evaluation Agency (EMEA), for the marketing approval of Viread for the treatment of chronic hepatitis B in adults. Additionally, in November 2007, we submitted an NDA with the FDA for marketing approval of aztreonam lysine for inhalation for the treatment of pulmonary *Pseudomonas aeruginosa* (*P. aeruginosa*) infection in people with cystic fibrosis (CF).

Along with the regulatory filings made in relation to Viread for hepatitis B and aztreonam lysine for inhalation for CF, we progressed the development of other compounds and drug candidates in-licensed from our collaboration partners, including:

- In the HIV area, we completed a Phase 2 clinical trial of elvitegravir (GS 9137), our novel integrase inhibitor for HIV which we licensed from Japan Tobacco Inc. in 2005. Integrase inhibitors represent a new way of attacking HIV and a potential treatment alternative for patients who have developed resistance to existing classes of therapy. Pending a positive outcome of our discussions with the FDA and the EMEA concerning the design of the Phase 3 program, we anticipate dosing patients in a Phase 3 clinical study for elvitegravir in 2008.

- In the hepatitis B area, we filed a supplemental NDA with the FDA, as well as a Type II variation with the EMEA, for the marketing approval of Viread for the treatment of chronic hepatitis B in adults. These applications were based on data we obtained from two key pivotal Phase 3 studies completed during the year. We anticipate decisions from the EMEA and the FDA in the second and third quarters of 2008, respectively.

- In the hepatitis C area, we presented preliminary data in November 2007 on our lead compound against the hepatitis C virus, GS 9190, a non-nucleoside polymerase inhibitor. After investigating QT prolongations at certain doses, pending the FDA's consent, we plan to reinitiate our Phase 1a/b study of GS 9190 to further define the efficacy and safety of the compound. During the year, we also entered into an exclusive license agreement with LG Life Sciences, Ltd. (LGLS) to develop and commercialize certain caspase inhibitors for the treatment of fibrotic diseases. Caspase inhibitors are showing potential as treatments for chronic hepatitis C and other diseases characterized by tissue scarring (fibrosis). The agreement granted us commercialization rights to LGLS's investigational caspase inhibitors, including GS 9450 which is being evaluated in an ongoing Phase 2a clinical trial as a potential treatment for chronic hepatitis C and for which we anticipate data by the end of 2008. Related to this collaboration, we paid a $20.0 million up-front license fee that we recorded in research and development (R&D) expenses.

- In the cardiovascular area, we plan to continue to enroll our two Phase 3 clinical studies for darusentan for the treatment of resistant hypertension and we expect to complete enrollment in 2009. In addition, Letairis for PAH was approved in the United States in June, and our partner GlaxoSmithKline Inc. (GSK), who has rights to ambrisentan in territories outside of the United States, received a positive opinion from the European Committee for Human Medicinal Products for the treatment of PAH in February 2008. If approved, GSK will market ambrisentan under the name Volibris.

- In the respiratory area, we presented data from the second of the two pivotal studies of aztreonam lysine for inhalation, our inhaled antibiotic for the treatment of patients with CF who have pulmonary infection with *P. aeruginosa.* Along with the NDA we filed with the FDA in November 2007, we plan to submit a marketing authorization application to the EMEA in the second quarter of 2008. Also in the respiratory area, we completed a Phase 1a study in healthy volunteers for GS 9310/11, a proprietary formulation of the combination of tobramycin and fosfomycin for inhalation, and have begun enrolling patients in two Phase 1b clinical studies. Additionally, in August 2007, we entered into a research collaboration and license agreement with Parion Sciences, Inc. (Parion) to research, develop and commercialize certain epithelial sodium channel inhibitors for the treatment of pulmonary diseases. In connection with this collaboration, we paid a $5.0 million up-front license fee which we recorded as R&D expense and made a $5.0 million investment in Parion.

Taken together, these programs contributed to the increase in R&D expenses in 2007 as compared to 2006, and we expect research and clinical activity in these areas will continue to increase R&D expenses in 2008.

In addition to our commercial and clinical efforts, we continued to expand our worldwide organization and infrastructure. In 2007, we integrated the sites acquired in our 2006 acquisitions of Corus Pharma, Inc. (Corus), Myogen and Raylo Chemicals Inc. In September 2007, we acquired and integrated Nycomed Limited, a Cork, Ireland based manufacturing and tableting operation. We transferred certain of our existing Dublin operations to this Nycomed facility in Cork and utilize this Cork facility for solid dose tablet manufacturing of certain of our antiviral products and product packaging activities. As part of our strategy to better build, manage and expand our presence in new and existing markets internationally, we established new subsidiaries in Turkey, Austria and Switzerland in 2007, and are in the process of establishing marketing subsidiaries in Belgium, Denmark, Finland, the Netherlands, Norway and Sweden. These initiatives, which we believe will help reduce our reliance on third-party distributors, have also contributed to the increase in our selling, general and administrative (SG&A) expenses in 2007 as we continue to increase headcount and expand our marketing and promotional activities in these countries. We will continue to see an increase in SG&A expenses in 2008 as we continue to expand internationally and launch products in new territories, including Atripla in the European territories.

Our strong operating results which contributed to operating cash flows of $1.77 billion for 2007, helped fund our R&D activities, our corporate development opportunities, our worldwide infrastructure and capital requirements as well as our daily operating needs. Additionally, our strong cash position allowed us to repurchase $487.5 million of our common stock in 2007. These repurchases completed the $1 billion stock repurchase program initiated in 2006 and allowed us to initiate a $3 billion stock repurchase program in October 2007. In addition, we entered into an amended and restated credit agreement under which our credit facility was increased to $1.25 billion, thereby providing greater access to funds as future requirements arise.

In 2008, we plan to further expand our international footprint, advance additional drug candidates into the clinic and launch Viread for hepatitis B and aztreonam lysine for inhalation for CF, if they are approved. Strengthening our relationships with our corporate partners continues to be a priority, especially as we and BMS continue to launch Atripla in the European territories. Finally, we plan to continue to strengthen our worldwide infrastructure to better support our growing employee and customer base, as well as to better facilitate our expanding manufacturing, research and development and commercial activities.

Critical Accounting Policies, Estimates and Judgments

The discussion and analysis of our financial condition and results of operations is based on our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, allowance for doubtful accounts, inventories, prepaid royalties, clinical trial accruals, our tax provision and stock-based compensation. We base our estimates on historical experience and on various other market-specific assumptions that we believe 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, however, may differ significantly from these estimates.

We believe the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

Revenue Recognition

Product Sales

We recognize revenues from product sales when there is persuasive evidence an arrangement exists, delivery to the customer has occurred, the price is fixed or determinable and collectibility is reasonably assured. We record estimated reductions to revenues for government rebates such as Medicaid reimbursements, customer incentives such as cash discounts for prompt payment, distributor fees and expected returns of expired products. These estimates are deducted from gross product sales at the time such revenues are recognized. Of these reductions from gross product sales, government rebates significantly impact our reported net product sales and are based upon certain estimates that require complex and significant judgment of management.

Government Rebates

We estimate amounts payable by us to government-managed Medicaid programs as well as to certain other qualifying federal, state and foreign government programs for the reimbursement of portions of the retail price of prescriptions filled that are covered by these programs. Government rebates that are invoiced directly to us are recorded in other accrued liabilities on our Consolidated Balance Sheets. For qualified programs that can purchase our products through wholesalers at a lower contractual government price, the wholesalers charge back to us the difference between their acquisition cost and the lower price, which we record as allowances against accounts receivable. We estimate these sales allowances based on contractual terms, historical utilization rates, any new information regarding changes in these programs' regulations and guidelines that would impact the amount of the actual rebates, our expectations regarding future utilization rates for these programs and, for U.S. product sales, the channel inventory data as obtained from our major U.S. wholesalers in accordance with our inventory management agreements. During 2007, 2006 and 2005, government rebates of $464.4 million, $272.2 million and $184.8 million, respectively, representing 12%, 9% and 9% of total gross product sales, respectively, were deducted from gross product sales. Based on the current information available to us, actual government rebates claimed for these periods have varied by less than 3% from our estimates recorded in those periods. As of December 31, 2007 and 2006, we had accrued government rebates of $115.5 million and $65.7 million, respectively, in other accrued liabilities and an allowance of $25.3 million and $10.6 million, respectively, recorded against accounts receivable.

The following table summarizes the aggregate activity in these accrued government rebates allowance and accrued liabilities accounts:

	Balance at Beginning of Year	Charged to Expense	Deducted from Accruals	Balance at End of Year
Year ended December 31, 2007:				
Government rebates allowances and accrued liabilities				
Activity related to 2007 sales	$ —	$ 439,562	$ 310,272	$ 129,290
Activity related to sales prior to 2007	76,362	(2,753)	62,134	11,475
Total	$ 76,362	$ 436,809	$ 372,406	$ 140,765
Year ended December 31, 2006:				
Government rebates allowances and accrued liabilities				
Activity related to 2006 sales	$ —	$ 246,274	$ 190,258	$ 56,016
Activity related to sales prior to 2006	71,220	(4,681)	46,193	20,346
Total	$ 71,220	$ 241,593	$ 236,451	$ 76,362

Allowance for Doubtful Accounts

We also maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. This allowance is based on our analysis of several factors including, but not limited to, contractual payment terms, historical payment patterns of our customers and individual customer circumstances, an analysis of days sales outstanding by customer and geographic region and a review of the local economic environment and its potential impact on government funding and reimbursement practices. If the financial condition of our customers or the economic environment in which they operate were to deteriorate, resulting in an inability to make payments, additional allowances may be required. Our allowance for doubtful accounts balance as a percentage of total accounts receivable did not materially change from December 31, 2006 to December 31, 2007. We believe that the allowance for doubtful accounts is adequate to cover anticipated losses under current conditions; however, significant deterioration in any of the above factors, especially with respect to the government funding and reimbursement practices in the European market could materially change these expectations and result in an increase to our allowance for doubtful accounts.

Inventories

We record write-downs in the value of our inventory based on our review of bad batches experienced during the manufacturing process as well as quality control reviews of our inventory. We generally do not record inventory write-downs relating to estimated obsolescence or risk of competition primarily because the shelf life of our products is long. However, if our current assumptions about future production or inventory levels, demand or competition were to change or if actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required, which could negatively impact our product gross margins and results of operations.

Prepaid Royalties

We capitalize royalties that we have prepaid at cost, specifically those related to the emtricitabine royalties we paid to Emory University (Emory) for the HIV indication, based on the present value of the future royalty obligation that we would expect to pay to Emory assuming certain expected future levels of our product sales incorporating emtricitabine. The present value of our future royalty obligation was derived using our weighted average cost of capital. We review quarterly the expected future sales levels of our products and any indicators that might require a write-down in the net recoverable value of our asset or a change in the estimated life of the prepaid royalty. Some potential indicators of impairment include the launch of a significant product by a competitor, significant deviations in recognized product sales compared to forecast and product safety issues and recalls.

We amortize our prepaid royalties based on an effective royalty rate that we derive from forecasted HIV product sales incorporating emtricitabine. Our product sales forecasts are prepared annually and determined using our best estimates of future activity upon considering such factors as historical and expected future patient usage or uptake of our products, the introduction of complimentary or combination therapies or products and future product launch plans. If a previously unanticipated and significant change occurs to our sales forecasts, including the introduction of a competing product by us or one of our competitors into the same HIV market as emtricitabine, we would prospectively update the royalty rate used to amortize our prepaid royalties which may increase future royalty expense. As of December 31, 2007, we had a prepaid royalty asset relating to the emtricitabine royalties we paid to Emory of $306.7 million. Amortization expense relating to this prepaid royalty asset was $14.3 million, $15.1 million and $6.2 million, for the years ended December 31, 2007, 2006 and 2005, respectively.

Clinical Trial Accruals

We record accruals for estimated clinical study costs. Most of our clinical studies are performed by third-party contract research organizations (CROs). These costs are a significant component of R&D expenses. During 2007, 2006 and 2005, we incurred CRO costs of $65.6 million, $30.2 million and $21.1 million, respectively. We

accrue costs for clinical studies performed by CROs on a straight-line basis over the service periods specified in the contracts and adjust our estimates, if required, based upon our on-going review of the level of effort and costs actually incurred by the CRO. We validate our accruals quarterly with our vendors and perform detailed reviews of the activities related to our significant contracts. Based upon the results of these validation processes, we assess the appropriateness of our accruals and make any adjustments we deem necessary to ensure that our expenses reflect the actual effort incurred by the CROs.

Generally, a significant portion of the total clinical trial costs are associated with start up activities for the trial and patient enrollment. We extensively outsource our clinical trial activities and usually perform only a small portion of the start-up activities in-house. As a result, CROs typically perform most of the total start-up activities for our trials, including document preparation, site identification, screening and preparation, pre-study visits, training and program management. In general, these costs are typically 10% to 30% of the total CRO contract value. On an actual basis, this percentage range is significantly wider as many of our contracts are either expanded or reduced in scope compared to the original budget. Start-up costs usually occur within a few months after the contract has been executed and are milestone or event-driven in nature.

The remaining activities and related costs, such as patient monitoring and administration, generally occur ratably throughout the life of the individual contract or study. Most contracts are negotiated as fixed per unit prices and can vary in length between three months for a single dose Phase 1 study and up to two years or more for a more complex Phase 3 clinical study. The average length of contracts in 2007, 2006 and 2005 has been at the upper end of this range in order to provide long-term safety and efficacy data to support the commercial launches of Truvada, Viread, Atripla, Emtriva, Hepsera and Letairis. All of our material CRO contracts are terminable by us upon written notice and we are generally only liable for actual effort expended by the CRO and certain non-cancelable expenses incurred at any point of termination. Amounts paid in advance relating to uncompleted services will be refunded if a contract is terminated. Some contracts may include additional termination payments that become due and payable if we terminate the contract. Such additional termination payments are only recorded if it becomes probable that a contract will be terminated. Through December 31, 2007, differences between actual and estimated activity levels for any particular study have not been material. However, if management does not receive complete and accurate information from our vendors or underestimates activity levels associated with a study at a given point in time, we would have to record additional and potentially significant R&D expenses in future periods.

Tax Provision

We estimate our income tax provision, including deferred tax assets and liabilities, based on significant management judgment. We evaluate the realization of all or a portion of our deferred tax assets on a quarterly basis. We record a valuation allowance to reduce our deferred tax assets to the amounts that are more likely than not to be realized. We consider future taxable income, ongoing tax planning strategies and our historical financial performance in assessing the need for a valuation allowance.

If we expect to realize deferred tax assets for which we have previously recorded a valuation allowance, we would reduce the valuation allowance in the period in which such determination is first made. Such an adjustment was made in 2007 and 2005 when we determined that it was more likely than not that certain of our deferred tax assets would be realized, and therefore, we released the related valuation allowance. This resulted in an income tax benefit of approximately $1.5 million and $8.2 million for 2007 and 2005, respectively.

Our future effective income tax rate may be affected by such factors as changes in tax laws, regulations or rates, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation, changes in our international organization and changes in overall levels of income before tax.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of Statement of Financial Accounting

Standards (SFAS) No. 109, *Accounting for Income Taxes* (SFAS 109). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

On January 1, 2007, we adopted FIN 48 and increased our liability for unrecognized tax benefits by $14.1 million with a corresponding charge to the opening balance of accumulated deficit, as permitted under FIN 48. In addition, we reclassified $68.4 million of unrecognized tax benefits from short-term income taxes payable and noncurrent deferred tax assets to long-term income taxes payable. As of the date of adoption, we had total federal, state and foreign unrecognized tax benefits of $86.2 million recorded primarily in long-term income taxes payable on our Consolidated Balance Sheet, including accrued liabilities related to interest of $4.0 million. Of the total unrecognized tax benefits as of January 1, 2007, $78.0 million, if recognized, would have reduced our effective tax rate in the period of recognition. As permitted under the provisions of FIN 48, we will continue to classify interest and penalties related to unrecognized tax benefits as part of our income tax provision in our Consolidated Statements of Operations.

At December 31, 2007, we had total federal, state and foreign unrecognized tax benefits of $111.7 million, including interest of $8.3 million. Of the total unrecognized tax benefits, $103.5 million, if recognized, would reduce our effective tax rate in the period of recognition. With respect to the unrecognized tax benefits, we are currently unable to make a reasonably reliable estimate as to the period of cash settlement, if any, with the respective taxing authorities.

We file federal, state and foreign income tax returns in many jurisdictions in the United States and abroad. For U.S. federal and California income tax purposes, the statute of limitations remains open for all years from inception due to our utilization of net operating losses relating to prior years.

Our income tax returns are audited by federal, state and foreign tax authorities. We are currently under examination by the Internal Revenue Service for the 2003 and 2004 tax years, by the Franchise Tax Board of California for the 2004 and 2005 tax years and by various other state and foreign jurisdictions. There are differing interpretations of tax laws and regulations, and as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. While we believe our positions comply with applicable laws, we periodically evaluate our exposures associated with our tax filing positions.

We record liabilities related to uncertain tax positions based upon FIN 48. We do not believe any such items currently pending will have a material adverse effect on our Consolidated Financial Statements, although an adverse resolution of one or more of these items in any period could have a material impact on the results of operations for that period. Prior to the adoption of FIN 48, we recorded liabilities related to uncertain tax positions based upon SFAS No. 5, *Accounting for Contingencies*.

Stock-based Compensation

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R), which requires that all share-based payments to employees and directors, including grants of stock options, be recognized in the statement of operations based on their fair values. SFAS 123R supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25) and amends SFAS No. 95, *Statement of Cash Flows*. On January 1, 2006, we adopted SFAS 123R using the modified prospective method of adoption as permitted under SFAS 123R, which requires that compensation expense be recorded for all nonvested stock options and other stock-based awards as of the beginning of the first quarter of adoption. In accordance with the modified prospective method, no prior period amounts were restated to reflect the provisions of SFAS 123R.

Prior to the adoption of SFAS 123R, in accordance with the provisions of SFAS 123, we elected to follow APB 25, and FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation—an Interpretation of APB Opinion No. 25*, in accounting for our employee stock-based plans. Under APB 25, if the exercise price of our employee and director stock options was equal to or greater than the fair value of the underlying stock on the date of grant, no compensation expense was recognized. However, as required by SFAS 123, the pro forma impact of expensing the fair value of our stock options and employee stock purchase plan was disclosed in the notes to our Consolidated Financial Statements.

In connection with our adoption of SFAS 123R, we refined our valuation assumptions and the methodologies used to derive those assumptions; however, we elected to continue using the Black-Scholes option valuation model. The fair value of stock options granted prior to the adoption of SFAS 123R was calculated using the multiple option approach while the fair value of stock options granted beginning January 1, 2006 was calculated using the single option approach. Concurrent with our adoption of SFAS 123R, we determined that a blend of historical volatility along with implied volatility for traded options on our stock would be a better measure of market conditions and expected volatility. Previously, we used historical stock price volatility as it was the most reliable source of volatility data. We estimate the weighted-average expected life of our stock options based on historical cancellation and exercise data related to our stock options as well as the contractual term and vesting terms of the awards. We record stock-based compensation expense using a graded vesting expense attribution approach for nonvested stock options granted prior to the adoption of SFAS 123R consistent with the expense attribution approach used in our historical SFAS 123 disclosures and using a straight-line expense attribution approach for stock options granted after the adoption of SFAS 123R. We currently believe that the straight-line expense attribution approach better reflects the level of service to be provided over the vesting period of our awards. Stock-based compensation expense related to stock options is recognized net of estimated forfeitures. We estimate forfeitures based on our historical experience. As a result of the adoption of SFAS 123R, we will only recognize a tax benefit from stock-based compensation in additional paid-in-capital (APIC) if an incremental tax benefit is realized after all other tax attributes currently available to us have been utilized. In addition, we have elected to account for the indirect benefits of stock-based compensation on the research tax credit and the extraterritorial income deduction through the Consolidated Statements of Operations rather than through APIC.

During the years ended December 31, 2007 and 2006, we recognized stock-based compensation expense of $184.6 million and $133.8 million, respectively, in operating expenses, and we capitalized $9.8 million and $10.2 million, respectively, into inventory. As of December 31, 2007, we had unrecognized stock-based compensation of $389.2 million related to nonvested stock options, which we expect to expense over an estimated weighted-average period of 2.8 years.

Management has discussed the development, selection and disclosure of these critical accounting policies with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the disclosure presented above relating to them.

Results of Operations

Total Revenues

We had total revenues of $4.23 billion in 2007, $3.03 billion in 2006 and $2.03 billion in 2005. Included in total revenues were product sales, royalty revenues and contract and other revenues.

Product Sales

Product sales for the last three years consisted of the following (in thousands):

	2007	Change	2006	Change	2005
HIV products:					
Truvada	$ 1,589,229	33%	$ 1,194,292	110%	$ 567,829
Atripla	903,381	339%	205,729	— %	—
Viread	613,169	(11)%	689,356	(11)%	778,783
Emtriva	31,493	(13)%	36,393	(23)%	47,486
Total HIV products	3,137,272	48%	2,125,770	52%	1,394,098
Hepsera	302,722	31%	230,531	24%	186,532
AmBisome	262,571	18%	223,031	1%	220,753
Other	30,544	245%	8,865	12%	7,916
Total product sales	$ 3,733,109	44%	$ 2,588,197	43%	$ 1,809,299

Total product sales increased by 44% in 2007 compared to 2006, primarily due to an increase in our total product sales volume of $1.04 billion and a favorable foreign currency exchange impact of $97.9 million. Total product sales increased by 43% in 2006 compared to 2005, primarily due to an increase in our total product sales volume of $760.5 million. A significant percentage of our product sales continued to be denominated in foreign currencies. We used forward and option contracts to hedge a percentage of our forecasted international sales, primarily those denominated in Euro. This reduced, but did not eliminate, fluctuations in sales due to changes in foreign currency exchange rates.

HIV Products

HIV product sales in 2007 increased by 48% compared to 2006 and by 52% in 2006 compared to 2005, primarily driven by product sales volume growth.

During 2006, the average selling prices of our HIV products increased compared to 2005, primarily driven by higher overall selling prices of our HIV products as well as the transition of some patients in the United States from coverage under Medicaid to Medicare Part D which generally reimbursed at higher rates. We estimated the benefit to net product sales resulting from these transitions was approximately $38 million for 2006.

- *Truvada*

  Truvada sales increased by 33% in 2007 compared to 2006 and by 110% in 2006 compared to 2005, in each case, primarily driven by strong sales volume growth in Europe as well as a favorable foreign currency exchange environment in 2007. Truvada sales accounted for 51%, 56% and 41% of our total HIV product sales for 2007, 2006 and 2005, respectively.

- *Atripla*

  Atripla sales increased by 339% in 2007 compared to 2006, primarily due to the first full year of Atripla sales in 2007 as well as the continued strong uptake of Atripla in the United States. We consolidate 100% of Atripla product sales because we are the primary beneficiary of our joint venture with BMS in the United States. The efavirenz portion of these Atripla sales was approximately $334.3 million and $76.0 million in 2007 and 2006, respectively. Atripla was approved for sale in the United States in July 2006 and in the European Union in December 2007. Atripla sales accounted for 29% of our total HIV product sales in 2007. Sales of Atripla in the European Union were not significant in 2007.

- *Viread*

  Viread sales decreased by 11% in 2007 compared to 2006 and by 11% in 2006 compared to 2005, in each case, primarily due to lower sales volume in the United States and Europe driven by the impact of

patients switching from a Viread-containing regimen to one containing Truvada and/or Atripla in countries where Truvada and/or Atripla is available, partially offset by sales volume increases in Latin America as well as a favorable foreign currency exchange environment in 2007. The Viread sales decrease in 2007 compared to 2006 was also partially offset by a favorable foreign currency exchange environment.

- *Emtriva*

  Emtriva sales decreased by 13% in 2007 compared to 2006 and 23% in 2006 compared to 2005. The decreases in both years were primarily due to overall sales volume decreases driven by the impact of patients switching from an Emtriva-containing regimen to one containing Truvada and/or Atripla in countries where these products are available.

Hepsera

Hepsera sales increased by 31% in 2007 compared to 2006, primarily driven by sales volume growth across all major geographical regions where the product is sold, as well as a favorable foreign currency exchange environment. Hepsera sales increased by 24% in 2006 compared to 2005 primarily driven by sales volume growth in the United States and Europe. In 2006, Hepsera sales volume also increased with respect to our sales of Hepsera to GSK. We sell Hepsera to GSK at our manufacturing cost in connection with GSK's distribution activities in Asia and collect a royalty from GSK upon the sale of Hepsera to customers which we record as royalty revenues.

AmBisome

Sales of AmBisome increased 18% in 2007 compared to 2006, primarily due to sales volume growth in Europe as well as a favorable foreign currency exchange impact. Sales of AmBisome increased one percent in 2006 compared to 2005, primarily due to sales volume growth in some regions, partially offset by lower pricing in most regions. AmBisome product sales in the United States relate solely to our sales of AmBisome to Astellas Pharma Inc. which are recorded at our manufacturing cost.

In 2008, we expect total product sales to continue to grow as we continue to expand our sales and marketing efforts.

Royalty Revenues

The following table summarizes the period over period changes in our royalty revenues (in thousands):

	2007	Change	2006	Change	2005
Royalty revenues	$ 468,155	12%	$ 416,526	112%	$ 196,873

Our most significant source of royalty revenues for 2007, 2006 and 2005 was from sales of Tamiflu by Roche.

Royalty revenues for 2007 were $468.2 million, an increase of 12% compared to 2006, and were $416.5 million for 2006, an increase of 112% compared to 2005. The increases in both comparative periods were primarily driven by the recognition of Tamiflu royalties from Roche of $414.5 million and $364.6 million in 2007 and 2006, respectively. The increases in Tamiflu royalties for both comparative periods were due to the higher Tamiflu sales recorded by Roche, including sales related to pandemic planning initiatives worldwide. The increase in Tamiflu royalties for 2006 compared to 2005 was also due to the elimination of a contractual cost of goods adjustment resulting from the dispute resolution in November 2005 that had historically reduced the amount of Tamiflu royalties recognized by us prior to November 2005. We recognize royalties on Tamiflu sales by Roche in the quarter following the quarter in which it is sold.

In November 2005, we resolved our dispute with Roche relating to our 1996 development and license agreement and agreed to terminate the related arbitration pending between Roche and us. Related to the dispute resolution, Roche paid us $80.7 million. We recognized this payment as royalty revenue in 2005. The payment consisted of $18.2 million relating to disputed royalties from 2001 to 2003, $11.8 million relating to the reimbursement of the 2004 contractual cost of goods adjustment that had previously reduced our earned royalties and $50.7 million relating to the updating of royalties payable to us for the first nine months of 2005 based on the 2005 then-current royalty rates instead of the prior year's effective royalty rate.

Roche reported in January 2008 that it expects a significant decrease in Tamiflu sales in 2008 compared to 2007; therefore, we expect our royalty revenues for 2008 to be significantly lower compared to 2007.

Cost of Goods Sold and Product Gross Margin

The following table summarizes the period over period changes in our product sales (in thousands), cost of goods sold (in thousands) and product gross margin:

	2007	Change	2006	Change	2005
Total product sales	$ 3,733,109	44%	$ 2,588,197	43%	$ 1,809,299
Cost of goods sold	$ 768,771	77%	$ 433,320	66%	$ 260,326
Product gross margin	79%		83%		86%

Our product gross margin for 2007 was 79%, compared to 83% for 2006, primarily due to product mix changes, especially as Atripla, which has a lower product gross margin, comprised a larger proportion of our product sales in 2007. Our product gross margin for 2006 was 83%, compared to 86% for 2005. The lower gross margin in 2006 compared to 2005 was primarily due to the launch of Atripla in the United States, $15.8 million in write-downs of inventory for our Gilead Access Program to its estimated net realizable value, as well as product mix changes as patients continued to switch from Viread, a higher margin product, to Truvada and/or Atripla. The lower gross margin in 2006 compared to 2005 was partially offset by the lower effective royalty rate resulting from our July 2005 emtricitabine royalty buyout discussed below, lower active pharmaceutical ingredients costs and the higher average selling prices of our HIV products in the United States.

Atripla product sales decreased our product gross margin, without a corresponding impact to our product gross profit. As the primary beneficiary of our joint venture with BMS in the United States, we consolidate 100% of Atripla product sales but only benefit from the product gross margin on the Truvada portion of Atripla. The efavirenz portion of Atripla product sales carries a zero product gross profit and gross margin since the joint venture purchases efavirenz from BMS at BMS's average net selling price of efavirenz in the United States.

Prior to July 2005, we paid royalties to Emory on worldwide net sales of product containing emtricitabine. In July 2005, we and Royalty Pharma purchased 65% and 35%, respectively, of the royalty interest owned by Emory in exchange for the elimination of the royalty obligation. As a result of the purchase, we capitalized $341.3 million in prepaid royalties, representing our 65% share of the $525.0 million purchase price. In the third quarter of 2005, we began to amortize this prepaid royalty to cost of goods sold over the remaining life of the underlying patent based on an effective royalty rate derived from our forecasted sales of products containing emtricitabine. We record royalties to Royalty Pharma based on actual emtricitabine net sales relative to Royalty Pharma's 35% ownership interest in the underlying Emory royalty interest.

We expect our product gross margin in 2008 to be lower compared to 2007, primarily due to a higher mix of Atripla product sales, which include the efavirenz portion of Atripla product sales at zero product gross profit, partially offset by product gross margin improvements driven by lower active pharmaceutical ingredients costs.

Research and Development Expenses

The following table summarizes the period over period changes in the major components of our R&D expenses over the last three years (in thousands):

	2007	Change	2006	Change	2005
Research	$ 131,019	54%	$ 85,202	52%	$ 55,918
Clinical development	361,091	52%	238,270	34%	178,015
Pharmaceutical development	98,916	64%	60,389	38%	43,791
Total research and development	$ 591,026	54%	$ 383,861	38%	$ 277,724

R&D expenses consist primarily of personnel costs, including salaries, benefits and stock-based compensation, clinical studies performed by CROs, materials and supplies, licenses and fees and overhead allocations consisting of various support and facilities related costs. Our R&D activities are separated into three main categories: research, clinical development and pharmaceutical development. Research costs typically consist of preclinical and toxicology costs. Clinical development costs include costs for Phase 1, 2, 3 and 4 clinical trials. Pharmaceutical development expenses consist of costs for product formulation and chemical analysis.

R&D expenses in 2007 increased by $207.2 million compared to 2006, primarily due to increased compensation and benefits expenses of $65.2 million due largely to higher headcount, increased clinical study expenses of $58.6 million and increased contract service expenses of $19.6 million relating to clinical, product development and research activities in our cardiovascular programs. In addition, we paid a $20.0 million up-front license fee to LGLS and a $13.5 million license-related fee to PARI GmbH (PARI) in 2007, both of which we expensed as there was no future alternative uses for these technologies.

R&D expenses in 2006 increased by $106.1 million compared to 2005, primarily due to increased compensation and benefits expenses of $73.9 million due largely to higher headcount, which included stock-based compensation expense of $52.2 million from our adoption of SFAS 123R on January 1, 2006, as well as increased contract service and clinical study expenses of $50.1 million relating to clinical, product development and research activities in our HIV and hepatitis programs and the respiratory and cardiovascular programs assumed in our acquisitions of Myogen and Corus. These higher expenses were partially offset by lower milestone payments made to Japan Tobacco, Inc. (Japan Tobacco) in 2006 compared to 2005 related to the licensing and development of elvitegravir, our lead integrase inhibitor candidate also known as GS 9137, as well as a $15.0 million payment to Emory in 2005 in connection with the amendment of our license agreement with Emory related to our obligation to develop emtricitabine for the hepatitis B indication.

In general, significant collaboration payments, like those made to LGLS, PARI, Japan Tobacco and Emory, can cause our R&D expenses to fluctuate period over period.

In 2008, we expect R&D expenses to increase over 2007 levels due to increased spending on our internal and collaborative R&D efforts relating to the progress of our product candidates into more advanced clinical studies as well as continuation of our clinical trials related to elvitegravir for HIV, darusentan for resistant hypertension and Viread for HBV, and the initiation of the Phase 4 program for Letairis.

Selling, General and Administrative Expenses

The following table summarizes the period over period changes in our SG&A expenses over the last three years (in thousands):

	2007	Change	2006	Change	2005
Selling, general and administrative	$ 705,741	23%	$ 573,660	50%	$ 381,283

SG&A expenses for 2007 increased by $132.1 million compared to 2006. The increase was primarily due to an increase in compensation and benefits expenses of $79.6 million due largely to higher headcount, as well as an increase in marketing and promotional expenses of $20.0 million in the antiviral and cardiovascular areas, including those related to our launch of Letairis for the treatment of PAH.

SG&A expenses for 2006 increased by $192.4 million compared to 2005. Higher expenses were primarily driven by higher headcount which increased compensation and benefits by $92.0 million, including stock-based compensation expense of $70.8 million from our adoption of SFAS 123R on January 1, 2006, increased expenses of $54.3 million in contract services and promotional programs relating to our business growth, business development activities, preparation for the launch of Atripla in the United States and a $7.9 million write-off of certain capital assets related to renovations at our corporate headquarter campus.

In 2008, we expect SG&A expenses to increase primarily due to higher costs to be incurred on administrative activities and sales and marketing efforts to support our business growth, as well as costs associated with anticipated launches of Atripla in the European Union, Viread for HBV in both the United States and European Union, and aztreonam lysine for inhalation for CF in the United States.

Purchased In-process Research and Development Expenses

In connection with our acquisitions of Myogen and Corus in 2006, we recorded purchased in-process research and development (IPR&D) expenses of $2.06 billion and $335.6 million, respectively, for the year ended December 31, 2006.

The purchased IPR&D expense for Myogen represented the estimated fair value of Myogen's incomplete R&D programs that had not yet reached technological feasibility and had no alternative future use as of the acquisition date and, therefore, was expensed upon acquisition. A summary of these programs at the acquisition date, updated for subsequent changes in status of development, is as follows:

Program	Description	Status of Development	Estimated Acquisition Date Fair Value (in millions)
Ambrisentan	An orally active, non-sulfonamide, propanoic acid-class, endothelin receptor antagonist (ERA) for the treatment of PAH.	Phase 3 clinical trials were completed prior to the acquisition date. We filed an NDA with the FDA in December 2006 and, in June 2007, the FDA approved Letairis (ambrisentan) for the treatment of PAH in the United States. Additionally, in March 2007, the EMEA validated the marketing authorization application for ambrisentan for the treatment of PAH, filed by our collaboration partner, GSK. In February 2008, ambrisentan received a positive opinion from the European Committee for Human Medicinal Products for the treatment of PAH and will be marketed under the name Volibris by GSK upon approval.	$ 1,413.7
Darusentan	An orally active ETA-selective ERA for the treatment of resistant hypertension.	In Phase 3 clinical development as of the acquisition date and the date of this filing.	$ 644.5

The estimated fair value of the purchased IPR&D was determined using the income approach, which discounts expected future cash flows to present value. We estimated the fair value of the purchased IPR&D using a present value discount rate of 14%, which is based on the estimated internal rate of return for Myogen's operations, is comparable to the estimated weighted average cost of capital for companies with Myogen's profile, and represents the rate that market participants would use to value the purchased IPR&D. We compensated for the differing phases of development of ambrisentan and darusentan by probability-adjusting our estimation of the expected future cash flows associated with each program. We then determined at that time the present value of the expected future cash flows using the discount rate of 14%. The projected cash flows from the ambrisentan and darusentan programs were based on key assumptions such as estimates of revenues and operating profits related to the programs considering their stages of development; the time and resources needed to complete the development and approval of the related product candidates; the life of the potential commercialized products and associated risks, including the inherent difficulties and uncertainties in developing a drug compound such as obtaining FDA and other regulatory approvals; and risks related to the viability of and potential alternative treatments in any future target markets.

For the purpose of estimating the fair value of the ambrisentan program, we estimated that the program was approximately 78% complete as of the acquisition date, based on estimated time and cost to complete, as Phase 3 clinical trials had been completed. As of the acquisition date, we estimated that we would incur future R&D costs of approximately $35 million to $45 million from the date of acquisition through and including the year when commercialization was expected to occur. Material net cash inflows were estimated to begin in 2009 for ambrisentan, assuming the necessary regulatory approvals would be received and the product would be successfully commercialized by that date.

For the purpose of estimating the fair value of the darusentan program, we estimated that the program was approximately 35% complete as of the acquisition date, based on estimated time and cost to complete, and remaining efforts would include the completion of Phase 3 clinical development as well as preparing for and filing an NDA with the FDA. As of the acquisition date, we estimated that we would incur future R&D costs of approximately $130 million to $140 million from the date of acquisition through and including the year when commercialization was expected to occur. Material net cash inflows were estimated to begin in 2012 for darusentan, assuming the necessary regulatory approvals would be received and the product would be successfully commercialized by that date.

The remaining efforts for completing the darusentan IPR&D program primarily consist of clinical trials, the cost, length and success of which are extremely difficult to predict, and obtaining necessary regulatory approvals. Numerous risks and uncertainties exist that could prevent completion of development, including the ability to enroll patients in clinical trials, the possibility of unfavorable results of our clinical trials and the risk of failing to obtain FDA and other regulatory body approvals. Feedback from regulatory authorities or results from clinical trials might require modifications to or delays in later stage clinical trials or additional trials to be performed. We cannot be certain that darusentan for the treatment of resistant hypertension will be approved in the United States or in countries outside of the United States or whether marketing approvals will have significant limitations on its use. Future discussions with regulatory agencies will determine the amount of data needed and timelines for review, which may differ materially from current projections. Darusentan may never be successfully commercialized. As a result, we may make a strategic decision to discontinue development of darusentan if, for example, we believe commercialization will be difficult relative to other opportunities in our pipeline. If this program cannot be completed on a timely basis or at all, then our prospects for future revenue growth may be adversely impacted. No assurance can be given that the underlying assumptions used to forecast the above cash flows or the timely and successful completion of this project will materialize as estimated. For these reasons, among others, actual results may vary significantly from estimated results.

The purchased IPR&D expense for Corus represented the estimated fair value of Corus's incomplete inhaled aztreonam lysine for CF R&D program that had not yet reached technological feasibility and had no alternative future use as of the acquisition date and, therefore, was expensed upon acquisition. A description of this program at the acquisition date, updated for subsequent changes in status of development, is as follows:

Program	Description	Status of Development	Estimated Acquisition Date Fair Value (in millions)
Inhaled aztreonam lysine for CF	Aztreonam formulation for inhalation to be used against Gram-negative bacteria that cause lung infections in patients with CF.	In Phase 3 clinical trials as of the acquisition date. We filed an NDA with the FDA in November 2007 and have been granted a target review date of September 2008.	$ 335.6

The estimated fair value of the purchased IPR&D was determined using the income approach, which discounts expected future cash flows to present value. We estimated the fair value of the purchased IPR&D using a present value discount rate of 16%, which is based on the estimated internal rate of return for Corus's operations, is comparable to the estimated weighted average cost of capital for companies with Corus's profile, and represents the rate that market participants would use to value the purchased IPR&D. The projected cash flows from the aztreonam lysine for inhalation program were based on key assumptions such as estimates of revenues and operating profits related to the program considering its stage of development; the time and resources needed to complete the development and approval of the related product candidate; the life of the potential commercialized product and associated risks, including the inherent difficulties and uncertainties in developing a drug compound such as obtaining FDA and other regulatory approvals; and risks related to the viability of and potential alternative treatments in any future target markets. Corus's two other early-stage candidates were not included in the valuation of purchased IPR&D because they were early-stage projects that did not have identifiable revenues and expenses associated with them.

For the purpose of estimating the fair value of the aztreonam program, we estimated that the program was approximately 71% complete as of the acquisition date, based on estimated time and cost to complete, and remaining efforts would include the completion of Phase 3 clinical development as well as preparing for and filing an NDA with the FDA. As of the acquisition date, we estimated that we would incur future R&D costs of approximately $30 million to $35 million from the date of acquisition through and including the year when commercialization was expected to occur. Material net cash inflows were estimated to begin in 2009 for the aztreonam program, assuming the necessary regulatory approvals would be received and the product would be successfully commercialized by that date.

The remaining efforts for completing Corus's IPR&D program primarily consist of obtaining necessary regulatory approvals. Failing to obtain FDA and other regulatory body approvals is a risk that could prevent completion of development. Feedback from regulatory authorities might require modifications to or delays in later stage clinical trials or additional trials to be performed. We cannot be certain that aztreonam lysine for inhalation for the treatment of CF will be approved in the United States or in countries outside of the United States or whether marketing approvals will have significant limitations on its use. Aztreonam lysine for inhalation may never be successfully commercialized. As a result, we may make a strategic decision to discontinue development of aztreonam lysine for inhalation if, for example, we believe commercialization will be difficult relative to other opportunities in our pipeline. If this program cannot be completed on a timely basis or at all, then our prospects for future revenue growth may be adversely impacted. No assurance can be given that the underlying assumptions used to forecast the above cash flows or the timely and successful completion of the project will materialize as estimated. For these reasons, among others, actual results may vary significantly from estimated results.

Interest and Other Income, Net

We recorded interest and other income, net, of $109.8 million, $134.6 million and $49.2 million in 2007, 2006 and 2005, respectively. The decrease in 2007 compared to 2006 was primarily attributable to the lower average cash and investment balances over 2006, as well as the write-down of $7.0 million and $1.8 million relating to the other-than-temporary impairment of our investment in Achillion Pharmaceuticals, Inc. and the asset-backed commercial paper of a structured investment vehicle, respectively. The increase in 2006 compared to 2005 was primarily attributable to the higher average cash and investment balances over 2005.

Interest Expense

In April 2006, we issued $650.0 million principal amount of convertible senior notes due 2011 (2011 Notes) and $650.0 million principal amount of convertible senior notes due 2013 (2013 Notes) (collectively, the Notes) in a private placement pursuant to Rule 144A of the Securities Act of 1933, as amended. The 2011 Notes and the 2013 Notes were issued at par and bear interest rates of 0.50% and 0.625%, respectively. Debt issuance costs of $23.8 million in connection with the issuance of the Notes were recorded in other noncurrent assets and are being amortized to interest expense on a straight-line basis over the contractual terms of the Notes.

We incurred interest expense of $13.1 million, $20.4 million and $0.4 million in 2007, 2006 and 2005, respectively. The decrease in interest expense in 2007 compared to 2006 was primarily attributable to our repayment during the first quarter of 2007 of all remaining amounts due under our term loan which we entered into in December 2005. The increase in interest expense in 2006 compared to 2005 was primarily due to interest on the term loan and the interest on our 2011 and 2013 Notes.

Minority Interest

The minority interest on our Consolidated Financial Statements primarily reflects BMS's interest in the operating results of our joint venture with BMS in the United States The joint venture was formed to develop and commercialize Atripla in the United States. As the primary beneficiary of the joint venture as determined under FASB Interpretation No. 46R (As Amended), *Consolidation of Variable Interest Entities*, we consolidate the operations of the joint venture in our Consolidated Financial Statements.

Provision for Income Taxes

Our provision for income taxes was $655.0 million, $551.8 million and $347.9 million in 2007, 2006 and 2005, respectively. The 2007 effective tax rate of 28.9% differs from the U.S. federal statutory rate of 35% due primarily to state taxes, offset by tax credits and certain operating earnings from non-U.S. subsidiaries that are considered indefinitely invested outside the United States.

Included in our operating income in 2006 were pre-tax charges of $335.6 million and $2.06 billion for the IPR&D expenses associated with our Corus and Myogen acquisitions, respectively. We did not record any income tax benefit related to the purchased IPR&D expenses as such amounts are non-deductible. The 2006 effective tax rate of (86.5)% differs from the U.S. federal statutory rate of 35% due primarily to our federal tax non-deductible purchased IPR&D expenses and state taxes, offset by tax credits and certain operating earnings from non-U.S. subsidiaries that are considered indefinitely invested outside the United States.

The 2005 effective tax rate of 29.9% differs from the U.S. federal statutory rate of 35% due generally to state taxes offset by the recognition of previously unbenefitted net operating loss and tax credit carryforwards, certain operating earnings from non-U.S. subsidiaries that are considered indefinitely invested outside the United States, and the one-time benefit for qualifying dividends under the American Jobs Creation Act (AJCA).

On October 22, 2004, the AJCA was signed into law. The AJCA allowed for a deduction of 85% of certain qualified foreign earnings that were repatriated, as defined in the AJCA. We elected to apply this provision to qualifying earnings that were repatriated in 2005. The earnings repatriation resulted in a one-time tax provision benefit of approximately $25.1 million which we recognized in 2005.

In June 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006.

On January 1, 2007, we adopted FIN 48 and increased our liability for unrecognized tax benefits by $14.1 million with a corresponding charge to the opening balance of accumulated deficit, as permitted under FIN 48. In addition, we reclassified $68.4 million of unrecognized tax benefits from short-term income taxes payable and noncurrent deferred tax assets to long-term income taxes payable. As of the date of adoption, we had total federal, state, and foreign unrecognized tax benefits of $86.2 million recorded primarily in long-term income taxes payable on our Consolidated Balance Sheet, including accrued liabilities related to interest of $4.0 million. Of the total unrecognized tax benefits, $78.0 million, if recognized, would have reduced our effective tax rate in the period of recognition. As permitted under the provisions of FIN 48, we will continue to classify interest and penalties related to unrecognized tax benefits as part of our income tax provision in our Consolidated Statements of Operations.

As of December 31, 2007, we had total federal, state, and foreign unrecognized tax benefits of $111.7 million, including interest of $8.3 million. Of the total unrecognized tax benefits, $103.5 million, if recognized, would reduce our effective tax rate in the period of recognition. With respect to the unrecognized tax benefits, we are currently unable to make a reasonably reliable estimate as to the period of cash settlement, if any, with the respective taxing authorities.

Liquidity and Capital Resources

The following table summarizes our cash, cash equivalents and marketable securities, our working capital, and our cash flow activity as of the end of, and for each of, the last three years (in thousands):

	2007	2006	2005
As of December 31:			
Cash, cash equivalents and marketable securities	$ 2,722,422	$ 1,389,566	$ 2,311,033
Working capital	$ 2,292,017	$ 1,664,930	$ 2,627,045
Year Ended December 31:			
Cash provided by (used in):			
Operating activities	$ 1,765,490	$ 1,218,059	$ 705,642
Investing activities	$ (1,302,467)	$ (1,739,334)	$ (682,478)
Financing activities	$ (267,386)	$ 649,261	$ 441,896

Cash, Cash Equivalents and Marketable Securities

Cash, cash equivalents and marketable securities totaled $2.72 billion at December 31, 2007, an increase of $1.33 billion or 96% from December 31, 2006. The increase of $1.33 billion was primarily attributable to:

- net cash provided by operations of $1.77 billion in 2007; and
- proceeds from issuance of stock under employee stock plans of $243.3 million in 2007.

These increases were partially offset by:

- our repurchase of $487.5 million of our common stock under our stock repurchase programs;
- our repayment of all remaining amounts due under our term loan of $99.0 million; and
- capital expenditures of $76.5 million relating to the expansion of our facilities to accommodate our growth.

Cash, cash equivalents and marketable securities totaled $1.39 billion at December 31, 2006, a decrease of 40% from December 31, 2005. The decrease of $921.5 million in 2006 was primarily due to:

- net cash paid of $2.74 billion for the acquisitions of Myogen, Raylo and Corus; and
- $201.0 million paid toward the principal outstanding under our term loan which we entered into in 2005.

These decreases were partially offset by:

- net cash provided by operations of $1.22 billion in 2006;
- net proceeds of $587.6 million from the issuance of the Notes and related transactions in 2006; and
- proceeds from the issuance of stock under employee stock plans of $167.9 million in 2006.

Working Capital

Working capital at December 31, 2007 was $2.29 billion compared to $1.66 billion at December 31, 2006. Significant factors that resulted in an increase in 2007 working capital were:

- $235.1 million increase in cash, cash equivalents and short-term marketable securities due primarily to cash provided by operating activities and proceeds from issuances of stock under our employee stock plans, which were partially offset by our repurchase of our common stock and our repayment of the term loan and capital spending;
- $215.1 million increase in prepaid taxes related to intercompany profits between Gilead and our joint venture; and
- $185.8 million increase in accounts receivable primarily due to increased sales in 2007.

Working capital at December 31, 2006 was $1.66 billion compared to $2.63 billion at December 31, 2005. Significant factors that resulted in the decrease in 2006 working capital were:

- $1.37 billion decrease in cash, cash equivalents and short-term marketable securities, primarily due to our funding of significant acquisition activities in 2006, as well as a decrease in our marketable securities portfolio and a decrease resulting from the classification of certain of our marketable securities to long-term securities; and
- $296.1 million increase in accounts payable primarily due to the launch of Atripla in July 2006 and the related purchases of efavirenz from BMS at BMS's approximate market value of efavirenz in order for the joint venture to build inventory levels to supply increasing Atripla demand.

These working capital decreases were partially offset by:

- $347.2 million increase in inventories, primarily due to the increase in Atripla inventory which included efavirenz purchased from BMS at BMS's approximate market value of efavirenz; and
- $213.2 million increase in accounts receivable, primarily due to increased sales in 2006 and the lower collections of receivables in certain European countries where collections traditionally have been slower.

Cash Provided by Operating Activities

Cash provided by operating activities of $1.77 billion in 2007 was comprised primarily of $1.62 billion in net income which was adjusted for non-cash items such as $184.6 million of stock-based compensation expense, $133.1 million of deferred income taxes and $110.7 million of tax benefits related to employee stock plans and $76.3 million of excess tax benefits from stock option exercises. This was partially offset by a $236.0 million net cash outflow related to changes in operating assets and liabilities.

Cash provided by operating activities of $1.22 billion in 2006 was comprised primarily of $1.19 billion in net loss which was adjusted for non-cash items such as our $2.39 billion purchased IPR&D expense, stock-based compensation expense of $133.8 million and $127.6 million of tax benefits related to employee stock plans and $95.3 million of excess tax benefits from stock option exercises. This was partially offset by a $225.1 million net cash outflow related to changes in operating assets and liabilities.

Cash provided by operating activities of $705.6 million in 2005 was comprised primarily of $813.9 million of net income which was adjusted for non-cash items such as $168.5 million of tax benefits from employee stock plans. This was partially offset by a $251.1 million net cash outflow related to changes in operating assets and liabilities, which included $341.3 million of prepaid royalties that we made to Emory related to emtricitabine.

Cash Used in Investing Activities

Cash used in investing activities in 2007 primarily related to purchases, sales and maturities of available-for-sale securities, capital expenditures and our acquisition of Nycomed Limited. Cash used in investing activities in 2006 primarily related to purchases, sales and maturities of available-for-sale securities, our acquisitions of Myogen, Raylo Chemicals Inc. (Raylo) and Corus, as well as capital expenditures. Cash used in investing activities in 2005 primarily related to purchases, sales and maturities of available-for-sale securities.

We used $1.30 billion of cash for investing activities in 2007 compared to $1.74 billion in 2006, a decrease of $436.9 million. The decrease was primarily due to our acquisitions of Myogen, Raylo and Corus for a total of $2.74 billion in 2006, as well as more cash used in the purchases, sales and maturities of marketable securities activities during 2007 compared to 2006.

We used $1.74 billion of cash for investing activities during 2006, compared to $682.5 million in 2005, an increase of $1.06 billion. The increase was primarily due to our acquisitions of Myogen, Raylo and Corus for a total of $2.74 billion in 2006 as discussed above, as well as more cash provided from the purchases, sales and maturities of marketable securities activities during 2006 compared to 2005.

Capital expenditures made in 2007, 2006 and 2005 related primarily to the expansion of our manufacturing capabilities, upgrades to our facilities, as well as spending on computer and laboratory equipment to accommodate our business growth. In 2007, capital expenditures also included the construction of a new building at our Foster City, California headquarters. In 2006, capital expenditures also included the purchase of two buildings that we previously leased as well as construction costs of the new building at our Foster City, California headquarters. As of December 31, 2007, we had capital expenditure commitments of $17.7 million, and we expect to fulfill such commitments from funds generated from our operating cash flows.

Cash Provided by (Used in) Financing Activities

Cash used in financing activities in 2007 was $267.4 million, primarily resulting from the $487.5 million used to repurchase our common stock under our stock repurchase programs, $99.0 million used to pay off all remaining amounts due on our term loan, partially offset by the proceeds from issuance of stock under employee stock plans of $243.3 million, as well as $76.3 million of excess tax benefits from stock option exercises.

Cash provided by financing activities in 2006 was $649.3 million, primarily resulting from the $587.6 million of net proceeds generated from the issuance of our Notes and related transactions. In addition, we received proceeds from the issuance of stock under employee stock plans of $167.9 million, as well as $95.3 million of excess tax benefits from employee stock option exercises. These cash inflows were partially offset by $201.0 million paid towards principal on our term loan during 2006.

Cash provided by financing activities in 2005 primarily related to proceeds from our $300.0 million term loan and proceeds from the issuance of stock under employee stock plans of $143.3 million.

In December 2007, we, along with our wholly-owned subsidiary, Gilead Biopharmaceutics Ireland Corporation (GBIC), entered into an amended and restated credit agreement, which superseded the existing revolving credit agreement, with a syndicate of banks to increase the credit facility to $1.25 billion. The amended and restated credit agreement also includes a sub-facility for swing-line loans and letters of credit. Under the terms of the amended and restated credit agreement, we may borrow initially up to an aggregate of $1.25 billion in revolving credit loans. Loans under the amended and restated credit agreement bear interest at either (i) LIBOR plus a margin ranging from 20 basis points to 32 basis points or (ii) the base rate, as defined in the amended and restated credit agreement. We can prepay any outstanding borrowings at any time in whole or in part without penalty or premium, and any outstanding interest or principal would be due and payable in December 2012. In connection with the amended and restated credit agreement, we entered into a parent guaranty agreement under which we guaranteed the obligations of GBIC under the amended and restated credit agreement. We expect to use the proceeds of any loans under the amended and restated credit agreement for working capital requirements and general corporate purposes. As of December 31, 2007, we had a $1.5 million letter of credit outstanding under the amended and restated credit agreement.

In August 2007, as a result of a review of the terms under our existing corporate aircraft leases and upon consideration of the various alternatives available to us upon their expiration, we entered into agreements to purchase three aircraft to be constructed for delivery in 2010 and 2013. The aggregate purchase price under the purchase agreements was $94.2 million. As of December 31, 2007, we had made deposits totaling $4.7 million which has been recorded in other noncurrent assets on our Consolidated Balance Sheet. Future deposits due under the terms of the purchase agreements are as follows: $2.6 million in 2008, $21.2 million in 2009, $28.5 million in 2010, $4.1 million in 2011, $20.7 million in 2012, and $12.4 million in 2013. We have the option to terminate the purchase agreements, subject to a maximum payment of 7.5% of the fully-equipped price of the aircraft.

We believe that our existing capital resources, supplemented by cash generated from our operations, will be adequate to satisfy our capital needs for the foreseeable future. Our future capital requirements will depend on many factors, including but not limited to the following:

- the commercial performance of our current and future products;
- the progress and scope of our R&D efforts, including preclinical studies and clinical trials;
- the cost, timing and outcome of regulatory reviews;
- the expansion of our sales and marketing capabilities;
- administrative expenses;
- the possibility of acquiring additional manufacturing capabilities or office facilities;
- the possibility of acquiring other companies or new products;
- the establishment of additional collaborative relationships with other companies; and
- costs associated with the defense, settlement and adverse results of litigation and government investigations.

We may in the future require additional funding, which could be in the form of proceeds from equity or debt financings. If such funding is required, we cannot assure that it will be available to us on favorable terms, if at all.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are currently material or reasonably likely to be material to our consolidated financial position or results of operations.

Contractual Obligations

Our contractual obligations consist of debt obligations, capital and operating leases, as well as purchase obligations primarily in the form of capital commitments, purchase obligations for active pharmaceutical ingredients and inventory-related items and clinical trials contracts. The following table summarizes our significant enforceable and legally binding obligations, future commitments and obligations related to all contracts that we are likely to continue regardless of the fact that they are cancelable as of December 31, 2007 (in thousands):

	Payments due by Period				
Contractual Obligations	Total	Less than one year	1-3 years	3-5 years	More than 5 years
Convertible senior notes[1]	$ 1,300,000	$ —	$ —	$ 650,000	$ 650,000
Capital lease obligations	621	286	259	76	—
Operating lease obligations	121,037	26,080	40,394	23,767	30,796
Capital commitments[2]	17,702	17,106	596	—	—
Purchase obligations[3][5]	715,207	274,396	259,581	139,648	41,582
Clinical trials[4]	268,002	130,272	122,924	14,806	—
Total	$ 2,422,569	$ 448,140	$ 423,754	$ 828,297	$ 722,378

(1) At December 31, 2007, we had outstanding principal of $1.30 billion on the Notes that we issued in April 2006.

(2) At December 31, 2007, we had firm capital project commitments of approximately $17.7 million primarily relating to the expansion of certain aspects of our manufacturing capabilities and the upgrading of our facilities.

(3) At December 31, 2007, we had firm purchase commitments related to active pharmaceutical ingredients and certain inventory-related activities. The amounts related to active pharmaceutical ingredients only represent minimum purchase requirements. Actual purchases are expected to significantly exceed these amounts.

(4) At December 31, 2007, we had several clinical studies in various clinical trial phases. Our most significant clinical trial expenditures are to CROs. Although most of our contracts with CROs are cancelable, we generally have not cancelled such contracts. These amounts reflect commitments based on existing contracts and do not reflect any future modifications to, or termination of, existing contracts and anticipated or potential new contracts.

(5) In addition to the above, we have committed to make potential future milestone payments to third parties as part of licensing and development programs. Payments under these agreements generally become due and payable only upon achievement of certain developmental, regulatory and/or commercial milestones. Because the achievement of these milestones is neither probable nor reasonably estimable, such contingencies have not been recorded on our Consolidated Balance Sheet and have not been included in the table above.

(6) With respect to our total gross unrecognized tax benefit liabilities of $115.1 million as of December 31, 2007, we are unable to make a reasonably reliable estimate of the period of cash settlement, if any, with the respective taxing authorities. Such amounts were included in long-term income taxes payable on our Consolidated Balance Sheet, and have not been included in the table above.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R establishes principles and requirements for recognizing and measuring assets acquired, liabilities assumed and any noncontrolling interest in the acquiree in a business combination. SFAS 141R also provides guidance for recognizing and measuring goodwill acquired in a business combination, and requires the acquirer to disclose information it needs to evaluate and understand the financial effect of the business combination. As SFAS 141R is effective for business combination transactions for which the acquisition date is on or after December 15, 2008, we do not know whether SFAS 141R will have a material impact to our prospective Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51, Consolidated Financial Statements* (SFAS 160). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income (loss) attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes reporting requirements that identify and distinguish between the interest of the parent and the interest of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the effect the adoption of SFAS 160 will have on our Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

Our operations include manufacturing and sales activities in the United States, Canada and Ireland as well as sales activities in countries outside the United States, including Europe and Australia. As a result, our financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we distribute our products. Our operating results are exposed to changes in foreign currency exchange rates between the U.S. dollar and various foreign currencies, the most significant of which are the Euro, the British pound and the Australian dollar. When the U.S. dollar strengthens against these currencies, the relative value of sales made in the respective foreign currency decreases. Conversely, when the U.S. dollar weakens against these currencies, the relative amounts of such sales increase. Overall, we are a net receiver of foreign currencies and, therefore, benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to those foreign currencies in which we transact significant amounts of business.

A significant percentage of our product sales are denominated in foreign currencies. We enter into foreign exchange forward contracts and foreign exchange option contracts to partially mitigate the impact of changes in currency exchange rates on cash flows from our sales denominated in foreign currencies. We also hedge a portion of our accounts receivable balances denominated in foreign currencies, which reduces but does not eliminate our exposure to currency fluctuations between the date a sale is recorded and the date that cash is collected. In general, the market risks of these contracts are offset by corresponding gains and losses on the transactions being hedged.

In recent years, foreign currency exchange fluctuations have primarily had a positive impact to product sales and gross margin; however, the full impact of the foreign currency fluctuations have been moderated by our hedge program.

The following table summarizes the notional amounts, average currency exchange rates and fair values of our open foreign exchange forward and option contracts at December 31, 2007. All contracts have maturities of 18 months or less. Average rates are stated in terms of the amount of U.S. dollars per foreign currency. Fair values represent estimated settlement amounts at December 31, 2007 (notional amounts and fair values in U.S. dollars in thousands):

Foreign Exchange Forward Contracts

Currency	Notional Amount	Weighted Average Settlement Price	Fair Value
British Pound	$ 80,435	1.98	$ (78)
Euro	979,683	1.43	(23,263)
Australian Dollar	43,555	0.85	(986)
Total	$ 1,103,673		$ (24,327)

Foreign Exchange Option Contracts

Currency	Notional Amount	Weighted Average Strike Price	Fair Value
British Pound	$ 92,183	2.00	$ 4,124
Euro	397,457	1.39	7,585
Australian Dollar	21,097	0.86	1,116
Total	$ 510,737		$ 12,825
Total Foreign Exchange Forward and Option Contracts	$ 1,614,410		$ (11,502)

The total notional amount of $1.61 billion and total fair value relating to our liabilities of $11.5 million on our open foreign exchange forward and option contracts at December 31, 2007 compares with a total notional amount of $1.12 billion and a total fair value relating to our liabilities of $7.1 million on our open foreign exchange forward contracts at December 31, 2006.

Interest Rate Risk

Our portfolio of available-for-sale marketable securities and our fixed and variable-rate liabilities create an exposure to interest rate risk. With respect to our investment portfolio, we adhere to an investment policy that requires us to limit amounts invested in securities based on duration, industry group and investment type and issuer, except for securities issued by the U.S. government. The goals of our investment policy, in order of priority, are as follows:

- safety and preservation of principal and diversification of risk;
- liquidity of investments sufficient to meet cash flow requirements; and
- competitive after-tax rate of return.

The following table summarizes the expected maturities and average interest rates of our interest-generating assets and interest-bearing liabilities at December 31, 2007 (dollars in thousands):

	Years ending December 31,						
	2008	2009	2010	2011	2012	Thereafter	Total Fair Value at December 31, 2007
Assets							
Available-for-sale debt securities	$ 750,740	$ 407,480	$ 251,277	$ 431,126	$ 143,225	$ -	$ 1,983,848
Average interest rate	4.5%	4.1%	4.3%	4.1%	3.9%		
Liabilities							
Convertible senior notes[1]	$ -	$ -	$ -	$ 650,000	$ -	$ 650,000	$ 1,300,000
Average interest rate				0.5%		0.6%	
Capital lease obligations, including current portion	$ 286	$ 159	$ 100	$ 57	$ 19	$ -	$ 621
Average interest rate	7.2%	6.3%	5.3%	3.0%	3.0%		

(1) In April 2006, we issued $650.0 million principal amount of convertible senior notes due 2011 (2011 Notes) and $650.0 million principal amount of convertible senior notes due 2013 (2013 Notes) in a private placement pursuant to Rule 144A of the Securities Act of 1933, as amended. The 2011 Notes and 2013 Notes were issued at par and bear interest rates of 0.50% and 0.625%, respectively, and may be converted subject to certain circumstances.

Credit Risk

In February 2008, we began observing the failed auctions for auction rate securities whose underlying assets are comprised of student loans. As of December 31, 2007, we held approximately $157.7 million of auction rate securities within our available-for-sale long-term marketable securities of which $145.1 million were securities whose underlying assets were comprised of student loans. Our auction rate securities comprised approximately 5% of our total cash, cash equivalents and marketable securities as of December 31, 2007. Most of our auction rate securities, including those subject to the failed auctions, are currently rated AAA, consistent with the high quality rating required by our investment policy. We believe that given our cash and marketable securities position, our expected operating cash flows as well as access to funds through our credit facility, we are able to hold the securities until there is a recovery in the auction market and the related securities, which may be at final maturity.

Our accounts receivable balance at December 31, 2007 was $795.1 million, compared to $609.3 million at December 31, 2006. The growth in our accounts receivable balances was primarily due to higher product sales of our HIV products in the United States and Europe. In certain countries where payments are typically slow, primarily Greece, Italy, Portugal and Spain, our aggregated accounts receivable balance was significant. In most cases, these slow payment practices reflect the pace at which governmental entities reimburse our customers. This, in turn, may increase the credit risk related to certain of our customers. Sales to customers in countries that tend to be relatively slow-paying have in the past increased, and in the future may further increase, the average length of time that accounts receivable are outstanding. At December 31, 2007, our past due accounts receivable for Greece, Italy, Portugal and Spain totaled $286.3 million, of which $147.6 million was more than 120 days past due. To date, we have not experienced significant losses with respect to the collection of our accounts receivable, and we believe that substantially all of our accounts receivable balances are collectible. We perform credit evaluations of our customers' financial condition and generally have not required collateral.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are set forth beginning at page 78 of this report and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

An evaluation as of December 31, 2007 was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures," which are defined under Securities and Exchange (SEC) rules as controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, (Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance that the objectives of the internal control system are met.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2007.

Our independent registered public accounting firm, Ernst & Young LLP, has audited our Consolidated Financial Statements included in this Annual Report on Form 10-K and have issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2007. The report on the audit of internal control over financial reporting appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Gilead Sciences, Inc.

We have audited Gilead Sciences, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Gilead Sciences, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Gilead Sciences, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2007 consolidated financial statements of Gilead Sciences, Inc. and our report dated February 25, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California
February 25, 2008

(c) Changes in Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated any changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2007, and has concluded that there was no change during such quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item concerning our directors and executive officers is incorporated by reference to the sections of our Definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A in connection with our 2008 Annual Meeting of Stockholders (the Proxy Statement) under the headings “Nominees,” “Board Committees and Meetings”, “Executive Officers,” and “Section 16(a) Beneficial Ownership Reporting Compliance.”

Our written Code of Ethics applies to all of our directors and employees, including our executive officers, including without limitation our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Ethics is available on our website at *http://www.gilead.com* in the Investors section under “Corporate Governance.” Changes to or waivers of the Code of Ethics will be disclosed on the same website. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver of, any provision of the Code of Ethics by disclosing such information on the same website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the sections of our Proxy Statement under the headings “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation,” “Compensation Committee Report,” and “Compensation of Non-Employee Board Members.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to the section of our Proxy Statement under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance under Equity Compensation Plans.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the section of our Proxy Statement under the headings “Nominees” and “Certain Relationships and Related Transactions.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the section of our Proxy Statement under the heading “Principal Accountant Fees and Services.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Index list to Consolidated Financial Statements:

(2) Schedule II is included on page 128 of this report. All other schedules are omitted because they are not required or the required information is included in the financial statements or notes thereto.

(3) Exhibits.

The following exhibits are filed herewith or incorporated by reference:

Exhibit Footnote	Exhibit Number	Description of Document
(1)	2.1	Agreement and Plan of Merger, among Registrant, Gryphon Acquisition Sub, Inc., Corus Pharma, Inc. and Rodney A. Ferguson, Ph.D., as Chairman of and on behalf of the Stockholder Representative Committee, dated April 12, 2006
+(2)	2.2	Stock Purchase Agreement, among Registrant, Degussa AG, Laporte Nederland BV and Raylo Chemicals Inc., dated June 6, 2006
(3)	2.3	Agreement and Plan of Merger, among Registrant, Mustang Merger Sub, Inc. and Myogen, Inc., dated October 1, 2006
(4)	3.1	Restated Certificate of Incorporation of the Registrant, as amended
(5)	3.2	Certificate of Amendment to the Restated Certificate of Incorporation of Registrant
(6)	3.3	Certificate of Designation of the Series A Junior Participating Preferred Stock of Registrant
(5)	3.4	Amendment to Certificate of Designation of the Series A Junior Participating Preferred Stock of Registrant
(7)	3.5	Amended and Restated Bylaws of the Registrant, as amended and restated on May 8, 2007
	4.1	Reference is made to Exhibit 3.1, Exhibit 3.2, Exhibit 3.3, Exhibit 3.4 and Exhibit 3.5
(8)	4.2	Amended and Restated Rights Agreement between the Registrant and ChaseMellon Shareholder Services, LLC, dated October 21, 1999
(9)	4.3	First Amendment to Amended and Restated Rights Agreement between the Registrant and Mellon Investor Services, LLC (formerly known as ChaseMellon Shareholder Services, LLC), dated October 29, 2003
(10)	4.4	Second Amendment to Amended and Restated Rights Agreement between the Registrant and Mellon Investor Services, LLC (formerly known as ChaseMellon Shareholder Services, LLC), dated May 11, 2006

Exhibit Footnote	Exhibit Number	Description of Document
(11)	4.5	Indenture related to the Convertible Senior Notes, due 2011, between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 0.50% Convertible Senior Note due 2011), dated April 25, 2006
(11)	4.6	Indenture related to the Convertible Senior Notes, due 2013, between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 0.625% Convertible Senior Note due 2013), dated April 25, 2006
(11)	4.7	Registration Rights Agreement, by and among Registrant and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co. Inc., dated as of April 25, 2006
*(12)	10.1	Form of Indemnity Agreement entered into between the Registrant and its directors and executive officers
*(12)	10.2	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees
*(13)	10.3	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees (revised in September 2006)
*(12)	10.4	Form of option agreements used under the 1991 Stock Option Plan
+(12)	10.5	Letter Agreement between Registrant and IOCB/REGA, dated September 23, 1991
*(7)	10.6	Registrant's Employee Stock Purchase Plan, as amended through May 9, 2007
*(14)	10.7	Registrant's 1991 Stock Option Plan and related agreements, as amended and restated April 5, 2000, as amended January 18, 2001 and as amended January 30, 2002
*(14),(15)	10.8	Registrant's 1995 Non-Employee Directors' Stock Option Plan, including the form of option agreement thereunder, as amended January 26, 1999, and as amended January 30, 2002
+(16)	10.9	Amendment Agreement between Registrant and IOCB/REGA, dated October 25, 1993
(17)	10.10	Amendment Agreement between Registrant and IOCB/REGA, dated December 27, 2000
+(1)	10.11	Development and License Agreement among Registrant and F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc., dated September 27, 1996
*(19)	10.12	NeXstar Pharmaceuticals, Inc.'s 1993 Incentive Stock Plan, adopted February 8, 1993, as amended
+(19)	10.13	Settlement Agreement between Registrant (as successor to NeXstar Pharmaceuticals, Inc.), Astellas Pharma Inc. (as successor to Fujisawa U.S.A., Inc.) and The Liposome Company, Inc., dated August 11, 1997
*(20)	10.14	Gilead Sciences, Inc. Deferred Compensation Plan—Basic Plan Document
*(20)	10.15	Gilead Sciences, Inc. Deferred Compensation Plan—Adoption Agreement
*(20)	10.16	Addendum to the Gilead Sciences, Inc. Deferred Compensation Plan
+(21)	10.17	Licensing Agreement between Gilead Sciences Limited and Glaxo Group Limited, dated April 26, 2002
*(22)	10.18	Triangle Pharmaceuticals, Inc. 1996 Stock Incentive Plan
+(24)	10.19	Exclusive License Agreement between Registrant (as successor to Triangle Pharmaceuticals, Inc.), Glaxo Group Limited, The Wellcome Foundation Limited, Glaxo Wellcome Inc. and Emory University, dated May 6, 1999

Exhibit Footnote	Exhibit Number	Description of Document
+(23)	10.20	Settlement Agreement between Registrant (as successor to Triangle Pharmaceuticals, Inc.), Emory University, Dr. David W. Barry, Glaxo Wellcome plc, Glaxo Wellcome Inc., Glaxo Group Limited and The Wellcome Foundation Limited, dated May 6, 1999
+(24)	10.21	Settlement and Exclusive License Agreement between Registrant (as successor to Triangle Pharmaceuticals, Inc.), Shire Biochem Inc., Shire Pharmaceuticals Group plc, Emory University and the University of Georgia Research Foundation, dated August 30, 2002
+(25)	10.22	Master Clinical and Commercial Supply Agreement between Gilead Sciences Limited, Ltd., Registrant and Patheon Inc., dated January 1, 2003
+(25)	10.23	Licensing Agreement between Registrant and OSI Pharmaceuticals, Inc. (as successor to Eyetech Pharmaceuticals, Inc.), dated March 31, 2000 and amended on May 9, 2000, December 4, 2001 and April 12, 2002
(25)	10.24	Amendment No. 1 to Licensing Agreement between Eyetech Pharmaceuticals, Inc. and Registrant, dated May 9, 2000
(25)	10.25	Amendment No. 2 to Licensing Agreement between OSI Pharmaceuticals, Inc. (as successor to Eyetech Pharmaceuticals, Inc.) and Registrant, dated December 4, 2001
+(25)	10.26	Amendment No. 3 to Licensing Agreement between OSI Pharmaceuticals, Inc. (as successor to Eyetech Pharmaceuticals, Inc.) and Registrant, dated August 30, 2002
+(25)	10.27	Amendment No. 1 dated May 19, 2003 to Licensing Agreement dated April 26, 2002 between Glaxo Group Limited and Gilead Sciences Limited
+(26)	10.28	License Agreement between Japan Tobacco Inc. and Registrant, dated March 22, 2005
+(27)	10.29	Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama), Ltd., dated July 17, 2003
+(27)	10.30	Royalty Sale Agreement by and among Registrant, Emory University and Investors Trust & Custodial Services (Ireland) Limited, solely in its capacity as Trustee of Royalty Pharma, dated July 18, 2005
+(27)	10.31	Amended and Restated License Agreement between Registrant, Emory University and Investors Trust & Custodial Services (Ireland) Limited, solely in its capacity as Trustee of Royalty Pharma, dated July 21, 2005
*(28)	10.32	Form of employee stock option agreement used under 2004 Equity Incentive Plan
*(28)	10.33	Form of non-employee stock option agreement used under 2004 Equity Incentive Plan
*(28)	10.34	Gilead Sciences, Inc. Corporate Bonus Plan
+(29)	10.35	First Amendment and Supplement dated November 15, 2005 to the Development and Licensing Agreement between Registrant, F. Hoffmann-La Roche Ltd and Hoffman-La Roche Inc. dated September 27, 1996
+(29)	10.36	Restated and Amended Toll Manufacturing Agreement between Gilead Sciences Limited, Registrant and ALTANA Pharma Oranienburg GmbH, dated November 7, 2005
+(30)	10.37	Amended and Restated Agreement between Registrant (as successor to Vestar, Inc.) and Astellas Pharma Inc. (as successor to Fujisawa USA, Inc.), dated June 10, 2004
*(5)	10.38	Gilead Sciences, Inc. Code Section 162(m) Bonus Plan
(2)	10.39	Confirmation of OTC Convertible Note Hedge related to 2011 Notes, dated April 19, 2006, as amended and restated as of April 24, 2006, between Registrant and Bank of America, N.A.
(2)	10.40	Confirmation of OTC Convertible Note Hedge related to 2013 Notes, dated April 19, 2006, as amended and restated as of April 24, 2006, between Registrant and Bank of America, N.A.

Exhibit Footnote	Exhibit Number	Description of Document
(2)	10.41	Confirmation of OTC Warrant Transaction, dated April 19, 2006, as amended and restated as of April 24, 2006, between Registrant and Bank of America, N.A. for warrants expiring in 2011
(2)	10.42	Confirmation of OTC Warrant Transaction, dated April 19, 2006, as amended and restated as of April 24, 2006, between Registrant and Bank of America, N.A. for warrants expiring in 2013
+(2)	10.43	Emtricitabine Manufacturing Supply Agreement between Gilead Sciences Limited and Degussa AG, dated June 6, 2006
*(31)	10.44	Corus Pharma, Inc. 2001 Stock Plan
*(31)	10.45	Form of Corus Pharma, Inc. 2001 Stock Plan Stock Option Agreement
*(1)	10.46	Form of Restricted Award Agreement used under 2004 Equity Incentive Plan
(1)	10.47	Sixth Amendment Agreement to the License Agreement, between the Institute of Organic Chemistry and Biochemistry of the Academy of Sciences of the Czech Republic, and the K. U. Leuven Research and Development and Registrant, dated August 18, 2006
+(1)	10.48	Amended and Restated Collaboration Agreement by and among Registrant, Gilead Holdings, LLC, Bristol-Myers Squibb Company, E.R. Squibb & Sons, L.L.C., and Bristol-Myers Squibb & Gilead Sciences, LLC, dated September 28, 2006
*(13)	10.49	Form of Performance Share Award Agreement used under the 2004 Equity Incentive Plan
+(32)	10.50	License Agreement between Registrant (as successor to Myogen, Inc.) and Abbott Laboratories, dated June 30, 2003
+(32)	10.51	License Agreement between Registrant (as successor to Myogen, Inc.) and Abbott Deutschland Holding GmbH dated October 8, 2001
+(33)	10.52	License Agreement between Registrant (as successor to Myogen, Inc.) and Glaxo Group Limited, dated March 3, 2006
+(34)	10.53	Addendum to Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama) Ltd. dated May 10, 2007
*(35)	10.54	Form of Restricted Stock Unit Issuance Agreement of the Company
(36)	10.55	Credit Agreement, dated as of December 18, 2007, among Registrant, Gilead Biopharmacentics Ireland Corporation, the lenders parties thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer
(36)	10.56	Parent Guaranty Agreement, dated as of December 18, 2007, by Registrant
*(37)	10.57	2008 Base Salaries for the Named Executive Officers
*	10.58	Offer Letter dated October 4, 2007 between Registrant and Caroline Dorsa
*	10.59	Gilead Sciences, Inc. 2004 Equity Incentive Plan, as amended through October 22, 2007
*	10.60	Gilead Sciences, Inc. 2005 Deferred Compensation Plan, as amended and restated effective January 1, 2008
*	10.61	Gilead Sciences, Inc. Severance Plan, as amended and restated effective January 1, 2008
+	10.62	Commercialization Agreement dated December 10, 2007, by and between Gilead Sciences Limited and Bristol-Myers Squibb Company
*	10.63	Form of employee stock option agreement used under 2004 Equity Incentive Plan (revised in January 2008)

Exhibit Footnote	Exhibit Number	Description of Document
*	10.64	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for initial grants; revised in January 2008)
*	10.65	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for annual grants; revised in January 2008)
	21.1	Subsidiaries of Registrant
	23.1	Consent of Independent Registered Public Accounting Firm
	24.1	Power of Attorney, Reference is made to Signature Page
	31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
	31.2	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
	32**	Certification of Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350)

(1) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, and incorporated herein by reference.

(2) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, and incorporated herein by reference.

(3) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on October 5, 2006, and incorporated herein by reference.

(4) Filed as an exhibit to Registrant's Registration Statement on Form S-8 (No. 333-117480) filed on July 19, 2004, and incorporated herein by reference.

(5) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 11, 2006, and incorporated herein by reference.

(6) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on November 22, 1994, and incorporated herein by reference.

(7) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 11, 2007, and incorporated herein by reference.

(8) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on October 22, 1999, and incorporated herein by reference.

(9) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on October 31, 2003, and incorporated herein by reference.

(10) Filed as an exhibit to Registrant's Registration Statement on Form S-8 (No. 333-135412) filed on June 28, 2006, and incorporated herein by reference.

(11) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on April 25, 2006, and incorporated herein by reference.

(12) Filed as an exhibit to Registrant's Registration Statement on Form S-1 (No. 33-55680), as amended, and incorporated herein by reference.

(13) Filed as an exhibit to Registrant's Form 10-K for the fiscal year ended December 31, 2006, and incorporated herein by reference.

(14) Filed as an exhibit to Registrant's Registration Statement on Form S-8 (No. 333-102912) filed on January 31, 2003, and incorporated herein by reference.

(15) Filed as an exhibit to Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998, and incorporated herein by reference.

(16) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1994, and incorporated herein by reference.

(17) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, and incorporated herein by reference.

(18) Filed as an exhibit to NeXstar Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, and incorporated herein by reference.
(19) Filed as an exhibit to NeXstar Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, and incorporated herein by reference.
(20) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and incorporated herein by reference.
(21) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, and incorporated herein by reference.
(22) Filed as an exhibit to Registrant's Registration Statement on Form S-8 (No. 333-102911) filed on January 31, 2003, and incorporated herein by reference.
(23) Filed as an exhibit to Triangle Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, and incorporated herein by reference.
(24) Filed as an exhibit to Triangle Pharmaceuticals, Inc.'s Current Report on Form 8-K filed on September 19, 2002, and incorporated herein by reference.
(25) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, and incorporated herein by reference.
(26) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, and incorporated herein by reference.
(27) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, and incorporated herein by reference.
(28) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on February 22, 2006, and incorporated herein by reference.
(29) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and incorporated herein by reference.
(30) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, and incorporated herein by reference.
(31) Filed as an exhibit to Registrant's Registration Statement on Form S-8 (No. 333-136814) filed on August 22, 2006, and incorporated herein by reference.
(32) Filed as an exhibit to Myogen, Inc.'s Registration Statement on Form S-1 (No. 333-108301), as amended, originally filed on August 28, 2003, and incorporated herein by reference.
(33) Filed as an exhibit to Myogen, Inc.'s Quarterly Report on Form 10-Q filed on May 9, 2006, and incorporated herein by reference.
(34) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on August 7, 2007, and incorporated herein by reference.
(35) Filed as an exhibit to Registrant's Current Report on Form 8-K first filed on December 19, 2007, and incorporated herein by reference.
(36) Filed as an exhibit to Registrant's Current Report on Form 8-K also filed on December 19, 2007, and incorporated herein by reference.
(37) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on February 5, 2008, and incorporated herein by reference.

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* Management contract or compensatory plan or arrangement.

** This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

\+ Certain confidential portions of this Exhibit were omitted by means of marking such portions with an asterisk (the Mark). This Exhibit has been filed separately with the Secretary of the SEC without the Mark pursuant to Registrant's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

GILEAD SCIENCES, INC.

CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2007, 2006 and 2005

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Gilead Sciences, Inc.

We have audited the accompanying consolidated balance sheets of Gilead Sciences, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gilead Sciences, Inc. at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2006 Gilead Sciences, Inc. changed its method of accounting for stock-based compensation in accordance with guidance provided in Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment."

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Gilead Sciences, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California
February 25, 2008

GILEAD SCIENCES, INC.

Consolidated Balance Sheets
(in thousands, except per share amounts)

	December 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 968,086	$ 816,007
Short-term marketable securities	203,892	120,844
Accounts receivable, net of allowances of $72,217 at December 31, 2007 and $51,000 at December 31, 2006	795,127	609,320
Inventories	599,966	564,145
Deferred tax assets	152,533	245,916
Prepaid taxes	216,909	1,812
Prepaid expenses	56,537	48,299
Other current assets	35,242	22,863
Total current assets	3,028,292	2,429,206
Property, plant and equipment, net	447,696	361,299
Noncurrent portion of prepaid royalties	290,742	317,743
Noncurrent deferred tax assets	297,359	302,539
Long-term marketable securities	1,550,444	452,715
Other noncurrent assets	220,183	222,479
Total assets	$ 5,834,716	$ 4,085,981
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 290,333	$ 367,029
Accrued compensation and employee benefits	90,553	75,659
Income taxes payable	—	26,654
Other accrued liabilities	324,356	258,410
Deferred revenues	30,747	17,777
Current portion of other long-term obligations	286	18,747
Total current liabilities	736,275	764,276
Long-term deferred revenues	61,316	61,049
Convertible senior notes	1,300,000	1,300,000
Long-term income taxes payable	125,232	—
Other long-term obligations	11,604	91,847
Minority interest	140,299	53,091
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 5,000 shares authorized; none outstanding	—	—
Common stock, par value $0.001 per share; 1,400,000 shares authorized; 932,484 and 922,245 shares issued and outstanding at December 31, 2007 and 2006, respectively	932	922
Additional paid-in capital	3,214,341	2,703,938
Accumulated other comprehensive income (loss)	(4,363)	2,221
Retained earnings (accumulated deficit)	249,080	(891,363)
Total stockholders' equity	3,459,990	1,815,718
Total liabilities and stockholders' equity	$ 5,834,716	$ 4,085,981

See accompanying notes.

GILEAD SCIENCES, INC.

Consolidated Statements of Operations
(in thousands, except per share amounts)

	Year ended December 31,		
	2007	2006	2005
Revenues:			
Product sales	$ 3,733,109	$ 2,588,197	$ 1,809,299
Royalty revenues	468,155	416,526	196,873
Contract and other revenues	28,781	21,416	22,228
Total revenues	4,230,045	3,026,139	2,028,400
Costs and expenses:			
Cost of goods sold	768,771	433,320	260,326
Research and development	591,026	383,861	277,724
Selling, general and administrative	705,741	573,660	381,283
Purchased in-process research and development	—	2,394,051	—
Total costs and expenses	2,065,538	3,784,892	919,333
Income (loss) from operations	2,164,507	(758,753)	1,109,067
Interest and other income, net	109,823	134,642	49,172
Interest expense	(13,100)	(20,362)	(442)
Minority interest	9,108	6,266	3,995
Income (loss) before provision for income taxes	2,270,338	(638,207)	1,161,792
Provision for income taxes	655,040	551,750	347,878
Net income (loss)	$ 1,615,298	$ (1,189,957)	$ 813,914
Net income (loss) per share—basic	$ 1.74	$ (1.30)	$ 0.90
Shares used in per share calculation—basic	929,133	918,212	908,677
Net income (loss) per share—diluted	$ 1.68	$ (1.30)	$ 0.86
Shares used in per share calculation—diluted	964,356	918,212	948,569

See accompanying notes.

GILEAD SCIENCES, INC.

Consolidated Statement of Stockholders' Equity
(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Deferred Stock Compensation	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
Balance at December 31, 2004	897,644	$ 898	$ 1,893,477	$ (18,692)	$ (539)	$ (4,272)	$ 1,870,872
Net income	—	—	—	—	—	813,914	813,914
Unrealized loss on available-for-sale securities, net of tax	—	—	—	(889)	—	—	(889)
Foreign currency translation adjustment	—	—	—	(1,109)	—	—	(1,109)
Unrealized gain on cash flow hedges, net of tax	—	—	—	32,268	—	—	32,268
Comprehensive income							844,184
Issuances under employee stock purchase plan	944	1	13,502	—	—	—	13,503
Stock option exercises, net	20,853	21	129,759	—	—	—	129,780
Tax benefits from employee stock plans	—	—	168,470	—	—	—	168,470
Amortization of deferred stock compensation	—	—	(56)	—	409	—	353
Compensatory stock transactions	12	—	616	—	—	—	616
Balance at December 31, 2005	919,453	920	2,205,768	11,578	(130)	809,642	3,027,778
Net loss	—	—	—	—	—	(1,189,957)	(1,189,957)
Unrealized gain on available-for-sale securities, net of tax	—	—	—	8,141	—	—	8,141
Foreign currency translation adjustment	—	—	—	3,621	—	—	3,621
Unrealized loss on cash flow hedges, net of tax	—	—	—	(21,119)	—	—	(21,119)
Comprehensive loss							(1,199,314)
Issuances under employee stock purchase plan	968	1	17,503	—	—	—	17,504
Stock option exercises, net	18,496	18	150,369	—	—	—	150,387
Tax benefits from employee stock plans	—	—	127,580	—	—	—	127,580
Reversal of deferred stock compensation	—	—	(130)	—	130	—	—
Compensatory stock transactions	62	—	136,199	—	—	—	136,199
Assumption of stock options in connection with acquisitions	—	—	95,282	—	—	—	95,282
Purchase of convertible note hedges	—	—	(379,145)	—	—	—	(379,145)
Sale of warrants	—	—	235,495	—	—	—	235,495
Deferred tax assets on convertible note hedges	—	—	148,894	—	—	—	148,894
Repurchases of common stock	(16,734)	(17)	(33,877)	—	—	(511,048)	(544,942)
Balance at December 31, 2006	922,245	922	2,703,938	2,221	—	(891,363)	1,815,718
Adoption of FIN 48, Accounting for Uncertainty in Income Taxes	—	—	—	—	—	(14,075)	(14,075)
Net income	—	—	—	—	—	1,615,298	1,615,298
Unrealized gain on available-for-sale securities, net of tax	—	—	—	3,636	—	—	3,636
Foreign currency translation adjustment	—	—	—	1,572	—	—	1,572
Unrealized loss on cash flow hedges, net of tax	—	—	—	(11,792)	—	—	(11,792)
Comprehensive income							1,608,714
Issuances under employee stock purchase plan	913	1	23,651	—	—	—	23,652
Stock option exercises, net	21,229	21	219,754	—	—	—	219,775
Tax benefits from employee stock plans	—	—	110,678	—	—	—	110,678
Compensatory stock transactions	31	—	183,162	—	—	—	183,162
Repurchases of common stock	(11,934)	(12)	(26,842)	—	—	(460,780)	(487,634)
Balance at December 31, 2007	932,484	$ 932	$ 3,214,341	$ (4,363)	$ —	$ 249,080	$ 3,459,990

See accompanying notes.

GILEAD SCIENCES, INC.

Consolidated Statements of Cash Flows
(in thousands)

	Year ended December 31,		
	2007	2006	2005
Operating activities:			
Net income (loss)	$ 1,615,298	$ (1,189,957)	$ 813,914
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	36,888	27,620	25,285
Amortization	14,391	19,664	10,492
Purchased in-process research and development	—	2,394,051	—
Stock-based compensation expense	184,605	133,826	969
Excess tax benefits from stock-based compensation	(76,276)	(95,259)	—
Tax benefits from employee stock plans	110,678	127,580	168,470
Deferred income taxes	133,069	(9,220)	(53,239)
Other non-cash transactions	(17,190)	34,901	(9,172)
Changes in operating assets and liabilities:			
Accounts receivable, net	(138,034)	(184,370)	13,753
Inventories	(34,619)	(358,184)	(81,923)
Prepaid expenses and other assets	(252,489)	19,028	(364,978)
Accounts payable	(77,549)	263,965	23,356
Income taxes payable	76,986	(69,085)	87,041
Accrued liabilities	80,087	38,698	69,550
Deferred revenues	13,237	3,779	(206)
Minority interest	96,316	61,022	2,330
Net cash provided by operating activities	1,765,398	1,218,059	705,642
Investing activities:			
Purchases of marketable securities	(3,502,119)	(2,600,831)	(2,225,980)
Proceeds from sales of marketable securities	2,134,348	3,254,059	1,139,437
Proceeds from maturities of marketable securities	195,395	457,470	452,016
Acquisitions, net of cash acquired	(46,443)	(2,736,172)	—
Purchases of non-marketable equity securities	(5,000)	(8,652)	—
Capital expenditures and other	(78,648)	(105,208)	(47,951)
Net cash used in investing activities	(1,302,467)	(1,739,334)	(682,478)
Financing activities:			
Proceeds from issuances of common stock	243,427	167,891	143,283
Proceeds from term loan, net of issuance costs	—	—	298,816
Proceeds from issuance of convertible senior notes, net of issuance costs	—	1,276,242	—
Proceeds from sale of warrants	—	235,495	—
Purchases of convertible note hedges	—	(379,145)	—
Repurchases of common stock	(487,543)	(544,942)	—
Repayments of long-term debt and other obligations	(99,459)	(201,539)	(203)
Excess tax benefits from stock-based compensation	76,276	95,259	—
Net cash provided by (used in) financing activities	(267,299)	649,261	441,896
Effect of exchange rate changes on cash	(43,553)	(19,892)	(38,056)
Net change in cash and cash equivalents	152,079	108,094	427,004
Cash and cash equivalents at beginning of period	816,007	707,913	280,909
Cash and cash equivalents at end of period	$ 968,086	$ 816,007	$ 707,913
Supplemental disclosure of cash flow information:			
Interest paid	$ 7,480	$ 15,710	$ 108
Income taxes paid	$ 565,156	$ 489,660	$ 151,364
Non-cash investing and financing activities:			
Reclassification of Achillion equity investment from other noncurrent assets to marketable securities upon Achillion's initial public offering	$ —	$ 12,617	$ —

See accompanying notes.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

Gilead Sciences, Inc. (Gilead, we, us or our), incorporated in Delaware on June 22, 1987, is a biopharmaceutical company that discovers, develops and commercializes innovative therapeutics in areas of unmet medical need. Our mission is to advance the care of patients suffering from life-threatening diseases worldwide. Headquartered in Foster City, California, we have marketing operations in North America, Europe and Australia. To date, we have focused our efforts on bringing novel therapeutics for the treatment of life-threatening diseases to market. In 2006, we expanded our research, development and commercial focus to include respiratory and cardiovascular diseases through the acquisition of Myogen, Inc. (Myogen) and Corus Pharma, Inc. (Corus). Currently, we market Truvada (emtricitabine and tenofovir disoproxil fumarate), Atripla (efavirenz 600 mg/emtricitabine 200 mg/tenofovir disoproxil fumarate 300 mg), Viread (tenofovir disoproxil fumarate) and Emtriva (emtricitabine) for the treatment of human immunodeficiency virus (HIV) infection; Hepsera (adefovir dipivoxil) for the treatment of chronic hepatitis B infection; AmBisome (amphotericin B liposome for injection) for the treatment of fungal infection, Letairis (ambrisentan) for the treatment of pulmonary arterial hypertension (PAH), Vistide (cidofovir injection) for the treatment of cytomegalovirus (CMV) infection and Flolan (epoprostenol sodium) for the treatment of pulmonary hypertension. F. Hoffman-La Roche Ltd (together with Hoffman-La Roche Inc., Roche) markets Tamiflu (oseltamivir phosphate) for the treatment of influenza, under a royalty paying collaborative agreement with us. We manufacture Macugen (pegaptamib sodium for injection) under our manufacturing agreement with OSI Pharmaceuticals, Inc. (OSI), who sells Macugen for the treatment of neovascular age-related macular degeneration, under a royalty paying collaborative agreement with us.

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of Gilead, its wholly-owned subsidiaries and our joint ventures with Bristol-Myers Squibb Company (BMS), for which we are the primary beneficiary as determined under Financial Accounting Standards Board (FASB) Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* (FIN 46R). We record a minority interest in our Consolidated Financial Statements to reflect BMS's interest in the joint ventures. Significant intercompany transactions have been eliminated. The Consolidated Financial Statements also include the results of companies acquired by us from the date of each acquisition.

On June 22, 2007, we completed a two-for-one stock split in the form of a stock dividend to stockholders of record as of May 24, 2007. Accordingly, all share and per share amounts for all periods presented in these Consolidated Financial Statements and notes thereto have been adjusted retroactively, where applicable, to reflect this stock split.

Significant Accounting Policies, Estimates and Judgments

The preparation of these Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. On an on-going basis, management evaluates its estimates, including those related to revenue recognition, allowance for doubtful accounts, inventories, prepaid royalties, clinical trial accruals, our tax provision and stock-based compensation. We base our estimates on historical experience and on various other market specific and other relevant assumptions that we believe 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.

Revenue Recognition

Product Sales

We recognize revenue from product sales when there is persuasive evidence an arrangement exists, delivery to the customer has occurred, the price is fixed or determinable and collectibility is reasonably assured. Upon recognition of revenue from product sales, provisions are made for government rebates, customer incentives such as cash discounts for prompt payment, certain distributor fees and estimated future returns of products that may expire, as appropriate.

Items Deducted from Gross Product Sales

Government Rebates

We estimate amounts payable by us to government-managed Medicaid programs as well as to certain other qualifying federal, state and foreign government programs based on contractual terms, historical utilization rates, any new information regarding changes in these programs' regulations and guidelines that would impact the amount of the actual rebates, our expectations regarding future utilization rates for these programs and, for our U.S. product sales, the channel inventory data as obtained from our major U.S. wholesalers in accordance with our inventory management agreements. Government rebates that are invoiced directly to us are recorded in other accrued liabilities in our Consolidated Balance Sheets. For qualified programs that can purchase our products through wholesalers at a lower contractual government price, the wholesalers charge back to us the difference between their acquisition cost and the lower contractual government price, which we record as allowances against accounts receivable.

Cash Discounts

We estimate cash discounts based on contractual terms, historical utilization rates and our expectations regarding future utilization rates.

Distributor Fees

Under our inventory management agreements with our significant U.S. wholesalers, we pay the wholesalers a fee primarily for the compliance of certain contractually-determined covenants such as the maintenance of agreed-upon inventory levels. These distributor fees are based on a contractually-determined fixed percentage of sales.

Product Returns

We do not provide our customers with a general right of product return but permit returns if the product is damaged or defective when received by the customer, or in the case of product sold in the Unites States, if the product has expired. We will accept product returns in the United States that have expired for one year after their expiration. Our estimates for expected returns of expired products are based primarily on an on-going analysis of historical return patterns.

Royalty Revenues

Royalty revenue from sales of AmBisome is recognized in the month following the month in which the corresponding sales occur. Royalty revenues from sales of our other products is generally recognized when received, which is generally in the quarter following the quarter in which the corresponding sales occur.

Contract and Other Revenues

Contract revenue for research and development (R&D) is recorded as performance occurs and the earnings process is completed based on the performance requirements of the contract. Nonrefundable contract fees for which no further performance obligations exist, and where there is no continuing involvement by Gilead, are recognized on the earlier of when the payments are received or when collection is reasonably assured.

Revenue from non-refundable up-front license fees and milestone payments where we continue to have obligations, such as through a development collaboration or an obligation to supply product, is recognized as performance occurs and our obligations are completed. In accordance with the specific terms of Gilead's obligations under these types of arrangements, revenue is recognized as the obligation is fulfilled or ratably over the development or manufacturing period. Revenue associated with substantive at-risk milestones is recognized based upon the achievement of the milestones as defined in the respective agreements. Advance payments received in excess of amounts earned are classified as deferred revenue on our Consolidated Balance Sheets.

Contract and other revenues include net revenue from product distribution services, which is recognized when there is persuasive evidence an arrangement exists, delivery to the customer has occurred, the price is fixed or determinable, and collectibility is reasonably assured. In accordance with Emerging Issues Task Force (EITF) Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, we record product distribution services revenue, net of the supply price paid to the manufacturer/licensor, distribution fees paid to specialty pharmacies and allowances for product returns, cash discounts and government rebates, in contract and other revenues in our Consolidated Statements of Operations.

Shipping and Handling Costs

Shipping and handling costs incurred for inventory purchases and product shipments are recorded in cost of goods sold in our Consolidated Statements of Operations.

Research and Development Expenses

Major components of R&D expenses consist of personnel costs, including salaries, benefits and stock-based compensation, clinical studies performed by contract research organizations (CROs), materials and supplies, licenses and fees and overhead allocations consisting of various administrative and facilities related costs. Our R&D activities are also separated into three main categories: research, clinical development and pharmaceutical development. Research costs typically consist of preclinical and toxicology costs. Clinical development costs include costs for Phase 1, 2, 3 and 4 clinical trials. Pharmaceutical development costs consist of expenses incurred in connection with product formulation and chemical analysis.

We charge R&D costs, including clinical study costs, to expense when incurred, consistent with Statement of Financial Accounting Standards (SFAS) No. 2, *Accounting for Research and Development Costs*. Clinical study costs are a significant component of R&D expenses. Most of our clinical studies are performed by third-party CROs. We accrue costs for clinical studies performed by CROs on a straight-line basis over the service periods specified in the contracts and adjust our estimates, if required, based upon our on-going review of the level of effort and costs actually incurred by the CRO. We monitor levels of performance under each significant contract including the extent of patient enrollment and other activities through communications with our CROs, and we adjust our estimates, if required, on a quarterly basis so that our expenses reflect the actual effort expended by each CRO.

All of our material CRO contracts are terminable by us upon written notice and we are generally only liable for actual effort expended by the CRO and certain non-cancelable expense incurred at any point of termination.

Amounts paid in advance related to incomplete services will be refunded if a contract is terminated. Some contracts include additional termination payments that become due and payable if we terminate the contract. Such additional termination payments are only recorded if a contract is terminated.

Advertising Expenses

We expense the costs of advertising, including promotional expenses, as incurred. Advertising expenses were $81.1 million in 2007, $67.3 million in 2006 and $50.5 million in 2005.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated based on the weighted-average number of shares of our common stock outstanding during the period. Diluted earnings (loss) per share is calculated based on the weighted-average number of shares of our common stock outstanding and other dilutive securities outstanding during the period. The potential dilutive shares of our common stock resulting from the assumed exercise of outstanding stock options and equivalents and the assumed exercise of the warrants relating to the convertible senior notes due in 2011 (2011 Notes) and the convertible senior notes due in 2013 (2013 Notes) (collectively, the Notes) are determined under the treasury stock method.

The Notes are considered to be Instrument C securities as defined by EITF Issue No. 90-19, *Convertible Bonds with Issuer Option to Settle for Cash upon Conversion* (EITF 90-19); therefore, only the conversion spread relating to the Notes is included in our diluted earnings per share calculation. The potential dilutive shares of our common stock resulting from the assumed settlement of the conversion spread of the Notes are determined under the method set forth in EITF 90-19. Under such method, the settlement of the conversion spread of the Notes has a dilutive effect when the average share price of our common stock during the period exceeds $38.75 and $38.10 for the 2011 Notes and 2013 Notes, respectively. The average share price of our common stock during the year ended December 31, 2007 exceeded the conversion prices of the Notes while average share price of our common stock during the year ended December 31, 2006 did not exceed either of the respective conversion prices of the Notes.

Warrants to purchase 33.8 million and 23.3 million weighted-average shares of our common stock were outstanding during the years ended December 31, 2007 and 2006, respectively, but were not included in the computation of diluted earnings (loss) per share because the warrants' exercise prices were greater than the average market price of our common stock during these periods; therefore, their effect was antidilutive.

Stock options to purchase approximately 15.5 million and 1.6 million weighted-average shares of our common stock were outstanding during the years ended December 31, 2007 and 2005, respectively, but were not included in the computation of diluted earnings (loss) per share because the options' exercise prices were greater than the average market price of our common stock during this period; therefore, their effect was antidilutive. Due to our net loss for 2006, approximately 38.4 million weighted-average number of outstanding stock options and other common stock equivalents were not included in the computation of diluted net loss per share because their inclusion would have been antidilutive.

The following table is a reconciliation of the numerator and denominator used in the calculation of basic and diluted earnings (loss) per share (in thousands):

	Year ended December 31,		
	2007	2006	2005
Numerator:			
Net income (loss)	$ 1,615,298	$ (1,189,957)	$ 813,914
Denominator:			
Weighted-average shares of common stock outstanding used in calculation of basic earnings (loss) per share	929,133	918,212	908,677
Effect of dilutive securities:			
Stock options and equivalents	34,235	—	39,892
Conversion spread related to convertible senior notes	988	—	—
Weighted-average shares of common stock outstanding used in calculation of diluted earnings (loss) per share	964,356	918,212	948,569

Stock-Based Compensation

Prior to 2006, in accordance with the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), as amended by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, we elected to follow Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation—an Interpretation of APB Opinion No. 25*, in accounting for our employee stock-based plans. Under APB 25, if the exercise price of our employee and director stock options was equal to or greater than the fair value of the underlying stock on the date of grant, no compensation expense was recognized in our Consolidated Statements of Operations.

On January 1, 2006, we adopted the provisions of SFAS 123 (revised 2004), *Share-Based Payment* (SFAS 123R), which requires that all share-based payments to employees and directors, including grants of stock options, be recognized in the Consolidated Statements of Operations based on their fair values. SFAS 123R also requires the benefit of tax deductions in excess of recognized compensation cost to be reported in the Consolidated Statements of Cash Flows as a financing cash flow, rather than as an operating cash flow. We applied the modified prospective method, one of the adoption methods permitted under SFAS 123R, which requires that compensation expense be recorded for the vesting of all nonvested stock options and other stock-based awards at the beginning of the first quarter of adoption of SFAS 123R. In accordance with the modified prospective method, no prior period amounts were restated to reflect our adoption of SFAS 123R. In addition, we calculated our pool of excess tax benefits available within additional paid-in capital (APIC) in accordance with the provisions SFAS 123R.

Cash and Cash Equivalents

We consider highly liquid investments with insignificant interest rate risk and an original maturity of three months or less on the purchase date to be cash equivalents. We may enter into overnight repurchase agreements (repos) under which we purchase securities with an obligation to resell them the following day. Securities purchased under agreements to resell are recorded at face value and reported as cash and cash equivalents. Under our investment policy, we may enter into repos with major banks and authorized dealers provided that such repos are collateralized by U.S. government securities with a fair value of at least 102% of the

fair value of securities sold to us. Other eligible instruments under our investment policy that are included in cash equivalents include commercial paper, money market funds and other bank obligations.

Marketable and Nonmarketable Securities

We determine the appropriate classification of our marketable securities, which consist primarily of debt securities and which include auction rate securities and variable rate demand obligations, at the time of purchase and reevaluate such designation at each balance sheet date. All of our marketable securities are considered as available-for-sale and carried at estimated fair values and reported in either cash equivalents, short-term marketable securities or long-term marketable securities. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported as a separate component of stockholders' equity. Interest and other income, net, includes interest, dividends, amortization of purchase premiums and discounts, realized gains and losses on sales of securities and other-than-temporary declines in the fair value of securities, if any. The cost of securities sold is based on the specific identification method. We regularly review all of our investments for other-than-temporary declines in fair value. Our review includes the consideration of the cause of the impairment including the creditworthiness of the security issuers, the number of securities in an unrealized loss position, as well as the severity and duration of the unrealized losses. When we determine that the decline in fair value of an investment is below our accounting basis and this decline is other-than-temporary, we reduce the carrying value of the security we hold and record a loss in the amount of such decline.

As a result of entering into collaborations, from time to time, we may hold investments in non-public companies. We record these nonmarketable securities at cost in other noncurrent assets, less any amounts for other-than-temporary impairment. We regularly review our investments for indicators of impairment. Investments in nonmarketable securities are not material for the periods presented.

Concentrations of Risk

We are subject to credit risk from our portfolio of cash equivalents and marketable securities. By policy, we limit amounts invested in such securities by duration, industry group, investment type and issuer, except for securities issued by the U.S. government. We are not exposed to any significant concentrations of credit risk from these financial instruments. The goals of our investment policy, in order of priority, are as follows: safety and preservation of principal and diversification of risk; liquidity of investments sufficient to meet cash flow requirements; and competitive after-tax rate of return.

We are also subject to credit risk from our accounts receivable related to product sales. The majority of our trade accounts receivable arises from product sales in the United States and Europe. In certain countries where payments are typically slow, primarily Greece, Italy, Portugal and Spain, our aggregated accounts receivable balances are significant. In most cases, slow payment practices in these countries reflect the pace at which governmental entities reimburse our customers. This, in turn, may increase the financial risk related to certain of our customers. Sales to customers in countries that tend to be relatively slow paying have in the past increased, and in the future may further increase, the average length of time that accounts receivable are outstanding. At December 31, 2007, our past due accounts receivable for Greece, Italy, Portugal and Spain totaled $286.3 million, of which $147.6 million was more than 120 days past due. At December 31, 2006, our past due accounts receivable for the same countries totaled $234.3 million, of which $124.5 million was more than 120 days past due. To date, we have not experienced significant losses with respect to the collection of our accounts receivable and believe that all of our past due accounts receivable, net of allowances, as reflected in our Consolidated Balance Sheets, are collectible. We perform credit evaluations of our customers' financial condition and generally have not required collateral.

Certain of the raw materials that we utilize in our operations are obtained through single suppliers. Many of the raw materials that we utilize in our operations are made at only one facility. Since the suppliers of key components and raw materials must be named in the new drug application (NDA) filed with the U.S. Food and Drug Administration (FDA) for a product, significant delays can occur if the qualification of a new supplier is required. If delivery of material from our suppliers were interrupted for any reason, we may be unable to ship our products or to supply any of our drug candidates for clinical trials.

Accounts Receivable

Trade accounts receivable are recorded net of allowances for wholesaler chargebacks for government rebates, cash discounts for prompt payment, doubtful accounts and sales returns. Estimates for wholesaler chargebacks for government rebates, cash discounts and sales returns are based on contractual terms, historical trends and our expectations regarding the utilization rates for these programs. Estimates for our allowance for doubtful accounts is determined based on existing contractual obligations, historical payment patterns of our customers and individual customer circumstances, an analysis of days sales outstanding by customer and geographic region and a review of the local economic environment and its potential impact on government funding and reimbursement practices. Historically, the amounts of uncollectible accounts receivable that have been written off have been insignificant and consistent with management's expectations.

Inventories

Inventories are recorded at the lower of cost or market, with cost determined on a first-in, first-out basis. We periodically review the composition of inventory in order to identify obsolete, slow-moving or otherwise unsaleable items. If unsaleable items are observed and there are no alternate uses for the inventory, we will record a write-down to net realizable value in the period that the impairment is first recognized.

Prepaid Royalties

Prepaid royalties are capitalized at cost which initially is equivalent to the present value of the future royalty obligation that we would expect to pay to the licensor on expected levels of product sales incorporating the related technology. We review quarterly our expected future sales levels of our products and any indicators that might require a write-down in the net recoverable value or a change in the estimated life of the prepaid royalty. We amortize our prepaid royalties to cost of goods sold over the remaining life of the underlying patent based on an effective royalty rate derived from forecasted future product sales incorporating the related technology. We review our effective royalty rate at least annually and prospectively adjust the effective rate based on any significant new facts or circumstances that may arise from our review.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method. Repairs and maintenance costs are expensed as incurred. Estimated useful lives in years are as follows:

Description	Estimated Useful Life
Buildings and improvements	20-35
Laboratory and manufacturing equipment	4-10
Office and computer equipment	3-7
Leasehold improvements	Shorter of useful life or lease term

Office and computer equipment includes capitalized software. All of our capitalized software is purchased; we have no internally developed software. As of December 31, 2007, we had unamortized capitalized software costs of $12.7 million on our Consolidated Balance Sheet, and we amortized $5.4 million of capitalized software costs in 2007. Leasehold improvements and capitalized leased equipment are amortized over the shorter of the lease term or the asset's useful life. Amortization of capitalized leased equipment is included in depreciation expense. Capitalized interest, if any, on construction in-progress is included in property, plant and equipment. Interest of $0.4 million and $0.5 million was capitalized in 2007 and 2006, respectively, and no significant interest was capitalized in 2005.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired in a business combination. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), goodwill is not amortized but is required to be tested annually for impairment. We test goodwill for impairment on an annual basis and between annual tests if we become aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the goodwill below its carrying amount, in accordance with SFAS 142.

Intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment when facts or circumstances suggest that the carrying value of these assets may not be recoverable.

Impairment of Long-Lived Assets

The carrying value of long-lived assets is reviewed on a regular basis for the existence of facts or circumstances both internally and externally that may suggest impairment. Specific potential indicators of impairment include a significant decrease in the fair value of an asset, a significant change in the extent or manner in which an asset is used or a significant physical change in an asset, a significant adverse change in legal factors or in the business climate that affects the value of an asset, an adverse action or assessment by the FDA or another regulator, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset and operating or cash flow losses combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an income-producing asset.

Should there be an indication of impairment, we will test for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of the asset or asset group and its eventual disposition to the carrying amount of the asset or asset group. In estimating these future cash flows, assets and liabilities are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows generated by other such groups. If the undiscounted future cash flows are less than the carrying amount of the asset or asset group, an impairment loss, measured as the excess of the carrying value of the asset or asset group over its estimated fair value, will be recognized. The cash flow estimates used in such calculations are based on management's best estimates, using appropriate and customary assumptions and projections at the time.

Foreign Currency Translation, Transactions and Contracts

Adjustments resulting from translating the financial statements of our foreign subsidiaries into U.S. dollars are excluded from the determination of net income (loss) and are accumulated in a separate component of stockholders' equity. Net foreign exchange transaction gains or losses are included in interest and other income, net, in our Consolidated Statements of Operations. Net transaction gains totaled $11.4 million, $17.3 million and $2.0 million in 2007, 2006 and 2005, respectively.

We hedge certain of our foreign currency exposures related to outstanding trade accounts receivable and forecasted product sales with foreign exchange forward contracts and foreign exchange option contracts. In general, the market risks of these contracts are offset by corresponding gains and losses on the transactions being hedged. Our exposure to credit risk from these contracts is a function of changes in interest and currency exchange rates and, therefore, varies over time. We limit the risk that counterparties to these contracts may be unable to perform by transacting only with major banks. We also limit risk of loss by entering into contracts that provide for net settlement at maturity. Therefore, our overall risk of loss in the event of a counterparty default is limited to the amount of any unrecognized and unrealized gains on outstanding contracts (i.e., those contracts that have a positive fair value) at the date of default. We do not enter into speculative foreign currency transactions. We do not hedge our net investment in any of our foreign subsidiaries.

Fair Value of Financial Instruments

Our financial instruments consist principally of cash and cash equivalents, marketable securities, accounts receivable, certain other noncurrent assets, foreign exchange forward and option contracts, accounts payable, long-term debt and other long-term obligations. Cash and cash equivalents, marketable securities (see Note 6), and foreign exchange contracts that hedge accounts receivable (see above and Note 2) are reported at their respective fair values on the balance sheet. Foreign exchange contracts that hedge forecasted sales are recorded at fair value, net of the related deferred gain or loss, resulting in a reported net balance of zero. The remaining financial instruments are reported on our Consolidated Balance Sheets at amounts that approximate current fair values.

Income Taxes

Our income tax provision is computed under the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Significant estimates are required in determining our provision for income taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. Various factors may have favorable or unfavorable effects on our future effective income tax rate. These factors include, but are not limited to, interpretations of existing tax laws, changes in tax laws and rates, the accounting for stock options and other share-based payments, mergers and acquisitions, future levels of R&D spending, changes in accounting standards, future levels of capital expenditures, changes in the mix of earnings in the various tax jurisdictions in which we operate, changes in overall levels of pre-tax earnings and finalization of federal, state and foreign income tax audits. The impact on our income tax provision resulting from the above-mentioned factors may be significant and could have a negative impact on our net income.

On January 1, 2007, we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of our adoption of FIN 48, we increased our liability for unrecognized tax benefits by $14.1 million with a corresponding charge to the opening balance of accumulated deficit, as permitted under FIN 48. In addition, we reclassified $68.4 million of unrecognized tax benefits from short-term income taxes payable and noncurrent deferred tax assets to long-term income taxes payable. As of the date of adoption, we had total federal, state and foreign unrecognized tax benefits of $86.2 million recorded primarily in long-term income

taxes payable on our Consolidated Balance Sheet, including accrued liabilities related to interest of $4.0 million. Of the total unrecognized tax benefits, $78.0 million, if recognized, would have reduced our effective tax rate in the period of recognition. As permitted under the provisions of FIN 48, we will continue to classify interest and penalties related to unrecognized tax benefits as part of our income tax provision in our Consolidated Statements of Operations.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R establishes principles and requirements for recognizing and measuring assets acquired, liabilities assumed and any noncontrolling interest in the acquiree in a business combination. SFAS 141R also provides guidance for recognizing and measuring goodwill acquired in a business combination, and requires the acquirer to disclose information it needs to evaluate and understand the financial effect of the business combination. As SFAS 141R is effective for business combination transactions for which the acquisition date is on or after December 15, 2008, we do not know whether SFAS 141R will have a material impact to our prospective Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51, Consolidated Financial Statements* (SFAS 160). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income (loss) attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes additional reporting requirements that identify and distinguish between the interest of the parent and the interest of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the effect the adoption of SFAS 160 will have on our Consolidated Financial Statements.

2. DERIVATIVE FINANCIAL INSTRUMENTS

All derivatives are recognized as either assets or liabilities measured at fair value, based on quoted market prices. We enter into foreign currency forward and option contracts to hedge against changes in the fair value of certain monetary assets and liabilities denominated in a non-functional currency. We record changes in the fair value of such instruments in interest and other income, net, as these derivative instruments are not designated as hedges under SFAS Nos. 133 and 138, *Accounting for Derivative Instruments and Hedging Activities*, (collectively referred to as SFAS 133).

We enter into foreign currency forward and option contracts, all with maturities of 18 months or less, to hedge a percentage of our future cash flows related to forecasted product sales in foreign currencies. These derivative instruments are employed to eliminate or minimize certain foreign currency exposures that can be confidently identified and quantified. Hedges related to forecasted foreign currency product sales designated and documented at the inception of the respective hedge are designated as cash flow hedges under SFAS 133 and evaluated for effectiveness quarterly. At the inception of a hedging relationship and on a quarterly basis, we perform a regression analysis using the change in cash flow of the underlying contract and regressing it against the change in cash flow of the hedge instrument (excluding time value) to assess effectiveness of the hedging relationship. We assess hedge effectiveness on a retrospective basis using a dollar-offset approach monthly. We exclude time value from our effectiveness testing and recognize changes in the time value of the hedge in interest and other income, net. For 2007, 2006 and 2005 we excluded gains of $4.0 million, $8.6 million and $2.6 million from our assessment of hedge effectiveness, respectively. The effective component of the hedge is recorded in

accumulated other comprehensive income (loss) as an unrealized gain or loss on the hedging instrument (see Note 15). When the hedged forecasted transactions occur, the hedges are de-designated and the unrealized gains and losses are reclassified into earnings at that time. Substantially all values reported in accumulated other comprehensive income (loss) at December 31, 2007 will be reclassified to earnings within 12 months. At December 31, 2007 and 2006, we had net unrealized losses of $27.2 million and $15.4 million, respectively, on our open foreign exchange contracts. Gains or losses on cash flow hedges recorded in product sales increased (decreased) product sales by $(44.0) million, $(15.6) million and $0.6 million in 2007, 2006 and 2005, respectively.

Any residual changes in fair value of the instruments (including those resulting from the cancellation or de-designation of hedge contracts) or other ineffectiveness are recognized immediately in interest and other income, net. The impact of the hedge ineffectiveness during 2007, 2006 and 2005 was not significant to our Consolidated Statements of Operations.

We had notional amounts on foreign exchange forward and option contracts outstanding of $1.61 billion at December 31, 2007 and $1.12 billion at December 31, 2006. We had a liability fair value of $11.5 million and $7.1 million at December 31, 2007 and 2006, respectively.

3. ACQUISITIONS

Nycomed Limited

On September 6, 2007, we completed the acquisition of Nycomed Limited (Nycomed), a wholly-owned Irish subsidiary of Germany-based pharmaceutical company, Nycomed GmbH. The Nycomed facility, located in Cork, Ireland, conducted manufacturing and tableting operations for Nycomed GmbH. We transferred certain of our operations from our Dublin, Ireland area site to this facility and utilize the site primarily for solid dose tablet manufacturing of existing and future products, as well as product packaging activities. The Nycomed acquisition has been accounted for as a business combination in accordance with SFAS No. 141, *Business Combinations* (SFAS 141). The results of operations of Nycomed since the completion of the acquisition on September 6, 2007 have been included in our Consolidated Statement of Operations.

The aggregate purchase price for all of Nycomed's common stock was $48.3 million, which consisted of cash paid at closing of $46.6 million, estimated direct transaction costs of $1.0 million and employee-related severance costs of $0.7 million. Employee-related severance costs were included as part of the purchase price, as we established a workforce reduction plan as part of the acquisition transaction in accordance with EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (EITF 95-3). The purchase price was allocated primarily to property, plant and equipment of $48.5 million with the remaining balance allocated to net working capital at September 6, 2007.

We do not consider the Nycomed acquisition to be a material business combination under SFAS 141 and therefore have not disclosed the pro forma results of operations as required by SFAS 141 for material business combinations.

In connection with the transfer of certain operations from our Dublin, Ireland area site to the Cork facility, we finalized our personnel plan with respect to Dublin employees and met the criteria for recognizing one-time termination benefits under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, in the fourth quarter of 2007. Estimated termination benefits totaled approximately $3.2 million as of December 31, 2007. We are also providing relocation and retention benefits totaling approximately $0.6 million and $1.0 million, respectively, to employees targeted for relocation to the Cork facility or being retained to provide service to us for a certain period of time.

Myogen, Inc.

On November 17, 2006, we completed the acquisition of all of the outstanding shares of common stock of Myogen via a cash tender offer, under the terms of an agreement and plan of merger entered into on October 1, 2006. Myogen was a publicly-held biopharmaceutical company based in Westminster, Colorado that focused on the discovery, development and commercialization of small molecule therapeutics for the treatment of cardiovascular disorders. Myogen had two product candidates in late-stage clinical development: ambrisentan for the treatment of patients with pulmonary arterial hypertension (PAH) and darusentan for the treatment of patients with resistant hypertension. The acquisition provided us with an opportunity to expand into the cardiovascular therapeutic area.

The Myogen acquisition was accounted for as a business combination in accordance with SFAS 141. The results of operations of Myogen since November 17, 2006 have been included in our Consolidated Statements of Operations.

The aggregate purchase price for all of Myogen's common stock was $2.42 billion, and consisted of cash paid at or prior to closing of $2.34 billion; the fair value of vested stock options assumed of $85.5 million; direct transaction costs of $13.1 million, which consisted primarily of investment banking fees; employee-related severance costs of $4.0 million; and a reduction to income taxes payable of $23.6 million which resulted primarily from the exercise in 2007 of stock options assumed from Myogen that were vested as of the acquisition date. This reduction to income taxes payable resulted in a decrease to the aggregate purchase price. Employee-related severance costs were included as part of the purchase price, as we established a workforce reduction plan as part of the acquisition transaction in accordance with EITF 95-3.

In accordance with the merger agreement that we entered into with Myogen, the conversion value of each stock option assumed was determined based on the exercise price of each option to purchase shares of common stock of Myogen and the average closing price of our common stock for the five consecutive trading days immediately preceding (but not including) the tender offer acceptance date of November 14, 2006, which was $34.02 per share. The estimated fair value of stock options assumed was determined using an average price of $34.02 per share, which approximated the price that would have resulted from averaging the closing price of our common stock from two trading days before to two trading days after the acceptance date in accordance with EITF Issue No. 99-12, *Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination*. The fair value of stock options assumed was calculated using a Black-Scholes valuation model with the following assumptions: expected life ranging from 1.2 to 3.7 years, risk-free interest rate ranging from 4.7% to 5.0%, expected volatility ranging from 30.4% to 35.5% and no dividend yield. The fair value of the as-converted Gilead stock options did not exceed the fair value of the Myogen stock options immediately prior to the exchange.

Approximately 2.8 million of the 5.8 million as-converted shares subject to outstanding Myogen stock options were fully vested as of the acquisition date. The estimated fair value of vested options of $85.5 million was included in the purchase price. The estimated fair value of the unvested options of $59.5 million was not included in the purchase price and is being recognized as stock-based compensation expense over the remaining future vesting period of the options.

The following table summarizes the purchase price allocation at November 17, 2006 (in thousands):

Cash and cash equivalents	$ 84,385
Short-term marketable securities	63,268
Accounts receivable, net	8,876
Prepaid expenses	7,114
Other assets	5,941
Accounts payable	(30,177)
Deferred revenue	(23,970)
Other liabilities	(5,443)
Net tangible assets	109,994
Deferred tax assets	180,827
Purchased in-process research and development	2,058,500
Goodwill	70,939
Total purchase price	$ 2,420,260

The $24.0 million of deferred revenue reflected the fair value of deferred revenue for which we have legal performance obligations, in accordance with EITF Issue No. 01-3, *Accounting in a Business Combination for Deferred Revenue of an Acquiree*. The $180.8 million of deferred tax assets was primarily related to federal net operating loss and tax credit carryforwards and certain state amortizations. We concluded that, based on the standard set forth in SFAS 109, it is more likely than not that we will realize the benefits from these deferred tax assets. Because we elected to treat the Myogen acquisition as an asset acquisition for California state tax purposes, the purchased in-process research and development (IPR&D) and goodwill resulting from the acquisition are deductible for California state income tax purposes, although such amounts are not deductible for federal income tax purposes.

The estimated fair value of purchased IPR&D of $2.06 billion was determined by our management. The purchased IPR&D represents Myogen's incomplete R&D programs that had not yet reached technological feasibility and had no alternative future uses as of the acquisition date and, therefore, was expensed upon acquisition within our Consolidated Statement of Operations. A summary of these programs at the acquisition date, updated for subsequent changes in status of development, is as follows:

Program	Description	Status of Development	Estimated Acquisition Date Fair Value (in millions)
Ambrisentan	An orally active, non-sulfonamide, propanoic acid-class, endothelin receptor antagonist (ERA) for the treatment of PAH.	Phase 3 clinical trials were completed prior to the acquisition date. We filed an NDA with the FDA in December 2006 and, in June 2007, the FDA approved Letairis (ambrisentan) for the treatment of PAH in the United States. Additionally, in March 2007, the European Medicines Evaluation Agency (EMEA) validated the marketing authorization application for ambrisentan for the treatment of PAH, filed by our collaboration partner, GlaxoSmithKline, Inc. (GSK). In February 2008, ambrisentan received a positive opinion from the European Committee for Human Medicinal Products for the treatment of PAH and will be marketed under the name Volibris by GSK upon approval.	$1,413.7
Darusentan	An orally active ETA-selective ERA for the treatment of resistant hypertension.	In Phase 3 clinical development as of the acquisition date and is currently still in Phase 3 clinical development.	$644.5

The estimated fair value of the purchased IPR&D was determined using the income approach, which discounts expected future cash flows to present value. We estimated the fair value of the purchased IPR&D using a present value discount rate of 14%, which is based on the estimated internal rate of return for Myogen's operations, is comparable to the estimated weighted average cost of capital for companies with Myogen's profile, and represents the rate that market participants would use to value the purchased IPR&D. We compensated for the differing phases of development of ambrisentan and darusentan by probability-adjusting our estimation of the expected future cash flows associated with each program. We then determined at that time the present value of the expected future cash flows using the discount rate of 14%. The projected cash flows from the ambrisentan and darusentan programs were based on key assumptions such as estimates of revenues and operating profits related to the programs considering their stages of development; the time and resources needed to complete the development and approval of the related product candidates; the life of the potential commercialized products and associated risks, including the inherent difficulties and uncertainties in developing a drug compound such as obtaining FDA and other regulatory approvals; and risks related to the viability of and potential alternative treatments in any future target markets.

The remaining efforts for completing the darusentan IPR&D program primarily consist of clinical trials, the cost, length and success of which are extremely difficult to predict, and obtaining necessary regulatory approvals. Numerous risks and uncertainties exist that could prevent completion of development, including the ability to enroll patients in clinical trials, the possibility of unfavorable results of our clinical trials and the risk of failing to obtain FDA and other regulatory body approvals. Feedback from regulatory authorities or results from clinical trials might require modifications to or delays in later stage clinical trials or additional trials to be performed. We cannot be certain that darusentan for the treatment of resistant hypertension will be approved in the United States or in countries outside of the United States or whether marketing approvals will have significant limitations on its use. Future discussions with regulatory agencies will determine the amount of data needed and timelines for review, which may differ materially from current projections. Darusentan may never be successfully commercialized. As a result, we may make a strategic decision to discontinue development of darusentan if, for example, we believe commercialization will be difficult relative to other opportunities in our pipeline. If this program cannot be completed on a timely basis or at all, then our prospects for future revenue growth may be adversely impacted. No assurance can be given that the underlying assumptions used to forecast the above cash flows or the timely and successful completion of this project will materialize as estimated. For these reasons, among others, actual results may vary significantly from estimated results.

The excess of the purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed was $70.9 million, which represented the goodwill amount resulting from the Myogen acquisition. We recorded the goodwill as a noncurrent asset in our Consolidated Balance Sheet as of the acquisition date. In accordance with SFAS 142, goodwill is tested for impairment on an annual basis and between annual tests if we become aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the goodwill below its carrying amount.

Raylo Chemicals Inc.

On November 3, 2006, we completed the acquisition of all of the outstanding shares of common stock of Raylo Chemicals Inc. (Raylo), a wholly-owned subsidiary of Germany-based specialty chemicals company Degussa AG. Located in Edmonton, Canada, Raylo's operations encompassed custom manufacturing of active pharmaceutical ingredients and advanced intermediates for the pharmaceutical and biopharmaceutical industries. We utilize the Raylo site for process research and scale-up of our clinical development candidates, the manufacture of our active pharmaceutical ingredients for both investigational and commercial products and for our chemical development activities to improve existing commercial manufacturing processes.

The Raylo acquisition was accounted for as a business combination in accordance with SFAS 141. The results of operations of Raylo since November 3, 2006 have been included in our Consolidated Statements of Operations.

The aggregate purchase price for all of Raylo's common stock was $133.4 million, and consisted of cash paid at or prior to closing of $132.4 million, direct transaction costs of $0.8 million and employee-related severance costs of $0.1 million. Employee-related severance costs were included as part of the purchase price, as we established a workforce reduction plan as part of the acquisition transaction in accordance with EITF 95-3. These costs have been fully paid.

The following table summarizes the purchase price allocation at November 3, 2006 (in thousands):

Net tangible assets	$ 67,164
GMP qualification intangible asset	8,500
Goodwill	57,713
Total purchase price	$ 133,377

The $67.2 million of net tangible assets included $8.2 million of cash, $47.7 million of property, plant and equipment and $14.0 million of other tangible assets, less assumed liabilities of $2.7 million. The estimated fair value of $8.5 million associated with the good manufacturing practices (GMP) qualification of Raylo's facilities was determined by our management. This value was recorded as an intangible asset to be amortized on a straight-line basis over three years, which is the estimated useful life of the asset determined by management based on the amount of time over which we would derive benefit before making substantial upgrades or revisions to the acquired manufacturing practices. As of December 31, 2007 and 2006, the accumulated amortization on this asset was $3.3 million and $0.5 million, respectively. The amortization expense recognized in 2007 and 2006 was $2.8 million and $0.5 million, respectively. The estimated aggregate amortization expense to be recognized in future years is approximately $2.8 million for 2008 and $2.4 million for 2009.

The excess of the purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed was $57.7 million, which represented the goodwill amount resulting from the Raylo acquisition. We recorded the goodwill as a noncurrent asset in our Consolidated Balance Sheet as of the acquisition date. In accordance with SFAS 142, goodwill is tested for impairment on an annual basis and between annual tests if we become aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the goodwill below its carrying amount. Because we elected to treat the Raylo acquisition as an asset acquisition for federal and California state tax purposes, the goodwill resulting from the acquisition was deductible for both federal and California state income tax purposes.

Prior to the acquisition, Raylo was one of our long-standing contract manufacturers. We determined, in accordance with EITF Issue No. 04-1, *Accounting for Preexisting Relationships between the Parties to a Business Combination,* that there was no settlement of the pre-existing relationship as part of the business combination and that no value needed to be assigned to the pre-existing relationship in the purchase price allocation summarized above. Raylo's assets as of the acquisition date included $2.0 million of trade receivables from us, which were eliminated in our Consolidated Balance Sheet upon completion of the acquisition.

Corus Pharma, Inc.

On August 11, 2006, we completed the acquisition of Corus, a privately-held biopharmaceutical company based in Seattle, Washington. Corus was a development stage company that focused on the development and

commercialization of novel drugs for respiratory and infectious diseases. Corus had one lead product candidate in late-stage clinical trials and two early-stage product candidates. This acquisition provided us with an opportunity to expand into the respiratory therapeutic area as well as augment our pipeline.

The Corus acquisition was accounted for as an acquisition of assets rather than as a business combination in accordance with the criteria outlined in EITF Issue No. 98-3, *Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business* and SFAS 141. Corus was considered a development stage company because it had not commenced its planned principal operations. Additionally, it lacked all the necessary elements of a business, including not having a completed product and, therefore, no ability to access customers. The results of operations of Corus since August 11, 2006 have been included in our Consolidated Statements of Operations.

In April 2006, we purchased $25.0 million of Corus's Series C preferred stock, which represented approximately 15% of Corus's voting equity interests at the time. In conjunction with the purchase of Series C preferred stock, we also entered into the agreement and plan of merger under which we had an option to acquire by merger the remaining outstanding shares of Corus. In July 2006, we announced that we had agreed to exercise this option and concurrently entered into an agreement with Novartis Vaccines and Diagnostics, Inc. (Novartis) whereby Novartis agreed to dismiss its litigation against Corus for a payment to be made by us to Novartis. Since the claims made by Novartis directly implicated Corus's right to develop and commercialize its products, settling with Novartis was deemed appropriate to allow completion of the acquisition and to ensure claims by Novartis could not impede our ability to further develop and commercialize Corus's product candidates. Without a settlement, the results of the ongoing trial at the time of settlement would have been uncertain for a sustained period following the closing due to legal appeals and other potential proceedings. Upon completion of the acquisition, we included our investment in Corus's Series C preferred stock and the payment to Novartis as part of the acquisition purchase price.

The aggregate purchase price for all of the acquired shares was $415.5 million and consisted of cash paid at or prior to closing of $363.6 million, the fair value of vested stock options assumed of $7.4 million, direct transaction costs of $4.0 million and employee-related severance costs of $4.0 million. In addition, a holdback amount of $36.5 million was payable to Corus stockholders by us one year after the closing of the merger, except to the extent utilized to pay claims made by us within the year. Because we had assessed that it was probable that we would pay out this holdback amount, we recorded the amount in other accrued liabilities on our Consolidated Balance Sheet as of the acquisition date. We paid the holdback amount of $36.5 million in August 2007. Employee-related severance costs were included as part of the purchase price, as we established a workforce reduction plan as part of the acquisition transaction.

The following table summarizes the purchase price allocation at August 11, 2006 (in thousands):

Net tangible assets	$ 7,191
Assembled workforce	1,597
Net deferred tax assets	71,170
Purchased in-process research and development	335,551
Total purchase price	$ 415,509

The $7.2 million of net tangible assets included $8.5 million of cash, $4.3 million of investments and $4.9 million of other tangible assets, less assumed liabilities of $10.5 million. The $1.6 million value assigned to the assembled workforce is being amortized over three years, which is the estimated useful life of the asset. The $71.2 million of net deferred tax assets was primarily related to federal net operating loss and tax credit

carryforwards and certain state amortizations. We concluded that, based on the standard set forth in SFAS 109, it is more likely than not that we will realize the benefits from these deferred tax assets. Because we elected to treat the Corus acquisition as an asset acquisition for California state tax purposes, the purchased IPR&D resulting from the acquisition is deductible for California state income tax purposes, although such amount is not deductible for federal income tax purposes.

The estimated fair value of purchased IPR&D and assembled workforce was determined by our management. The estimated fair value of purchased IPR&D was greater than the purchase price paid; therefore, the amount that was allocated to purchased IPR&D consisted of the net amount remaining after allocating the purchase price to the net tangible assets, assembled workforce and net deferred tax assets. The purchased IPR&D represented Corus's incomplete R&D program that had not yet reached technological feasibility and had no alternative future use as of the acquisition date and, therefore, was expensed upon acquisition within our Consolidated Statement of Operations. A summary of this program at the acquisition date, updated for subsequent changes in status of development, is as follows:

Program	Description	Status of Development	Estimated Acquisition Date Fair Value (in millions)
Inhaled aztreonam lysine for cystic fibrosis (CF)	Aztreonam formulation for inhalation to be used against Gram-negative bacteria that cause lung infections in patients with CF.	In Phase 3 clinical trials as of the acquisition date. We filed an NDA with the FDA in November 2007 and have been granted a target review date of September 2008.	$ 335.6

The estimated fair value of the purchased IPR&D was determined using the income approach, which discounts expected future cash flows to present value. We estimated the fair value of the purchased IPR&D using a present value discount rate of 16%, which is based on the estimated internal rate of return for Corus's operations, is comparable to the estimated weighted average cost of capital for companies with Corus's profile, and represents the rate that market participants would use to value the purchased IPR&D. The projected cash flows from the aztreonam lysine for inhalation program were based on key assumptions such as estimates of revenues and operating profits related to the program considering its stage of development; the time and resources needed to complete the development and approval of the related product candidate; the life of the potential commercialized product and associated risks, including the inherent difficulties and uncertainties in developing a drug compound such as obtaining FDA and other regulatory approvals; and risks related to the viability of and potential alternative treatments in any future target markets. Corus's two other early-stage candidates were not included in the valuation of purchased IPR&D because they were early-stage projects that did not have identifiable revenues and expenses associated with them.

The remaining efforts for completing Corus's IPR&D program primarily consist of obtaining necessary regulatory approvals. Failing to obtain FDA and other regulatory body approvals is a risk that could prevent completion of development. Feedback from regulatory authorities might require modifications to or delays in later stage clinical trials or additional trials to be performed. We cannot be certain that aztreonam lysine for inhalation for the treatment of CF will be approved in the United States or in countries outside of the United States or whether marketing approvals will have significant limitations on its use. Aztreonam lysine for inhalation may never be successfully commercialized. As a result, we may make a strategic decision to discontinue development of aztreonam lysine for inhalation if, for example, we believe commercialization will be difficult relative to other opportunities in our pipeline. If this program cannot be completed on a timely basis or at all, then our prospects for future revenue growth may be adversely impacted. No assurance can be given that the

underlying assumptions used to forecast the above cash flows or the timely and successful completion of the project will materialize as estimated. For these reasons, among others, actual results may vary significantly from estimated results.

4. ACQUISITION OF REAL ESTATE

In August 2006, we completed the purchase of two additional buildings located on our Foster City, California campus for an aggregate purchase price of $29.3 million. The purchase price was allocated between land, buildings and land improvements based on their estimated relative fair values determined by management, which were $13.7 million, $14.6 million and $0.9 million, respectively. The fair value of the buildings and land improvements are being depreciated over their remaining useful lives.

5. ASSET DISPOSAL

In March 2006, we received local city approval to proceed with the demolition of two of our buildings in Foster City, California, and to begin construction of a new facility. We included the charge associated with the write-off of these buildings, equal to their aggregate net book value of $7.9 million, in SG&A expenses.

6. AVAILABLE-FOR-SALE SECURITIES

The following is a summary of available-for-sale securities recorded in cash equivalents or marketable securities in our Consolidated Balance Sheets. Estimated fair values of available-for-sale securities are based on prices obtained from commercial pricing services (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2007				
Debt securities:				
U.S. treasury securities	$ 104,695	$ 1,859	$ (48)	$ 106,506
U.S. government sponsored entity debt securities	454,069	4,944	(4)	459,009
Corporate debt securities	297,953	1,866	(883)	298,936
Asset-backed securities	116,556	186	(701)	116,041
Municipal debt securities	539,550	5,812	(19)	545,343
Other debt securities	458,012	1	—	458,013
Total debt securities	1,970,835	14,668	(1,655)	1,983,848
Equity securities	5,568	—	—	5,568
Total	$ 1,976,403	$ 14,668	$ (1,655)	$ 1,989,416
December 31, 2006				
Debt securities:				
U.S. treasury securities	$ 87,344	$ —	$ (654)	$ 86,690
U.S. government sponsored entity debt securities	156,517	48	(579)	155,986
Corporate debt securities	175,997	67	(192)	175,872
Asset-backed securities	60,457	91	(64)	60,484
Municipal debt securities	118,043	114	(306)	117,851
Other debt securities	316,672	—	—	316,672
Total debt securities	915,030	320	(1,795)	913,555
Equity securities	12,617	4,458	—	17,075
Total	$ 927,647	$ 4,778	$ (1,795)	$ 930,630

As of December 31, 2007 and 2006, other debt securities consisted primarily of money market funds and auction rate securities.

The following table presents the classification of the available-for-sale securities on our Consolidated Balance Sheets (in thousands):

	December 31,	
	2007	2006
Cash and cash equivalents	$ 235,080	$ 357,071
Short-term marketable securities	203,892	120,844
Long-term marketable securities	1,550,444	452,715
Total	$ 1,989,416	$ 930,630

At December 31, 2007, our portfolio of available-for-sale debt securities comprised $445.0 million of securities with a contractual maturity of less than one year and $1.27 billion of securities with a contractual maturity greater than one year but less than five years, $21.2 million of securities with a contractual maturity of greater than five years but less than ten years, and $249.7 million of securities with a contractual maturity of greater than ten years. Securities with a contractual maturity of greater than ten years comprised asset-backed securities (which included mortgage-backed securities) and auction-rate securities.

The following table presents certain information related to sales of marketable securities (in thousands):

	Year ended December 31,		
	2007	2006	2005
Gross realized gains on sales	$ 10,394	$ 4,040	$ 710
Gross realized losses on sales	$ (1,617)	$ (7,618)	$ (1,369)

At December 31, 2007 and 2006, we had the following available-for-sale debt securities that were in a continuous unrealized loss position but were not deemed to be other-than-temporarily impaired (in thousands):

	Less Than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
December 31, 2007				
U.S. treasury securities	$ (48)	$ 7,960	$ —	$ —
U.S. government sponsored entity debt securities	(4)	26,391	—	—
Corporate debt securities	(883)	99,184	—	—
Asset-backed securities	(607)	44,512	(94)	4,350
Municipal debt securities	(19)	20,799	—	—
Total	$ (1,561)	$ 198,846	$ (94)	$ 4,350
December 31, 2006				
U.S. treasury securities	$ (38)	$ 12,590	$ (616)	$ 74,100
U.S. government sponsored entity debt securities	(296)	78,276	(283)	59,672
Corporate debt securities	(145)	87,669	(47)	7,440
Asset-backed securities	(23)	12,205	(41)	10,459
Municipal debt securities	(18)	5,835	(288)	57,061
Total	$ (520)	$ 196,575	$ (1,275)	$ 208,732

As of December 31, 2007, the gross unrealized losses were caused by an increase in the yield-to-maturity of the underlying securities, and approximately 14% of the total number of our investment positions was in unrealized loss positions. No significant facts or circumstances have arisen to indicate that there has been any deterioration in the creditworthiness of the issuers of our securities. Based on our review of these securities, including the assessment of the duration and severity of the related unrealized losses and our ability and intent to hold the investments until maturity, we had no other-than-temporary impairments on these securities as of December 31, 2007.

As a result of our review of investments for other-than-temporary impairment, in December 2007, we recorded a charge of $8.8 million in interest and other income, net, to write-down the cost basis of our investments in the common stock of Achillion Pharmaceuticals, Inc. (Achillion) and the asset-backed commercial paper (ABCP) of a structured investment vehicle which were $7.0 million and $1.8 million, respectively. The other-than-temporary impairment for Achillion was based on the quoted market price of Achillion common stock on the last trading day of December 2007 compared to our cost basis. Our assessment was based primarily on the observation that the quoted market value of the investment had been less than its carrying value over three consecutive quarters (see Note 10). The other-than-temporary impairment for the ABCP was based on various market factors, including the estimated fair value of the underlying collateral of the ABCP. As of December 31, 2007, our investment in the common stock of Achillion and the ABCP were $5.6 million and $5.2 million, respectively, which were recorded in long-term marketable securities and short-term marketable securities, respectively, on our Consolidated Balance Sheet.

7. EUROPEAN HEADQUARTERS RELOCATION

In June 2005, we announced that the commercial, medical and administrative groups of our European headquarters, based in Paris, France, would be relocated to the London area in the United Kingdom. The European headquarters for our regulatory, safety and information technology groups was already located in the Cambridge area in the United Kingdom. We believed that this relocation would enable us to achieve efficiencies through the closer proximity of the groups as we continue to position the Company to compete with the large pharmaceutical companies at a global level. Our French subsidiary continues to occupy our Paris facilities as we continue to maintain and expand our sales and marketing presence in France.

In the third quarter of 2005, when the relocation plans were finalized, we accrued a charge of $8.4 million, primarily consisting of employee severance costs and termination benefits, which was included in SG&A expenses. The majority of these severance costs and termination benefits have been paid, thereby reducing the relocation accrual that is included in accrued compensation and employee benefits in our Consolidated Balance Sheets to an insignificant amount. Additional costs relating to the new headquarters in the United Kingdom, including recruitment costs, legal expenses, capital expenditures and other related costs have been expensed as incurred. The significant relocation activities have been completed and the aggregate severance, relocation and recruiting costs resulting from the relocation of our European headquarters have totaled approximately $14 million.

8. INVENTORIES

Inventories are summarized as follows (in thousands):

	December 31, 2007	December 31, 2006
Raw materials	$ 244,725	$ 361,584
Work in process	136,651	46,163
Finished goods	218,590	156,398
Total inventories	$ 599,966	$ 564,145

As of December 31, 2007 and 2006, the joint venture formed by Gilead and BMS, which is included in our Consolidated Financial Statements, held $296.2 million and $298.6 million in inventory, respectively, of efavirenz active pharmaceutical ingredient which it purchased from BMS at BMS's estimated net selling price of efavirenz (see Note 10).

We established the Gilead Access Program in December 2002, pursuant to which we make Truvada and Viread available at substantially reduced prices in more than 125 countries in the developing world. Based on our regular evaluation of forecasted sales, pricing and inventory shelf life in 2006, we concluded that we would not fully recover the full carrying value associated with the inventory of Truvada and Viread for our Gilead Access Program. As a result, we recorded $15.8 million during the year ended December 31, 2006, in cost of goods sold, to write-down this inventory to its estimated net realizable value.

9. CONSOLIDATED BALANCE SHEET DETAIL (in thousands)

	December 31, 2007	December 31, 2006
Property, plant and equipment, net:		
Buildings and improvements (including leasehold improvements)	$ 333,818	$ 256,449
Laboratory and manufacturing equipment	129,245	87,944
Office and computer equipment	91,712	67,648
Capitalized leased equipment	15,764	15,919
Construction in-progress	12,514	39,393
Subtotal	583,053	467,353
Less accumulated depreciation and amortization (including $15,149 and $15,404 relating to capitalized leased equipment for 2007 and 2006, respectively)	(201,340)	(160,656)
Subtotal	381,713	306,697
Land	65,983	54,602
Total	$ 447,696	$ 361,299
Other accrued liabilities:		
Accrued government rebates	$ 115,495	$ 65,736
Accrued royalties	45,640	33,402
Other liabilities	163,221	159,272
Total	$ 324,356	$ 258,410

10. COLLABORATIVE ARRANGEMENTS AND CONTRACTS

As a result of entering into strategic collaborations from time to time, we may hold investments in non-public companies. We review our interests in our investee companies for consolidation and/or appropriate disclosure under the provisions of FIN 46R. As of December 31, 2007, we determined that certain of our investee companies are variable interest entities; however, other than with respect to our joint ventures with BMS, we are not the primary beneficiary and therefore do not consolidate these investees.

Bristol-Myers Squibb Company

North America

In December 2004, we entered into a collaboration with BMS to develop and commercialize a single tablet regimen containing our Truvada and BMS's Sustiva in the United States. The collaboration is structured as a joint venture and operates as a limited liability company, which we consolidate, named Bristol-Myers Squibb & Gilead Sciences, LLC. The ownership interests of the joint venture and thus the sharing of product revenue and costs reflect the respective economic interests of BMS and us and are based on the proportions of the net selling price of Atripla attributable to Sustiva and Truvada. Since the net selling price for Truvada may change over time relative to the net selling price of Sustiva, both BMS and our respective economic interests in the joint venture may vary annually.

We share marketing and sales efforts with BMS and both parties are obligated to provide equivalent sales force efforts for a minimum number of years. We are responsible for accounting, financial reporting, tax reporting and product distribution for the joint venture. Both parties provide their respective bulk active pharmaceutical ingredients to the joint venture at our approximate market values. In July 2006, the joint venture received approval from the FDA to sell Atripla in the United States. In September 2006, we and BMS amended the joint venture's collaboration agreement to allow the joint venture to sell Atripla into Canada. In October 2007, the joint venture received approval from Health Canada to sell Atripla in Canada. As of December 31, 2007, the joint venture held Sustiva active pharmaceutical ingredient which it purchased from BMS at BMS's estimated net selling price of Sustiva in the U.S. market. This amount is included in inventory on our Consolidated Balance Sheet (see Note 8).

Europe

In December 2007, Gilead Sciences Limited (GSL), one of our wholly-owned subsidiaries in Ireland, and BMS entered into a collaboration arrangement to commercialize and distribute Atripla in the European Union, Norway, Iceland, Switzerland and Liechtenstein (the European Territory). The parties formed Tri-Supply Limited (Tri-Supply), a limited liability company which we consolidate, to manufacture Atripla for distribution in Europe. Under this arrangement, Tri-Supply purchases efavirenz at BMS's estimated net selling price of efavirenz in the European Territory. We are responsible for product distribution, inventory management and warehousing. Through our local subsidiaries, we will have primary responsibility for order fulfillment, collection of receivables, customer relations and handling of returns in all the territories where we co-promote Atripla with BMS. We are also responsible for accounting, financial reporting and tax reporting for the collaboration. In December 2007, the European Commission approved Atripla for sale in the European Union. As of December 31, 2007, Tri-Supply held efavirenz which it purchased from BMS at BMS's estimated net selling price of efavirenz in the European Territory. This amount is included in inventory on our Consolidated Balance Sheets (see Note 8).

The parties formed Bristol-Myers Squibb and Gilead Sciences Limited, a limited liability company, to hold the marketing authorization for Atripla in Europe. We have primary responsibility for regulatory activities, and

we share marketing and sales efforts with BMS. In the major market countries, both parties have agreed to provide equivalent sales force efforts. Revenue and cost sharing is based on the relative ratio of Truvada and efavirenz's respective net selling prices.

PARI GmbH

As a result of the acquisition of Corus in August 2006, we assumed all rights to the February 2002 development agreement between Corus and PARI GmbH (PARI) for the development of aztreonam lysine for inhalation and development of an inhalation delivery device for this drug product. Under the terms of the agreement, we are obligated to pay PARI for services rendered, and subject to the achievement of specific milestones, we are obligated to pay certain milestone payments to PARI. In addition, we will make royalty payments based on net sales of aztreonam lysine for inhalation, if approved for commercialization. The agreement also provided us the right to reduce royalty rates payable to PARI. In November 2007, we paid PARI $13.5 million to reduce the royalty rate under the agreement. As aztreonam lysine for inhalation has not yet been approved for commercialization, we recorded this payment in R&D expenses in our Consolidated Statement of Operations.

LG Life Sciences, Ltd.

In November 2007, we entered into a license agreement with LG Life Sciences, Ltd. (LGLS) to develop and commercialize certain caspase inhibitors for the treatment of fibrotic diseases. The agreement granted us commercialization rights to LGLS's caspase inhibitors, including LB84451 (now known as GS 9450). Under the terms of the agreement, our license is worldwide, with the exception of Korea, China and India where LGLS has retained rights. LGLS also retains the right to develop and commercialize caspase inhibitors for ophthalmic and topical uses worldwide. In accordance with the terms of the agreement, we paid a $20.0 million up-front license fee that was recorded as R&D expenses in our Consolidated Statement of Operations as there is no future alternative use for this technology. The agreement also obligated us to fund a collaborative research program for two years to identify other potential caspase inhibitor drug candidates. In addition, we are obligated to make additional milestone payments of up to $182.0 million upon the achievement of certain development, regulatory and commercial objectives. We are also obligated to pay royalties on future net sales of products that are developed and approved in relation to this collaboration.

Parion Sciences, Inc.

In August 2007, we entered into a research collaboration and license agreement with Parion Sciences, Inc. (Parion) to research, develop and commercialize certain epithelial sodium channel inhibitors for the treatment of pulmonary diseases. The agreement granted us worldwide commercialization rights to P-680 (GS 9411), an epithelial sodium channel (ENaC) inhibitor discovered by Parion, for the treatment of pulmonary diseases, including CF, chronic obstructive pulmonary disease and non-CF bronchiectasis. In accordance with the terms of the agreement, we paid a $5.0 million up-front license fee that was recorded as R&D expenses in our Consolidated Statement of Operations as there is no future alternative use for this technology, and made a $5.0 million investment in Parion in the form of convertible debt, which was recorded as other noncurrent assets in our Consolidated Balance Sheet. Under the collaboration agreement, we will lead all development and commercialization activities and provide funding of full time equivalents for certain research activities. In addition, we are obligated to make additional payments upon the achievement of certain milestones and pay royalties on future net sales of products that are developed and approved in relation to this collaboration.

Roche

In September 1996, we entered into a development and license agreement (the 1996 Agreement) with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. (together, Roche), to develop and commercialize therapies to treat and prevent viral influenza. Tamiflu, an antiviral oral formulation for the treatment and prevention of influenza, was co-developed by us and Roche. Under the 1996 Agreement, Roche has the exclusive right to manufacture and sell Tamiflu worldwide, subject to its obligation to pay us a percentage of the net revenues that Roche generates from Tamiflu sales, which, in turn, has been subject to reduction for certain defined manufacturing costs.

In November 2005, we entered into a first amendment and supplement to the 1996 Agreement with Roche. The amended agreement provided for the formation of a joint manufacturing committee to review Roche's existing manufacturing capacity for Tamiflu and its global plans for manufacturing Tamiflu, a U.S. commercial committee to evaluate commercial plans and strategies for Tamiflu in the United States and a joint supervisory committee to evaluate Roche's overall commercial plans for Tamiflu on a global basis in each case, consisting of representatives of Roche and us. Under the amended agreement, we also have the option to provide a specialized sales force to supplement Roche's marketing efforts in the United States for Tamiflu.

The royalties payable to us on net sales of Tamiflu sold by Roche remain the same under the amended agreement, which are as follows: (a) 14% of the first $200.0 million in worldwide net sales in a given calendar year; (b) 18% of the next $200.0 million in worldwide net sales during the same calendar year; and (c) 22% of worldwide net sales in excess of $400.0 million during the same calendar year. The amended agreement revised the provision in the 1996 Agreement relating to the calculation of royalty payments such that in any given calendar quarter Roche will pay royalties based on the actual royalty rates applicable to such quarter. In addition, under the amended agreement, royalties payable by Roche to us will no longer be subject to a cost of goods sold adjustment that was provided in the 1996 Agreement. Further, Roche paid us $80.7 million that we recognized as royalty revenues in 2005, consisting of $18.2 million relating to disputed royalties from 2001 to 2003, $11.8 million relating to the reimbursement of the cost of goods adjustment for 2004 and $50.7 million relating to the updating of royalties payable to us for the first nine months of 2005 based on the 2005 then-current royalty rates instead of the prior year's effective royalty rate.

We recorded a total of $414.5 million, $364.6 million and $161.6 million of Tamiflu royalties in 2007, 2006 and 2005, respectively.

Emory University

In July 2005, we and Royalty Pharma purchased the royalty interest owned by Emory University (Emory) in emtricitabine for the HIV indication. Under the terms of the agreement, we and Royalty Pharma paid 65% and 35%, respectively, of the total purchase price of $525.0 million to Emory in exchange for the elimination of the emtricitabine royalties due to Emory on worldwide net sales of product containing emtricitabine. As a result of this transaction, we capitalized as prepaid royalties our 65% share of the $525.0 million purchase price, or $341.3 million. We amortize this prepaid royalty to cost of goods sold over the remaining life of the underlying patent based on an effective royalty rate derived from our forecasted future product sales. In 2007, 2006 and 2005, $14.3 million, $15.1 million and $6.2 million were amortized to cost of goods sold, respectively. We record royalties to Royalty Pharma based on actual emtricitabine net sales relative to Royalty Pharma's 35% ownership in the underlying Emory royalty interest. We paid royalties of $51.2 million, $29.8 million and $4.8 million to Royalty Pharma in 2007, 2006 and 2005, respectively.

In July 2005, we made a payment of $15.0 million to Emory in connection with the amendment and restatement of our existing license agreement with Emory, providing us with greater strategic flexibility as to the development of emtricitabine for the hepatitis B indication. We recorded this payment in R&D expenses as we were not expecting any significant related R&D in the next several years.

Prior to July 2005, we paid royalties to Emory with respect to emtricitabine in the HIV indication for the worldwide license acquired through our acquisition of Triangle Pharmaceuticals, Inc. (Triangle). We paid royalties of $22.4 million in 2005 on net sales of emtricitabine.

Institute of Organic Chemistry and Biochemistry of the Academy of Sciences of the Czech Republic and Rega Stichting

In 1991 and 1992, we entered into agreements with the Institute of Organic Chemistry and Biochemistry of the Academy of Sciences of the Czech Republic and Rega Stichting (IOCB/REGA) relating to certain nucleotide compounds discovered at these two institutions. Under the agreements, we received the exclusive right to manufacture, use and sell these nucleotide compounds, and we are obligated to pay IOCB/REGA a percentage of net revenues received from sales of products containing the patented compounds, subject to minimum royalty payments. The compounds covered by the original agreements include cidofovir (the active pharmaceutical ingredient in Vistide), adefovir (the active pharmaceutical ingredient in Hepsera) and tenofovir (the active pharmaceutical ingredient in Viread and one of the active pharmaceutical ingredients in Truvada and Atripla).

In December 2000, the agreements with IOCB/REGA were amended to provide for a reduced royalty rate on future sales of products containing tenofovir and adefovir, in return for an up-front payment from us of $11.0 million upon signing the agreement. This payment was recorded as a prepaid royalty and is classified in other assets on our Consolidated Balance Sheets. The prepaid royalty is being amortized to cost of goods sold over the expected commercial life of tenofovir and adefovir. Amortization of the $11.0 million payment began as of the product launch dates of Viread and Hepsera. As of December 31, 2007, $6.3 million remained to be amortized.

We make quarterly payments to IOCB/REGA based on a percentage of Truvada, Atripla, Viread, Hepsera and Vistide net sales. In August 2004, IOCB/REGA agreed to waive their right to a royalty on sales of Truvada and Viread in the developing countries where we sell such products at substantially reduced prices under our Gilead Access Program and on sales of Atripla distributed by Merck & Co., Inc. in developing countries. We paid royalties of $73.4 million, $51.4 million and $39.3 million to IOCB/REGA in 2007, 2006 and 2005, respectively.

Japan Tobacco Inc.

In July 2003, we granted Japan Tobacco Inc. (Japan Tobacco) the right to commercializes Viread, Truvada and Emtriva in Japan. Under the terms of the agreement, we received an up-front license fee of $4.0 million and received additional payments upon achievement of certain milestones. Japan Tobacco also pays us a royalty on net sales of these products in Japan. The up-front license fee has been recorded as deferred revenue and is being amortized into contract revenue over the period of our supply of products to Japan Tobacco, which has approximately ten years remaining as of December 31, 2007. In both 2005 and 2004, we received $2.5 million each year in milestone payments from Japan Tobacco related to Japanese regulatory approval and marketing authorization for Viread in 2004 and Emtriva and Truvada in 2005, which we are amortizing over the same remaining period as the up-front license fee.

In March 2005, Japan Tobacco granted us exclusive rights to develop and commercialize elvitegravir, a novel HIV integrase inhibitor known as GS 9137, in all countries of the world, excluding Japan, where Japan Tobacco retained such rights. Under the terms of the agreement, we incurred an up-front license fee of $15.0 million which was included in R&D expenses in 2005 as there was no future alternative use for this technology. In March 2006, we recorded $5.0 million in R&D expenses related to a milestone we incurred as a result of dosing the first patient in a Phase 2 clinical study. We are obligated to make additional payments upon the achievement of other milestones as well as pay royalties based on any future product sales in the territories where we may market the drug.

Achillion Pharmaceuticals, Inc.

In November 2004, Achillion granted us worldwide rights for the research, development and commercialization of certain small molecule hepatitic C virus (HCV) replication inhibitors involving HCV protease, for the treatment of hepatitis C. Under this collaboration, Achillion is obligated to continue development of the inhibitor compounds according to a mutually agreed upon development plan, through completion of a proof-of-concept clinical study in HCV-infected patients. The costs incurred to achieve proof-of-concept will be shared equally between Achillion and us. Following the proof-of-concept study, we are obligated to assume full responsibilities and incur all costs associated with development and commercialization of compounds warranting further development. Achillion has the option to participate in U.S. commercialization efforts for future products arising from this collaboration. In conjunction with the signing of the collaboration, we paid a $5.0 million up-front license fee, which was recorded in R&D expenses as there was no future alternative use for the licensed technology. Additionally, we invested in Achillion's convertible preferred stock and agreed to make payments to Achillion upon achievement of certain milestones outlined in our agreement as well as pay royalties on future net sales of products arising from this collaboration.

In October 2006, Achillion completed an initial public offering and our convertible preferred stock was converted into shares of Achillion common stock. In December 2006, Achillion began dosing HCV-infected patients in a Phase 1/2 clinical study of GS 9132 (also known as ACH-806) for the treatment of hepatitis C. In December 2007, we recorded a write-down of $7.0 million as part of our review for other-than-temporary impairment since the quoted market price of Achillion had been less than our cost basis for more than three consecutive quarters (see Note 6).

GlaxoSmithKline Inc.

In April 2002, we granted GSK the right to commercialize Hepsera, our oral antiviral for the treatment of chronic hepatitis B, in Asia, Latin America and certain other territories. Under the agreement, we retained rights to Hepsera in the United States, Canada, Europe, Australia, New Zealand and Turkey. GSK received exclusive rights to develop Hepsera solely for the treatment of chronic hepatitis B in all of its territories, the most significant of which include China, Japan, South Korea and Taiwan. We received a $2.0 million milestone payment from GSK for the U.S. approval of Hepsera in 2002, a $2.0 million milestone payment for the Canadian approval of Hepsera in 2003 and an aggregate of $13.0 million in milestone payments for the commercial approvals of Hepsera in Japan, South Korea and Taiwan in 2004. In 2006, we received an aggregate of $10.0 million in milestone payments from GSK for the achievement by GSK of four consecutive quarters of Hepsera gross sales exceeding $75.0 million and the achievement of a certain drug status in China.

GSK has full responsibility for the development and commercialization of Hepsera in its territories. The up-front license fee and approval milestones have been recorded as deferred revenue with a total of $3.6 million, $3.0 million and $2.4 million being recognized as contract revenue in 2007, 2006 and 2005, respectively. The

$27.9 million balance of deferred revenue at December 31, 2007 is expected to be amortized into contract revenue over the remaining period of our supply of Hepsera to GSK under the agreement, which is approximately nine years.

In addition, GSK is required to pay us royalties on net sales that GSK generates from sales of Hepsera and Epivir-HBV/Zeffix (GSK's hepatitis product) in the GSK territories. We began receiving royalties from GSK's sales of Hepsera in the first quarter of 2004 and recorded $22.8 million, $16.1 million and $7.6 million of royalty revenues in 2007, 2006 and 2005, respectively.

As a result of the acquisition of Myogen in November 2006, we assumed all rights to the March 2006 license and distribution and supply agreements between Myogen and GSK. Under the terms of the license agreement, GSK received an exclusive sublicense to our rights to ambrisentan for certain hypertensive conditions in territories outside of the United States. We received an up-front payment and, subject to the achievement of specific milestones, we will be eligible to receive additional milestone payments. In addition, we will receive stepped royalties based on net sales of ambrisentan in the GSK territories. GSK has an option to negotiate from us an exclusive sublicense for additional therapeutic uses for ambrisentan in the GSK territories during the term of the license agreement. We will continue to conduct and bear the expense of all clinical development activities that we believe are required to obtain and maintain regulatory approvals for ambrisentan in the United States, Canada and the European Economic Area, and each party may conduct additional development activities in its territories at its own expense. The parties may agree to jointly develop ambrisentan for new indications in the licensed field and each party will pay its share of external costs associated with such joint development. In March 2007, we received a milestone payment of $11.0 million from GSK for validation by the EMEA of the marketing authorization application for ambrisentan for the treatment of PAH. The milestone and the up-front license payments of $23.3 million have been recorded as deferred revenue and are being amortized into contract revenue over the remaining period for which we have performance obligations under the agreement, which is approximately eight years. In February 2008, ambrisentan received a positive opinion from the European Committee for Human Medicinal Products for the treatment of PAH and will be marketed under the name Volibris by GSK upon approval.

Under the terms of a license agreement and a distribution and supply agreement that we assumed as part of the acquisition of Myogen, we have received exclusive rights to market, promote and distribute Flolan and the sterile diluent for Flolan in the United States until April 2009.

OSI Pharmaceuticals, Inc.

In March 2000, we granted OSI Pharmaceuticals, Inc (OSI), as successor to Eyetech Pharmaceuticals, Inc., worldwide rights to all therapeutic uses of Macugen. Macugen is an inhibitor of vascular endothelial growth factor, or VEGF, which is known to play a role in the development of certain ophthalmic diseases. Under the terms of the agreement, OSI was responsible for all R&D costs. OSI has sublicensed the rights to Macugen in territories outside of the United States to Pfizer, and we entered into a license agreement with Pfizer on the same terms as contained in our agreement with OSI. We are entitled to receive payments from OSI if OSI reaches certain milestones, as well as for royalties on worldwide net sales of Macugen, subject to our obligation to make payments to third parties relating to these royalties. Our agreement with OSI expires upon the later of ten years after the first commercial sale of any product developed, or the date the last patent expires under the agreement.

In December 2003, we entered into an agreement with OSI to fill and finish Macugen for OSI. In January 2005, OSI received FDA approval for the sale of Macugen in the United States. In February 2006, Macugen was approved in the European Union, and in June 2006, we recognized a $5.0 million milestone payment from OSI relating to the first commercial sale of Macugen in the European Union which was included in contract revenue. In 2007, 2006 and 2005, we recorded contract revenue of $2.9 million, $10.4 million and $13.1 million, respectively, in connection with clinical supplies we provided to OSI and milestones achieved by OSI.

Astellas Pharma Inc.

In 1991, we entered into an agreement with Astellas Pharma Inc. (Astellas), as successor to Fujisawa USA, Inc., related to rights to market AmBisome. Under the terms of the agreement, as amended, Astellas is responsible for promotion of AmBisome in the United States and Canada. We have exclusive marketing rights to AmBisome in the rest of the world, subject to our obligation to pay royalties to Astellas in connection with sales in significant markets in Asia, including China, India, Japan, South Korea and Taiwan. In connection with U.S. sales, Astellas purchases AmBisome from us at our manufacturing cost. For sales in Canada, Astellas purchases AmBisome at manufacturing cost plus a specified percentage. We receive royalties equal to 20% of Astellas's gross profits from the sale of AmBisome in the United States and Canada. Gross profits include a deduction for cost of goods sold, giving us a current effective royalty rate of approximately 17% of Astellas's net sales of AmBisome in the United States. In connection with this agreement, we recorded royalty revenues of $10.4 million, $12.2 million and $13.0 million in 2007, 2006 and 2005, respectively.

11. LONG-TERM OBLIGATIONS

Convertible Senior Notes

In April 2006, we issued $650.0 million principal amount of convertible senior notes due 2011 (2011 Notes) and $650.0 million principal amount of convertible senior notes due 2013 (2013 Notes) (collectively, the Notes) in a private placement pursuant to Rule 144A of the Securities Act of 1933, as amended. The 2011 Notes and the 2013 Notes were issued at par and bear interest rates of 0.50% and 0.625%, respectively. Debt issuance costs of $23.8 million in connection with the issuance of the Notes were recorded in other noncurrent assets and are being amortized to interest expense on a straight-line basis over the contractual terms of the Notes. The aggregate principal amount of the Notes sold reflects the full exercise by the initial purchasers of their option to purchase additional Notes to cover over-allotments. The 2011 Notes may be convertible based on an initial conversion rate of 25.8048 shares per $1,000 principal amount of 2011 Notes (which represents an initial conversion price of approximately $38.75 per share). The 2013 Notes may be convertible based on an initial conversion rate of 26.2460 shares per $1,000 principal amount of 2013 Notes (which represents an initial conversion price of approximately $38.10 per share). The Notes may be converted, subject to adjustment, only under the following circumstances: 1) during any calendar quarter beginning after September 30, 2006 if the closing price of our common stock for at least 20 trading days during the last 30 consecutive trading day period of the previous quarter is more than 130% of the applicable conversion price per share, 2) if we make specified distributions to holders of our common stock or if specified corporate transactions occur, or 3) during the last month prior to maturity of the applicable Notes. Upon conversion, a holder would receive an amount in cash equal to the lesser of (i) the principal amount of the note or (ii) the conversion value for such note. If the conversion value exceeds $1,000, we may also deliver, at our option, cash or common stock or a combination of cash and common stock for the conversion value in excess of $1,000. If the Notes are converted in connection with a change in control, we may be required to provide a make-whole premium in the form of an increase in the conversion rate, subject to a stated maximum amount. In addition, in the event of a change in control, the holders may require us to purchase all or a portion of their notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon, if any. At December 31, 2007, the fair values of the 2011 Notes and 2013 Notes were approximately $871.0 million and $876.7 million, respectively, based on their quoted market values.

Concurrent with the issuance of the Notes, we purchased convertible note hedges in private transactions at a cost of $379.1 million to cover, subject to customary anti-dilution adjustments, 33.8 million shares of our common stock at strike prices that correspond to the initial conversion prices of the Notes. If the market value per share of our common stock at the time of conversion of the Notes is above the strike price of the applicable convertible note hedges, we are entitled to receive from the counterparties in the transactions cash or shares of our common stock or a combination of cash and common stock, at our option, for the excess of the then market

price of the common stock over the strike price of the convertible note hedges. The convertible note hedges will terminate upon the maturity of the related Notes or when none of the related Notes remain outstanding due to conversion or otherwise. We also sold warrants to acquire 33.8 million shares of our common stock, subject to customary anti-dilution adjustments, in private transactions and received net proceeds of $235.5 million. If the market value of our common stock at the time of the exercise of the applicable warrants exceeds their respective strike prices, we will be required to net settle in cash or shares of our common stock, at our option, with the respective counterparties for the value of the warrants in excess of the warrant strike prices. The maximum number of shares of common stock that could be issued by us should we choose to net share settle the warrants is 35.5 million shares, or 105% of the underlying share amount, which we have reserved for potential future issuance. The warrants have strike prices of $50.80 per share (for the warrants expiring in 2011) and $53.90 per share (for the warrants expiring in 2013) and are exercisable only on the respective expiration dates. Taken together, the convertible note hedges and warrants are intended to reduce the potential dilution upon future conversions of the Notes by effectively increasing the initial conversion price to $50.80 per share for the 2011 Notes and $53.90 per share for the 2013 Notes. The net cost of $143.7 million of the convertible note hedges and warrant transactions was recorded in stockholders' equity.

Because we have the choice of settling the convertible note hedges and warrants in cash or shares of our stock, and these contracts meet all of the applicable criteria for equity classification as outlined in EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, the cost of the convertible note hedges and net proceeds from the sale of the warrants are classified in stockholders' equity. In addition, because both of these contracts are classified in stockholders' equity and are indexed to our own common stock, they are not accounted for as derivatives under SFAS 133. We also recorded a deferred tax asset of $148.9 million in APIC for the effect of the future tax benefits related to the convertible note hedges in accordance with SFAS 109 and EITF No. 05-08, *Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature*.

Contemporaneously with the closing of the sale of the Notes, a portion of the net proceeds from the Notes' issuance and the proceeds of the warrant transactions were used to repurchase 16.7 million shares of our common stock for $544.9 million under our stock repurchase program.

The terms of the Notes agreements require us to comply with certain covenants. As of December 31, 2007, we were in compliance with all such covenants.

Credit Facilities

In December 2005, we entered into an agreement with a syndicate of banks for a five-year $500.0 million senior credit facility. The $500.0 million facility consisted of an uncollateralized $300.0 million term loan, which was entered into by Gilead Biopharmaceutics Ireland Corporation (GBIC), one of our wholly-owned Irish subsidiaries, and an uncollateralized $200.0 million revolving credit facility, which was entered into by the U.S. parent company, Gilead Sciences, Inc. The proceeds from the term loan were used by GBIC in December 2005 to facilitate a cash dividend distribution of $280.0 million to the U.S. parent company as part of the repatriation of our qualified foreign earnings under the provisions of the American Jobs Creation Act (AJCA).

Under the terms of our term loan, the minimum amount of the principal payment that was required to be repaid at the end of each calendar quarter, beginning on March 31, 2006, was five percent of the outstanding balance. Interest accrued at a rate of LIBOR plus a tiered contractual rate of up to 62.5 basis points and was payable quarterly in arrears. GBIC could prepay the term loan, together with accrued interest on the prepaid principal, at any time in whole or in part without penalty or premium. The U.S. parent company and another wholly-owned subsidiary were guarantors. During the year ended December 31, 2006, $201.0 million of the term

loan principal was repaid. During the year ended December 31, 2007, we repaid $99.0 million which represented the remaining amounts due under the term loan at which time the term loan was terminated.

Under the terms of the revolving credit facility entered into in December 2005, interest accrued and was payable at a rate of LIBOR plus a tiered contractual rate of up to 50 basis points, and was payable quarterly in arrears. The U.S. parent company could prepay any outstanding borrowings, together with accrued interest on the prepaid principal, at any time in whole or in part without penalty or premium. Any outstanding interest or principal at December 2010 would be payable on demand. The capacity of the revolving credit facility would increase to a maximum of $500.0 million as the term loan was repaid. We had the ability to irrevocably cancel any unutilized portion of the revolving credit facility, in whole or in part. Any proceeds obtained under the revolving credit facility were expected to be used for working capital, capital expenditures and other general corporate purposes, including the issuance of letters of credit up to $25.0 million. One of our wholly-owned subsidiaries was the guarantor. As of December 31, 2006, we did not have any borrowings under this revolving credit facility.

In January 2007, we received waivers for non-compliance with the total debt to total capitalization financial covenants for the year ended December 31, 2006 contained in the credit agreements underlying our $500.0 million credit facility. The acquisition-related IPR&D expenses of $2.04 billion that we recorded during the fourth quarter of 2006 for purchased IPR&D caused us to not comply with the financial covenants. Concurrent with the waiver, we prospectively amended the credit agreements to exclude all IPR&D expenses that we recorded commencing October 1, 2006 from the definition of total Consolidated Stockholders' Equity used in the calculation of total capitalization and the total debt to total capitalization ratio contained in the credit agreements.

In December 2007, we entered into an amended and restated credit agreement, which superseded the existing revolving credit agreement, with a syndicate of banks to increase the credit facility to $1.25 billion. The amended and restated credit agreement also includes a sub-facility for swing-line loans and letters of credit, and was entered into by GBIC and U.S. parent company. Under the terms of the amended and restated credit agreement, we may borrow initially up to an aggregate of $1.25 billion in revolving credit loans. Loans under the amended and restated credit agreement bear interest at either (i) LIBOR plus a margin ranging from 20 basis points to 32 basis points or (ii) the base rate, as defined in the amended and restated credit agreement. We can prepay any outstanding borrowings at any time in whole or in part without penalty or premium, and any outstanding interest or principal would be due and payable in December 2012. In connection with the amended and restated credit agreement, the U.S. parent company entered into an agreement guaranteeing the obligations of GBIC under the amended and restated credit agreement. We expect to use the proceeds of any loans under the amended and restated credit agreement for working capital requirements and general corporate purposes. As of December 31, 2007, we had a $1.5 million letter of credit outstanding under the amended and restated credit agreement. We are required to comply with certain covenants under the amended and restated credit agreement and as of December 31, 2007, we were in compliance with all such covenants.

Capital Lease Obligations

Future minimum payments of the capital lease obligations for each of the years ending December 31 are as follows (in thousands):

2008	$ 313
2009	170
2010	105
2011	59
2012	19
Total	666
Less amount representing interest	(45)
Total	621
Less current portion	(286)
Total long-term obligations	$ 335

12. COMMITMENTS AND CONTINGENCIES

Lease Arrangements

We have entered into various long-term non-cancelable operating leases for equipment and facilities. Facility leases in San Dimas, California; Durham, North Carolina; Westminister, Colorado; Seattle, Washington; the Dublin area of Ireland and the London area of the United Kingdom expire on various dates between 2008 and 2029. Our leases in Ireland and the United Kingdom are for 25 and 10 years, respectively, with rent subject to increase on the fifth anniversary of the respective commencement dates. Many of our facility leases have options to renew. We also have operating leases for sales, marketing and administrative facilities in Europe, Canada and Australia with various terms. Our equipment leases include three corporate aircraft, with varying terms, with renewal options upon expiration of the lease term.

Lease expense under our operating leases totaled approximately $28.8 million in 2007, $24.4 million in 2006 and $17.2 million in 2005. Aggregate non-cancelable future minimum rental payments under operating leases for each of the years ending December 31 are as follows (in thousands):

2008	$ 26,080
2009	23,017
2010	17,377
2011	12,936
2012	10,831
Thereafter	30,796
	$ 121,037

Legal Proceedings

On May 12, 2006, the United States District Court for the Northern District of California executed orders dismissing in its entirety and with prejudice the fourth consolidated amended complaint associated with a purported class action lawsuit against us and our Chief Executive Officer; Chief Operating Officer and Chief Financial Officer; former Executive Vice President of Operations; Executive Vice President of Research and Development and Chief Scientific Officer; Senior Vice President of Manufacturing; and Senior Vice President of Research, alleging that the defendants violated federal securities laws, specifically Sections 10(b) and 20(a) of

the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated by the Securities Exchange Commission, by making certain alleged false and misleading statements. The plaintiffs have appealed the dismissal.

On November 29, 2006, we received a subpoena from the United States Attorney's Office in San Francisco requesting documents regarding our marketing and medical education programs for Truvada, Viread and Emtriva. We have complied with the United States Attorney's subpoena and intend to cooperate in any related government investigation.

We are also a party to various other legal actions that arose in the ordinary course of our business. We do not believe that any of these other legal actions will have a material adverse impact on our business, consolidated results of operations or financial position.

Other Commitments

In August 2007, as a result of a review of the terms under our existing corporate aircraft leases and upon consideration of the various alternatives available to us upon their expiration, we entered into agreements to purchase three aircraft to be constructed for delivery in 2010 and 2013. The aggregate purchase price under the purchase agreements is $94.2 million. As of December 31, 2007, we have made deposits totaling $4.7 million which have been recorded as other noncurrent assets in our Consolidated Balance Sheet. Future deposits due under the terms of the purchase agreements are as follows: $2.6 million in 2008, $21.2 million in 2009, $28.5 million in 2010, $4.1 million in 2011, $20.7 million in 2012 and $12.4 million in 2013. We have the option to terminate the purchase agreements, subject to a maximum payment of 7.5% of the fully-equipped price of the aircraft.

In the normal course of business, we have entered into various firm purchase commitments related to active pharmaceutical ingredients and certain inventory-related activities, and as of December 31, 2007, they consist of the following for the next five years: $274.4 million in 2008, $131.8 million in 2009, $127.8 million in 2010, $60.1 million in 2011 and $79.5 million in 2012. The amounts related to active pharmaceutical ingredients only represent minimum purchase requirements. Actual payments for the purchases related to these active pharmaceutical ingredients were $548.3 million, $200.6 million and $120.6 million during the years ended December 31, 2007, 2006 and 2005, respectively.

13. STOCKHOLDERS' EQUITY

Stock Repurchase Program

In March 2006, our Board of Directors (Board) authorized a program for the repurchase of our common stock in an amount of up to $1.0 billion over a two-year period through open market and private block transactions pursuant to Rule 10b5-1 plans or privately-negotiated purchases or other means, including accelerated stock repurchase transactions or similar arrangements. In April 2006, we repurchased and retired 16,734,000 shares of our common stock at $32.57 per share for an aggregate of $544.9 million. In May and June 2007, we repurchased and retired an aggregate of 11,228,656 shares of our common stock at an average purchase price of $40.51 per share for an aggregate purchase price of $454.9 million. The 2006 stock repurchase program expires in March 2008, but we do not intend to make any further repurchases of our common stock under this program.

In October 2007, our Board authorized a new program for the repurchase of our common stock in an amount of up to $3.0 billion through open market and private block transactions pursuant to Rule 10b5-1 plans or privately negotiated purchases or other means, including accelerated stock repurchase transactions or similar

arrangements. In December 2007, we repurchased and retired 705,600 shares of our common stock at $46.28 per share for an aggregate of $32.7 million under the $3.0 billion stock repurchase program. The remaining authorized amount of stock repurchases that may be made under this stock repurchase program which terminates in December 2010 is $2.97 billion.

We use the par value method of accounting for our stock repurchases. Under the par value method, common stock is first charged with the par value of the shares involved. The excess of the cost of shares acquired over the par value is allocated to APIC based on an estimated average original sales price per issued share with the excess amounts charged to retained earnings (accumulated deficit). As a result of our stock repurchase in 2006, we reduced common stock and APIC by $33.9 million and retained earnings by $511.0 million. As a result of our stock repurchases in 2007, we reduced common stock and APIC by $26.9 million and charged $460.8 million to retained earnings.

Preferred Stock

We have 5,000,000 shares of authorized preferred stock issuable in series. Our Board is authorized to determine the designation, powers, preferences and rights of any such series. We have designated 800,000 shares of Series A Junior Participating Preferred Stock for potential issuance under our November 1994 rights agreement with Mellon Investor Services, LLC (formerly known as ChaseMellon Shareholder Services, LLC), as amended (the Rights Plan). There was no preferred stock outstanding as of December 31, 2007 and December 31, 2006.

Rights Agreement

The Rights Plan provides for the distribution of a preferred stock purchase right as a dividend for each share of our common stock. The purchase rights are not currently exercisable. Under certain conditions involving an acquisition or proposed acquisition by any person or group of 15% or more of our common stock, the purchase rights permit the holders (other than the 15% holder) to purchase our common stock at a 50% discount from the market price at that time, upon payment of a specified exercise price per purchase right. In addition, in the event of certain business combinations, the purchase rights permit the purchase of the common stock of an acquirer at a 50% discount from the market price at that time. Under certain conditions, the purchase rights may be redeemed by the Board in whole, but not in part, at a price of $0.0025 per purchase right. The purchase rights have no voting privileges and are attached to and automatically trade with our common stock.

In October 1999, October 2003 and May 2006, the Board approved amendments to the Rights Plan. The first amendment provided, among other things, for an increase in the exercise price of a right under the plan from $15 to $100 and an extension of the term of the plan from November 2004 to October 2009. The second amendment provides, among other things, for an increase in the exercise price of a right under the plan from $100 to $400 and an extension of the term of the Rights Plan to October 2013. The third amendment was a clarifying amendment entered into in connection with an increase in the designated number of shares of Series A Junior Participating Preferred Stock for potential issuance under the Rights Plan in May 2006.

Stock Option Plans

In May 2004, our stockholders approved and we adopted our 2004 Equity Incentive Plan (amended in May 2007) (the 2004 Plan). Stock options under the NeXstar Pharmaceuticals, Inc. (NeXstar), Triangle, Corus and Myogen stock option plans, which we assumed as a result of the acquisitions of NeXstar, Triangle, Corus, and Myogen have been converted into our options to purchase our common stock effective with the closing of the respective acquisitions. The 2004 Plan is a broad-based, incentive plan that allows for the awards to be granted to

our employees, directors and consultants. The 2004 Plan provides for option grants designated as either non-qualified or incentive stock options. Prior to January 1, 2006, we granted both non-qualified and incentive stock options, but all stock options granted after January 1, 2006 have been nonqualified stock options. Under the 2004 Plan, employee stock options generally vest over five years, are exercisable over a period not to exceed the contractual term of ten years from the date the stock options are issued and are granted at prices not less than the fair value of our common stock on the grant date. Stock option exercises are settled with newly issued common stock from the 2004 Plan's previously authorized and available pool of shares. In May 2007, our stockholders approved an increase of an additional 6,000,000 in the number of shares of common stock available for issuance under the 2004 Plan. As of December 31, 2007, a total of 91,375,968 shares of common stock have been authorized for grant under the 2004 Plan, a total of 52,570,742 shares of common stock have been reserved for issuance and there were 38,501,168 shares remaining and available for future grant under the 2004 Plan.

The following table summarizes activity under our stock option plans. All option grants presented in the table had exercise prices not less than the fair value of the underlying common stock on the grant date (shares in thousands):

	Year ended December 31,					
	2007		2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	93,757	$ 15.23	91,839	$ 11.30	98,826	$ 9.05
Granted and assumed	16,437	$ 37.11	24,662	$ 24.83	17,861	$ 18.19
Forfeited	(3,988)	$ 22.73	(4,251)	$ 16.85	(3,995)	$ 13.03
Exercised	(21,229)	$ 10.35	(18,493)	$ 8.13	(20,853)	$ 6.22
Outstanding, end of year	84,977	$ 20.33	93,757	$ 15.23	91,839	$ 11.30
Exercisable, end of year	44,971	$ 13.46	47,350	$ 9.61	44,473	$ 7.78
Weighted average grant date fair value of options granted during the year		$ 14.03		$ 12.55		$ 7.90

The total intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005 were $606.0 million, $427.5 million and $312.4 million, respectively. The total fair value of stock options that vested during the years ended December 31, 2007, 2006 and 2005 were $193.2 million, $130.9 million and $114.6 million, respectively.

As of December 31, 2007, the number of options outstanding that are expected to vest, net of estimated future option forfeitures in accordance with the provisions of SFAS 123R, was 30,698,274 with the weighted average exercise price of $27.70, the aggregate intrinsic value of $562.2 million and the weighted average remaining contractual life of 8.0 years. The aggregate intrinsic value of stock options outstanding and stock options exercisable as of December 31, 2007 were $2.18 billion and $1.46 billion, respectively. As of December 31, 2007, the weighted average remaining contractual life for options outstanding and stock options exercisable were 6.7 and 5.4 years, respectively.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following is a summary of our stock options outstanding and stock options exercisable at December 31, 2007 (options in thousands):

	Options Outstanding		Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$ 0.33 - $ 8.22	11,906	$ 5.04	11,804	$ 5.04
$ 8.23 - $13.89	11,258	$ 9.40	10,161	$ 9.21
$14.12 - $15.27	11,646	$ 14.81	8,045	$ 14.83
$15.40 - $17.50	11,725	$ 16.00	6,607	$ 16.07
$17.59 - $28.96	10,672	$ 23.88	4,384	$ 23.43
$29.01 - $32.51	10,728	$ 29.65	3,200	$ 29.47
$32.59 - $37.31	11,235	$ 34.60	290	$ 33.60
$37.66 - $47.07	5,807	$ 41.32	480	$ 41.41
Total	84,977	$ 20.33	44,971	$ 13.46

As of December 31, 2007, there was $389.2 million of unrecognized compensation cost related to stock options, which is expected to be recognized over an estimated weighted average period of 2.8 years.

Performance Shares

In January 2007, we granted 369,680 performance-based share awards under the 2004 Plan. These awards were divided into three tranches for both vesting and performance measurement purposes. Subject to our achievement of specified market and performance goals relative to a pre-determined peer group, these awards will vest over a three-year period. The actual number of our common stock that we will ultimately issue will be calculated by multiplying the number of performance shares by a payout percentage ranging from 0% to 200%. Performance shares will vest only when a committee (or subcommittee) of our Board of Directors has determined that we have achieved our specified market and performance goals. The fair value of the market-related component of the performance shares is estimated at grant date using a Monte Carlo valuation methodology, and the fair value of the performance-related component of the performance shares is equivalent to the grant-date fair value of our common stock. Stock-based compensation for these performance shares is recognized as expense over the requisite performance periods using a straight-line expense attribution approach reduced for estimated forfeitures. We recognized $7.8 million of stock-based compensation expense in 2007 relating to these performance shares. The weighted-average grant-date fair value of the performance shares was $34.80 per share. As of December 31, 2007, none of the performance shares had vested, and there was $8.9 million of unrecognized compensation cost related to these nonvested performance shares, which is expected to be recognized over an estimated weighted average period of 1.5 years.

In January 2008, we granted an additional 219,690 performance-based share awards with terms substantially similar to the awards granted in 2007 except that there will be a single three-year performance measurement and vesting period.

Restricted Stock Awards

In 2007, we granted 14,500 restricted stock awards to one of our non-employee directors under the 2004 Plan in lieu of stock options customarily provided as compensation for non-employee directors. The fair value of these restricted stock awards was based on the fair value of our common stock on the date of grant, and these restricted stock shares vest over six months from the date of grant.

In 2007, we also granted 24,000 restricted stock awards to certain of our employees under the 2004 Plan. The vesting of these awards is subject to the achievement of specified performance goals.

The following is a summary of the activity relating to our nonvested restricted stock awards for the year ended December 31, 2007:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested, January 1, 2007	48,000	$ 31.73
Granted	38,500	$ 41.41
Forfeited	(6,000)	$ 41.41
Vested	(22,500)	$ 41.41
Nonvested, December 31, 2007	58,000	$ 33.40

The weighted-average grant-date fair value of restricted stock awards granted in 2007, 2006 and 2005 were $41.41, $30.97 and $19.44, respectively. The total fair value of shares vested during the years ended December 31, 2007, 2006 and 2005 were $0.9 million, $0.5 million and $0.4 million, respectively.

Employee Stock Purchase Plan

Under our Employee Stock Purchase Plan, as amended (ESPP), employees can purchase shares of our common stock based on a percentage of their compensation subject to certain limits. The purchase price per share is equal to the lower of 85% of the fair value of our common stock on the offering date or the purchase date. A two-year look-back feature in our ESPP causes the offering period to reset if the fair value of our common stock on the purchase date is less than that on the original offering date. ESPP purchases by employees are settled with newly-issued common stock from the ESPP's previously authorized and available pool of shares. In May 2007, our stockholders approved amendments to our ESPP to increase the number of shares authorized and reserved for issuance under the ESPP by an additional 8,000,000 shares of our common stock and extend the term of the ESPP for an additional ten years until January 2017. During 2007, 912,539 shares were issued under the ESPP for $23.6 million. A total of 33,280,000 shares of common stock have been reserved for issuance under the ESPP, and there were 9,570,585 shares remaining and available for issuance under the ESPP as of December 31, 2007.

As of December 31, 2007, there was $6.3 million of unrecognized compensation cost related to ESPP, which is expected to be recognized over an estimated weighted-average period of 0.7 years.

14. STOCK-BASED COMPENSATION

On January 1, 2006, we adopted the provisions of SFAS 123R, which requires that all share-based payments to employees and directors, including grants of stock options, be recognized in the Consolidated Statements of Operations based on their fair values.

The table below summarizes stock-based compensation expense under SFAS 123R (in thousands, except per share amounts):

	Year ended December 31,	
	2007	2006
Cost of goods sold	$ 11,224	$ 10,870
Research and development expenses	72,082	52,163
Selling, general and administrative expenses	101,299	70,793
Stock-based compensation expense included in total costs and expenses	184,605	133,826
Income tax effect	(53,261)	(32,118)
Stock-based compensation expense included in net income (loss)	$ 131,344	$ 101,708
Stock-based compensation expense included in net income (loss) per share:		
Basic	$ 0.14	$ 0.11
Diluted	$ 0.14	$ 0.11

During the year ended December 31, 2007 and 2006, we capitalized $9.8 million and $10.2 million of stock-based compensation costs into inventory, respectively.

Stock-based compensation is recognized as expense over the requisite service periods in our Consolidated Statements of Operations using a graded vesting expense attribution approach for nonvested stock options granted prior to the adoption of SFAS 123R and using the straight-line expense attribution approach for stock options granted after the adoption of SFAS 123R. As stock-based compensation expense related to stock options recognized on adoption of SFAS 123R is based on awards ultimately expected to vest, gross expense has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We estimated forfeitures based on our historical experience. Prior to the adoption of SFAS 123R, pro forma information required under SFAS 123 included forfeitures as they occurred. As a result of the adoption of SFAS 123R, we will only recognize a tax benefit from stock-based compensation in APIC if an incremental tax benefit is realized after all other tax attributes currently available to us have been utilized. In addition, we have elected to account for the indirect benefits of stock-based compensation on the research tax credit and the extraterritorial income deduction through the Consolidated Statements of Operations rather than through APIC.

Pro Forma Information Under SFAS 123

The table below presents net income and basic and diluted net income per share as if compensation cost for our stock option plans and ESPP had been determined based on the estimated fair value of awards under those plans on the grant or purchase date in accordance with SFAS 123 (in thousands, except per share amounts):

	Year ended December 31, 2005
Net income—as reported	$ 813,914
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	215
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(77,292)
Pro forma net income	$ 736,837
Net income per share:	
Basic—as reported	$ 0.90
Basic—pro forma	$ 0.81
Diluted—as reported	$ 0.86
Diluted—pro forma	$ 0.78

Valuation Assumptions

Fair values of awards granted under the stock option plans and ESPP were estimated at grant or purchase dates using a Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected stock price volatility and expected award life. In connection with our adoption of SFAS 123R, we refined the methodologies used to derive our valuation model assumptions. To calculate the estimated fair value of the awards, we used the following assumptions:

	Year ended December 31,		
	2007	2006	2005
Expected volatility:			
Stock options	34%	39%	44%
ESPP	30%	33%	44%
Expected life in years:			
Stock options	5.0	5.2	4.3
ESPP	1.2	1.2	1.2
Risk-free interest rate:			
Stock options	4.6%	4.7%	3.8%
ESPP	4.7%	4.9%	3.3%
Expected dividend yield	0%	0%	0%

The fair value of stock options granted prior to the adoption of SFAS 123R was calculated using the multiple option approach while the fair value of stock options granted beginning January 1, 2006 was calculated using the single option approach.

Prior to the adoption of SFAS 123R, we used historical stock price volatility in connection with the Black-Scholes option valuation model. In connection with our adoption of SFAS 123R, we determined that a blend of historical volatility along with implied volatility for traded options on our common stock is a better reflection of our expected volatility.

The expected life of stock-based awards represents the weighted-average period the awards are expected to remain outstanding. We estimate the weighted-average expected life based on historical cancellation and historical exercise data related to our stock options as well as the contractual term and vesting terms of the awards.

The risk-free interest rate is based upon observed interest rates appropriate for the term of the stock-based awards. The dividend yield is based on our history and expectation of dividend payouts.

15. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) comprises net income (loss) and certain changes in stockholders' equity that are excluded from net income (loss), such as changes in the fair value of our outstanding effective cash flow hedges, changes in unrealized gains and losses on our available-for-sale securities and changes in our cumulative foreign currency translation account. Comprehensive income (loss) for the years ended December 31, 2007, 2006 and 2005 is included in our Consolidated Statement of Stockholders' Equity. The components of comprehensive income (loss) are shown net of related taxes where the underlying assets or liabilities are held in jurisdictions that are expected to generate a future tax benefit or liability.

The following reclassifications were recorded in connection with net realized gains (losses) on sales of securities and cash flow hedges that were previously included in comprehensive income (loss) (in thousands):

	Year ended December 31,		
	2007	2006	2005
Net unrealized gain (loss) related to available-for-sale securities, net of tax (provision) benefit of $1,102, $(3,809), and $825 for 2007, 2006 and 2005, respectively	$ (1,750)	$ 5,958	$ (1,291)
Net unrealized gain (loss) related to cash flow hedges, net of tax benefit (provision) of $0, $0 and $(3,656) for 2007, 2006 and 2005, respectively	(55,818)	(36,679)	32,652
Reclassification adjustments, net of tax benefit of $3,391, $1,395, and $11 for 2007, 2006 and 2005, respectively	49,412	17,743	18
Other comprehensive income (loss)	$ (8,156)	$ (12,978)	$ 31,379

The balance of accumulated other comprehensive income (loss), net of taxes, as reported on our Consolidated Balance Sheets consists of the following components (in thousands):

	As of December 31,	
	2007	2006
Net unrealized gain on available-for-sale securities	$ 8,957	$ 5,321
Net unrealized loss on cash flow hedges	(27,193)	(15,401)
Cumulative foreign currency translation adjustment	13,873	12,301
Accumulated other comprehensive income (loss)	$ (4,363)	$ 2,221

16. DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION

We operate in one business segment, which primarily focuses on the development and commercialization of human therapeutics for life threatening diseases. All products are included in one segment, because our major products, Truvada, Atripla, Viread, Emtriva, Hepsera and AmBisome, which together accounted for substantially all of our total product sales for each of the three years ended December 31, 2007, 2006 and 2005, have similar economic and other characteristics, including the nature of the products and production processes, type of customers, distribution methods and regulatory environment.

Product sales consist of the following (in thousands):

	Year ended December 31,		
	2007	2006	2005
HIV products:			
Truvada	$ 1,589,229	$ 1,194,292	$ 567,829
Atripla	903,381	205,729	—
Viread	613,169	689,356	778,783
Emtriva	31,493	36,393	47,486
Total HIV products	3,137,272	2,125,770	1,394,098
Hepsera	302,722	230,531	186,532
AmBisome	262,571	223,031	220,753
Other	30,544	8,865	7,916
Total product sales	$ 3,733,109	$ 2,588,197	$ 1,809,299

The following table summarizes total revenues from external customers and collaboration partners by geographic region (in thousands). Product sales and product-related contract revenue are attributed to countries based on ship-to location. Royalty and non-product related contract revenue are attributed to countries based on the location of the collaboration partner.

	Year ended December 31,		
	2007	2006	2005
United States	$ 2,166,066	$ 1,467,322	$ 991,079
Outside of the United States:			
Switzerland	442,455	382,361	174,358
France	349,277	228,791	156,370
Spain	246,252	169,832	125,171
United Kingdom	223,066	157,387	120,259
Italy	206,890	149,399	106,482
Germany	120,467	126,428	104,003
Other European countries	213,510	172,951	143,852
Other countries	262,062	171,668	106,826
Total revenues outside of the United States	2,063,979	1,558,817	1,037,321
Total revenues	$ 4,230,045	$ 3,026,139	$ 2,028,400

At December 31, 2007, the net book value of our property, plant and equipment in the United States, Ireland and Canada were $317.8 million, $62.3 million and $53.4 million, respectively, which comprised approximately 97% of the total net book value of our property, plant and equipment.

The following table summarizes revenues from our customers who individually accounted for 10% or more of our total revenues (as a % of total revenues):

	Year ended December 31,		
	2007	2006	2005
Cardinal Health, Inc.	20%	18%	18%
McKesson Corp.	15%	12%	12%
AmerisourceBergen Corp.	11%	11%	12%
F. Hoffmann-La Roche Ltd.	*	12%	*

* Amount less than 10%

17. INCOME TAXES

The provision for income taxes consists of the following (in thousands):

		Year ended December 31,		
		2007	2006	2005
Federal:	Current	$ 408,508	$ 430,611	$ 313,397
	Deferred	90,915	2,551	(36,672)
		499,423	433,162	276,725
State:	Current	108,850	99,721	91,943
	Deferred	2,246	(4,412)	(35,587)
		111,096	95,309	56,356
Foreign:	Current	44,067	23,364	18,776
	Deferred	454	(85)	(3,979)
		44,521	23,279	14,797
Provision for income taxes		$ 655,040	$ 551,750	$ 347,878

Foreign pre-tax income was $740.9 million, $461.6 million and $263.9 million in 2007, 2006 and 2005, respectively. The cumulative unremitted foreign earnings that are considered to be permanently invested outside the United States and for which no U.S. taxes have been provided, were approximately $1.10 billion and $404.8 million as of December 31, 2007 and 2006, respectively. The residual U.S. tax liability, if such amounts were remitted, would be approximately $386.1 million and $141.7 million as of December 31, 2007 and 2006, respectively.

The difference between the provision for income taxes and the amount computed by applying the U.S. federal statutory income tax rate to income (loss) before provision for income taxes is as follows (in thousands):

	Year ended December 31,		
	2007	2006	2005
Income (loss) before provision for income taxes	$ 2,270,338	$ (638,207)	$ 1,161,792
Tax at federal statutory rate	$ 794,618	$ (223,374)	$ 406,627
State taxes, net of federal benefit	78,444	59,773	36,631
Foreign earnings at different rates	(195,416)	(116,843)	(36,413)
Purchased in-process R&D expenses	—	837,918	—
Research and other credits	(15,251)	(21,600)	(2,299)
Net unbenefitted stock compensation	12,227	14,721	—
Benefit for qualified foreign earnings repatriation	—	—	(25,081)
Benefitted losses	—	—	(14,192)
Other	(19,582)	1,155	(17,395)
Provision for income taxes	$ 655,040	$ 551,750	$ 347,878

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2007	2006
Deferred tax assets:		
Convertible note hedges	$ 111,479	$ 134,594
Net operating loss carryforwards	65,368	147,491
Stock-based compensation	61,833	28,807
Capitalized intangibles	61,690	72,633
Research and other tax credit carryforwards	50,152	59,592
Depreciation related	33,731	26,828
Reserves and accruals not currently deductible	30,137	30,967
Other, net	74,927	84,947
Total deferred tax assets before valuation allowance	489,317	585,859
Valuation allowance	(23,498)	(23,188)
Total deferred tax assets	465,819	562,671
Deferred tax liabilities:		
Unremitted foreign earnings	(15,928)	(14,216)
Other	(10,270)	(9,908)
Total deferred tax liabilities	(26,198)	(24,124)
Net deferred tax assets	$ 439,621	$ 538,547

The valuation allowance increased (decreased) by $0.3 million, $7.1 million and ($17.2) million for the years ended December 31, 2007, 2006 and 2005, respectively. We have concluded, based on the standard set forth in SFAS 109, that it is more likely than not that we will not realize the benefit from the deferred tax assets related to certain state net operating loss and tax credit carryforwards. If released, $7.4 million of the valuation allowance would have been credited to goodwill.

At December 31, 2007, we had U.S. federal net operating loss carryforwards of approximately $125.4 million. The federal net operating loss carryforwards will expire at various dates through 2026, if not utilized. We also had federal tax credit carryforwards of approximately $48.1 million which expire through 2026 if not utilized. In addition, we had state net operating loss and tax credit carryforwards of approximately $564.6 million and $3.1 million, respectively, on which a valuation allowance of $23.5 million was provided. The state net operating loss and tax credit carryforwards will expire at various dates through 2026 and 2025, respectively, if not utilized.

Utilization of net operating losses and tax credits may be subject to an annual limitation due to ownership change limitations provided in the Internal Revenue Code of 1986, as amended, and similar state provisions. This annual limitation may result in the expiration of the net operating losses and credits before utilization.

The deferred tax assets relating to tax benefits of employee stock option grants have been reduced to reflect exercises in 2007. Some exercises resulted in tax deductions in excess of previously recorded benefits based on the option value at the time of grant. These additional tax benefits were credited to APIC pursuant to SFAS 123R.

On October 22, 2004, the AJCA was signed into law. The AJCA allowed for a deduction of 85% of certain qualified foreign earnings that were repatriated, as defined in the AJCA. We elected to apply this provision to qualifying earnings repatriation in 2005. The earnings repatriation resulted in a one-time tax benefit of approximately $25.1 million, which included the reversal of the deferred tax liability previously accrued on unremitted foreign earnings of $13.1 million at December 31, 2004.

We file federal, state and foreign income tax returns in many jurisdictions in the United States and abroad. For U.S. federal and California income tax purposes, the statute of limitations remains open for all years from inception due to our utilization of net operating losses relating to prior years.

Our income tax returns are audited by federal, state and foreign tax authorities. We are currently under examination by the Internal Revenue Service for the 2003 and 2004 tax years, by the Franchise Tax Board of California for the 2004 and 2005 tax years and by various state and foreign jurisdictions. There are differing interpretations of tax laws and regulations, and as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. While we believe our positions comply with applicable laws, we periodically evaluate our exposures associated with our tax filing positions.

We recorded liabilities related to uncertain tax positions in accordance with FIN 48. We do not believe any such items currently pending will have a material adverse effect on our Consolidated Financial Statements, although an adverse resolution of one or more of these items in any period could have a material impact on the results of operations for that period. Prior to the adoption of FIN 48, we recorded liabilities related to uncertain tax positions based upon SFAS No. 5, *Accounting for Contingencies.*

At December 31, 2007, we have total federal, state and foreign unrecognized tax benefits of $111.7 million, including interest of $8.3 million. Of the total unrecognized tax benefits, $103.5 million, if recognized, would reduce our effective tax rate in the period of recognition. As permitted under the provisions of FIN 48, we have continued to classify interest and penalties related to unrecognized tax benefits as part of our income tax provision in our Consolidated Statement of Operations. With respect to the unrecognized tax benefits, we are currently unable to make a reasonably reliable estimate as to the period of cash settlement, if any, with the respective taxing authorities.

The following is a rollforward of our total gross unrecognized tax benefit liabilities for the year ended December 31, 2007 (in thousands):

Balance, January 1, 2007	$ 91,086
Tax positions related to current year:	
Additions	25,882
Reductions	—
Tax positions related to prior years:	
Additions	—
Reductions	(1,881)
Settlements	—
Lapse of statute of limitations	—
Balance, December 31, 2007	$115,087

18. DEFERRED COMPENSATION PLANS

We maintain one retirement savings plan under which eligible employees may defer compensation for income tax purposes under Section 401(k) of the Internal Revenue Code (Gilead Plan). Under the Gilead Plan, employees may contribute up to 60% of their eligible annual compensation, subject to IRS plan limits. We make matching contributions under the Gilead Plan. In 2007, we contributed up to 50% of an employee's first 6% of contributions up to an annual maximum match of $3,500 ($5,000 starting January 1, 2008). In both 2006 and 2005, we contributed up to 50% of an employee's first 6% of contributions up to an annual maximum match of $2,500. Our total matching contribution expense under the Gilead Plan was $4.5 million in 2007, $2.9 million in 2006, and $1.8 million in 2005.

We maintain a deferred compensation plan under which our directors and key employees may defer compensation for income tax purposes. The deferred compensation plan is a non-qualified deferred compensation plan which is not subject to the qualification requirements under Section 401(a) of the Internal Revenue Code. Compensation deferred after December 31, 2004 is subject to the requirements of Section 409A of the Internal Revenue Code. Under the plan, officers may contribute up to 70% of their annual salaries and up to 100% of their annual bonus while directors may contribute up to 100% of their annual retainer fee. Amounts deferred by participants are deposited with a rabbi trust and are recorded in other noncurrent assets in our Consolidated Balance Sheets. Beginning in 2004, directors may also elect to receive all or a portion of their annual cash retainer in phantom shares, which gives the participant the right to receive an amount equal to the value of a specified number of shares over a specified period of time and which will be payable in shares of our common stock (with fractional shares paid out in cash) as established by the plan administrator. As of December 31, 2007, we had 19,307 phantom shares outstanding. Participants can elect one of several distribution dates available under the plan at which they will receive their deferred compensation payment.

19. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following amounts are in thousands, except per share amounts:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2007				
Total revenues	$ 1,028,430	$ 1,048,089	$ 1,058,803	$ 1,094,723
Gross profit on product sales	$ 668,587	$ 721,927	$ 763,471	$ 810,353
Total costs and expenses	$ 468,286	$ 505,241	$ 511,773	$ 580,238
Net income	$ 407,407	$ 407,930	$ 398,319	$ 401,642
Net income per share—basic	$ 0.44	$ 0.44	$ 0.43	$ 0.43
Net income per share—diluted	$ 0.42	$ 0.42	$ 0.42	$ 0.41
2006[1][2]				
Total revenues	$ 692,878	$ 685,302	$ 748,733	$ 899,226
Gross profit on product sales	$ 468,996	$ 512,808	$ 560,269	$ 612,804
Total costs and expenses	$ 321,226	$ 319,987	$ 691,193	$ 2,452,486
Net income (loss)	$ 262,704	$ 265,150	$ (52,164)	$ (1,665,647)
Net income (loss) per share—basic	$ 0.28	$ 0.29	$ (0.06)	$ (1.81)
Net income (loss) per share—diluted	$ 0.27	$ 0.28	$ (0.06)	$ (1.81)

(1) In the fourth quarter of 2006, we recognized a $2.04 billion charge for purchased IPR&D associated with our acquisitions.

(2) In the third quarter of 2006, we recognized a $355.6 million charge for purchased IPR&D associated with our acquisition.

GILEAD SCIENCES, INC.

Schedule II: Valuation and Qualifying Accounts

	Balance at Beginning of Period	Additions/ Charged to Expense	Deductions	Balance at End of Period
Year ended December 31, 2007:				
Accounts receivable allowances[1]	$ 51,000	$ 329,029	$ 307,812	$ 72,217
Valuation allowance for deferred tax assets[2]	$ 23,188	$ 1,767	$ 1,457	$ 23,498
Year ended December 31, 2006:				
Accounts receivable allowances[1]	$ 33,234	$ 178,391	$ 160,625	$ 51,000
Valuation allowance for deferred tax assets[2]	$ 16,131	$ 7,057	$ —	$ 23,188
Year ended December 31, 2005:				
Accounts receivable allowances[1]	$ 27,491	$ 114,810	$ 109,067	$ 33,234
Valuation allowance for deferred tax assets	$ 33,349	$ —	$ 17,218	$ 16,131

(1) Allowances are for doubtful accounts, sales returns, cash discounts and chargebacks.

(2) Valuation allowance for deferred tax assets includes $7.4 million and $7.1 million as of December 31, 2007 and 2006, respectively, related to our acquisitions.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GILEAD SCIENCES, INC.

By: /s/ JOHN C. MARTIN
John C. Martin
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John C. Martin and Gregg H. Alton, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN C. MARTIN **John C. Martin**	President, Chief Executive Officer, and Director *(Principal Executive Officer)*	February 27, 2008
/s/ JOHN F. MILLIGAN **John F. Milligan**	Chief Operating Officer and Chief Financial Officer *(Principal Financial and Accounting Officer)*	February 27, 2008
/s/ JAMES M. DENNY **James M. Denny**	Chairman of the Board of Directors	February 27, 2008
/s/ PAUL BERG **Paul Berg**	Director	February 27, 2008
/s/ JOHN F. COGAN **John F. Cogan**	Director	February 27, 2008
/s/ ETIENNE F. DAVIGNON **Etienne F. Davignon**	Director	February 27, 2008
/s/ CARLA A. HILLS **Carla A. Hills**	Director	February 27, 2008

Signature	Title	Date
/s/ JOHN W. MADIGAN **John W. Madigan**	Director	February 27, 2008
/s/ GORDON E. MOORE **Gordon E. Moore**	Director	February 27, 2008
/s/ NICHOLAS G. MOORE **Nicholas G. Moore**	Director	February 27, 2008
/s/ GAYLE E. WILSON **Gayle E. Wilson**	Director	February 27, 2008

Exhibit 10.58

October 4, 2007

Caroline Dorsa
Revised Offer Letter

Dear Caroline,

Gilead Sciences, Inc. is pleased to offer you the position of Chief Financial Officer reporting directly to me. We are very excited about the possibility of you joining Gilead in a key leadership role, and we look forward to the prospect of working with you. The following outlines the specific terms of our offer:

Base salary:	$500,000
Stock options:	100,000
Sign-on bonus:	$250,000
Performance-based restricted shares:	24,000
Target Bonus:	40%
Mortgage Subsidy:	$190,000

Offer Details:

- Your salary on an annualized basis will be $500,000, less taxes, payable twice a month.

- The Compensation Committee of the Board of Directors has approved extending you an option to purchase 100,000 shares of Gilead Sciences Common Stock. Your options will have an exercise price equal to the fair market value of Gilead common stock at the time of the option grant. Your options will be granted at the next Compensation Committee meeting following your date of employment at Gilead. You will be notified of the details after the options have been granted. These options are subject to a five-year vesting provision; i.e., 20% of the total number of shares vest one year after the option grant date and the remaining 80% vest in 5% installments every quarter in years two through five. Following this initial grant, you will be eligible to participate in Gilead's stock option program under which you will be considered for annual grants based on your performance. To be eligible for merit stock option grants for the performance year in which you are hired, you must be employed by June 30th. Therefore, you will be eligible to participate in Gilead's stock option program in Q'1 2009.

- You will be paid an employment bonus of $250,000, less taxes. This bonus will be reflected on your first payroll check subsequent to your start date at Gilead. In the event that your employment terminates within two years of your start date, you will be required to repay all or a portion of this bonus to Gilead, provided, however, that no repayment shall be required if your termination is a "Termination of Employment" described in Section IV(a)(i) of the Gilead Severance Plan (as amended and restated January 1, 2005)(the "Severance Plan"), which Severance Plan is incorporated by reference herein. In the event of your voluntary termination, you will be required to repay this amount within 90 days of the termination date.

- Gilead will grant you an award of 24,000 shares of performance-based restricted common stock of Gilead pursuant to the 2004 Equity Incentive Plan. Three vesting Milestones will be determined within the first 30 days of your employment. If fewer than all three vesting events occur before the fifth anniversary of your start date, any unvested restricted stock as of that date will be forfeited. In addition, if you cease Continuous Active Service (as defined in the 2004 Equity Incentive Plan) for a reason other than death, disability (as defined in Section 22(e)(3) of the Internal Revenue Code) or a Change in Control (as defined in the 2004 Equity Incentive Plan) before the date on which either of the three vesting events occurs or before the fifth anniversary of your start date, whichever is earlier, any unvested restricted stock as of the date your Continuous Active Service ceases will be forfeited. You will be provided with a Restricted Stock Award Agreement which contains further details related to your restricted stock.

Within 30 days of the date of grant, you may make a "Section 83(b) election" to include in gross income, for federal income tax purposes, an amount equal to the fair market value of the restricted stock on the date of grant.

- You will be eligible to participate in an annual cash bonus program based on individual and company performance. Your target bonus is 40% of annual salary, less taxes. The actual payout can range from 0% to 150% of this target, based on your performance against your annual goals and objectives, as well as the company's overall performance. This bonus will not be prorated for 2007.

- The Company will provide a mortgage subsidy to assist you when purchasing a home in a significantly higher cost housing area compared to your previous lower cost housing area. The subsidy is an amount of money to be used only to help you purchase a home in the new location by reducing the mortgage's interest rate for a period of time so that you can ease into the higher cost area. You cannot use the mortgage subsidy for any purpose other than to reduce (temporarily) the interest rate on your loan. In order to be most tax advantageous to you, we will allow you to configure this subsidy in any manner you choose, provided it follows a reducing schedule and all legal guidelines set forth by SIRVA mortgage. The mortgage subsidy is provided exclusively through SIRVA Mortgage for up to five years. The annual distribution is set on a reducing scale and the total subsidy amount is capped at $190,000.00. If for any reason you are unable to take advantage of the full $190,000.00, the company will pay you the difference net, in the payroll cycle immediately following this event.

- You will receive $4000.00 net per month for up to six months, or until you current home sale is final, whichever comes first.

- We will provide you with up to 90 days of temporary accommodations in a fully furnished corporate apartment. Gilead and its relocation vendors will assist you with the selection and billing for these accommodations.

- You will receive a moving allowance of up to $30,000 payable against receipts. This moving allowance is intended to relocate your household goods to California utilizing the company-contracted carrier. If the moving costs are higher than provided for in this letter, approval for covering these additional costs will not be unreasonably withheld.

- Gilead will enroll you in their home marketing service, Buyer Value Option (BVO) Program, administered by our relocation vendor, SIRVA Relocation. All non-recurring transaction costs in connection with the sale of your current home and purchase of a new home will be covered by Gilead, through SIRVA Relocation. This includes the real estate commission, typical seller closing costs, typical purchase closing costs, and up to one mortgage "point" associated with the purchase of a new home. Please see the attached summary of our Relocation Program for further details. A complete policy will be provided to you by SIRVA Relocation.

- You will be provided a lump sum of $20,000 (grossed up) for miscellaneous relocation expenses within the first week of your employment. This is intended to cover items such as rental car, auto license and registration, lease termination and utility hook ups. If your miscellaneous expenses are higher than provided for in this letter, approval for covering these additional costs will not be unreasonably withheld. Please retain all receipts for documentation of these expenses.

- Gilead Sciences will adjust certain relocation expenses to help offset the tax liability that may occur as a result of federal and state tax regulations. The Company tax gross up will be based on your annualized base pay plus normal target incentive, or bonuses ONLY, excluding such one-time payments as stock options, deferred compensation, etc. Gilead Sciences will not include in its calculations any income from any outside sources, like spousal or outside income.

- The cash amount of this relocation package including, but not limited to, any moving allowance, temporary housing costs, transaction costs, and lump sums accepted by you is due and payable to Gilead 90 days after your last date of employment if your employment should terminate for any reason within two years of your employment date, unless such termination is the result of a merger or acquisition of Gilead.

- Gilead provides a comprehensive company-paid benefits package including health, dental, vision, life insurance, and long-term disability insurance plans. You are eligible for health and welfare benefits if you are a full-time employee working 30 hours or more (unless otherwise specified). You will need to enroll for medical or dental/vision within 31 days of your hire date, or you will not be eligible to enroll until the next open enrollment, unless you have a qualifying life event. Upon completion of enrollment, your coverage begins on your date of hire.

- For your information, we have enclosed a Benefits Summary outlining Gilead's benefits programs. We will arrange for you to meet with a member of our benefits staff to review your benefits package and enroll in the various programs. Please note that, as an executive, you will not accrue PTO but will instead have the flexibility of taking time off at your discretion in accordance with the business needs of the corporation.

- At the next enrollment date, you will be eligible to participate in our Employee Stock Purchase Plan that offers you the opportunity to use up to 15% of your annual salary, to the IRS maximum, through payroll deductions to purchase Gilead Common Stock at 85% of the market price at the date of enrollment or purchase. ESPP enrollment dates occur at the end of each quarter. Additionally, we offer a 401(k) plan, which provides you with the opportunity for pre-tax long-term savings by deferring from 1-60% of your annual salary, subject to IRS maximums. Gilead will match 50% of up to 6% of your contributions to the plan. The maximum Company contribution is $3,500 per year. More detailed information regarding your benefits will be provided at your New Employee Orientation, shortly after you begin employment.

- You will abide by Gilead Sciences' strict company policy that prohibits any new employee from using or bringing with them from any prior employer any proprietary information, trade secrets, proprietary materials or processes of such former employers. Upon starting employment with Gilead Sciences, you will be required to sign Gilead Sciences' Confidentiality and Proprietary Inventions Agreement for Employees indicating your agreement with this policy.

- You will also be required to sign the Employment Eligibility Verification (Form I-9). (You will need to complete and return section one of the I-9 Form along with your signed offer letter). On your first day of employment, please bring the necessary documents that establish your identity and employment eligibility.

- You agree by signing below that the Company has made no other promises other than what is outlined in this letter. It contains the entire offer the Company is making to you. Our agreement can only be modified by written agreement signed by you and the Company's Representative. You also agree that should you accept a position at Gilead Sciences, the employment relationship is based on the mutual consent of the employee and the Company. Accordingly, either you or the Company can terminate the employment relationship at will, at any time, with or without cause or advance notice. You should also note that the Company may modify wages and benefits from time to time at its discretion.

This offer of employment is effective until October 12, 2007. The offer is also contingent upon successful background and reference checks. There are two originals of this letter enclosed.

If all of the foregoing is satisfactory, please sign and date each original and return one to me by October 12, 2007 in the enclosed envelope, keeping the other original for yourself. Please also complete the following enclosed forms and mail them back with your signed offer letter:

- I-9 Form
- W-4 Form
- Personal Data Sheet

Caroline, we look forward to your joining the senior leadership team at Gilead Sciences.

Sincerely,

/s/ John F. Milligan
John F. Milligan
Chief Operating Officer

Foregoing terms and conditions hereby accepted:

Signed /s/ Caroline Dorsa

Date October 6, 2007

Intended Start Date November 5, 2007

GILEAD SCIENCES, INC.

2004 EQUITY INCENTIVE PLAN[1]

AS AMENDED AND RESTATED OCTOBER 22, 2007

1. Purpose of the Plan. The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company by offering them an opportunity to participate in the Company's future performance. This Plan was originally approved by stockholders at the 2004 Annual Stockholders Meeting and serves as the successor to the Gilead Sciences, Inc. 1991 Stock Option Plan and the Gilead Sciences, Inc. 1995 Non-Employee Directors' Stock Option Plan. No further option grants will be made under those plans, and the remaining shares available for issuance under those plans have been transferred to this Plan ad are available for issuance under this Plan.

The purposes of this October 2007 restatement is to expand the list of performance criteria to which the vesting of one or more Awards may be tied, including Awards designed to provide Performance-Based Compensation, and to effect a series of technical revisions to the Plan in order to facilitate the administration of the Plan and to provide additional flexibility in structuring Awards.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of the Committees appointed to administer the Plan.

(b) "Applicable Acceleration Period" means: (i) 24 months, in the case of the Company's Chief Executive Officer, (ii) 18 months, in the case of an Executive Vice President or Senior Vice President of the Company, and (iii) 12 months, in the case of all other Grantees.

(c) "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange, and the rules of any non-U.S. jurisdiction applicable to Awards granted to residents therein.

(d) "Award" means the grant of an Option, SAR, Dividend Equivalent Right, Restricted Stock, Restricted Stock Unit, Performance Unit, Performance Share, Phantom Share, or other right or benefit under the Plan.

(e) "Award Agreement" means the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto.

(f) "Board" means the Board of Directors of the Company.

(g) "Cause" means, with respect to the termination by the Company or a Related Entity of the Grantee's Continuous Service, that such termination is for one or more of the reasons set forth in the definition of "Cause" as such term is expressly defined in a then-effective written agreement between the Grantee and the Company or such Related Entity, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Administrator, the Grantee's: (i) performance of any act, or failure to perform any act, in bad faith and to the detriment of the Company or a Related Entity; (ii) dishonesty, intentional misconduct, material violation of any applicable Company or Related Entity policy, or material breach of any agreement with the Company or a Related Entity; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person.

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[1] Includes amendments through October 22, 2007. Includes share adjustment to reflect two-for-one stock split of the Common Stock effective September 3, 2004 and two-for-one stock split of the Common Stock effective June 22, 2007.

(h) "Change in Control" means, for purposes of all Awards at the time outstanding under the Plan, a change in ownership or control of the Company effected through the consummation of any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Company's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately prior to such transaction,

(ii) a sale, transfer or other disposition of all or substantially all of the Company's assets,

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Company or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Company) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Company's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Company or the acquisition of outstanding securities held by one or more of the Company's existing stockholders, or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

In no event, however, shall a Change in Control be deemed to occur upon a merger, consolidation or other reorganization effected primarily to change the State of the Company's incorporation or to create a holding company structure pursuant to which the Company becomes a wholly-owned subsidiary of an entity whose outstanding voting securities immediately after its formation are beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately prior to the formation of such entity.

(i) "Code" means the Internal Revenue Code of 1986, as amended.

(j) "Committee" means any committee composed of members of the Board appointed by the Board to administer the Plan.

(k) "Common Stock" means the common stock of the Company.

(l) "Company" means Gilead Sciences, Inc., a Delaware corporation.

(m) "Consultant" means any person, including an advisor, who is compensated by the Company or any Related Entity for services performed as a non-employee consultant; ***provided, however,*** that the term "Consultant" shall not include non-employee Directors serving in their capacity as Board members. The term "Consultant" shall include a member of the board of directors of a Related Entity.

(n) "Continuous Service" means the performance of services for the Company or a Related Entity (whether now existing or subsequently established) by a person in the capacity of an Employee, a Director or a Consultant, except to the extent otherwise specifically provided in the documents evidencing the Award. For

purposes of the Plan, a Grantee shall be deemed to cease Continuous Service immediately upon the occurrence of either of the following events: (i) the Grantee no longer performs services in any of the foregoing capacities for the Company or any Related Entity or (ii) the entity for which the Grantee is performing such services ceases to remain a Related Entity of the Company, even though the Grantee may subsequently continue to perform services for that entity. Continuous Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Company; ***provided, however,*** that should such leave of absence exceed three (3) months, then for purposes of determining the period within which an Incentive Option may be exercised as such under the federal tax laws, the Grantee shall be deemed to have terminated Employee status on the first day immediately following the expiration of such three (3)-month period, unless such Grantee is provided with the right to return to Continuous Service following such leave either by statute or by written contract. The Grantee shall not receive any Continuous Service credit, for purposes of vesting in any outstanding Award or Awards made to the Grantee, for any period such Grantee is on a leave of absence, except to the extent otherwise required by law or pursuant to the following procedure:

- A Grantee shall receive Continuous Service credit for such vesting purposes for (i) the first three months of an approved personal leave of absence and (ii) the first seven months of any bona fide leave of absence (other than an approved personal leave), but in no event beyond the expiration date of such leave of absence; ***provided, however,*** that in the event the Grantee' Award is subject to Section 409A of the Code and payable upon his or her separation from service, then the maximum period for which such Continuous Service credit shall be given with respect to that Award shall be determined in accordance with Treasury Regulations Section 1.409A-1(h) and accordingly shall not extend beyond the date the Grantee is deemed to have a separation from service for purposes of Section 409A.

In jurisdictions requiring notice in advance of an effective termination of a Grantee's service as an Employee, Director or Consultant, Continuous Active Service shall be deemed terminated upon the actual cessation of such service to the Company or a Related Entity notwithstanding any required notice period that must be fulfilled before such individual's termination as an Employee, Director or Consultant can be effective under Applicable Laws.

A Grantee on an approved leave of absence shall be deemed to terminate Continuous Service for purposes of his or her outstanding Awards upon the earlier of (i) the expiration date of that leave of absence, unless such Grantee returns to active Continuous Service on or before that date, or (ii) the date the Grantee's Continuous Service actually terminates by reason of his or her voluntary or involuntary termination or by reason of his or her death or disability; ***provided, however,*** that in the event the Grantee' Award is subject to Section 409A of the Code and payable upon his or her separation from service, then his or her Continuous Service shall, with respect to that Award, be deemed to terminate when such Grantee is deemed to have a separation from service under Treasury Regulations Section 1.409A-1(h).

(n) "Covered Employee" means an Employee who is a "covered employee" under Section 162(m)(3) of the Code.

(o) "Director" means a member of the Board.

(p) "Dividend Equivalent Right" means a right entitling the Grantee to compensation measured by dividends paid with respect to the Common Stock underlying his or her Award.

(q) "Domestic Partner" means a person who meets and continues to meet all of the criteria detailed in the Gilead Sciences Affidavit of Domestic Partnership when the Domestic Partnership has been internally registered with the Company by filing with the Company an original, properly completed, notarized Gilead Sciences Affidavit of Domestic Partnership.

(r) "Employee" means any person, including an Officer or Director, who is in the employ of the Company or any Related Entity, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance. Neither service as a Director nor payment of a director's fee by the Company or a Related Entity shall be sufficient to constitute "employment" by the Company.

(s) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(t) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange, including without limitation the Nasdaq Global or Global Select Market, the American Stock Exchange or the New York Stock Exchange, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange (or the exchange with the greatest volume of trading in the Common Stock) on the last market trading day prior to the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Board deems reliable; or

(ii) If the Common Stock is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, but selling prices are not reported, the Fair Market Value per share of Common Stock shall be the mean between the high bid and high asked prices for the Common Stock on the last market trading day prior to the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Board deems reliable; or

(iii) In the absence of an established market for the Common Stock of the type described in (i) and (ii), above, the Fair Market Value thereof shall, for purposes of any Award other than an Incentive Stock Option, be determined by the Board through the reasonable application of a reasonable valuation method that takes into account the applicable valuation factors set forth in the Treasury Regulations issued under Section 409A of the Code and shall, for purposes of an Incentive Stock Option, be determined by the Board in good faith in accordance with the standards of Section 422 of the Code and the applicable Treasury Regulations thereunder.

(u) "Grantee" means an Employee, Director or Consultant who receives an Award under the Plan.

(v) "Immediate Family" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, Domestic Partner, a trust in which such persons (or the Grantee) have more than 50% of the beneficial interest, a foundation in which such persons (or the Grantee) control the management of assets, and any other entity in which such persons (or the Grantee) own more than fifty percent (50%) of the voting interests.

(w) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(x) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(y) "Officer" means a person who is an officer of the Company or a Related Entity within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(z) "Option" means an option to purchase Shares pursuant to an Award Agreement granted under the Plan.

(aa) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(bb) "Performance-Based Compensation" means compensation qualifying as "performance-based compensation" under Section 162(m) of the Code.

(cc) "Performance Share Units" means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance criteria established by the Administrator and settled in actual Shares, except to the extent the Administrator may determine to settle such Award in whole or in part in cash.

(dd) "Performance Cash Units" means an Award denominated in U.S. dollars which may be earned in whole or in part based upon attainment of performance criteria established by the Administrator and settled for cash, except to the Administrator may determine to settle such Award in whole or in part in Shares.

(ee) "Phantom Share" means an Award denominated in Shares in which the Grantee has the right to receive an amount equal to the value of a specified number of Shares at a designated time or over a designated period and which will be payable in cash or Shares as established by the Administrator.

(ff) "Plan" means this Gilead Sciences, Inc. 2004 Equity Incentive Plan, as amended and restated from time to time.

(gg) "Related Entity" means (i) any Parent or Subsidiary of the Company and (ii) any corporation in an unbroken chain of corporations beginning with the Company and ending with the corporation in the chain for which the Grantee provides services as an Employee, Director or Consultant, provided each corporation in such chain owns securities representing at least twenty percent (20%) of the total outstanding voting power of the outstanding securities of another corporation or entity in such chain and there is a legitimate non-tax business purpose for making an Award to such Grantee. However, for any Award not subject to Section 409A of the Code, a Related Entity shall also include any business, corporation, partnership, limited liability company or other entity in which the Company or any Parent or Subsidiary holds a substantial ownership interest, directly or indirectly.

(hh) "Restricted Stock" means Shares issued under the Plan to the Grantee for such consideration (including any cash consideration) and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions as established by the Administrator.

(ii) "Restricted Stock Unit" means an Award in the form of a contractual right to receive Shares in one or more installments over a defined period of Continuous Service or in one or more deferred installments following the completion of such period of Continuous Service.

(jj) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor thereto, as in effect when discretion is being exercised with respect to the Plan.

(kk) "SAR" means a stock appreciation right entitling the Grantee to Shares or cash compensation, as established by the Administrator, measured by appreciation in the value of the Common Stock underlying such Award.

(ll) "Share" means a share of the Common Stock.

(mm) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

(nn) "Withholding Taxes" mean the applicable federal and state income and employment withholding taxes to which the holder of an Award under the Plan may become subject in connection with the issuance, exercise, vesting or settlement of that Award.

3. Stock Subject to the Plan.

(a) Subject to the provisions of Section 10 below, the maximum aggregate number of Shares which may be issued pursuant to all Awards (including, without limitation, Restricted Stock, Restricted Stock Units, Performance Shares, Options, SARs, Dividend Equivalent Rights, and Phantom Shares) is 60,400,000[2] Shares, plus the additional 23,588,284 Shares previously authorized for issuance in the aggregate under the Gilead Sciences, Inc. 1991 Stock Option Plan and the Gilead Sciences, Inc. 1995 Non-Employee Directors' Stock Option Plan which were not required to be issued with respect to options outstanding under those plans on May 25, 2004. Notwithstanding the foregoing, no more than 5,000,000 of such Shares may be issued pursuant to all Awards of Restricted Stock, Restricted Stock Units, Performance Shares, SARs, and Phantom Shares, in total.[3] The Shares to be issued pursuant to Awards may be authorized, but unissued, or reacquired Common Stock. Performance Units that by their terms may only be settled in cash shall not reduce the maximum aggregate number of shares that may be issued under the Plan.

(b) Any Shares covered by an Award (or portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the Plan. Shares that actually have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan, except that if unvested Shares are forfeited, or repurchased by the Company at the lower of their original purchase price or their Fair Market Value at the time of repurchase, such Shares shall become available for future grant under the Plan. Should the exercise price of an option under the Plan be paid with shares of Common Stock, then the authorized reserve of Common Stock under the Plan shall be reduced by the gross number of shares for which that option is exercised, and not by the net number of shares issued under the exercised stock option. Upon the exercise of any stock appreciation right under the Plan, the share reserve shall be reduced by the gross number of shares as to which such right is exercised, and not by the net number of shares actually issued by the Company upon such exercise. If shares of Common Stock otherwise issuable under the Plan are withheld by the Company in satisfaction of the withholding taxes incurred in connection with the issuance, exercise, vesting or settlement of an Award, then the number of shares of Common Stock available for issuance under the Plan shall be reduced by the gross number of Shares issuable at that time under such Award, calculated in each instance prior to any such share withholding.

4. Administration of the Plan.

(a) Plan Administrator:

(i) Administration with Respect to Directors and Officers. With respect to grants of Awards to Directors or Employees who are also Officers or Directors of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws and to permit such grants and related transactions under the Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. With respect to the grant of an Award to a Director who is not an Employee and which is not a scheduled Award under predetermined rules established by the Board or Committee, such grant shall be made only by a Committee (or subcommittee of the Committee) which is comprised solely of two or more Non-Employee Directors, as this term is defined in Rule 16b-3, none of whom are the recipient of the Award.

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[2] Maximum number of Shares consists of 3,600,000 Shares authorized coincident with the adoption of the 2004 Equity Incentive Plan at the 2004 annual stockholders meeting, another 3,600,000 Shares due to the share adjustment for the two-for-one stock split effective September 3, 2004, an additional 10,000,000 Shares authorized and approved at the 2005 annual stockholders meeting, an additional 10,000,000 Shares authorized and approved at the 2006 annual stockholders meeting, an additional 3,000,000 Shares authorized and approved at the 2007 annual stockholders meeting, and another 30,200,000 Shares due to the share adjustment for the two-for-one stock split effective June 22, 2007.

[3] The 5,000,000 limit includes Performance Units to the extent these Awards are settled in Shares. The Company has never declared nor paid a cash dividend and does not intend to grant any dividend equivalent rights in the foreseeable future; however, if a dividend equivalent right were to be granted in the future, the Company would consider the dividend equivalent right subject to the 5,000,000 limit.

(ii) Administration With Respect to Consultants and Other Employees. With respect to grants of Awards to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. The Board may authorize one or more Officers of the Company or any Parent to grant such Awards, subject to such terms and conditions as the Board may impose; provided, however, that any delegation of such authority shall in all events be subject to the limitations and restrictions of Applicable Laws, including any required limitation on the maximum of Shares for which Awards may be made by such Officer or Officers.

(iii) Administration With Respect to Covered Employees. Notwithstanding the foregoing, grants of Awards to any Covered Employee intended to qualify as Performance-Based Compensation shall be made only by a Committee (or subcommittee of a Committee) which is comprised solely of two or more Directors eligible to serve on a committee making Awards qualifying as Performance-Based Compensation. In the case of such Awards granted to Covered Employees, references to the "Administrator" or to a "Committee" shall be deemed to be references to such Committee or subcommittee.

(b) Powers of the Administrator. Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

(i) to select the Employees, Directors and Consultants to whom Awards may be granted from time to time hereunder;

(ii) to determine when and to what extent Awards are to be granted hereunder;

(iii) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions of any Award granted hereunder;

(vi) to amend the terms of any outstanding Award granted under the Plan, provided that (A) any amendment that would adversely affect the Grantee's rights under an outstanding Award shall not be made without the Grantee's written consent, (B) the reduction of the exercise price of any Option or Stock Appreciation Right awarded under the Plan shall be subject to stockholder approval as provided in Section 7(b), and (C) canceling an Option or Stock Appreciation Right at a time when its exercise price exceeds the Fair Market Value of the underlying Shares, in exchange for another Option, Stock Appreciation Right, Restricted Stock or other Award shall be subject to stockholder approval as provided in Section 7(b), unless the cancellation and exchange occurs in connection with a Change in Control as provided in Section 11 or pursuant to an adjustment effected in accordance with Section 10;

(vii) to construe and interpret the terms of the Plan and Awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the Plan;

(viii) to establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable non-U.S. jurisdictions and to afford Grantees favorable treatment under such rules or laws; provided, however, that no Award shall be granted under any such additional terms, conditions, rules or procedures with terms or conditions which are inconsistent with the provisions of the Plan; and

(ix) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

(c) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or as Officers or Employees of the Company or a Related Entity, members of the Board and any Officers or Employees of the Company or a Related Entity to whom authority to act for the Board, the Administrator or the Company is delegated shall be defended and indemnified by the Company to the extent permitted by law on an after-tax basis against all reasonable expenses (including attorneys' fees), actually and necessarily incurred in connection with the defense of any claim, investigation, action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any Award granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Company) or paid by them in satisfaction of a judgment in any such claim, investigation, action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such claim, investigation, action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct; provided, however, that within 30 days after the institution of such claim, investigation, action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at the Company's expense to handle and defend the same.

5. Eligibility. Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants. Incentive Stock Options may be granted only to Employees of the Company or a Parent or a Subsidiary of the Company. An Employee, Director or Consultant who has been granted an Award may, if otherwise eligible, be granted additional Awards. Awards may be granted to such Employees, Directors or Consultants who are residing in non-U.S. jurisdictions as the Administrator may determine.

6. Terms and Conditions of Awards.

(a) Type of Awards. The Administrator is authorized under the Plan to award any type of arrangement to an Employee, Director or Consultant that is not inconsistent with the provisions of the Plan and that by its terms involves or might involve the issuance of (i) Shares, (ii) cash or (iii) an Option, a SAR, or similar right with a fixed or variable price related to the Fair Market Value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions. Such awards include, without limitation, Options, SARs, Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights, Performance Units, Performance Shares, or Phantom Shares. An Award may consist of one such security or benefit, or two or more of them in any combination or alternative.

(b) Designation of Award. Each Award shall be designated in the Award Agreement. In the case of an Option, the Option shall be designated as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares for which one or more Options designated as Incentive Stock Options become first exercisable by a Grantee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds $100,000, the excess number of Shares shall be treated as subject to Nonstatutory Stock Options. For this purpose, Incentive Stock Options shall be taken into account in the order in which they were granted, except to extent otherwise provided by Applicable Law, and the Fair Market Value of the Shares shall be determined as of the grant date of the relevant Option.

(c) Conditions of Award. Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any performance criteria. The performance criteria established by the Administrator may be based on any one of, or combination of, the following: (i) revenue, (ii) achievement of specified milestones in the discovery and development of one or more of the Company's products, (iii) achievement of specified milestones in the commercialization of one or more of the Company's products, (iv) achievement of specified milestones in the manufacturing of one or more of the

Company's products, (v) expense targets, (vi) personal management objectives, (vii) share price (including, but not limited to, growth measures and total shareholder return), (viii) earnings per share, (ix) operating efficiency, (x) operating margin, (xi) gross margin, (xii) return measures (including, but not limited to, return on assets, capital, equity, or sales), (xiii) net sales growth, (xiv) productivity ratios, (xv) operating income, (xvi) net operating profit, (xvii) net earnings or net income (before or after taxes), (xviii) cash flow (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital), (xix) earnings before interest, taxes, depreciation, amortization and/or stock-based compensation expense, (xx) economic value added, (xxi) market share, (xxii) customer satisfaction, (xxiii) working capital targets, and, with respect to Awards not intended to be Performance-Based Compensation under Section 162(m) of the Code, (xxiv) other measures of performance selected by the Administrator. In addition, such performance criteria may be based upon the attainment of specified levels of the Company's performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of the Company's business units or divisions or any Parent or Subsidiary. Each applicable performance criteria may include a minimum threshold level of performance below which no Award will be earned, levels of performance at which specified portions of an Award will be earned and a maximum level of performance at which an Award will be fully earned. Each applicable performance criteria may be structured at the time of the Award to provide for appropriate adjustment for one or more of the following items: (A) asset impairments or write-downs; (B) litigation judgments or claim settlements; (C) the effect of changes in tax law, accounting principles or other laws, regulations or provisions affecting reported results; (D) accruals for reorganization and restructuring programs; (E) any extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, (F) the operations of any business acquired by the Company or any Parent or Subsidiary or of any joint venture established by the Company or any Parent or Subsidiary or (G) the divestiture of one or more business operations or the assets thereof.

(d) Acquisitions and Other Transactions. The Administrator may issue Awards under the Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the acquisition by the Company or a Related Entity of another entity, an interest in another entity or an additional interest in a Related Entity, whether by merger, stock purchase, asset purchase or other form of transaction.

(e) Deferral of Award Payment. The Administrator may establish one or more programs under the Plan to permit selected Grantees the opportunity to elect to defer receipt of the Shares or other consideration due upon the settlement of an Award, satisfaction of performance criteria, or other event that absent the election would entitle the Grantee to payment or receipt of Shares or other consideration under an Award. The Administrator may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, Shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Administrator deems advisable for the administration of any such deferral program. Notwithstanding the foregoing, each such deferral opportunity shall be structured by the Administrator so as to comply with all applicable requirements of Code Section 409A and the Treasury Regulations thereunder.

(f) Separate Programs. The Administrator may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Grantees on such terms and conditions as determined by the Administrator from time to time.

(g) Individual Limitations on Awards. The maximum number of Shares with respect to which Options may be granted to any Grantee in any fiscal year of the Company shall be limited to 2,500,000 Shares. The maximum number of Shares as to which Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, SARs, or Phantom Shares may in the aggregate be granted to any Grantee in any fiscal year of the Company shall be 400,000 Shares. For the fiscal year in which occurs an Employee's or Consultant's (i) commencement of Continuous Service or (ii) promotion, an Employee or Consultant may be granted Options for up to an additional 1,000,000 Shares or Restricted Stock, Restricted Stock Units Performance Shares, Performance Units, SARs or Phantom Shares for up to an additional 200,000 shares in the aggregate, which shall not count against the limits set forth in the preceding sentence. The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 10, below. The value of all Awards denominated in U.S. dollars granted in any single calendar year to any Grantee shall not exceed $7,000,000. For

this purpose, the value of an Award denominated in U.S. dollars shall be determined on the date of grant without regard to any conditions imposed on the Award. To the extent required by Section 162(m) of the Code or the regulations thereunder, in applying the foregoing limitations with respect to a Grantee, if any Awards are canceled, the canceled Awards shall continue to count against the maximum number of Shares with respect to which Awards may be granted to the Grantee. For this purpose, the repricing of the exercise price of an Option or SAR if such repricing is approved by the stockholders of the Company, shall be treated as the cancellation of the existing Option or SAR and the grant of a new Option or SAR. If the vesting or receipt of Shares under the Award is deferred to a later date, any amount (whether denominated in Shares or U.S. dollars) paid in addition to the original number of Shares subject to the Award (or the original dollar amount for an Award denominated in U.S. dollars) will not be treated as an increase in the number of Shares (or dollar amount) subject to the Award if the additional amount is based either on a reasonable rate of interest or on one or more predetermined actual investments such that the amount payable by the Company at the later date will be based on the actual rate of return of a specific investment (including any decrease as well as any increase in the value of an investment).

(h) Early Exercise. The Award Agreement may, but need not, include a provision whereby the Grantee may elect at any time while an Employee, Director or Consultant to exercise any part or all of the Award prior to full vesting of the Award. Any unvested Shares received pursuant to such exercise may be subject to a repurchase right in favor of the Company or a Related Entity or to any other restriction the Administrator determines to be appropriate.

(i) Term of Award. The term of each Award shall be the term stated in the Award Agreement, provided, however, that the term of an Award shall be no more than ten years from the date of grant thereof. However, in the case of an Incentive Stock Option granted to a Grantee who, at the time the Option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Stock Option shall be five years from the date of grant thereof or such shorter term as may be provided in the Award Agreement.

(j) Transferability of Awards. Incentive Stock Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Grantee, only by the Grantee. Other Awards shall be transferable by will and by the laws of descent and distribution, and during the lifetime of the Grantee, such Awards shall be transferable, by gift or pursuant to a domestic relations order, to members of the Grantee's Immediate Family to the extent and in the manner determined by the Administrator. Notwithstanding the foregoing, the Grantee may designate a beneficiary of the Grantee's Award in the event of the Grantee's death on a beneficiary designation form provided by the Administrator.

(k) Time of Granting Awards. The date of grant of an Award shall for all purposes be the date on which the Administrator makes the determination to grant such Award, or such later date as is determined by the Administrator.

7. Award Exercise or Purchase Price; Consideration and Taxes.

(a) Exercise or Purchase Price. The exercise or purchase price, if any, for an Award shall be as follows:

(i) In the case of an Incentive Stock Option:

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the per Share exercise price shall be not less than 110% of the Fair Market Value per Share on the date of grant; or

(B) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price shall be not less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be not less than 100% of the Fair Market Value per Share on the date of grant.

(iii) In the case of a SAR, the exercise price or the base amount on which the stock appreciation is calculated shall be not less than 100% of the Fair Market Value per Share on the date of grant.

(iv) In the case of other Awards, the cash consideration (if any) payable for such Award or the underlying Shares shall be determined by the Administrator.

(v) Notwithstanding the foregoing provisions of this Section 7(a), in the case of an Award issued pursuant to Section 6(d), above, the exercise or purchase price for the Award shall be determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award.

(b) No Authority to Reprice. Without the consent of stockholders of the Company, no Award may be repriced, replaced, regranted through cancellation, or modified (except as provided in Section 10) if the effect is to reduce the exercise or purchase price for the Shares underlying such Award. In addition, the replacement or substitution of one Award for another Award is prohibited, absent stockholder consent, to the extent it has the effect of reducing the exercise or purchase price of the underlying Shares.

(c) Consideration. Subject to Applicable Laws, the consideration to be paid for the Shares to be issued upon exercise, vesting or settlement of an Award, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued under the Plan the following, provided that the portion of the consideration equal to the par value of the Shares must be paid in cash or other legal consideration permitted by the Delaware General Corporation Law:

(i) cash;

(ii) check;

(iii) services rendered,

(iv) surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Administrator may require (including withholding of Shares otherwise deliverable upon exercise of the Award) which have a Fair Market Value on the date of surrender, attestation or withholding equal to the aggregate exercise price of the Shares as to which said Award shall be exercised,

(v) with respect to Options, payment through a broker-dealer sale and remittance procedure pursuant to which the Grantee (A) shall provide instructions (either in writing or electronically) to a Company designated brokerage firm (or, with respect to Grantees subject to Section 16 of the Securities Exchange Act, a broker reasonably satisfactory to the Company for purposes of administering such procedure in accordance with the Company's pre-clearance/pre-notification policies) to effect the immediate sale of some or all of the purchased Shares and remit to the Company on the settlement date sufficient funds to cover the aggregate exercise price payable for the purchased Shares and any applicable withholding taxes and (B) shall provide directives (either in writing or electronically) to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm on the settlement date in order to complete the sale transaction; or

(vi) any combination of the foregoing methods of payment.

(d) Taxes. The Company's obligation to deliver Shares upon the issuance, exercise, vesting or settlement of an Award under the Plan shall be subject to the satisfaction of all applicable income and employment tax withholding requirements. The Administrator may, in its discretion, provide Grantees with the right to use shares of Common Stock in satisfaction of all or part of the Withholding Taxes to which such Grantees may become subject in connection with the issuance, exercise, vesting or settlement of those Awards. Such right may be provided to any such holder in one or more of the following formats:

(i) Stock Withholding: The election to have the Company withhold, from the Shares otherwise issuable upon the issuance, exercise, vesting or settlement of such Award, a portion of those Shares with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by such individual. The Shares so withheld shall reduce the number of shares of Common Stock authorized for issuance under the Plan.

(ii) Stock Delivery: The election to deliver to the Company, at the time of the issuance, exercise, vesting or settlement of such Award, shares of Common Stock previously acquired by such individual with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the individual. The shares of Common Stock so delivered shall neither reduce the number of shares of Common Stock authorized for issuance under the Plan nor be added to the number of shares of Common Stock authorized for issuance under the Plan.

(iii) Stock Sale: The election to make an immediate open-market sale of all or a portion of the Shares actually issued in connection with the issuance, exercise, vesting or settlement of such Award and to have a sufficient portion of the sale proceeds applied automatically on the settlement date to the satisfaction of the applicable Withholding Taxes.

In addition, the Administrator may structure one or more Awards so that a portion of the Shares otherwise issuable under those Awards shall automatically be withheld by the Company in satisfaction of the Withholding Taxes which become applicable in connection with the issuance, exercise, vesting or settlement of those Awards.

8. Exercise of Award.

(a) Procedure for Exercise; Rights as a Stockholder.

(i) Any Award granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Award Agreement. Notwithstanding any other provision of the Plan to the contrary, except with respect to a maximum of 5% of the Shares authorized for issuance under Section 3(a), any Awards of Restricted Stock or Restricted Stock Units which vest on the basis of the Grantee's Continuous Service with the Company or a Related Entity shall not provide for vesting which is any more rapid than annual pro rata vesting over a three-year period, and any Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units which provide for vesting upon the attainment of performance goals shall provide for a performance period of at least 12 months; provided, however, that such limitations shall not apply in the event of a Change in Control or to any Grantee whose Continuous Service terminates by reason of his or her death, disability or an involuntary termination other than for Cause.

(ii) An Award shall be deemed to be exercised when notice of such exercise (either in writing or electronically) has been given to the Company or its designee in accordance with the terms of the Award by the person entitled to exercise the Award. Except to the extent the broker-dealer sale and remittance procedure is to be utilized under Section 7(c)(iv), full payment for the Shares with respect to which the Award is exercised shall accompany such exercise notice.

(b) Exercise of Award Following Termination of Continuous Active Service.

(i) An Award may not be exercised after the termination date of such Award set forth in the Award Agreement and may be exercised following the termination of a Grantee's Continuous Service only to the extent provided in the Award Agreement.

(ii) Where the Award Agreement permits a Grantee to exercise an Award following the termination of the Grantee's Continuous Service for a specified period, the Award shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the Award, whichever occurs first.

(iii) Any Award designated as an Incentive Stock Option to the extent not exercised within the time permitted by law for the exercise of Incentive Stock Options following the termination of Employee status shall convert automatically to a Nonstatutory Stock Option and thereafter shall be exercisable as such to the extent exercisable by its terms for the period specified in the Award Agreement.

9. Conditions Upon Issuance of Shares.

(a) Shares shall not be issued pursuant to the exercise, vesting or settlement of an Award unless the exercise, vesting or settlement of such Award and the issuance and delivery of such Shares pursuant thereto shall comply with all Applicable Laws, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) As a condition to the issuance of any Shares in connection with the exercise, vesting or settlement of an Award, the Company may require the person holding such Award to represent and warrant at the time of such issuance that the Shares are being acquired only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

10. Adjustments Upon Changes in Capitalization. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Company's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable and proportional adjustments shall be made by the Administrator to the maximum number and class(es) of securities subject to the Plan pursuant to Section 3(a) and the maximum number and class(es) of securities for which Awards may be made to any person during any calendar year pursuant to Section 6(g), and the outstanding Awards (other than an Award of Restricted Stock that is outstanding at the time of the event described in this paragraph) will be equitably and proportionally adjusted as to the number and class(es)of securities and exercise price (or other cash consideration) payable per Share subject to such outstanding Awards, including any price required to be paid for Restricted Stock not yet outstanding at the time of the event described in this paragraph; provided, however, that the aggregate exercise price (or other cash consideration) shall remain the same. The adjustments shall be made in such manner as the Administrator deems appropriate in order to prevent the dilution or enlargement of benefits under the Plan and the outstanding Awards thereunder, and such adjustments shall be final, binding and conclusive. In the event of a Change in Control, however, the adjustments (if any) shall be made solely in accordance with the applicable provisions of Section 11.

11. Change in Control.

(a) Effect of Change in Control on Awards.

(i) In the event of a Change in Control, the Board at its sole discretion may, to the extent permitted by applicable law, provide for the following treatment of outstanding Options and SARs: (i) any surviving corporation shall assume any Options or SARs outstanding under the Plan or shall substitute economically equivalent awards for the Options and SARs outstanding under the Plan, (ii) the time during which such Options or SARs may be exercised shall be accelerated so that those Awards may be exercised for fully-vested Shares and those Awards shall terminate if not exercised prior to the Change in Control, or (iii) such Options or SARs shall continue in full force and effect.

(ii) Any other Award outstanding under the Plan at the time of the Change in Control may be assumed by the surviving corporation, replaced with an economically-equivalent substitute award or otherwise continued in full force in effect. To the extent any such Award is not assumed, replaced with an economically-equivalent substitute award or otherwise continued in effect, that Award shall vest, and the shares of Common Stock subject to that Award shall be issued as fully-vested shares, immediately prior to the effective date of the Change in Control.

(iii) Any Award which is assumed in connection with a Change in Control or otherwise continued in effect shall be adjusted immediately after the consummation of that Change in Control so as to apply to the number and class of securities into which the shares of Common Stock subject to that Award immediately prior to the Change in Control would have been converted in consummation of such Change in Control had those shares actually been outstanding at that time, and appropriate adjustments shall also be made to the exercise price or any other consideration payable per share thereunder, provided the aggregate exercise price or amount of such other consideration shall remain the same. To the extent the actual holders of the Company's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of the outstanding Awards and subject to the approval of the Administrator prior to the Change in Control, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction, provided such common stock is readily traded on an established U.S. securities exchange or market.

(iv) The Administrator may structure one or more Awards so that the Shares subject to those Awards shall vest (or shall vest and become issuable) immediately prior to the effective date of a Change in Control, whether or not those Awards are assumed, replaced with an economically-equivalent substitute award or otherwise continued in full force and effect

(b) Acceleration of Award Upon Cessation of Continuous Service In Connection With a Change in Control. Notwithstanding any other provisions of this Plan to the contrary, if within the period beginning with the execution of the definitive agreement for a Change in Control transaction and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change in Control or (ii) the expiration of the Applicable Acceleration Period following the consummation of such Change in Control, either (1) the Continuous Service of an Employee or a Consultant terminates due to an involuntary termination (not including death or Disability) without Cause (as such term is defined below) or a voluntary termination by the Grantee due to Constructive Termination (as such term is defined below) or (2) the Continuous Service of a Director terminates, then the vesting and exercisability of all Awards held by such Grantee shall be accelerated, or any reacquisition or repurchase rights held by the Company with respect to an Award shall lapse, as follows:

- With respect to Options and SARs held by a Grantee at the time of such termination, such Options and SARs shall become immediately exercisable as to all the underlying Shares and may be exercised for any or all of those Shares as fully-vested shares until the expiration or sooner termination date of those Awards.

- With respect to all other Awards held by the Grantee at the time of such termination, the underlying Shares shall vest and become immediately issuable, and any reacquisition or repurchase rights held by the Company with respect to those Shares shall lapse, as of the date of such termination.

(c) Definition of "Cause". For the purposes of Section 11(b) only, "Cause" means (i) conviction of, a guilty plea with respect to, or a plea of *non contendere* to a charge that a Grantee has committed a felony under the laws of the United States or of any state or a crime involving moral turpitude, including, but not limited to, fraud, theft, embezzlement or any crime that results in or is intended to result in personal enrichment at the expense of the Company or a Related Entity; (ii) material breach of any agreement entered into between the Grantee and the Company or a Related Entity that impairs the Company's or the Related Entity's interest therein; (iii) willful misconduct, significant failure of the Grantee to perform the Grantee's duties, or gross neglect by the Grantee of the Grantee's duties; or (iv) engagement in any activity that constitutes a material conflict of interest with the Company or a Related Entity.

(d) Definition of "Constructive Termination". For purposes of Section 11(b) only, "Constructive Termination" means the occurrence of any of the following events or conditions: (i) (A) a change in the Grantee's status, title, position or responsibilities (including reporting responsibilities) which represents an adverse change from the Grantee's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control; (B) the assignment to the Grantee of any duties or responsibilities which are inconsistent with the Grantee's status, title, position or responsibilities as in effect

immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control; or (C) any removal of the Grantee from or failure to reappoint or reelect the Grantee to any of the offices or positions held by the Grantee immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control, except in connection with the termination of the Grantee's Continuous Service for Cause, as a result of the Grantee's Disability or death or by the Grantee other than as a result of Constructive Termination; (ii) a reduction in the Grantee's annual base compensation or any failure to pay the Grantee any compensation or benefits to which the Grantee is entitled within five days of the date due; (iii) the Company's requiring the Grantee to relocate to any place outside a 50 mile radius of the location serving as Grantee's principal work site immediately prior to the execution of the definitive agreement for the Change in Control transaction or during the Applicable Acceleration Period after the date of a Change in Control, except for reasonably required travel on the business of the Company or a Related Entity which is not materially greater than such travel requirements in effect during the applicable measurement period determined above; (iv) the failure by the Company to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Grantee was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Grantee, or (B) provide the Grantee with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided the Grantee under each other employee benefit plan, program and practice in which he or she was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any within the Applicable Acceleration Period after the Change in Control; (v) any material breach by the Company of any provision of an agreement between the Company and the Grantee, whether pursuant to this Plan or otherwise, other than a breach which is cured by the Company within 15 days following notice by the Grantee of such breach; or (vi) the failure of the Company to obtain an agreement, satisfactory to the Grantee, from any successors and assigns to assume and agree to perform the obligations created under this Plan.

(e) Effect of Acceleration on Incentive Stock Options. Any Incentive Stock Option accelerated under this Section 11 in connection with a Change in Control shall remain exercisable as an Incentive Stock Option under the Code only to the extent the $100,000 dollar limitation of Section 422(d) of the Code is not exceeded. To the extent such dollar limitation is exceeded, the excess Options shall be treated as Nonstatutory Stock Options.

12. Effective Date and Term of Plan. The Plan shall become effective upon its approval by the stockholders of the Company. It shall continue in effect for a term of ten years unless sooner terminated. Subject to Applicable Laws, Awards may be granted under the Plan upon its becoming effective.

13. Amendment, Suspension or Termination of the Plan.

(a) The Board may at any time amend, suspend or terminate the Plan; provided, however, that no such amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by NASD Marketplace Rule 4350(i)(1)(A), Section 422 of the Code and regulations promulgated thereunder, or any other Applicable Laws, or if such amendment would change any of the provisions of Section 4(b)(vi) or this Section 13(a).

(b) No Award may be granted during any suspension of the Plan or after termination of the Plan.

(c) No suspension or termination of the Plan (including termination of the Plan under Section 12, above) shall adversely affect any rights under Awards already granted to a Grantee.

14. Reservation of Shares.

(a) The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

(b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15. No Effect on Terms of Employment/Consulting Relationship. The Plan shall not confer upon any Grantee any right with respect to the Grantee's Continuous Service, nor shall it interfere in any way with his or her right or the right of the Company or any Related Entity to terminate the Grantee's Continuous Service at any time, with or without Cause, and with or without notice. The ability of the Company or any Related Entity to terminate the employment of a Grantee who is employed at will is in no way affected by its determination that the Grantee's Continuous Service has been terminated for Cause for the purposes of this Plan.

16. No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Pension Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

17. Unfunded Obligation. Grantees shall have the status of general unsecured creditors of the Company. Any amounts payable to Grantees pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. Neither the Company nor any Related Entity shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Grantee account shall not create or constitute a trust or fiduciary relationship between the Administrator, the Company or any Related Entity and a Grantee, or otherwise create any vested or beneficial interest in any Grantee or the Grantee's creditors in any assets of the Company or a Related Entity. The Grantees shall have no claim against the Company or any Related Entity for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan.

18. Governing Law. The Plan and all agreements thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without resort to that State's conflict-of-law provisions.

19. Section 409A Compliance. The Board reserves the right, to the extent it deems it necessary or advisable in its sole discretion, to alter or modify the Plan and any outstanding Awards under the Plan, without the consent of the Grantees, so as to ensure that all Awards and Award Agreements provided to Grantees who are subject to U.S. income taxation either qualify for an exemption from the requirements of Section 409A of the Code or are structured in a manner that complies with those requirements; provided, however, that neither the Company nor any Related Entity makes any representations that any Awards made under the Plan will in fact be exempt from the requirements of Section 409A of the Code or otherwise comply with those requirements, and each Grantee shall accordingly be solely responsible for any taxes, penalties or other amounts which may become payable with respect to his or her Awards by reason of Section 409A of the Code.

Exhibit 10.60

GILEAD SCIENCES, INC.

2005 DEFERRED COMPENSATION PLAN

AS AMENDED AND RESTATED OCTOBER 22, 2007

AND SUBSEQUENTLY AMENDED EFFECTIVE JANUARY 1, 2008

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1. History Of The Plan.

1.1 Successor Plan. The Plan is the successor plan to the Gilead Sciences, Inc. Deferred Compensation Plan, effective January 1, 2002, as amended (the "Prior Plan"). Effective as of December 31, 2004, the Prior Plan was frozen, and no new contributions were permitted to be made to it; ***provided, however,*** that any deferrals made under the Prior Plan before January 1, 2005 will continue to be governed by the terms and conditions of the Prior Plan as in effect on December 31, 2004. Any deferrals made under the Prior Plan after December 31, 2004 will be deemed to have been made under this Plan, and all such deferrals will accordingly be governed by the terms and conditions of this Plan, as it may be amended from time to time.

1.2 Restatement. The purpose of this October 22, 2007 restatement, as subsequently amended effective January 1, 2008, is to evidence the documentary compliance of the Plan, effective retroactive to January 1, 2005, with the applicable requirements of Section 409A of the Internal Revenue Code, the Treasury Regulations issued under Section 409A and the interim guidance provided by the Internal Revenue and the Treasury Department prior to the publication of the final Section 409A Regulations.

2. Purpose Of The Plan.

2.1 Plan Purpose. The Employer maintains the Plan, a deferred compensation plan, for the benefit of (i) a select group of management and other highly compensated employees of the Employer and (ii) the non-employee members of the Employer's Board of Directors. Each other Participating Employer will also maintain the Plan as a deferred compensation plan for the benefit of a select group of its management personnel and other highly compensated employees. The Participating Employers intend that the existence of the Trust will not alter the characterization of the Plan as "unfunded" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and will not be deemed to provide income to Participants under the Plan prior to the actual payment of their vested accrued benefits hereunder. The Participating Employers intend that the Plan comply with the requirements of Section 409A of the Code and the regulations promulgated thereunder.

3. Effective Date Of The Plan.

3.1 Effective Date. The effective date of the Plan is January 1, 2005, except as otherwise noted herein.

4. Definitions.

4.1 Definitions.

(a) Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

(1) "Account" means an account established on the books of the Employer for the purpose of recording amounts credited on behalf of a Participant pursuant to his or her Deferral Elections under the Plan and any income, expenses, gains or losses attributable to the deemed investment of such account in one or more of the Investment Funds.

(2) "Administrator" means the Employer adopting the Plan, or other person designated by the Employer.

(3) "Affiliated Company**"** means (i) the Employer and (ii) and each member of the group of commonly controlled corporations or other businesses that include the Employer, as determined in accordance with Section 414(b) and (c) of the Code and the Treasury Regulations issued thereunder.

(4) "Annual Retainer" means the annual retainer fee payable to an Eligible Director.

(5) "Beneficiary" means the person or persons entitled under Section 10.1 to receive benefits under the Plan upon the death of a Participant.

(6) "Board" means the Board of Directors of the Employer, as constituted from time to time.

(7) "Bonus" means the bonus payable to an Eligible Employee pursuant to the Employer's corporate bonus program.

(8) "Change of Control" will be deemed, consistent with Section 409A of the Code and the Treasury Regulations issued thereunder, to occur on the date that:

(A) any one person, or more than one person acting as a group (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), acquires ownership of stock of the Employer, that together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the outstanding stock of the Employer; ***provided, however,*** that if any one person, or more than one person acting as a group, is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the outstanding stock of the Employer, the acquisition of additional Employer stock by the same person or persons is not considered a Change of Control; or

(B) any one person, or more than one person acting as a group (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or group) assets from the Employer that have a total "gross fair market value" (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vii)(A)) equal to forty percent (40%) or more of the total gross fair market value of all of the assets of the Employer immediately prior to such acquisition or acquisitions; or

(C) any one person, or more than one person acting as a group (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Employer possessing thirty percent (30%) or more of the total voting power of the stock of the Employer; or

(D) a majority of the members of the Board is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of such appointment or election; ***provided, however,*** that for purposes of this subparagraph (D), no Change of Control will be deemed to have occurred if any other corporation is a majority stockholder of the Employer.

(9) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(10) "Compensation" means Salary, Bonus and Annual Retainer. Compensation will not include, among other items, employee referral awards or severance payments. In addition, a Participant's Compensation shall not, for purposes of the Plan, include any item of compensation earned for a period of service rendered prior to the effective date of the Deferral Election filed by the Participant with respect to that item.

(11) "Deferral Election" means the irrevocable election filed by the Participant under Article V of the Plan pursuant to which a portion of his or her Compensation for the Plan Year is to be deferred in accordance with the provisions of the Plan.

(12) "Eligible Director" means a non-employee member of the Board.

(13) "Eligible Employee" means any Employee who is either a highly compensated employee of the Employer or other Participating Employer or part of its management personnel, as determined pursuant to guidelines established by the Administrator form time to time.

(14) "Employee" means any person in the employ of one or more members of the Employer Group, subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

(15) "Employer" means Gilead Sciences, Inc.

(16) "Employer Group" means (i) the Employer and (ii) each of the other members of the controlled group of corporations that includes the Employer, as determined in accordance with Sections 414(b) and (c) of the Code, except that in applying Sections 1563(1), (2) and (3) for purposes of determining the controlled group of corporations under Section 414(b), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in such sections and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in Section 1.4.14(c)-2 of the Treasury Regulations.

(17) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

(18) "Extended Deferral Election" means a Participant's election, made in accordance with the terms and conditions of Section 9.2 of the Plan, to defer the distribution of his or her Account for an additional period of at least five (5) years measured from the date or event on which that Account was scheduled to first become due and payable under the Plan.

(19) "Identification Date" means each December 31.

(20) "Investment Fund" means any actual investment fund which serves as the measure of the notional investment return on all or any portion of an Account pursuant to the provisions of Section 8.

(21) "Investment Fund Share" means the share, unit, or other evidence of ownership in a designated Investment Fund.

(22) "Participant" means any Eligible Employee or Eligible Director who participates in the Plan through one or more Deferral Elections under Article V.

(23) "Participating Employer" means the Employer and any other Affiliated Company which has, with the consent of the Administrator, adopted this Plan as a deferred compensation program for one or more of its Eligible Employees.

(24) "Phantom Shares" mean an award denominated in shares of the Employer's common stock pursuant to which the award holder has the right to receive an amount equal to the value of a specified number of shares of the Employer's common stock at a designated time or over a designated period and which will be payable in cash or such shares, as determined by the administrator of the Gilead Sciences, Inc. 2004 Equity Incentive Plan. Phantom Shares shall be a form of deemed investment under the Plan only with respect to the Annual Retainers deferred hereunder by Eligible Directors.

(25) "Plan" means the Gilead Sciences, Inc. 2005 Deferred Compensation Plan, as set forth in this document and as subsequently amended from time to time.

(26) "Plan Year" means the calendar year.

(27) "Prior Plan" means the Gilead Sciences, Inc. Deferred Compensation Plan, as in effect as of December 31, 2004. No additional Compensation may be deferred under the Prior Plan after December 31, 2004.

(28) "Salary" means an Eligible Employee's base salary.

(29) "Separation from Service" means, for a Participant who is an Employee, such individual's cessation of Employee status by reason of his or her death, retirement or termination of employment. Such Participant shall be deemed to have terminated employment at such time as the level of his or her bona fide services to be performed as an

Employee (or non-employee consultant or contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months (or such shorter period for which he or she may have rendered such service). For an Eligible Director, a Separation from Service shall be deemed to occur when such individual ceases to serve as a Board member. Any determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Code Section 409A. In addition to the foregoing, a Separation from Service will not be deemed to have occurred while an Employee is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six (6) months or any longer period for which such Employee's right to reemployment with the Employer is provided either by statute or contract; ***provided, however,*** that in the event of an Employee's leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes such individual to be unable to perform his or her duties as an Employee, no Separation from Service shall be deemed to occur during the first twenty-nine (29) months of such leave. If the period of leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and the Employee's right to reemployment is not provided either by statute or contract, then such Employee will be deemed to have Separated from Service on the first day immediately following the expiration of such six (6)-month or twenty-nine (29)-month period.

(30) "Specified Employee" means an Eligible Employee who, at any time during the twelve (12)-month period ending on the applicable Identification Date, is:

(A) an officer of the Employer having aggregate annual compensation from the Employer and/or one or more other Affiliated Companies greater than the compensation limit in effect at the time under Section 416(i)(1)(A)(i) of the Code, provided that no more than fifty officers of the Employer shall be determined to be Key Employees as of any Identification Date;

(B) a five percent owner of the Employer or any other Affiliated Company ; or

(C) a one percent owner of the Employer or any other Affiliated Company who has aggregate annual compensation from the Company and/or one or more other Affiliated Companies of more than $150,000.

The determination of such Specified Employees shall be in accordance with the applicable standards and requirements of Section 409A of the Code and the Treasury Regulations thereunder. If an Eligible Employee is identified as a Specified Key Employee on a Identification Date, then such Eligible Employee shall be considered a Specified Employee for purposes of the Plan during the period beginning on the first April 1 following the Identification Date and ending on the next March 31.

(31) "Trust" means the trust created by the Employer.

(32) "Trust Agreement" means the agreement between the Employer and the Trustee, as set forth in a separate agreement, under which assets are held, administered, and managed subject to the claims of the Employer's creditors in the event of the Employer's insolvency, until paid to the Participants and their Beneficiaries as specified in the Plan.

(33) "Trust Fund" means the property held in the Trust by the Trustee.

(34) "Trustee" means the corporation or individuals appointed by the Employer to administer the Trust in accordance with the Trust Agreement.

(35) "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from:

(A) An illness or accident of the Participant, the Participant's spouse or Beneficiary or the Participant's dependent (as defined in Section 152(a) of the Code); or

(B) Loss of the Participant's property due to casualty (including the need to rebuild a home following damage to the home not otherwise covered by insurance); or

(C) Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

Financial hardship shall not constitute an Unforeseeable Emergency under the Plan to the extent that it is, or may be, relieved by (i) reimbursement or compensation, by insurance or otherwise, (ii) liquidation of the Participant's assets to the extent that the liquidation of such assets would not itself cause severe financial hardship, or (iii) cessation of deferrals under the Plan.

(b) Pronouns used in the Plan are in the masculine gender but include the feminine gender unless the context clearly indicates otherwise.

5. ELIGIBILITY; PARTICIPATION.

5.1 Eligibility. The Administrator (acting through an authorized committee of one or more officers or other senior executives) shall have absolute discretion in selecting the Eligible Employees who are to participate in the Plan for each Plan Year. An Eligible Employee selected for participation for any Plan Year must, in order to participate in the Plan for that year, file a timely Deferral Election in accordance with the requirements of Section 6.1. An Eligible Employee who is first selected for participation in the Plan after the start of a Plan Year and who has not otherwise been eligible for participation in any other non-qualified elective account balance plan subject to Code Section 409A and maintained by one or more Affiliated Companies may file a Deferral Election for that Plan Year in accordance with the applicable requirements of Section 6.1. Until such time as the Administrator implements a new policy, any selection of new Participants after the start of the Plan Year will be limited to the first business day of April of that Plan Year. Individuals who are selected for participation in the Plan, whether before or after

the start of the Plan Year, shall be promptly notified by their Participating Employer of their eligibility to participate in the Plan. Eligible Directors shall automatically be eligible to participate in the Plan during their period of service in such capacity, and their Deferral Elections shall be subject to the same requirements set forth above for Employee Participants.

5.2 Continuation of Participation. Every Eligible Employee who becomes a Participant may continue to file Deferral Elections under the Plan for one or more subsequent Plan Years until the ***earliest*** of (i) his or her exclusion from the Plan upon written notice from the Administrator, (ii) his or her cessation of Eligible Employee status or (iii) the termination of the Plan. The Administrator shall have complete discretion to exclude one or more Eligible Employees from Participant status for one or more Plan Years as the Administrator deems appropriate, including the entire period the Participant continues in Eligible Employee status following such exclusion. However, no such exclusion authorized by the Administrator shall become effective until the first day of the first Plan Year coincident with or next following the date of the Administrator's determination to exclude the individual from such participation. If any Eligible Employee is excluded from Participant status for one or more Plan Years, then such individual shall not be entitled to defer any part of his or her Compensation for those Plan Years.

5.3 Resumption of Participation Following Separation from Service. If a Participant ceases to be an Eligible Employee or an Eligible Director due to a Separation from Service and thereafter returns to service with the Employer, such individual will again become a Participant as of the first day of the first Plan Year coincident with or next following the date on which he or she resumes Eligible Employee or Eligible Director status, provided such individual files a timely a Deferral Election pursuant to Section 6.1 with respect to that Plan Year. However, a Participant who returns to Eligible Employee or Eligible Director status after a Separation from Service of more than twenty-four (24) months during which he or she was not eligible to defer any Compensation under this Plan or any other any other non-qualified elective account balance plan subject to Code Section 409A and maintained by one or more Affiliated Companies shall, following resumption of such service, be permitted to make a Deferral Election under Section 6.1 in accordance with the requirements applicable to a newly-selected Participant. Notwithstanding the foregoing provisions of this Section 5.3, no returning Eligible Employee shall be eligible to participate in the Plan if the Administrator determines to exclude such individual from participation on or before his or her resumption of service.

5.4 Cessation or Resumption of Participation Following a Change in Status. If any Participant continues in the service of the Employer Group but ceases to be an Eligible Employee or Eligible Director, the individual will continue to be a Participant until the entire amount of his or her Account balance is distributed. However, the individual will not be entitled to make any Deferral Elections with respect to Compensation earned for the period that he is not an Eligible Employee or Eligible Director. In the event that the individual subsequently resumes Eligible Employee or Eligible Director status, he or she will again become a Participant as of the first day the first Plan Year coincident with or next following the date of his or her resumption of Eligible Employee or Eligible Director status, provided such individual files a timely a Deferral Election pursuant to Section 6.1 with respect to that Plan Year. However, an Eligible Employee shall not be eligible to participate in the Plan upon his or her resumption of Eligible Employee status if the Administrator determines to exclude such individual from participation on or before resumption of such status.

6. Deferral And Distribution Elections.

6.1 Deferral Elections for Employee Participants. Each Eligible Employee selected for participation shall have the right to file a Deferral Election with respect to the Salary and/or Bonus to be earned by such Participant for service as an Eligible Employee during the Plan Year for which the Deferral Election is made. Each Deferral Election must be made by a written or electronic notice filed with the Administrator or its designate in which the Participant shall indicate the percentage of Salary and/or Bonus to be deferred in accordance with the applicable percentage limitations set forth in Section 6.5. The notice must be filed on or before the expiration date of the enrollment period designated by the Administrator for the Plan Year for which the Deferral Election is to be effective, but in no event shall the Administrator allow any Deferral Election to be filed later than the last day of the calendar year immediately preceding the start of the Plan Year for which the Salary and/or Bonus subject to that election are to be earned. However, the following special rules shall be in effect for Deferral Elections:

(A) The Administrator may allow a Deferral Election with respect to a Bonus which qualifies as performance-based compensation in accordance with the standards and requirements set forth in Section 1.409A-1(e) of the Treasury Regulations to be made by a Participant after the start of the Plan Year (or other performance period) to which that Bonus pertains but not later than by a designated date that is at least six (6) months prior to the end of that Plan Year (or any longer performance period in effect for that Bonus).

(B) An Eligible Employee who is first selected for participation in the Plan after the start of a Plan Year and who has not otherwise been eligible for participation in any other non-qualified elective account balance plan subject to Code Section 409A and maintained by one or more Affiliated Companies must file his or her initial Deferral Election no later than thirty (30) days after the date he or she is so selected. Such Deferral Election shall only be effective as follows:

- with respect to Salary, such election shall be effective only for the portion attributable to Employee service for the period commencing with the first day of the first calendar month coincident with or next following the filing of such Deferral Election and ending with the close of such Plan Year, and

- with respect to any Bonus, such election shall be effective only for the portion thereof determined by multiplying the dollar amount of such Bonus by a fraction, the numerator of which is the number of days remaining in the performance period applicable to that Bonus following the close of the calendar month in which the Participant's Deferral Election as to such Bonus is filed and the denominator of which is the total number of days in that performance period; ***provided, however,*** that in the event any such Bonus qualifies as performance-based compensation, then the provisions of Subsection 6.1(A) shall also be applicable in determining the amount of such Bonus that may be deferred.

6.2 Deferral Elections for Eligible Directors.

(a) Each Eligible Director shall have the right to file a Deferral Election with respect to the Annual Retainer to be earned by such Participant for service as an Eligible Director for the twelve (12)-month period beginning on the first day of July each Plan Year and ending on the last day of June in the succeeding Plan Year (the "Fee Period"). Each Deferral Election must be made by a written or electronic notice filed with the Administrator or its designee in which the Participant shall indicate the percentage of the Annual Retainer for the Fee Period to be deferred in accordance with the percentage limitations set forth in Section 6.5. The notice must be filed on or before the expiration date of the enrollment period designated by the Administrator for the Fee Period for which the Deferral Election is to be effective, but in no event later shall the Administrator allow any Deferral Election to be filed later than the last day of the calendar year immediately preceding the Plan Year in which the Fee Period subject to that election will begin. Notwithstanding the foregoing, the Deferral Election filed prior to the start of the 2008 Plan Year shall cover only the six (6)-month period beginning July 1, 2008 and ending December 31, 2008.

(b) An individual who first becomes an Eligible Director after the start of a Plan Year and who has not otherwise been eligible for participation in any other non-qualified elective account balance plan subject to Code Section 409A and maintained by one or more Affiliated Companies must file his or her initial Deferral Election no later than thirty (30) days after the date he or she is appointed or elected as an Eligible Director. Such Deferral Election shall only be effective with respect to the portion of the Annual Retainer attributable to Eligible Director service for the period commencing with the first day of the first calendar month following the filing of such Deferral Election and ending on the last day of the Fee Period to which that Annual Retainer pertains.

6.3 Subsequent Elections. After an initial Deferral Election is made, a new Deferral Election must be made prior to each subsequent Plan Year in order for a Participant to continue participation in the Plan for that Plan Year. Each such subsequent Deferral Election shall be effective on the first day of the Plan Year following the Plan Year in which the election is made.

6.4 Additional Provisions. The Deferral Election for an upcoming Plan Year shall become irrevocable upon the expiration date of the enrollment period designated for that Plan Year, but in no event later than the last day of the immediately preceding Plan Year (or the last date on which the Deferral Election for the Plan Year may be filed under Section 6.1 or 6.2 by a newly-eligible Participant), and no subsequent changes may be made to that Deferral Election once it becomes irrevocable. The Account maintained on behalf of each Participant will be credited with the corresponding amount of Compensation deferred by that Participant, as and when that Compensation would have otherwise become payable in the absence of his or her Deferral Election. Under no circumstances may a Deferral Election be made retroactively.

6.5 Deferral Percentages.

(a) The minimum deferral per Plan Year will be determined by the Administrator.

(b) A Participant who is an Eligible Employee may elect to defer (less any tax withholding requirements) up to 70% of Salary and up to 100% of Bonus in any whole multiple of 1%.

(c) A Participant who is an Eligible Director may elect to defer up to 100%, in any whole multiple of 1%, of the Annual Retainer for the Fee Period.

(d) A Participant who is an Eligible Employee must also make satisfactory arrangements with his or her Participating Employer to assure the prompt collection of all withholding taxes applicable to the Compensation he or she elects to defer under the Plan.

6.6 Special Elections in 2005 regarding Deferrals. In accordance with IRS Notice 2005-1, Q&A-20, on or before March 15, 2005, Eligible Employees were permitted to make a Deferral Election with respect to the Bonus earned for the 2004 Plan Year. Deferral Elections made pursuant to this Section 6.6 are irrevocable and subject to any special administrative rules imposed by the Administrator consistent with Section 409A of the Code and Notice 2005-1, Q&A-20. No special election under this Section 6.6 will be permitted after March 15, 2005.

6.7 Phantom Share Program for Directors. Eligible Directors may, as part of their Deferral Election, elect to have the Annual Retainer subject to that election deferred in the form of fully vested Phantom Shares issued under the Gilead Sciences, Inc. 2004 Equity Incentive Plan. In the event of such election, the conversion of the deferred Annual Retainer (or the deferred portion thereof) into such Phantom Shares shall be effected on the first day of the Fee Period to which the deferred Annual Retainer relates. At the time of distribution, the Phantom Shares shall be converted into actual shares of Gilead Sciences, Inc. common stock or the cash value equivalent thereof, as determined by the administrator of the Gilead Sciences, Inc. 2004 Equity Incentive Plan.

6.8 Distribution Election. The initial Deferral Election made by a Participant under this Section 6 must include an election as to the time and form of payment of all Compensation deferred by that Participant under the Plan, including the Compensation deferred pursuant to that initial election and all Compensation deferred pursuant to one or more subsequent Deferral Elections. The permissible distribution events or triggers are as follow:

(a) A Participant may elect to receive a distribution or commence distributions from his or her Account pursuant to Section 9 upon the attainment of one of the following ages: 75, 70, 65, 60, 55 and 50.

(b) Alternatively, a Participant may elect to receive a distribution or commence distributions from his or her Account pursuant to Section 9 either (i) five years following the date of the Participant's Separation from Service, (ii) two years following the date of such Separation from Service or (iii) subject to Section 9.4, immediately following the date of such Separation from Service.

6.9 Special Distribution Election in 2006. Participants may make a special distribution election to change the time and form of the distribution of their Account, provided that the distribution election is made at least twelve months in advance of the newly elected distribution date and the previously scheduled distribution date and the election is made no later than December 31, 2006. An election made pursuant to this Section 6.9 shall be treated as an initial distribution election and shall be subject to any special administrative rules imposed by the Administrator including rules intended to comply with Section 409A of the Code and Notice 2005-1, Q&A-19. No election under this Section 6.9 shall (i) change the payment date of any distribution otherwise scheduled to be paid in 2006 or cause a payment to be made in 2006 that was otherwise scheduled for payment in a later year or (ii) be permitted after December 31, 2006.

6.10 Special Distribution Election in 2007. Participants may make a special distribution election to change the time and form of the distribution of their Account, provided that the distribution election is made at least twelve months in advance of the newly elected distribution date and the previously scheduled distribution date and the election is made no later than December 31, 2007. An election made pursuant to this Section 6.10 shall be treated as an initial distribution election and shall be subject to any special administrative rules imposed by the Administrator, including rules intended to comply with Section 409A of the Code. No election under this Section 6.10 shall (i) change the payment date of any distribution otherwise scheduled to be paid in 2007 or cause a payment to be made in 2007 that was otherwise scheduled for payment in a later year or (ii) be permitted after December 31, 2007.

6.11 Election Form. All Deferral Elections under this Section 6 will be made in a manner prescribed for these purposes by the Administrator.

6.12 Time of Making Employer Contributions. The Employer may from time to time make a transfer of assets to the Trustee for a Plan Year. The Employer will provide the Trustee with information on the amount to be credited to the separate account of each Participant maintained under the Trust.

7. Participant Accounts.

7.1 Individual Accounts. An Account shall be established and maintained for each Participant which shall reflect the deferred Compensation credited to the Account on behalf of the Participant and the earnings, expenses, gains and losses attributable to the deemed investment of that Account pursuant to Section 8 The Employer shall establish and maintain such other accounts and records as it decides in its discretion to be reasonably required or appropriate in order to discharge its duties under the Plan. Participants will at all times be 100% vested in their Accounts. Participants will be furnished statements of their Account values at least once each Plan Year.

8. Investment Of Contributions.

8.1 Available Investment Funds. The Administrator (acting through an authorized committee of one or more officers or other senior executives) shall have absolute discretion to select the available Investments Funds which Participants may choose as the measure of the

notional investment return on their Accounts in accordance with Section 8.2 The available Investment Funds shall be set forth in Attachment A, as amended from time to time; ***provided, however***, that Eligible Directors who participate in the Plan may also direct the investment of their Accounts in Phantom Shares. All amounts credited to Participant Accounts shall be treated as though invested and reinvested only in those available Investment Funds.

8.2 Investment Directives. Investments in which a Participant's Account shall be treated as invested and reinvested as directed by the Participant. All dividends, interest, gains, losses and distributions of any nature earned with respect to the Investment Fund Shares in which the Account is deemed invested shall be credited to the Account as though reinvested in additional shares of that Investment Fund. Expenses attributable to the acquisition of investments that mirror the deemed investments in a Participant's Account shall be charged to that Account.

8.3 Changes to Investment Funds. Except as otherwise provided in this Section 8.3, the available Investment Funds set forth in Attachment A shall include the same investment funds selected by the Company's Benefits Committee (the "Benefits Committee") as available investment choices for participants in the Company's 401(k) Savings Plan (the "Savings Plan"). Notwithstanding the forgoing, should any investment fund selected by the Benefits Committee for inclusion as an available investment fund under the Savings Plan not be available for Participants in this Plan, then Administrator (acting through an authorized committee of one or more officers or other senior executives) shall have the authority to select an alternative investment option that is substantially similar to the unavailable investment fund. In all cases, the available investment funds under the Plan shall automatically change from time to time to reflect any changes made to the available investment funds under the Savings Plan, with such changes to become effective as of the same date and time as the corresponding changes are made to the available investment funds under the Saving Plan without the need for formal amendment under this Plan. Attachment A shall be updated from time to time to reflect such changes in investment options, and the Senior Vice President, Human Resources (or his or her authorized delegate) shall have the authority to execute documents and provide instruction to the Plan's service providers with respect to the selection or modification of the Investment Funds made available from time to time under the Plan. The foregoing provisions of this Section 8.3 shall not apply to the Phantom Shares in which Eligible Directors may elect to invest their Accounts.

9. Distribution Of Benefits.

9.1 Distribution of Benefits to Participants.

(a) Except as otherwise provided in Section 9.1(c), distributions under the Plan will be made in a cash lump sum or under a systematic withdrawal plan over a period not exceeding ten years. Such form of distribution shall be determined in accordance with Sections 9.2 and 9.3.

(b) Except as otherwise provided in Section 9.1(c), distributions under a systematic withdrawal plan must be made in annual installments, in cash, over a period certain which does not extend for more than ten years. A systematic withdrawal plan may include a plan whereby one installment is elected. For purposes of the Plan, installment payments shall be treated as a single aggregate distribution under Section 409A of the Code, and not as a series of individual installment payments.

(c) Notwithstanding Sections 9.1(a) and (b), distributions under the Plan to Eligible Directors may, at the Participant's election, be distributed in shares of the Employer's common stock issuable under the Gilead Sciences, Inc. 2004 Equity Incentive Plan. Distributions of such common stock may be in a lump sum or under a systematic withdrawal plan, as determined in accordance with Section 9.2 and 9.3.

9.2 Determination of Timing and Method of Distribution. The Participant shall elect the timing and method of distribution for his or her Account. Such election shall be made at the time the Participant makes his or her initial Deferral Election, or in accordance with Section 6.9 or 6.10 (as applicable), and will apply to all amounts credited to the Participant's Account. Effective as of January 1, 2008, a Participant may make an Extended Deferral Election by submitting a completed and executed election form approved by the Administrator for such purpose; ***provided, however,*** that such Extended Deferral Election must be made at least twelve (12) months prior to the date the Participant's Account is otherwise scheduled to become payable pursuant to the applicable provisions of Section 6 and the foregoing provisions of this Section 9, and such Extended Deferral Election shall in no event become effective or otherwise have any force or applicability until the expiration of the twelve (12)-month period measured from the date such election is filed with the Administrator. Accordingly, the Extended Deferral Election shall become null and void if the pre-existing specified commencement date or event for the distribution of the Participant's Account occurs within that twelve (12)-month period. The Extended Deferral Election must specify a commencement date in a Plan Year that is at least five (5) Plan Years later than the Plan Year in which the distribution of the Participant's Account would have otherwise been made or commenced in the absence of the Extended Deferral Election. As part of the Extended Deferral Election, the Participant may also elect a different method of distribution, provided the selected method complies with one of the methods of distribution permissible for that Account in accordance with the provisions of the Plan. Once the Extended Deferral Election becomes effective in accordance with the foregoing provisions of this Section 9.2, such election shall remain in effect, whether or not the Participant continues in Employee status; ***provided, however,*** that in the event of the Participant's death, the provisions of Section 10.1 shall apply. A Participant may make only one Extended Deferral Election pursuant to this Section 9.2.

9.3 Default Distribution Election. If the Participant does not elect the method of distribution, the method of distribution will be a lump sum cash payment. Subject to Section 9.4 below, if the Participant does not elect the timing of the distribution, the Participant's Account balance will be distributed upon his or her Separation from Service.

9.4 Delayed Distribution to Specified Employees. Notwithstanding any other provision of this Section 9, a distribution made to a Participant who is a Specified Employee at the time of his or her Separation from Service will be delayed for a minimum period of six months if the Participant's distribution is triggered by such Separation from Service. Any payment that otherwise would have been made pursuant to this Section 9 during such period will be made in one lump sum payment not later than the last day of the eight month following the

month in which the Participant's Separation from Service occurs. The determination of which Participants are Key Employees will be made by the Administrator in accordance with Section 4.1(a)(21) of the Plan and Sections 416(i) and 409A of the Code and the Treasury Regulations thereunder.

9.5 Unforeseeable Emergency. Upon application by a Participant in the event of an Unforeseeable Emergency, the Administrator may its sole discretion authorize payment of all or part of the Participant's Account in one lump sum payment no later than the last day of the second month following the month in which the distribution is approved by the Administrator. The Administrator shall have complete discretion to accept or reject the request and shall in no event authorize a distribution from the Participant's Account in an amount in excess of that reasonably required to meet such financial hardship and the tax liability attributable to that distribution. The minimum amount of a distribution due to a Participant's Unforeseeable Emergency will be $1,000.00.

9.6 Prohibition on Acceleration. Notwithstanding any other provision of the Plan to the contrary, no distribution will be made from the Plan that would constitute an impermissible acceleration of payment as defined in Section 409A(a)(3) of the Code and the Treasury Regulations thereunder. However, the following mandatory distributions shall be made under the Plan:

(a) If the aggregate balance of the Participant's Account is not greater than the applicable dollar amount in effect under Code Section 401(g)(1)(B) at the time of the Participant's Separation from Service and the Participant is not otherwise at that time participating in any other non-qualified elective account balance plan subject to Code Section 409A and maintained by one or more Affiliated Companies, then that balance shall be distributed to the Participant in a lump sum distribution as soon as administratively practical following such Separation from Service, whether or not the Participant elected that form of distribution or distribution event, but in no event later than the ***later*** of (i) the end of the calendar year in which such Separation from Service occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such Separation from Service, except to the extent a further deferral is required to comply with the delayed distribution requirements set forth in Section 9.4.

(b) Should the aggregate present value of all of the remaining unpaid installments due to a Participant who is receiving an installment distribution of his or her Account under the Plan fall below Twenty Thousand Dollars ($20,000), then those unpaid installments shall be paid to the Participant in a single lump sum within thirty (30) days thereafter.

9.7 Adjustment for Investment Experience. If any distribution under this Section 9 is not made in a single lump sum payment, the amount remaining in the Account after the first installment payment will be subject to adjustment (until distributed) to reflect the income and gain or loss on the investments in which such Account is deemed invested pursuant to Section 8 and any expenses properly charged under the Plan and Trust to such Account.

9.8 Notice to Trustee. The Administrator will notify the Trustee in writing whenever any Participant or Beneficiary is entitled to receive benefits under the Plan. The Administrator's notice will indicate the form, amount and frequency of benefits that such Participant or Beneficiary will receive.

9.9 Time of Distribution. Except as provided in Section 9.4, in no event shall a distribution to a Participant be made or commence later than:

- the last day of the second month following the month in which the Participant attains the elected age specified in his or her initial Deferral Election (or any distribution election under Section 6.8 or 6.9), or
- the last day of the second month following the month in which occurs the Participant's Separation from Service or any applicable anniversary of such Separation from Service (if such event or anniversary is the designated distribution event for the Participant's Account), or
- the last day of the second month following the month in which the deferred commencement date designated in the Participant Extended Deferral Election occurs.

10. Effect Of Death Of A Participant.

10.1 Distributions. In the event of a Participant's death, the Participant's Account shall be distributed to the Participant's Beneficiary in a single lump sum cash payment. Such distribution shall be made as soon as administratively practicable after the date of the Participant's death, but in no event later than the ***later*** of (i) the close of the calendar year in which the Participant's death occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of the Participant's death.

10.2 Beneficiary Designation.

(a) Upon enrollment in the Plan, each Participant shall file a prescribed form with the Administrator or its designate naming a person or persons as the Beneficiary who will receive distributions payable under the Plan in the event of the Participant's death. If the Participant does not name a Beneficiary, or if none of the named Beneficiaries is living at the time payment is due, then the Beneficiary shall be the Participant's spouse, or if none, the Participant's children in equal shares, or if none, the Participant's estate.

(b) The Participant may change the designation of a Beneficiary at any time in accordance with procedures established by the Administrator. Designation of a Beneficiary, or an amendment or revocation thereof, shall be effective only if made in the prescribed manner and received by the Administrator prior to the Participant's death.

11. Establishment Of A Trust.

11.1 Trust. The Participating Employers shall be responsible for the payment of benefits under the Plan attributable to their respective Eligible Employees and Eligible Directors. At their discretion, the Participating Employers may establish one or more grantor trusts for the

purpose of providing for the payment of benefits under the Plan; ***provided, however,*** that the establishment of such a trust shall not affect the status of the Plan as an unfunded plan. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Participating Employer's creditors in the event of its bankruptcy or insolvency. Benefits paid the Participants from any such trust shall be considered paid by the Participating Employer for purposes of meeting that Participating Employer's obligations under the Plan. Notwithstanding the establishment of a trust, each Participating Employer reserves the right at any time and from time to time to pay Plan benefits to Participants or their Beneficiaries in whole or in part from sources other than the Trust, in which case upon the Participating Employer's request, that Participating Employer shall receive a distribution from the Trust in an amount equal to the amount paid by that Participating Employer from sources other than the Trust to the Participant or Beneficiary in satisfaction of its obligations under the Plan, provided that such distribution shall not exceed the amount of Trust assets previously allocated to such Participant or Beneficiary.

11.2 General Duties of Trustee. The Trustee shall manage, invest and reinvest the Trust Fund as provided in the Trust Agreement. The Trustee shall collect the income on the Trust Fund and make distributions therefrom, all as provided in the Plan and in the Trust Agreement.

12. Amendment And Termination.

12.1 Amendment by Employer. The Employer reserves the authority to amend the Plan in its sole discretion. Each such amendment will become effective on the designated effective date of that amendment. Any such amendment notwithstanding, no Participant's Account will be reduced by such amendment below the amount to which the Participant would have been entitled had his or her Separation from Service occurred immediately prior to the date of the amendment. The Employer may from time to time make any amendment to the Plan that may be necessary to satisfy applicable requirements of the Code or ERISA. The Board or other individual(s) designated by the Board may act on behalf of the Employer for purposes of this Section 12.1. In no event shall any amendment to the Plan adversely affect the distribution provisions in effect for the Participant Accounts maintained under the Plan, and all amounts deferred prior to the date of any such Plan amendment shall continue to become due and payable in accordance with the distribution provisions of Sections 6, 9 and 10 as in effect immediately prior to such amendment. Notwithstanding the foregoing, the Senior Vice President, Human Resources (or his or her authorized delegate) shall have the authority to adopt amendments to the Plan that are required by law or provide administrative practices or clarity (specifically amendments not materially affecting either the financial obligation of the Company or the level of benefits provided to a Participant or a Beneficiary) through the Plan. Any such amendments made by the Senior Vice President, Human Resources or his or her authorized delegate) shall be subject to the limitations set forth above.

12.2 Retroactive Amendments. An amendment made by the Employer in accordance with Section 12.1 may be made effective on a date prior to the first day of the Plan Year in which adopted, if such amendment is necessary or appropriate to enable the Plan and Trust to satisfy the applicable requirements of the Code or ERISA or to conform the Plan to any change in federal law or to any regulations or ruling thereunder. Any retroactive amendment by the

Employer will be subject to the provisions of Section 12.1. The Board or any officer of the Company designated by the Board, including the Senior Vice President, Human Resources, shall have the authority to act on behalf of the Employer for purposes of this Section 12.2.

12.3 Termination. The Employer has adopted the Plan with the intention and expectation that contributions will be continued indefinitely. However, the Employer has no obligation or liability whatsoever to maintain the Plan for any length of time and may suspend the Plan by discontinuing contributions under the Plan or terminate the Plan at any time in its discretion without any liability hereunder for any such suspension or termination. Except as otherwise provided in Sections 12.3(a), (b) or (c) below, the termination of the Plan shall not affect the distribution provisions in effect for the Participant Accounts maintained hereunder, and all amounts deferred prior to the date of any such Plan termination shall continue to become due and payable in accordance with the distribution provisions of Sections 6, 9 and 10 as in effect immediately prior to such plan termination.

(a) Except as provided in Sections 12.3(b) and (c) below, in the event of a termination of the Plan during a period in which the Employer has not experienced a financial downturn, the Participant Accounts maintained under the Plan may, in the Employer's discretion, be distributed within the period beginning twelve (12) months after the date the Plan is terminated and ending twenty-four (24) months after the date of such plan termination, or pursuant to Section 6, 9 or 10 of the Plan, if earlier. If the Plan is terminated and Accounts are distributed, the Employer and the other Participating Employers shall also terminate and liquidate all other non-qualified elective account balance deferred compensation plans maintained by them and shall not adopt a new non-qualified elective account balance deferred compensation plan for at least three (3) years after the date the Plan is terminated.

(b) The Employer and the other Participating Employers may terminate the Plan thirty (30) days prior to or within twelve (12) months following a Change of Control and distribute, within the twelve (12)-month period following the termination of the Plan, the Accounts of the Participants affected by such Change in Control If the Plan is terminated and Accounts are distributed, the Employer and the other Participating Employers shall also terminate all other non-qualified elective account balance deferred compensation plans sponsored by them in which such Participants participate, and all of the benefits accrued under those terminated plans by such Participants shall be distributed to them within twelve (12) months following the termination of such plans.

(c) The Employer may terminate the Plan upon a corporate dissolution of the Employer that is taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. Section 503(b)(1)(A), provided that the Participant Accounts are distributed and included in the gross income of the Participants by the later of (i) the Plan Year in which the Plan terminates or (ii) the first Plan Year in which payment of the Accounts is administratively practicable.

13. Miscellaneous.

13.1 Withholding Taxes. All distributions under the Plan shall be subject to reduction in order to reflect tax withholding obligations imposed by law.

13.2 Participant's Unsecured Rights. The Account of any Participant, and such Participant's right to receive distributions from his or her Account, shall be considered an unsecured claim against the general assets of the Employer; such Accounts are unfunded bookkeeping entries. The Employer considers the Plan to be unfunded for tax purposes and for purposes of Title I of ERISA. No Participant shall have an interest in, or make claim against, any specific asset of the Employer (or any other Participating Employer) pursuant to the Plan.

13.3 Limitation of Rights. Neither the establishment of the Plan and the Trust, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to any Participant or other person any legal or equitable right against any Participating Employer, the Administrator or the Trustee, except as provided herein. In no event shall the terms of employment or service of any Participant be modified or in any way affected hereby.

13.4 Nonalienability of Benefits. Except as provided in Sections 13.4(a) and (b) with respect to domestic relations orders, the benefits provided hereunder will not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, either voluntarily or involuntarily, and any attempt to cause such benefits to be so subjected will not be recognized, except to such extent as may be required by law.

(a) The procedures established by the Administrator for the determination of the qualified status of domestic relations orders and for making distributions under qualified domestic relations orders, as provided in Section 206(d) of ERISA, shall apply to the Plan, to the extent applicable.

(b) To the extent required to comply with a qualified domestic relations order, amounts awarded to an alternate payee under a qualified domestic relations order shall be distributed in the form of a lump sum distribution as soon as administratively feasible following the determination of the qualified status of the domestic relations order. To the extent that the qualified domestic relations order does not require an immediate lump sum distribution, the alternate payee shall have all rights regarding investment elections and distribution elections and withdrawal rights as if such alternate payee were a Participant. For purposes of determining distributions to an alternate payee, "Separation from Service" shall be the Separation from Service of the Participant whose Account is the subject of the qualified domestic relations order.

13.5 Facility of Payment. In the event the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his or her affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may direct the Trustee to disburse such payments to a person or institution designated by a court which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under state law for the care and control of such recipient. The receipt by such person or institution of any such payments will be complete acquittance therefore, and any such payment to the extent thereof, will discharge the liability of the Participating Employer and the Trust for the payment of benefits hereunder to such recipient.

13.6 Governing Law. The validity, interpretation, construction and performance of the Plan shall be governed by ERISA, and, to the extent that they are not preempted, by the laws of the State of California, excluding California's choice-of-law provisions.

14. Plan Administration.

14.1 Powers and Responsibilities of the Administrator. The Administrator has the full power and the full responsibility to administer the Plan in all of its details. The Administrator's powers and responsibilities include, but are not limited to, the following:

(a) To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

(b) To interpret the Plan, with each such interpretation made in good faith to be final and conclusive on all persons claiming benefits under the Plan;

(c) To decide all questions concerning the Plan, the eligibility of any person to participate in the Plan and the amount of benefits to which such person may be entitled under the Plan;

(d) To administer the claims and review procedures specified in Section 14.2;

(e) To compute the amount of benefits which will be payable to any Participant or Beneficiary in accordance with the provisions of the Plan;

(f) To determine the person or persons to whom such benefits will be paid;

(g) To authorize the payment of benefits;

(h) To comply with the reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA;

(i) To appoint such agents, counsel, accountants and consultants as may be required to assist in administering the Plan; and

(j) By written instrument, to allocate and delegate its responsibilities, including the formation of an Administrative Committee to administer the Plan.

14.2 Claims and Review Procedure.

(a) Informal Resolution of Questions. Any Participant or Beneficiary who has questions or concerns about his or her benefits under the Plan may communicate with the Administrator. If this discussion does not give the Participant or Beneficiary satisfactory results, a formal claim for benefits may be made, within one year of the event giving rise to the claim, in accordance with the procedures of this Section 14.2.

(b) Formal Benefits Claim – Review by Administrator. A Participant or Beneficiary may make a written claim for his or her benefits under the Plan. The claim must be addressed to the Administrator, Deferred Compensation Plan, Gilead Sciences, Inc., 333 Lakeside Drive, Foster City, California 94404. The Administrator shall decide the action to be taken with respect to any such claim and may require additional information if necessary to process the claim. The Administrator shall review the claim and shall issue its decision, in writing, no later than ninety (90) days after the date the claim is received, unless the circumstances require an extension of time. If such an extension is required, written notice of the extension shall be furnished to the person making the claim within the initial ninety (90-day period, and the notice shall state the circumstances requiring the extension and the date by which the Administrator expects to reach a decision on the claim. In no event shall the extension exceed a period of ninety (90) days from the end of the initial period.

(c) Notice of Denied Claim. If the Administrator denies a claim in whole or in part, the Administrator shall provide the person making the claim with written notice of the denial within the period specified in Section 14.2(b) above. The notice shall set forth the specific reason for the denial, reference to the specific Plan provisions upon which the denial is based, a description of any additional material or information necessary to perfect the claim, an explanation of why such information is required, and an explanation of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

(d) Appeal to Administrator.

(1) A person whose claim has been denied in whole or in part (or such person's authorized representative) may file an appeal of the decision in writing with the Administrator within sixty (60) days of receipt of the notification of denial. The appeal must be addressed to: Administrator, Deferred Compensation Plan, Gilead Sciences, Inc., 333 Lakeside Drive, Foster City, California 94404. The Administrator, for good cause shown, may extend the period during which the appeal may be filed for another sixty (60) days. The appellant and/or his or her authorized representative shall be permitted to submit written comments, documents, records and other information relating to the claim for benefits. Upon request and free of charge, the applicant should be provided reasonable access to and copies of, all documents, records or other information relevant to the appellant's claim.

(2) The Administrator's review shall take into account all comments, documents, records and other information submitted by the appellant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Administrator shall not be restricted in its review to those provisions of the Plan cited in the original denial of the claim.

(3) The Administrator shall issue a written decision within a reasonable period of time but not later than sixty (60) days after receipt of the appeal, unless special circumstances require an extension of time for processing, in which case the written decision shall be issued as soon as possible, but not later than one hundred twenty (120) days after receipt of an appeal. If such an extension is required, written notice shall be furnished to the appellant within the initial sixty (60)-day period. This notice shall state the circumstances requiring the extension and the date by which the Administrator expects to reach a decision on the appeal.

(4) If the decision on the appeal denies the claim in whole or in part written notice shall be furnished to the appellant. Such notice shall state the reason(s) for the denial, including references to specific Plan provisions upon which the denial was based. The notice shall state that the appellant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. The notice shall describe any voluntary appeal procedures offered by the Plan and the appellant's right to obtain the information about such procedures. The notice shall also include a statement of the appellant's right to bring an action under Section 502(a) of ERISA.

(5) The decision of the Administrator on the appeal shall be final, conclusive and binding upon all persons and shall be given the maximum possible deference allowed by law.

(e) Exhaustion of Remedies. No legal or equitable action for benefits under the Plan shall be brought unless and until the claimant has submitted a written claim for benefits in accordance with Section 14.2(b) above, has been notified that the claim is denied in accordance with Section 14.2(c) above, has filed a written request for a review of the claim in accordance with Section 14.2(d) above, and has been notified in writing that the Administrator has affirmed the denial of the claim in accordance with Section 14.2(d) above; ***provided, however,*** that an action for benefits may be brought after the Administrator has failed to act on the claim within the time prescribed in Section 14.2(b) and Section 14.2(d), respectively.

14.3 Execution and Signature. To record the adoption of the Plan by the Board, the Company has caused its duly authorized officer to affix the corporate name hereto:

GILEAD SCIENCES, INC.

By: /s/ Kristen M. Metza
Kristen M. Metza
Senior Vice President, Human Resources

Dated: February 8, 2008

ATTACHMENT A

PLAN INVESTMENT FUNDSASOF OCTOBER 22, 2007

Fund Name	Fund Number
1. Fidelity Retirement Money Market Portfolio	00630
2. Fidelity Intermediate Bond Fund	00032
3. Fidelity Equity-Income Fund	00023
4. Spartan U.S. Equity Index Fund	00650
5. Spartan Extended Market Index	00398
6. Fidelity Low-Priced Stock Fund*	00316
*** Unavailable to New Participants after July 30, 2004.**	
7. Fidelity Growth Company Fund	00025
8. T. Rowe Price Blue Chip Growth Fund	93386
9. T. Rowe Price Real Estate Fund	40587
10. American Beacon Small Cap Value Fund	47008
11. Fidelity Diversified International Fund	00325
12. Templeton Smaller Foreign Companies Fund-Class A	93875
13. Fidelity Freedom Income Fund	00369
14. Fidelity Freedom 2000 Fund	00370
15. Fidelity Freedom 2005 Fund	01312
16. Fidelity Freedom 2010 Fund	00371
17. Fidelity Freedom 2015 Fund	01313
18. Fidelity Freedom 2020 Fund	00372
19. Fidelity Freedom 2025 Fund	01314
20. Fidelity Freedom 2030 Fund	00373
21. Fidelity Freedom 2035 Fund	01315
22. Fidelity Freedom 2040 Fund	00718

For Eligible Directors Only

Common Stock of Gilead Sciences, Inc. (Phantom Shares)

Exhibit 10.61

GILEAD SCIENCES, INC.

SEVERANCE PLAN

Adopted on March 23, 2004,
to be effective January 29, 2003

Amended and Restated on May 9, 2006,
to be effective January 1, 2005

Amended and Restated on May 8, 2007
to be effective May 8, 2007

Amended on February 8, 2008
to be effective January 1, 2008

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GILEAD SCIENCES, INC.

SEVERANCE PLAN
AND
SUMMARY PLAN DESCRIPTION

(As Amended and Restated Effective May 8, 2007 and As Subsequently Amended Effective January 1, 2008)

I. INTRODUCTION

The Gilead Sciences, Inc. Severance Plan (the "Plan") was originally adopted by the Company effective January 29, 2003, and was subsequently amended and restated effective January 1, 2005. The Plan was further amended and restated on May 8, 2007 and subsequently amended on February 8, 2008 in order to effect the following: (i) bring the Plan into documentary compliance with Section 409A of the Code and the final Treasury Regulations thereunder and (ii) incorporate certain transitional relief in accordance with (A) Treasury Notice 2005-1, Q&A-19, as modified by the preamble to the proposed and the final regulations pursuant to Section 409A of the Code, published in the Federal Register on October 4, 2005 and April 17, 2007, respectively, and (B) Treasury Notice 2007-86. This Plan and Summary Plan Description is effective January 1, 2008 to effect such full documentary compliance under Section 409A of the Code and replaces all severance or similar plans or programs of the Company previously in effect. The Company has no severance or similar plan or program other than this Plan.[1]

The purpose of the Plan is to provide a Severance Pay Benefit to certain Eligible Employees whose employment with the Company terminates under certain prescribed circumstances. The Company is the Plan Administrator for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is intended to comply with the requirements of Section 409A of the Code.

Capitalized terms used in this Plan shall have the meaning set forth in Section XVII.

II. COMMENCEMENT OF PARTICIPATION

An Eligible Employee shall commence participation in the Plan upon the later of (i) January 29, 2003 or (ii) his or her date of hire.

III. TERMINATION OF PARTICIPATION

A Participant's participation in the Plan shall terminate upon the occurrence of the earliest of the following:

(a) The Participant's employment terminates without meeting the requirements of Section IV(a)(i)(1).

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[1] The Triangle Pharmaceuticals, Inc. Severance Plan remained in effect until January 23, 2004 and provided benefits to employees of Triangle who were involuntarily terminated.

(b) The Participant's employment terminates with a provision of Section IV(a)(ii) being applicable.

(c) The Participant fails to meet the requirements of Section IV(a)(i)(2).

(d) The Participant has received a complete distribution of his or her Severance Pay Benefit.

(e) The Participant ceases to be an Eligible Employee (other than by reason of termination of his or her employment with the Company).

(f) The Plan terminates.

IV. SEVERANCE PAY BENEFIT

(a) Eligibility for Severance Pay Benefit

(i) Subject to Section IV(a)(ii), a Participant shall be eligible for a Severance Pay Benefit only if the Participant meets the requirements of Section IV(a)(i)(1) and Section IV(a)(i)(2).

(1) The Participant incurs a Separation from Service as a result of an involuntary termination of his or her Employee status by the Company because of a Company-wide or departmental reorganization or a significant restructuring of the Participant's job duties; provided, however, that a Participant's Employee status shall also be deemed to have been involuntarily terminated by the Company if he or she resigns because of (A) a transfer to a new work location that is more than 50 miles from his or her previous work location, and (B) in the case of a Participant whose Severance Pay Benefit is determined with reference to Appendix A, B or C, a Constructive Termination (as defined in Section 11(d) of the 2004 Equity Incentive Plan) in conjunction with a Change in Control and within the time specified in Appendix A, B or C, as applicable.

(2) The Participant executes the Release within the time frame prescribed therein, but in no event more than forty-five (45) days after his or her Separation from Service, and the period (if any such period is prescribed in the Release) for revoking the execution of the Release under the Older Workers' Benefit Protection Act, 29 U.S.C. § 626(f), expires without the Participant's revocation of such Release.

Under no circumstances shall a Participant be eligible for a Severance Pay Benefit under the Plan if he or she terminates Employee status for the purpose of accepting employment with the entity that effectuates a Change in Control, its subsidiaries or affiliates.

(ii) Notwithstanding Section IV(a)(i), a Participant shall be disqualified from receiving a Severance Pay Benefit upon the occurrence of any of the following:

(1) The Participant voluntarily terminates Employee status for any reason prior to the termination date set by the Company;

(2) The Participant's Employee status is terminated by death or for cause (including, without limitation, gross misconduct or dereliction of duty) or for failure to meet performance goals or objectives as determined by the Company;

(3) If the Participant is receiving short-term sick leave benefits on the date his or her Employee status terminates, the Participant fails to execute and deliver to the Company, within thirty (30) days after his or her Separation from Service, a written waiver of any short-term sick leave benefits that might otherwise be payable after such termination of Employee status;

(4) The Participant terminates Employee status in order to accept employment with an organization that is wholly or partly owned (directly or indirectly) by the Company or an Affiliate;

(5) The Participant accepts any job with a Buyer or Outsourcing Supplier;

(6) The Participant is offered full-time employment with a Buyer or Outsourcing Supplier at a new work location 50 miles or less from his or her previous work location with the Company and taking such position would not result in a reduction in his or her Regular Earnings;

(7) Except in the case of a Severance Pay Benefit payable on account of a Change in Control of the Company, the Participant received a severance benefit in connection with an acquisition by the Company within 24 months prior to his or her Separation from Service; or

(8) Except for a Severance Pay Benefit payable on account of a Change in Control of the Company, the Participant has not completed six months of Continuous Service as of the date of his or her termination of Employee status; provided, however, that, effective May 8, 2007, such service requirement shall not be applicable to Employees who are Vice Presidents or in Grades 21 through 34.

The business decisions that may result in a Participant qualifying for a Severance Pay Benefit are decisions to be made by the Company in its sole discretion. In making these decisions, similarly situated organizations, locations, functions, classifications, and/or Participants need not be treated in the same manner. Each Participant remains an employee at will, and the date selected by the Company to terminate the Participant's Employee status is within its sole discretion.

(b) Amount of Severance Pay Benefit

(i) Subject to Section IV(b)(ii), the Severance Pay Benefit payable to a Participant shall be as set forth in the applicable Appendix:

(1) Appendix A – Chief Executive Officer.

(2) Appendix B – Executive Vice Presidents and Senior Vice Presidents.

(3) Appendix C – Vice Presidents and Senior Advisors.

(4) Appendix D – All Eligible Employees not covered by Appendix A, B, or C.

Senior Advisors covered under Appendix C shall only be eligible for a Severance Pay Benefit in connection with a Change in Control.

(ii) Notwithstanding Section IV(b)(i), the total Severance Pay Benefit otherwise payable to a Participant under the Plan shall be subject to reduction (but not below zero) as follows:

(1) If a Participant is reemployed by the Company or an Affiliate within the number of weeks after his or her Separation from Service that is equal to the number of weeks taken into consideration in calculating the Severance Pay Benefit, the total Severance Pay Benefit payable to such Participant shall be reduced to the dollar amount that the Participant's Regular Earnings would have been for the period from the date of termination to the date of reemployment. In all cases, the reduced benefit will be based on the Participant's Regular Earnings used to calculate such Participant's Severance Pay Benefit under the Plan. A Participant will be considered "reemployed" under the Plan for purposes of the foregoing repayment provision if he or she is rehired as an Employee or if he or she is retained at a Company facility as or through a contractor for more than a full-time equivalent of more than 45 work days.

(2) If a Participant is employed by a Buyer or Outsourcing Vendor within the number of weeks after his or her Separation from Service that is equal to the number of weeks taken into consideration in calculating the Severance Pay Benefit, the total Severance Pay Benefit payable to such Participant shall be reduced to the dollar amount that the Participant's Regular Earnings would have been for the period from the date of termination to the date of employment with the Buyer or Outsourcing Vendor.

Section IV(b)(ii)(2) may be waived in writing by the Company in its sole discretion.

(3) By severance pay or other similar benefits payable under any other plan or policy of the Company or an Affiliate or government required payment (other than unemployment compensation under United States law), including, but not limited to, any benefit enhancement program adopted as part of a pension plan, but only to the extent the time and form of such alternative payments do not otherwise result in an impermissible acceleration or deferral under Code Section 409A of the Severance Pay Benefit payable under this Plan.

(4) By any amounts payable pursuant to the Worker Adjustment and Retraining Notification Act ("WARN") or any other similar federal, state or local statute.

(5) By the amount of any indebtedness to the Company, but only to the extent such offset would not otherwise contravene any applicable limitations of Code Section 409A.

(c) Repayment of the Severance Pay Benefit

If the Participant has received payment under the Plan in excess of the Severance Pay Benefit, as reduced in accordance with Section IV(b)(ii), the Participant must agree as a condition of reemployment that such excess will be repaid to the Company within sixty (60) days after the date his or her reemployment commences.

V. TIME AND FORM OF SEVERANCE PAY BENEFIT

(a) The Severance Pay Benefit for each Participant shall be paid in equal periodic installments over the total number of weeks taken into account in determining the amount of the Severance Pay Benefit to which such Participant in entitled. Except as set forth below, such installments shall be payable over the applicable period on the regularly scheduled pay dates for the Participant's former job and location, beginning with (i) the first such pay date within the sixty (60)-day period measured from the date of his or her Separation from Service on which both (A) the Release delivered by the Participant in accordance with Section IV(a)(i)(2) is effective following the expiration of any applicable revocation period and (B) any waiver required of the Participant pursuant to Section IV(a)(ii)(3) is delivered to the Company or (if earlier) the last day of such sixty (60)-day period, provided such Release and waiver are each delivered to the Company within the required time period following the Participant's Separation from Service, as set forth in Section IV.

(b) Notwithstanding any provision to the contrary in this Section V or any other Section of the Plan, no Severance Pay Benefit that is deemed to constitute "nonqualified deferred compensation" within the meaning of and subject to Section 409A of the Code shall commence with respect to a Participant until the earlier of (i) the first day of the seventh (7th) month following the date of such Participant's Separation from Service or (ii) the date of his or her death, if the Participant is deemed at the time of such Separation from Service to be a Specified Employee ***and*** such delayed commencement is otherwise

required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable deferral period, all payments deferred pursuant to this Section V(a)(ii) shall be paid in a lump sum to the Participant, and any remaining Severance Pay Benefit shall be paid in accordance with the schedule described in Section V(a) above.

(c) Notwithstanding Section V(b), should a Participant who is a Specified Employee at the time of his or her Separation from Service become entitled to a General Severance Pay Benefit prior to the occurrence of a Change in Control, then the portion of that Severance Pay Benefit that does not exceed the dollar limit described below and is otherwise scheduled to be paid no later than the last day of the second calendar year following the calendar year in which his or her Separation from Service occurs will not be subject to any deferred commencement date under Section V(b) and shall be paid to such Participant as it becomes due under Section V(a), ***provided and only if*** such portion qualifies as an involuntary separation pay plan in accordance with the requirements set forth in Section 1.409A-1(b)(9)(iii) of the Treasury Regulations. For purposes of this paragraph (iii), the applicable dollar limitation will be equal to two (2) times the lesser of (A) the Participant's annualized compensation (based on his or her annual rate of pay for the taxable year preceding the taxable year of his or her Separation from Service, adjusted to reflect any increase during that taxable year which was expected to continue indefinitely had such Separation from Service not occurred) or (B) the compensation limit under Section 401(a)(17) of the Code as in effect in the year of the Separation from Service. To the extent the portion of the Severance Pay Benefit to which such Participant would otherwise be entitled under Section V(a) during the deferral period under Section V(b) exceeds the foregoing dollar limitation, such excess shall be paid in a lump sum upon the expiration of that deferral period, in accordance with the payment delay provisions of Section V(b), and the remainder of the Severance Pay Benefit (if any) shall be paid in accordance with the schedule described in Section V(a). In no event, however, shall this paragraph (iii) be applicable to any Severance Pay Benefit (or any portion thereof) which does not qualify as an involuntary separation pay plan under Section 1.409A-(b)(9)(iii) of the Treasury Regulations.

(d) Notwithstanding any other provision of the Plan to the contrary, no distribution shall be made from the Plan that would constitute an impermissible acceleration of payment as defined in Section 409A(3) of the Code and the Treasury Regulations thereunder.

(e) No interest shall be paid on a Severance Pay Benefit required to be deferred in accordance with the foregoing.

VI. DEATH OF A PARTICIPANT

If a Participant dies after qualifying for a Severance Pay Benefit but before such benefit is completely paid, the balance of the Severance Pay Benefit shall be paid in a lump sum to the Participant's Beneficiary not later than the later of (i) December 31 of the year in which the Participant's death occurred or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of the Participant's death.

VII. AMENDMENT AND TERMINATION

(a) General Rule.

Although the Company expects to continue the Plan indefinitely, inasmuch as future conditions cannot be foreseen, (subject to Sections VII(b) and (c)) the Company reserves the right to amend or terminate the Plan at any time by action of its board of directors or by action of a committee or individual(s) acting pursuant to a valid delegation of authority of the board of directors. However, no amendment or termination shall adversely affect the right of a Participant who incurs a Separation from Service prior to the date of such amendment or termination to:

(i) receive the unpaid balance of any Severance Pay Benefit that has become payable in accordance with the foregoing provisions of the Plan; or

(ii) qualify for a Severance Pay Benefit by the timely execution and delivery of the requisite Release after the date of such amendment or termination.

(b) Restrictions on Amendments.

Notwithstanding Section VII(a) of the Plan, and except to the extent required to comply with applicable law, no termination of the Plan and no amendment described below shall be effective if adopted within six months before or at any time after the public announcement of an event or proposed transaction which would constitute a Change in Control (as such term is defined prior to such amendment); provided, however, that such an amendment or termination of the Plan may be effected, even if adopted after such a public announcement, if (a) the amendment or termination is adopted after any plans have been abandoned to cause the event or effect the transaction which, if effected, would have constituted the Change in Control, and the event which would have constituted the Change in Control has not occurred, and (b) within a period of six months after such adoption, no other event constituting a Change in Control has occurred, and no public announcement of a proposed transaction which would constitute a Change in Control has been made, unless thereafter any plans to effect the Change in Control have been abandoned and the event which would have constituted the Change in Control has not occurred.

The amendments prohibited by this Section VII(b) include any amendment which is executed (or would otherwise become effective) at the request of a third party who effectuates a Change in Control or any amendment which, if adopted and given effect would:

(i) Deprive any individual who is an Eligible Employee as of the Change in Control of coverage under the Plan as in effect at the time of such amendment;

(ii) Limit eligibility for or reduce the amount of any Severance Pay Benefit; or

(iii) Amend Section VII, IX, or the definitions of the terms “Change in Control” or “Successors and Assigns” in Section XVII of the Plan.

No person shall take any action that would directly or indirectly have the same effect as any of the prohibited amendments or termination described in this Section VII(b).

(c) No Change in Payment Schedule

Under no circumstances shall any amendment or termination of the Plan affect or modify the payment schedule in effect for a Participant's Severance Pay Benefit in a manner which would otherwise result in an impermissible acceleration or deferral of that payment schedule under Code Section 409A.

(d) Amendments to Comply with Section 409A of the Code.

Notwithstanding any provision of Section VII to the contrary, the Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Plan as may be necessary to ensure the Severance Pay Benefits provided under this Plan are made in a manner that qualifies for exemption from, or otherwise complies with, Section 409A of the Code; provided, however, that the Company makes no representation that the Severance Pay Benefit provided under this Plan will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to the Severance Pay Benefits provided under this Plan.

VIII. NON-ALIENATION OF BENEFITS

To the full extent permitted by law and except as expressly provided in the Plan, no Severance Pay Benefit shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to do so shall be void.

IX. SUCCESSORS AND ASSIGNS

The Plan shall be binding upon the Company, its Successors and Assigns. Notwithstanding that the Plan may be binding upon such Successors and Assigns by operation of law, the Company shall require any Successor or Assign to expressly assume and agree to be bound by the Plan in the same manner and to the same extent that the Company would be if no succession or assignment had taken place.

X. LEGAL CONSTRUCTION

This Plan is governed by and shall be construed in accordance with the Code and ERISA and, to the extent not preempted by ERISA, with the laws of the State of California.

XI. ADMINISTRATION AND OPERATION OF THE PLAN

(a) Plan Sponsor and Plan Administrator.

The Company is the "Plan Sponsor" and the "Plan Administrator" of the Plan as such terms are used in ERISA.

(b) Administrative Power and Responsibility.

The Company in its capacity as Plan Administrator of the Plan is the named fiduciary that has the authority to control and manage the operation and administration of the Plan. The Company shall make such rules, regulations, interpretations, and computations and shall take such other action to administer the Plan as it may deem appropriate. The Company shall have the sole discretion to interpret the provisions of the Plan and to determine eligibility for benefits pursuant to the objective criteria set forth in the Plan. In administering the Plan, the Company shall at all times discharge its duties with respect to the Plan in accordance with the standards set forth in section 404(a)(l) of ERISA. The Company may engage the services of such persons or organizations to render advice or perform services with respect to its responsibilities under the Plan as it shall determine to be necessary or appropriate. Such persons or organizations may include (without limitation) actuaries, attorneys, accountants and consultants.

(c) Review Panel.

Upon receipt of a request for review, the Company shall appoint a Review Panel that shall consist of three or more individuals. The Review Panel shall be the named fiduciary that shall have authority to act with respect to appeals from denial of benefits under the Plan.

(d) Service in More Than One Fiduciary Capacity.

Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

(e) Performance of Responsibilities.

The responsibilities of the Company under the Plan shall be carried out on its behalf by its officers, employees, and agents. The Company may delegate any of its fiduciary responsibilities under the Plan to another person or persons pursuant to a written instrument that specifies the fiduciary responsibilities so delegated to each such person.

(f) Employee Communications and Other Plan Activities.

In communications with its employees and in any other activities relating to the Plan, the Company shall comply with the rules, regulations, interpretations, computations, and instructions that were issued to administer the Plan. With respect to matters relating to the Plan, directors, officers, and employees of the Company shall act on behalf or in the name of the Company in their capacity as directors, officers, and employees and not as individual fiduciaries.

XII. CLAIMS, INQUIRIES AND APPEALS

(a) Claims for Benefits and Inquiries.

All claims for benefits and all inquiries concerning the Plan or present or future rights to benefits under the Plan, shall be submitted to the Plan Administrator in writing and addressed as follows: “Gilead Sciences, Inc., Plan Administrator under the Gilead Sciences, Inc. Severance Plan, 333 Lakeside Drive, Foster City, CA 94404 “ or such other location as communicated to the Participant. A claim for benefits shall be signed by the Participant, or if a Participant is deceased, by such Participant’s spouse or registered domestic partner, designated beneficiary or estate, as the case may be.

(b) Denials of Claims.

In the event that any claim for benefits is denied, in whole or in part, the Plan Administrator shall notify the claimant in writing of such denial and of the right to a review thereof. Such written notice shall set forth in a manner calculated to be understood by the claimant, specific reasons for such denial, specific references to the Plan provision on which such denial is based, a description of any information or material necessary to perfect the claim, an explanation of why such material is necessary, an explanation of the Plan’s review procedure which includes information on how to appeal the denial and a statement regarding the claimant’s right to bring a civil action under ERISA section 502(a) following an adverse benefit determination on review. Such written notice shall be given to the claimant within 90 days after the Plan Administrator receives the claim, unless special circumstances require an extension of time of up to an additional 90 days for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period. This notice of extension shall indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to render its decision on the claim for benefits. The claimant shall be permitted to appeal such denial in accordance with the Review Procedure set forth below.

(c) Review Panel.

The Plan Administrator shall appoint a “Review Panel,” consisting of three or more individuals who may (but need not) be employees of the Company. The Review Panel shall be the named fiduciary that has the authority to act with respect to any appeal from a denial of benefits.

(d) Requests for a Review.

Any person whose claim for benefits is denied in whole or in part, or such person’s duly authorized representative, may appeal from such denial by submitting a request for a review of the claim to the Review Panel within 60 days after receiving written notice of such denial from the Plan Administrator. A request for review shall be in writing and shall be addressed as follows: “Review Panel under the Gilead Sciences, Inc. Severance Plan, 333 Lakeside Drive, Foster City, CA 94404” or such other location as

communicated to the Participant. A request for review shall set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the claimant deems pertinent. As part of the review procedure, the claimant or the claimant's duly authorized representative may submit written comments, documents, records and other information related to the claim. The Review Panel will consider all comments, documents, records and other information submitted by the claimant or the claimant's duly authorized representative relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records or other information (all of which must not be privileged) relevant to the benefit claim. The Review Panel may require the claimant to submit such additional facts, documents or other material as it may deem necessary or appropriate in making its review.

(e) Decision on Review.

The Review Panel shall act on each request for review and notify the claimant within 60 days after receipt thereof unless special circumstances require an extension of time, up to an additional 60 days, for processing the request. If such an extension for review is required, written notice of the extension shall be furnished to the claimant within the initial 60-day period. The Review Panel shall give prompt, written notice of its decision to the claimant and to the Plan Administrator. In the event that the Review Panel confirms the denial of the claim for benefits, in whole or in part, such notice shall set forth, in a manner calculated to be understood by the claimant, the specific reasons for such denial, specific references to the Plan provisions on which the decision is based, a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the benefit claim, a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain information about such procedures, and a statement informing the claimant of his or her right to bring a civil action under ERISA section 502(a).

(f) Rules and Procedures.

The Review Panel shall establish such rules and procedures, consistent with the Plan and with ERISA, as it may deem necessary or appropriate in carrying out its responsibilities under this Section XII. The Review Panel may require a claimant who wishes to submit additional information in connection with an appeal from the denial of benefits to do so at the claimant's own expense.

(g) Exhaustion of Remedies.

No legal action for benefits under the Plan shall be brought unless and until the claimant:

(i) has submitted a written claim for benefits in accordance with Section XII(a);

(ii) has been notified by the Plan Administrator that the claim is denied;

(iii) has filed a written request for a review of the claim in accordance with Section XII(d); and

(iv) has been notified in writing that the Review Panel has affirmed the denial of the claim.

XIII. BASIS OF PAYMENTS TO AND FROM PLAN

All Severance Pay Benefits under the Plan shall be paid by the Company. The Plan shall be unfunded and benefits hereunder shall be paid only from the general assets of the Company.

XIV. OTHER PLAN INFORMATION

(a) Plan Identification Numbers.

The Employer Identification Number (EIN) assigned to the Plan Sponsor (Gilead Sciences, Inc.) by the Internal Revenue Service is 94-3047598. The Plan Number (PN) assigned to the Plan by the Plan Sponsor pursuant to instructions of the Internal Revenue Service is 508.

(b) Ending Date of the Plan's Fiscal Year.

The date of the end of the year for the purpose of maintaining the Plan's fiscal records is December 31.

(c) Agent for the Service of Legal Process.

The agent for the service of legal process with respect to the Plan is the Secretary of Gilead Sciences, Inc., 333 Lakeside Drive, Foster City, CA 94404. The service of legal process may also be made on the Plan by serving the Plan Administrator.

(d) Plan Sponsor and Administrator.

The "Plan Sponsor" and the "Plan Administrator" of the Plan is Gilead Sciences, Inc., 333 Lakeside Drive, Foster City, CA 94404; 650-522-5800 or such other location as communicated to the Participant. The Plan Administrator is the named fiduciary charged with responsibility for administering the Plan.

XV. STATEMENT OF ERISA RIGHTS

(a) As a participant in this Plan (which is a welfare plan sponsored by the Company), you are entitled to the following rights and protection under ERISA:

(b) Examine, without charge, at the Plan Administrator's office and at other specified locations such as work sites, all Plan documents, collective bargaining agreements and copies of all documents filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure of the Employee Benefits Security Administration.

(c) Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. The Plan Administrator may make a reasonable charge for the copies.

(d) In addition to creating rights for Plan Participants, ERISA imposes duties upon the people responsible for the operation of the employee benefit Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and Beneficiaries.

(e) No one, including your employer, your union, nor any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit or exercising your rights under ERISA. If your claim for a Plan benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the claim reviewed and reconsidered.

(f) Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

(g) If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

XVI. AVAILABILITYOF PLAN DOCUMENTS FOR EXAMINATION

ERISA requires Gilead Sciences, Inc., as the Plan Administrator of a benefit plan sponsored by the Company, to make available for your examination the Plan documents under which the Plan is established and operated.

The pertinent Plan documents include official Plan texts and any other documents under which the Plan is established or operated, and applicable collective bargaining agreements.

These Plan documents are available for your examination at the Plan Administrator's office, 333 Lakeside Drive, Foster City, CA 94404, and at certain other locations such as the Company's Human Resources offices.

XVII. DEFINITIONS

(a) "Affiliate" means a member of the Affiliated Group other than Gilead Sciences, Inc. and any Subsidiary.

(b) "Affiliated Group" means the Company and each member of the group of commonly controlled corporations or other businesses that include the Company, as determined in accordance with Section 414(b) and (c) of the Code and the Treasury Regulations issued thereunder.

(c) "Beneficiary" means the person or persons so designated by a Participant. A Participant may change or revoke a designation of a Beneficiary at any time. To be effective, any designation of a Beneficiary, or any change or revocation thereof, must be made in writing on the prescribed form and must be received by the Company (in a form acceptable to the Company) before the Participant's death. If a Participant fails to make a valid designation of a Beneficiary, or if the validly designated Beneficiary is not living when a payment is to be made to such Beneficiary hereunder, the Participant's Beneficiary shall be the Participant's spouse or registered domestic partner if then living or, if not, the Participant's estate.

(d) "Buyer" means an entity that purchases (or has purchased) some or all of the Affiliated Group's interest applicable to the operation in which the Participant is employed, or an entity that is a direct or indirect successor in ownership or management of the operation in which the Participant is employed. Notwithstanding the above, Buyer shall not include the entity that effectuates a Change in Control.

(e) "Change in Control" means an event which constitutes a change in control of the Company as defined in Section 2(i) of the Gilead Sciences, Inc. 2004 Equity Incentive Plan, as it may be amended from time to time or any successor to such provision.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

(g) "Company" means Gilead Sciences, Inc. Where the context requires, "Company" also includes its Subsidiaries, and any of their Successors and Assigns.

(h) "Continuous Service" means the sum of the following:

(i) Any period of time during which a person qualifies as an Eligible Employee or, having once so qualified, is on a leave of absence with pay, a paid vacation or holiday or is receiving benefits under the Company's short-term disability plan; or;

(ii) Any other period that constitutes Continuous Service under written rules or procedures adopted from time to time by the Company, subject to such terms and conditions as the Company may establish; and any period of time while employed by the Company's Successor or Assigns that that would have constituted Continuous Service if the service had been with the Company prior to the Change in Control.

If an Eligible Employee's Continuous Service is interrupted and the Eligible Employee subsequently returns to a status that constitutes Continuous Service, such prior Continuous Service shall be disregarded for all purposes of the Plan, except that if an Eligible Employee is reemployed within one year following termination of Continuous Service, all prior Continuous Service and the time period between the date of termination and reemployment will be considered Continuous Service.

(i) "Determination Date" means each December 31.

(j) "Eligible Employee" means any common law employee on the U.S. dollar payroll of the Company or any Subsidiary who (i) is not on the payroll of a person other than the Company or such Subsidiary and is for any reason deemed by the Company or any Subsidiary to be a common law employee of the Company or such Subsidiary; (ii) is not considered by the Company or any Subsidiary in its sole discretion to be an independent contractor, regardless of whether the individual is in fact a common law employee of the Company or such Subsidiary; and (iii) who at the time of his or her Separation from Service with the Company or such Subsidiary is not on a Leave of Absence Without Pay. An individual's status as an Eligible Employee shall be determined by the Company in its sole discretion, and such determination shall be conclusively binding on all persons. Notwithstanding the foregoing, "Eligible Employee" does not include an employee or former employee of an entity the stock or assets of which are acquired by the Company or any Subsidiary, unless and until the Company's management determines that the Plan shall be applicable to such employees or former employees.

(k) "Employer Group" means the Company and each other member of the group of commonly controlled corporations or other businesses that include the Company, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) for purposes of determining the controlled group of corporations under Section 414(b), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in such sections, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in Section 1.4.14(c)-2 of the Treasury Regulations.

(l) "Employee" means an individual for so long as he or she is in the employ of at least one member of the Employer Group, subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

(m) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time-to-time.

(n) "Family Leave" means a leave under the Company's family leave policy.

(o) "Leave of Absence Without Pay" means a leave of absence without pay under the Company's leave of absence policy.

(p) "Outsourcing Supplier" means an entity to whom the Company outsources a function performed by Eligible Employees where the Company agrees with such entity in the outsourcing agreement that it will offer jobs to current Eligible Employees performing that function for the Company.

(q) "Participant" means any Eligible Employee who has commenced participation in the Plan pursuant to Section II and whose participation has not terminated pursuant to Section III.

(r) "Plan" means the Gilead Sciences, Inc. Severance Plan.

(s) "Plan Administrator" means the Company.

(t) "Regular Earnings" means straight-time wages or salary paid to a Participant by any entity within the Employer Group for working a regular work schedule or for a leave of absence with pay, and shall include any amount that is contributed to any employee benefit plan on behalf of the Participant by any entity within the Employer Group under a salary reduction agreement entered into pursuant to such plan and that is excluded from the Participant's gross income under section 125, 132(f), or 402(g) of the Code.

(u) "Release" means a Release in the form prescribed by the Company in its sole discretion, pursuant to which the Participant shall waive all employment-related claims in connection with his or her employment with the Employer Group and the termination of that employment, other than claims for benefits under the actual terms of an employee benefit plan and worker's compensation. For employees subject to the Age Discrimination in Employment Act, such Release shall be structured so as to comply with the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. § 626(f). The form of Release may vary among categories of employees and from employee to employee within any category of employees.

(v) "Severance Pay Benefit" means a benefit provided by the Plan, as determined pursuant to Section IV.

(w) "Specified Employee" shall mean a "key employee" (within the meaning of that term under Code Section 416(i)). Effective as of January 1, 2005, a Specified Employee is an Eligible Employee who, at any time during the twelve (12)-month period ending with the applicable Determination Date, is:

(i) An officer of the Company having aggregate annual compensation from the Company and/or one or more other Affiliated Companies greater than the compensation limit in effect at the time under Section 416(i)(1)(A)(i) of the Code, provided that no more than fifty officers of the Company shall be determined to be Specified Employees as of any Determination Date;

(ii) A five percent owner of the Company or any Affiliated Company; or

(iii) A one percent owner of the Company or any Affiliated Company who has aggregate annual compensation from the Company and/or one or more other Affiliated Companies of more than $150,000.

If an Eligible Employee is determined to be a Specified Employee on a Determination Date, then such Eligible Employee shall be considered a Specified Employee for purposes of the Plan during the period beginning on the first April 1 following the Determination Date and ending on the next March 31.

For purposes of determining an officer's compensation when identifying Specified Employees, compensation is defined in accordance with Treas. Reg. §1.415(c)–2(a), without applying any safe harbor, special timing or other special rules described in Treas. Reg. §§ 1.415(c)–2(d), 2(e) and 2(g).

(x) "Subsidiary" means any corporation with respect to which Gilead Sciences, Inc., one or more Subsidiaries, or Gilead Sciences, Inc., together with one or more Subsidiaries, own not less than 80% of the total combined voting power of all classes of stock entitled to vote, or not less than 80% of the total value of all shares of all outstanding classes of stock.

(y) "Successors and Assigns" means a corporation or other entity acquiring all or substantially all the assets and business of the Company (including the Plan) whether by operation of law or otherwise.

(z) "Separation from Service" means the Participant's cessation of Employee status. For purposes of the Plan, a Separation from Service shall be determined in accordance with the following standards:

A Separation from Service will not be deemed to have occurred if the Participant continues to provide services to one or more members of the Employer Group (whether as a common-law employee or non-employee consultant or contractor) at an annual rate that is 50% or more of the services rendered, on average, during the immediately preceding 36-months of employment with the Employer Group (or if employed by the Employer Group less than 36 months, such lesser period).

A Separation from Service will be deemed to have occurred if the Participant's service with the Employer Group (whether as a common-law employee or non-employee consultant or contractor) is permanently reduced to an annual rate that is less than 20% of the services rendered, on average, during the immediately preceding 36 months of employment with the Employer Group (or if employed by the Employer Group less than 36 months, such lesser period).

If such services are permanently reduced by more than 20% but less than 50% of the average over the prior 36 months (or lesser period), a Separation from Service may be deemed to occur based on the facts and circumstances, including, but not limited to, whether the Participant is treated as an employee for other purposes, such as participation in employee benefit programs, and whether the Participant is able to perform services for other unrelated entities.

In addition to the foregoing, a Separation from Service will not be deemed to have occurred while the Participant is on military leave, sick leave, or other bonafide leave of absence if the period of such leave does not exceed six months or any longer period for which such Participant's right to reemployment with one or more members of the Employer Group is provided either by statute or contract; ***provided, however,*** that in the event of a Participant's leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes such individual to be unable to perform his or her duties as an Employee, no Separation from Service shall be deemed to occur during the first twenty-nine (29) months of such leave. If the period of leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and the Participant's right to reemployment is not provided either by statute or contract, then such Participant will be deemed to have a Separation from Service on the first day immediately following the expiration of such six (6)-month or twenty-nine (29)-month period.

This definition of Separation from Service shall not be interpreted as limiting the right of the Company or any other member of the Employer Group to terminate the employment of an individual while on military leave, sick leave or other bona fide leave of absence, to the extent permissible under applicable law.

(aa) "2004 Equity Incentive Plan" means the Gilead Sciences, Inc. 2004 Equity Incentive Plan, as it may be amended from time to time or any successor to such provision

(bb) "Year of Continuous Service" means the number of days (as defined by the Company in written rules adopted by it from time to time) of Continuous Service, divided by 365. A Participant's Severance Pay Benefit calculation shall include both full and any partial Years of Continuous Service.

XVIII. EXECUTION

The Company has caused its duly-authorized officer to execute the foregoing Plan as amended and restated effective as of January 1, 2008.

GILEAD SCIENCES, INC.

By: /s/ Kristen M. Metza
Kristen M. Metza
Senior Vice President, Human Resources
Date: February 8, 2008

APPENDIX A

Chief Executive Officer
Severance Benefits

A. Change in Control Severance Pay Benefit.

If a Severance Pay Benefit under Section IV(a)(i) becomes payable either within the 24-month period following a Change in Control or within the applicable period, as specified in the definition thereof in Section 11(d) of the 2004 Equity Incentive Plan, that precedes such Change in Control (the "Change in Control Period"), the Severance Pay Benefit shall be:

1. Three times annual Regular Earnings, plus three times the greater of (a) the last bonus paid under the Company's annual bonus plan applicable to the Participant Bonus Plan or (b) the target bonus under the Company's annual bonus plan applicable to the Participant for the bonus year in which employment terminates.

2. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan (or other arrangement as provided herein) until the ***earlier*** of (a) the end of the thirty-six (36)-month period following the date of the Participant's Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage which is coincidental with the Participant's COBRA continuation period, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provided, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Following the completion of such COBRA continuation coverage, the same arrangement shall continue in effect, to the extent such coverage is provided by one more insured group health plans maintained by the Company for its current and former employees. In the absence of such insured plans, the Participant shall, following the expiration of the COBRA coverage period, obtain medical care insurance for himself or herself and his or her eligible family members. The Participant shall submit appropriate evidence of each periodic premium paid for such insurance within sixty (60) days after the required premium payment date, and to the extent such premium payment represents the cost of medical care coverage at a level not greater than the level of coverage in effect for the Participant and his or her eligible family members at the end of the COBRA coverage period, the Company shall within thirty (30) days after such submission reimburse the Participant for the portion of that premium payment in excess of the monthly premiums the Participant would have paid for the

comparable period of such coverage under the Company's group health plan had the Participant continued to be covered under such plan. During the period such medical care coverage remains in effect hereunder following the COBRA continuation period, the following provisions shall govern the arrangement: (a) the amount of medical care expenses or premium payments eligible for reimbursement in any one calendar year of such coverage (or any in-kind medical care coverage provided in any one calendar year) shall not affect the amount of expenses or premium payments eligible for reimbursement (or the in-kind benefits to be provided) in any subsequent calendar year for which medical care coverage is to be provided hereunder; (ii) any reimbursement of medical care expenses or premium payments covered hereunder shall be made by the Company as soon as administratively practicable following the incurrence of those expenses or premium payments, but in no event later than the close of the calendar year following the calendar year in which those expenses or premium payments are made or incurred; and (iii) the right to such continued medical care coverage cannot be liquidated or exchanged for any other benefit. Further, as a condition of the coverage provided under this section A.2, the Participant will be required to notify the Company upon securing comparable coverage from another employer during such thirty-six (36)-month period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

3. Outplacement services for 12 months following the date of Separation from Service.

4. An additional payment in an amount such that after payment by the Participant of all taxes (including, without limitation, any income and employment taxes and any interest and penalties imposed thereon) and the excise tax imposed on such additional payment pursuant to Section 4999 of the Code, there remains an amount equal to the excise tax imposed pursuant to Section 4999 of the Code on the Severance Pay Benefit and any other payment in the nature of compensation that constitutes a "parachute payment" under Section 280G of the Code (the "Excise Tax"). All calculations required pursuant to this provision shall be performed by an independent registered public company accounting firm retained by the Company for such purpose and shall be based on information supplied by the Company and the Participant. For any parachute payments occurring at the time of the Change in Control, the relevant calculations shall be completed within ten (10) business days after the effective date of such Change in Control, and for any parachute payments attributable to the Participant's Separation from Service, the calculations shall be completed within ten (10) business days after the effective date of such Separation from Service. Such calculations shall be conclusive and binding on all interested persons. The additional payment resulting from such calculations shall be made to the Participant within ten (10) business days following the completion of such calculations or (if later) at the time the related Excise Tax is remitted to the appropriate tax authorities. In the

event that the Participant's actual Excise Tax liability is determined by a Final Determination to be greater than the Excise Tax liability taken into account for purposes of the additional payment initially made to the Participant pursuant to the preceding provisions of this section A.4, then within forty-five (45) days following that Final Determination, the Participant shall notify the Company of such determination, and a new Excise Tax calculation based upon that Final Determination shall be made within the next forty-five (45) days. The Company shall make a supplemental tax gross up payment (as calculated in the same manner as the initial payment hereunder) to the Participant attributable to that excess Excise Tax liability within ten (10) business days following the completion of the applicable calculations or (if later) at the time such excess tax liability is remitted to the appropriate tax authorities. In the event that the Participant's actual Excise Tax liability is determined by a Final Determination to be less than the Excise Tax liability taken into account for purposes of the additional payment made to him or her pursuant to the preceding provisions of this section A.4, then the Participant shall refund to the Company, promptly upon receipt, any federal or state tax refund attributable to the Excise Tax overpayment. For purposes of this section A.4, a "Final Determination" means an audit adjustment by the Internal Revenue Service that is either (i) agreed to by both the Participant and the Company (such agreement by the Company to be not unreasonably withheld) or (ii) sustained by a court of competent jurisdiction in a decision with which the Participant and the Company concur or with respect to which the period within which an appeal may be filed has lapsed without a notice of appeal being filed. Notwithstanding anything to the contrary in the foregoing, the additional payment and any supplemental payments under this section A.4 shall be subject to the hold-back provisions of Section V(b) of the Plan, to the extent those payments relate to any amounts and benefits provided hereunder that constitute parachute payments attributable to the Participant's Separation from Service. In addition, such additional payment and any supplemental payments shall in no event be made later than the end of the calendar year that follows the calendar year in which the related taxes are remitted to the appropriate tax authorities, or such other specified time or schedule that may be permitted under Section 409A of the Code.

B. Severance Pay Benefit.

If a Severance Pay Benefit under Section IV(a)(i) becomes payable upon completion of six or more months of Continuous Service and at any time other than within the Change in Control Period as defined in paragraph A of the Appendix A, then the Severance Pay Benefit shall be:

1. Two times annual Regular Earnings plus two times the target bonus under the Company's annual bonus plan applicable to the Participant for the bonus year in which employment terminates, prorated for the number of months of employment in the bonus year.

2. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to COBRA, the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan (or other arrangement as provided herein) until the earlier of (a) the end of the twenty-four (24) month period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage which is coincidental with the Participant's COBRA continuation period, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provide, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Following the completion of such COBRA continuation coverage, the same arrangement shall continue in effect, to the extent such coverage is provided by one more insured group health plans maintained by the Company for its current and former employees. In the absence of such insured plans, the Participant shall, following the expiration of the COBRA coverage period, obtain medical care insurance for himself or herself and his or her eligible family members. The Participant shall submit appropriate evidence of each periodic premium paid for such insurance within sixty (60) days after the required premium payment date, and to the extent such premium payment represents the cost of medical care coverage at a level not greater than the level of coverage in effect for the Participant and his or her eligible family members at the end of the COBRA coverage period, the Company shall within thirty (30) days after such submission reimburse the Participant for the portion of that premium payment in excess of the monthly premiums the Participant would have paid for the comparable period of such coverage under the Company's group health plan had the Participant continued to be covered under such plan. During the period such medical care coverage remains in effect hereunder following the COBRA continuation period, the following provisions shall govern the arrangement: (a) the amount of medical care expenses or premium payments eligible for reimbursement in any one calendar year of such coverage (or any in-kind medical care coverage provided in any one calendar year) shall not affect the amount of expenses or premium payments eligible for reimbursement (or the in-kind benefits to be provided) in any subsequent calendar year for which medical care coverage is to be provided hereunder; (ii) any reimbursement of medical care expenses or premium payments covered hereunder shall be made by the Company as soon as administratively practicable following the incurrence of those expenses or premium payments, but in no event later than the close of the calendar year following the calendar year in which those expenses or premium payments are made or incurred; and (iii) the right to such continued medical care coverage cannot be liquidated or exchanged for any other benefit. Further, as a condition of the coverage provided under this section B.2, the Participant will be required to notify the Company upon securing comparable coverage from another employer during such twenty-four (24)-month

period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

3. Outplacement services for 12 months following the date of Separation from Service.

APPENDIX B

Executive Vice President and
Senior Vice President
Severance Benefits

A. Change in Control Severance Pay Benefit.

If a Severance Pay Benefit under Section IV(a)(i) becomes payable either within the 18- month period following a Change in Control or within the applicable period, as specified in the definition thereof in Section 11(d) of the 2004 Equity Incentive Plan, that precedes such Change in Control (the "Change in Control Period"), the Severance Pay Benefit shall be:

1. 2.5 times annual Regular Earnings, plus 2.5 times the greater of (a) the last bonus paid under the Company's annual bonus plan applicable to the Participant or (b) the target bonus under the Company's annual bonus plan applicable to the Participant for the bonus year in which employment terminates.

2. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan (or other arrangement as provided herein) until the earlier of (a) the end of the thirty (30)-month period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage which is coincidental with the Participant's COBRA continuation period, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provided, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Following the completion of such COBRA continuation coverage, the same arrangement shall continue in effect, to the extent such coverage is provided by one more insured group health plans maintained by the Company for its current and former employees. In the absence of such insured plans, the Participant shall, following the expiration of the COBRA coverage period, obtain medical care insurance for himself or herself and his or her eligible family members. The Participant shall submit appropriate evidence of each periodic premium paid for such insurance within sixty (60) days after the required premium payment date, and to the extent such premium payment represents the cost of medical care coverage at a level not greater than the level of coverage in effect for the Participant and his or her eligible family members at the end of the COBRA coverage period, the Company shall within thirty (30) days after such submission reimburse the Participant for the portion of that premium payment in

excess of the monthly premiums the Participant would have paid for the comparable period of such coverage under the Company's group health plan had the Participant continued to be covered under such plan. During the period such medical care coverage remains in effect hereunder following the COBRA continuation period, the following provisions shall govern the arrangement: (a) the amount of medical care expenses or premium payments eligible for reimbursement in any one calendar year of such coverage (or any in-kind medical care coverage provided in any one calendar year) shall not affect the amount of expenses or premium payments eligible for reimbursement (or the in-kind benefits to be provided) in any subsequent calendar year for which medical care coverage is to be provided hereunder; (ii) any reimbursement of medical care expenses or premium payments covered hereunder shall be made by the Company as soon as administratively practicable following the incurrence of those expenses or premium payments, but in no event later than the close of the calendar year following the calendar year in which those expenses or premium payments are made or incurred; and (iii) the right to such continued medical care coverage cannot be liquidated or exchanged for any other benefit. Further, as a condition of the coverage provided under this section A.2, the Participant will be required to notify the Company upon securing comparable coverage from another employer during such thirty (30)-month period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

3. Outplacement services for 6 months following the date of Separation from Service.

4. An additional payment in an amount such that after payment by the Participant of all taxes (including, without limitation, any income and employment taxes and any interest and penalties imposed thereon) and the excise tax imposed on such additional payment pursuant to Section 4999 of the Code, there remains an amount equal to the excise tax imposed pursuant to Section 4999 of the Code on the Severance Pay Benefit and any other payment in the nature of compensation that constitutes a "parachute payment" under Section 280G of the Code (the "Excise Tax"). All calculations required pursuant to this provision shall be performed by an independent registered public company accounting firm retained by the Company for such purpose and shall be based on information supplied by the Company and the Participant. For any parachute payments occurring at the time of the Change in Control, the relevant calculations shall be completed within ten (10) business days after the effective date of such Change in Control, and for any parachute payments attributable to the Participant's Separation from Service, the calculations shall be completed within ten (10) business days after the effective date of such Separation from Service. Such calculations shall be conclusive and binding on all interested persons. The additional payment resulting from such calculations shall be made to the Participant within ten (10) business days following the completion of such calculations or (if later) at the time the related Excise Tax is remitted to the appropriate tax authorities. In the

event that the Participant's actual Excise Tax liability is determined by a Final Determination to be greater than the Excise Tax liability taken into account for purposes of the additional payment initially made to the Participant pursuant to the preceding provisions of this section A.4, then within forty-five (45) days following that Final Determination, the Participant shall notify the Company of such determination, and a new Excise Tax calculation based upon that Final Determination shall be made within the next forty-five (45) days. The Company shall make a supplemental tax gross up payment (as calculated in the same manner as the initial payment hereunder) to the Participant attributable to that excess Excise Tax liability within ten (10) business days following the completion of the applicable calculations or (if later) at the time such excess tax liability is remitted to the appropriate tax authorities. In the event that the Participant's actual Excise Tax liability is determined by a Final Determination to be less than the Excise Tax liability taken into account for purposes of the additional payment made to him or her pursuant to the preceding provisions of this section A.4, then the Participant shall refund to the Company, promptly upon receipt, any federal or state tax refund attributable to the Excise Tax overpayment. For purposes of this section A.4, a "Final Determination" means an audit adjustment by the Internal Revenue Service that is either (i) agreed to by both the Participant and the Company (such agreement by the Company to be not unreasonably withheld) or (ii) sustained by a court of competent jurisdiction in a decision with which the Participant and the Company concur or with respect to which the period within which an appeal may be filed has lapsed without a notice of appeal being filed. Notwithstanding anything to the contrary in the foregoing, the additional payment and any supplemental payments under this section A.4 shall be subject to the hold-back provisions of Section V(b) of the Plan, to the extent those payments relate to any amounts and benefits provided hereunder that constitute parachute payments attributable to the Participant's Separation from Service. In addition, such additional payment and any supplemental payments shall in no event be made later than the end of the calendar year that follows the calendar year in which the related taxes are remitted to the appropriate tax authorities, or such other specified time or schedule that may be permitted under Section 409A of the Code.

B. Severance Pay Benefit.

If a Severance Benefit under Section IV(a)(i) becomes payable upon completion of six or more months of Continuous Service and at any time other than within the Change in Control Period as defined in paragraph A of this Appendix B, then the Severance Pay Benefit shall be:

1. 1.5 times annual Regular Earnings plus 1.0 times the target bonus under the Company's annual bonus plan applicable to the Participant for the bonus year in which employment terminates, prorated for the number of months of employment in the bonus year.

2. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to COBRA, the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan (or other arrangement as provided herein) until the earlier of (a) the end of the eighteen (18)-month period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage which is coincidental with the Participant's COBRA continuation period, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provided, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Following the completion of such COBRA continuation coverage, the same arrangement shall continue in effect, to the extent such coverage is provided by one more insured group health plans maintained by the Company for its current and former employees. In the absence of such insured plans, the Participant shall, following the expiration of the COBRA coverage period, obtain medical care insurance for himself or herself and his or her eligible family members. The Participant shall submit appropriate evidence of each periodic premium paid for such insurance within sixty (60) days after the required premium payment date, and to the extent such premium payment represents the cost of medical care coverage at a level not greater than the level of coverage in effect for the Participant and his or her eligible family members at the end of the COBRA coverage period, the Company shall within thirty (30) days after such submission reimburse the Participant for the portion of that premium payment in excess of the monthly premiums the Participant would have paid for the comparable period of such coverage under the Company's group health plan had the Participant continued to be covered under such plan. During the period such medical care coverage remains in effect hereunder following the COBRA continuation period, the following provisions shall govern the arrangement: (a) the amount of medical care expenses or premium payments eligible for reimbursement in any one calendar year of such coverage (or any in-kind medical care coverage provided in any one calendar year) shall not affect the amount of expenses or premium payment eligible for reimbursement (or the in-kind benefits to be provided) in any subsequent calendar year for which medical care coverage is to be provided hereunder; (ii) any reimbursement of medical care expenses or premium payments covered hereunder shall be made by the Company as soon as administratively practicable following the incurrence of those expenses or premium payments, but in no event later than the close of the calendar year following the calendar year in which those expenses or premium payments are made or incurred; and (iii) the right to such continued medical care coverage cannot be liquidated or exchanged for any other benefit. Further, as a condition of the coverage provided under this section B.2, the Participant will be required to notify the Company upon securing comparable coverage from another employer during such eighteen (18)-month period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

3. Outplacement services for 6 months following the date of Separation from Service.

APPENDIX C

Vice President and Senior Advisor
Severance Benefits

A. Change in Control Severance Pay Benefit – For All Vice Presidents and Senior Advisors.

If a Severance Pay Benefit under Section IV(a)(i) becomes payable either within the 12-month period following a Change in Control or within the applicable period, as specified in the definition thereof in Section 11(d) of the 2004 Equity Incentive Plan, that precedes such Change in Control (the "Change in Control Period"), the Severance Pay Benefit shall be:

1. 1.5 times annual Regular Earnings, plus 1.5 times the greater of (a) the last bonus paid under the Company's annual bonus plan applicable to the Participant or (b) the target bonus under the Company's annual bonus plan applicable to the Participant for the bonus year in which employment terminates.

2. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan until the earlier of (a) the end of the eighteen (18)-month period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage (which is coincidental with the Participant's COBRA continuation period), the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provided, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Further, as a condition of the coverage provided under this section A.2, the Participant will be required to notify the Company upon securing comparable coverage from another employer during such eighteen (18)-month period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under the COBRA.

3. Outplacement services for 6 months following the date of Separation from Service.

4. An additional payment in an amount such that after payment by the Participant of all taxes (including, without limitation, any income and employment taxes and any interest and penalties imposed thereon) and the excise tax imposed on such additional payment pursuant to Section 4999 of the Code, there remains an

amount equal to the excise tax imposed pursuant to Section 4999 of the Code on the Severance Pay Benefit and any other payment in the nature of compensation that constitutes a "parachute payment" under Section 280G of the Code (the "Excise Tax"). All calculations required pursuant to this provision shall be performed by an independent registered public company accounting firm retained by the Company for such purpose and shall be based on information supplied by the Company and the Participant. For any parachute payments occurring at the time of the Change in Control, the relevant calculations shall be completed within ten (10) business days after the effective date of such Change in Control, and for any parachute payments attributable to the Participant's Separation from Service, the calculations shall be completed within ten (10) business days after the effective date of such Separation from Service. Such calculations shall be conclusive and binding on all interested persons. The additional payment resulting from such calculations shall be made to the Participant within ten (10) business days following the completion of such calculations or (if later) at the time the related Excise Tax is remitted to the appropriate tax authorities. In the event that the Participant's actual Excise Tax liability is determined by a Final Determination to be greater than the Excise Tax liability taken into account for purposes of the additional payment initially made to the Participant pursuant to the preceding provisions of this section A.4, then within forty-five (45) days following that Final Determination, the Participant shall notify the Company of such determination, and a new Excise Tax calculation based upon that Final Determination shall be made within the next forty-five (45) days. The Company shall make a supplemental tax gross up payment (as calculated in the same manner as the initial payment hereunder) to the Participant attributable to that excess Excise Tax liability within ten (10) business days following the completion of the applicable calculations or (if later) at the time such excess tax liability is remitted to the appropriate tax authorities. In the event that the Participant's actual Excise Tax liability is determined by a Final Determination to be less than the Excise Tax liability taken into account for purposes of the additional payment made to him or her pursuant to the preceding provisions of this section A.4, then the Participant shall refund to the Company, promptly upon receipt, any federal or state tax refund attributable to the Excise Tax overpayment. For purposes of this section A.4, a "Final Determination" means an audit adjustment by the Internal Revenue Service that is either (i) agreed to by both the Participant and the Company (such agreement by the Company to be not unreasonably withheld) or (ii) sustained by a court of competent jurisdiction in a decision with which the Participant and the Company concur or with respect to which the period within which an appeal may be filed has lapsed without a notice of appeal being filed. Notwithstanding anything to the contrary in the foregoing, the additional payment and any supplemental payments under this section A.4 shall be subject to the hold-back provisions of Section V(b) of the Plan, to the extent those payments relate to any amounts and benefits provided hereunder that constitute parachute payments attributable to the Participant's Separation from Service. In addition, such additional payment and any supplemental payments shall in no event be made later than the end of the calendar year that follows the calendar year in which the related taxes are remitted to the appropriate tax authorities, or such other specified time or schedule that may be permitted under Section 409A of the Code.

B. Severance Pay Benefit for Vice Presidents with at least Six Months of Continuous Service

For Vice Presidents who have completed six or more months of Continuous Service at the time they become eligible for a severance benefit under Section IV(a)(i), if the Severance Pay Benefit becomes payable at any time other than the Change in Control Period as defined in paragraph A of this Appendix C, then the Severance Pay Benefit shall be:

1. 1.0 times annual Regular Earnings.

2. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to COBRA, the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan until the earlier of (a) the end of the twelve (12)-month period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provide, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Further, as a condition of the coverage provided under this section B.2, the Participant will be required to notify the Company upon securing comparable coverage from another employer during such twelve (12)-month period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

3. Outplacement services for 6 months following the date of Separation from Service.

C. Severance Pay Benefit for Vice Presidents with less than Six Months of Continuous Service

For Vice Presidents who have not completed six or more months of Continuous Service but are otherwise eligible for a severance benefit under Section IV(a)(i), if the Severance Pay Benefit becomes payable at any time other than the Change in Control Period as defined in paragraph A of this Appendix C, then the Severance Pay Benefit shall be:

1. 4 months of Regular Earnings.

2. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to COBRA, the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan until the earlier of (a) the end of the four (4)-month period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provide, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Further, as a condition of the coverage provided under this section C.2, the Participant will be required to notify the Company upon securing comparable coverage from another employer during such four (4)-month period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

3. Outplacement services for 1 month following the date of Separation from Service.

Senior Advisors shall not be entitled to any benefits under Sections B and C of this Appendix C.

APPENDIX D

Severance Benefits for Eligible Employees other than Chief Executive Officer, Executive Vice President, Senior Vice President, Vice President and Senior Advisor

This Appendix is effective for covered individuals who cease Employee status on or after May 8, 2007, unless they have a pre-existing contract providing a different level of severance pay.

A. Change in Control Severance Pay Benefit.

If a Severance Pay Benefit under Section IV(a)(i) becomes payable within the 12-month period following a Change in Control (the "Change in Control Period"), then regardless of the period of Continuous Service the Severance Pay Benefit shall be:

1. Eligible Employees in Grades 31 through 34:

    1. Three weeks of Regular Earnings times Years of Continuous Service, with a maximum of 52 weeks of Regular Earnings and a minimum of 22 weeks of Regular Earnings.

    2. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan until the earlier of (a) the end of the severance payment period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provided, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Further, as a condition of such coverage, the Participant will be required to notify the Company upon securing comparable coverage from another employer during the severance payment period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

    3. Outplacement services for 6 months following the date of Separation from Service.

2. Eligible Employees in Grades 25 through 30:

   a. Three weeks of Regular Earnings times Years of Continuous Service, with a maximum of 39 weeks of Regular Earnings and a minimum of 13 weeks of Regular Earnings.

   b. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to COBRA, the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan until the earlier of (a) the end of the severance payment period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provide, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Further, as a condition of such coverage, the Participant will be required to notify the Company upon securing comparable coverage from another employer during the severance payment period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

   c. Outplacement services for 3 months following the date of Separation from Service.

3. Eligible Employees in Grades 21 through 24:

   a. Three weeks of Regular Earnings times Years of Continuous Service, with a maximum of 26 weeks of Regular Earnings and a minimum of 9 weeks of Regular Earnings.

   b. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to COBRA, the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan until the earlier of (a) the end of the severance payment period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provided, however,

that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Further, as a condition of such coverage, the Participant will be required to notify the Company upon securing comparable coverage from another employer during the severance payment period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

c. Outplacement services for 1week following the date of Separation from Service.

B. General Severance Pay Benefit.

If a Severance Benefit under Section IV(a)(i) becomes payable upon completion of six or more months of Continuous Service and at any time other than within the Change in Control Period as defined in paragraph A of this Appendix D, then the Severance Pay Benefit shall be:

1. Eligible Employees in Grades 31 through 34.

a. Three weeks of Regular Earnings times Years of Continuous Service, with a maximum of 39 weeks of Regular Earnings and a minimum of 13 weeks of Regular Earnings.

b. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to COBRA, the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan until the earlier of (a) the end of the severance payment period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provide, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Further, as a condition of such coverage, the Participant will be required to notify the Company upon securing comparable coverage from another employer during the severance payment period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

c. Outplacement services for 3 months following the date of Separation from Service.

2. Eligible Employees in Grades 25 through 30:

a. Three weeks of Regular Earnings times Years of Continuous Service, with a maximum of 39 weeks of Regular Earnings and a minimum of 13 weeks of Regular Earnings.

b. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to COBRA, the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan until the earlier of (a) the end of the severance payment period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued medical care coverage, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provided, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Further, as a condition of such coverage, the Participant will be required to notify the Company upon securing comparable coverage from another employer during the severance payment period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

c. Outplacement services for 3 months following the date of Separation from Service.

3. Eligible Employees in Grades 21 through 24:

a. Three weeks of Regular Earnings times Years of Continuous Service, with a maximum of 26 weeks of Regular Earnings and a minimum of 9 weeks of Regular Earnings.

b. Provided the Participant elects to continue medical care coverage under the Company's medical benefit plans pursuant to COBRA, the Company will provide such continuation coverage for the Participant (including, if applicable, the Participant's eligible family members) under the Company's group health plan until the earlier of (a) the end of the severance payment period following the date of Separation from Service or (b) the date the Participant secures comparable group health plan coverage from another employer. During the period of such continued

medical care coverage, the Company shall pay its share of the monthly premium (if any) for group health plan coverage to the same extent it pays for coverage for similarly situated active employees; provided, however, that such payment shall be contingent upon the Participant's timely payment of the employee portion of any monthly premium. Further, as a condition of such coverage, the Participant will be required to notify the Company upon securing comparable coverage from another employer during the severance payment period. The period of continuation coverage provided by the Company shall reduce the number of months of continuation coverage which the Participant (including, if applicable, the Participant's eligible family members) is entitled to receive under COBRA.

c. Outplacement services for 1 week following the date of Separation from Service.

C. General Severance Pay Benefit Without Six Months of Continuous Service.

For Eligible Employees in Grades 21 through 34 who have not completed six or more months of Continuous Service but are eligible for a severance benefit under Section IV(a)(i), if the Severance Pay Benefit becomes payable at any time other than within the Change Control Period as defined in paragraph A of this Appendix D, then the Severance Pay Benefit shall be:

1. 4 weeks of Regular Earnings.

2. Continuation of coverage under and Company contributions toward the cost of the Company's medical benefit plans for the period of severance pay. Such continuation period shall reduce the period of COBRA coverage to which the Participant is entitled. At the end of this period of continuation coverage the Participant may, at his or her own expense, continue COBRA coverage for the remainder of the period, if any, for which the Participant is eligible under COBRA.

3. Outplacement services for 1 week following the date of Separation from Service.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

COMMERCIALIZATION AGREEMENT

BETWEEN

GILEAD SCIENCES LIMITED

AND

BRISTOL-MYERS SQUIBB COMPANY

DATED AS OF DECEMBER 10, 2007

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COMMERCIALIZATION AGREEMENT

This **COMMERCIALIZATION AGREEMENT** (this **"Agreement"**) dated and effective as of December 10, 2007 (the **"Effective Date"**) is hereby made by and between Gilead Sciences Limited, a limited company organized and existing under the laws of Ireland, having offices at Unit 13 Stillorgan Industrial Park, Blackrock, Co. Dublin, Ireland (**"Gilead Sub"**), and Bristol-Myers Squibb Company, a corporation organized and existing under the laws of Delaware, having offices at 345 Park Avenue, New York, New York 10154, USA (**"BMS"**) (each of Gilead Sub and BMS, a **"Party"** and, collectively, the **"Parties"**).

RECITALS

WHEREAS, Gilead Sub, a wholly-owned subsidiary of Gilead Sciences, Inc. (**"Gilead Parent"**), and BMS desire to commercialize the Combination Product (as defined below) in the European Union and certain other countries;

WHEREAS, the Parties, their Affiliates (as defined below) and certain other Persons (as defined below) have entered into certain other agreements covering the manufacture of the Combination Product for distribution in such countries, the filing of applications with the European Medicines Agency and any other relevant Regulatory Authorities (as defined below) for approval of the Combination Product by the European Commission or such other relevant Regulatory Authorities, as the case may be, and other related matters; and

WHEREAS, Gilead Sub and BMS desire to co-promote the Combination Product, and perform certain related activities, in such countries on the terms and conditions set forth in this Agreement.

NOW, **THEREFORE**, in consideration of the mutual promises and covenants set forth below and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

SECTION 1
DEFINITIONS

As used in this Agreement, the following terms shall have the respective meanings set forth in this Section 1.

1.1 **"1+1 Approved Reimbursement Price"** shall have the meaning set forth in Annex C.

1.2 **"1+1 EXP"** shall mean, with respect to a country in the Territory, the sum of (a) the EXP (as defined in Annex C) for Sustiva or Stocrin, as applicable, in such country and (b) the EXP for Truvada in such country.

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1.3 **"Affected Country"** shall mean a country in the Territory in which a Generic Version Launch has occurred.

1.4 **"Affected Party"** shall mean (a) in the case of a Generic Version Launch of Sustiva or Stocrin, BMS, or (b) in the case of a Generic Version Launch of Viread, Emtriva or Truvada, Gilead Sub.

1.5 **"Affiliate"** of a Person shall mean any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Person. For purposes of this definition only, "control" and, with correlative meanings, the terms "controlled by" and "under common control with" shall mean (a) the possession, directly or indirectly, of the power to direct the management or policies of a Person, whether through the ownership of voting securities or by contract relating to voting rights or corporate governance, or (b) the ownership, directly or indirectly, of more than fifty percent (50%) of the voting securities or other ownership interest of a Person. Notwithstanding the foregoing, for the purposes of this definition, none of the US JV, the Supply JV and the MAH shall constitute an Affiliate of either of the Parties, and neither of the Parties shall constitute an Affiliate of the US JV, the Supply JV or the MAH.

1.6 **"Agreement"** shall have the meaning set forth in the preamble hereto.

1.7 **"Alliance Manager"** shall have the meaning set forth in Section 2.5.

1.8 **"Anticipated Agreements"** shall mean (a) the Financial Agreement, (b) that certain anticipated amendment and restatement of the MAH Shareholder Agreement, (c) the Commercial License Agreement, (d) the License Agreements (as defined in the Supply JV Shareholder Agreement), (e) those certain anticipated amendments and restatements of the License Agreements (as defined in the MAH Shareholder Agreement), other than that certain License Agreement (as so defined) to which Merck and Company, Incorporated, was a party, (f) the Quality Agreement (as defined in the Product Supply Agreement), and (g) those certain anticipated API Quality Agreements with respect to EFV, TDF and FTC intended for inclusion in Territory Combination Product.

1.9 **"API"** shall mean active pharmaceutical ingredient.

1.10 **"Applicable Law"** shall mean all applicable laws, rules, regulations, guidelines or other requirements that may be in effect from time to time, including applicable rules, regulations, guidelines or other requirements of Regulatory Authorities, including, for the avoidance of doubt, with respect to a product, intermediate thereof (including Blended API (as defined in the Product Supply Services Agreement)) or active pharmaceutical ingredient, GMP, or with respect to the Combination Product, any requirements set forth in the applicable Territory Marketing Authorization.

1.11 **"Approved Manufacturing Fee Category"** shall have the meaning set forth in Section 2.3(j).

1.12 **"Approved Marketing Materials"** shall have the meaning set forth in Section 5.6(a).

1.13 **"Approved Price"** shall mean any Approved Reference Price or Approved Reimbursement Price.

1.14 **"Approved Reference Price"** shall have the meaning set forth in Section 4.1(c)(iii).

1.15 **"Approved Reimbursement Price"** shall have the meaning set forth in Annex C.

1.16 **"Arbitration Matter"** shall mean any disputed matter (a) that relates to or arises out of the validity, interpretation or construction of, or the compliance with or breach of, this Agreement or any Co-Promotion Agreement; (b) that came before the JEC pursuant to Section 2.2(h) (*provided* that any dispute relating to the Approved Marketing Materials may be submitted to arbitration only with respect to the issue of whether specific proposed updates are Required Updates); (c) as to whether, for purposes of Section 2.6(e), a proposal by one Party's member(s) to reverse or modify a decision of the JEC or such Operating Committee with respect to a matter previously presented to it for decision is based on new information or changed circumstances relevant to the applicable JEC or Operating Committee decision; or (d) that is designated as an Arbitration Matter hereunder or under any Co-Promotion Agreement; *provided* that, in each case ((a) through (d)), such disputed matter has been considered, but not resolved, by the Executives pursuant to Section 2.6. Notwithstanding the foregoing, (i) no disputed matter relating to or arising out of the interpretation or construction of the Pricing Rules or the Discount Rules shall constitute an Arbitration Matter, and (ii) a disputed matter relating to or arising out of compliance with or breach of a Party's obligations with respect to providing pricing information to the EU Pricing Discount Committee or to the other Party pursuant to the Pricing Rules shall not constitute an Arbitration Matter unless and until it has been finally determined pursuant to Section 4.1(e) that such Party provided inaccurate pricing information to the EU Pricing Discount Committee, in which case such matter shall constitute an Arbitration Matter solely for the limited purposes of (A) determining whether the applicable breach or lack of compliance arose from the gross negligence or intentional misconduct of such Party and (B) determining appropriate remedies, if any.

1.17 **"Attorney Representative"** shall have the meaning set forth in Section 4.1(a)(i).

1.18 **"Authorized Commercialization Expenses"** shall have the meaning set forth in Section 5.9.

1.19 **"Authorized Distribution Expenses"** shall have the meaning set forth in Section 5.4(c).

1.20 **"Authorized Expenses"** shall mean, collectively, the Authorized Commercialization Expenses, Authorized Distribution Expenses, Authorized Other Expenses and Authorized Supply Expenses.

1.21 **"Authorized Other Expenses"** shall mean all expenses designated herein as Authorized Other Expenses.

1.22 **"Authorized Supply Expenses"** shall have the meaning set forth in Section 6.3.

1.23 **"BMS"** shall have the meaning set forth in the preamble to this Agreement.

1.24 **"BMS Licensed Trademarks"** shall have the meaning set forth in Section 7.1(a)(ii).

1.25 **"BMS Product Supply Agreement(s)"** shall mean any BMS Product Supply Agreement(s) that may be entered into between Gilead Sub and certain Affiliates of BMS for sale or other distribution of Territory Combination Product in certain countries in the Territory, each as amended from time to time.

1.26 **"BMS Sole-Promote Countries"** shall mean those countries specified as such in Annex L.

1.27 **"BMS Territory-Wide Percentage"** shall have the meaning set forth in the Financial Agreement.

1.28 **"BMS Third Party Distributor Countries"** shall mean those countries specified as such in Annex L.

1.29 **"Business Representative"** shall have the meaning set forth in Section 4.1(a)(i).

1.30 **"Business Day"** shall mean a day that is not a Saturday, Sunday or day on which banking institutions in Dublin, Ireland, New York, New York or San Francisco, California are required by Applicable Law to remain closed.

1.31 **"Calendar Quarter"** shall mean each successive period of three (3) consecutive calendar months commencing on January 1, April 1, July 1 and October 1, except that the first Calendar Quarter of the Term shall commence on the Effective Date and end on the day immediately prior to the first to occur of January 1, April 1, July 1 or October 1 after the Effective Date, and the last Calendar Quarter shall end on the last day of the Term.

1.32 **"Calendar Year"** shall mean each successive period of twelve (12) consecutive calendar months commencing on January 1 and ending on December 31, except that the first Calendar Year of the Term shall commence on the Effective Date and end on December 31 of the year in which the Effective Date occurs and the last Calendar Year of the Term shall commence on January 1 of the year in which the Term ends and end on the last day of the Term.

1.33 **"Change of Control"** shall have the meaning set forth in Section 13.2(a).

1.34 **"Combination Product"** shall mean the fixed-dose, co-formulated product containing, as its only APIs per single daily dose, 300 mg TDF, 200 mg FTC, and 600 mg EFV. For the avoidance of doubt, the Combination Product may also be referred to as the fixed-dose, co-formulated product containing, as its only APIs per single daily dose, 245 mg tenofovir disoproxil, 200 mg FTC and 600 mg EFV.

1.35 **"Commercial Executives"** shall mean (a) the President of EMEA (Europe, Middle East & Africa) for BMS or any direct report (or other appropriate employee of BMS or its Affiliates designated by the foregoing) and (b) the Vice-President for EU Commercial Operations for Gilead Parent or any direct report (or other appropriate employee of Gilead Parent or its Affiliates designated by the foregoing).

1.36 **"Commercial License Agreement"** shall mean that certain commercial license agreement anticipated to be entered into between the US JV and Gilead Sub, as amended from time to time.

1.37 **"Commercial Record Request"** shall have the meaning set forth in Section 5.11(b).

1.38 **"Commercialization Activities"** shall mean Marketing and other activities for the commercialization of the Territory Combination Product, including those set forth in the Commercialization Plan and any other of the following conducted for the Combination Product in a country in the Territory: execution of product positioning, preparation of promotional and marketing materials, market research and advertising activities, Promotion, advocacy, government and other public relations activities, pricing under applicable regulations and guidelines and securing local or national drug plan reimbursement.

1.39 **"Commercialization Budget"** shall have the meaning set forth in Section 5.8(b).

1.40 **"Commercialization Budget Deadlock"** shall mean the inability of the JEC to reach agreement on the level of expenditure with respect to a given country in the Territory or the level of aggregate expenditure with respect to Territory Centralized Expenses in any annual or interim update to any Commercialization Budget.

1.41 **"Commercialization Plan"** shall have the meaning set forth in Section 5.8(b).

1.42 **"Commercialization Plan Deadlock"** shall mean the inability of the JEC to reach agreement on the minimum number of Details to be conducted in a given country in the Territory in any annual or interim update to any Commercialization Plan.

1.43 **"Commercially Reasonable Efforts"** shall mean, with respect to the Commercialization Activities that a Party is required to perform with respect to the Combination Product pursuant to the Commercialization Plan, the level of effort that would generally be used by a Party to conduct such commercialization activities in a manner consistent with the minimum level of expenditure contemplated for such activities by the Commercialization Budget for a product or compound owned by it or to which it has rights, which is of comparable market potential, profit potential or strategic value to such Party and is at a similar stage in its development or product life, taking into account, without limitation, issues of safety and efficacy, product profile, the proprietary position, the then-current competitive environment for

such product or compound (and any individual agent comprising part of such product or compound), the likely timing of the product's or compound's (and any such individual agent's) entry into the market, the then-current market penetration, the return on investment potential of such product (and any individual agent comprising part of such product), the regulatory environment and status of the product (and any individual agent comprising part of such product), and other relevant scientific, technical and commercial factors, in each case as measured by the facts and circumstances at the time such efforts are due. Such determination shall be made on a country-by-country basis.

1.44 **"Competing Product"** shall mean (a) in the case of Gilead Sub as the Transferring Party, a non-nucleoside reverse transcriptase inhibitor, and (b) in the case of BMS as the Transferring Party, a nucleoside reverse transcriptase inhibitor.

1.45 **"Confidential Information"** shall have the meaning set forth in the EU Master Agreement.

1.46 **"Continuing Party"** shall have the meaning set forth in Section 12.2.

1.47 **"Contract Manufacturer"** shall mean any Third Party contract manufacturer with which Gilead Sub (or any of its permitted successors or assigns) or any of its Affiliates contracts for the Manufacture of the Combination Product pursuant to the Product Supply Services Agreement.

1.48 **"Contracting Matters"** shall have the meaning set forth in Section 4.2(a).

1.49 **"Co-Promote Country"** shall mean any country in the Co-Promote Territory.

1.50 **"Co-Promote Territory"** shall mean (a) all countries in Territory B and (b) all of the Territory A Co-Promote Countries.

1.51 **"Co-Promotion Agreement"** shall have the meaning set forth in Section 5.2.

1.52 **"Cost Allocation Proposal"** shall have the meaning set forth in Section 5.9.

1.53 **"Cost of Goods"** shall mean, with respect to an API, the cost of Manufacturing such API as calculated pursuant to Annex A.

1.54 **"Country Price"** shall have the meaning set forth in Annex C.

1.55 **"Country-Specific Commercialization Budget"** shall have the meaning set forth in Section 2.7(a).

1.56 **"Country-Specific Commercialization Plan"** shall mean, with respect to a given country, that certain portion of the Commercialization Plan that specifies the activities (including Details) to be performed with respect to such country.

1.57 **"Country-Specific Percentage"** shall mean the Gilead Country-Specific Percentage or the BMS Country-Specific Percentage (each as defined in the Financial Agreement), as the case may be.

1.58 **"Covered Agreement"** shall have the meaning set forth in the EU Master Agreement.

1.59 **"Customer"** shall have the meaning set forth in Section 4.1(d).

1.60 **"Designated EUOC Members"** shall mean (a) a member of the EUOC that is designated by BMS from time to time, and (b) a member of the EUOC that is designated by Gilead Sub from time to time, in each case ((a) and (b)) to resolve disputes with respect to Forecasts and Supporting Data as set forth in Section 6.

1.61 **"Designated Negotiator"** shall have the meaning set forth in Section 4.2(c).

1.62 **"Designated Territory A Countries"** shall have the meaning set forth in Annex L.

1.63 **"Detail"** shall mean an in-person presentation to a health care provider who specializes in treatment of HIV infection or AIDS and has prescribing authority, by a sales representative who is knowledgeable about the Combination Product and any Approved Marketing Materials and the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product, in which presentation the characteristics of the Combination Product are described by such sales representative in a fair and balanced manner consistent with the requirements of Applicable Law and of this Agreement, and in a manner that is customary in the industry for the purpose of promoting a prescription pharmaceutical product, but without regard to the position of the presentation within a call to the health care provider. For the avoidance of doubt, a promotional material drop or product reminder shall not constitute a Detail. When used as a verb, to "Detail" shall mean to engage in a Detail.

1.64 **"Directive"** shall mean European Parliament and Council Directive 2001/83/EC, as amended.

1.65 **"Discount Rules"** shall mean the rules set forth in Section 2 and Section 3 of Annex C.

1.66 **"Discounted Price"** shall have the meaning set forth in Section 4.1(d).

1.67 **"Double Agent Product"** shall mean Truvada.

1.68 **"EDC"** shall mean that certain European Development Committee established pursuant to the MAH Shareholder Agreement.

1.69 **"Effective Date"** shall have the meaning set forth in the preamble to this Agreement.

1.70 **"EFV"** shall mean efavirenz.

1.71 "**EFV License Agreement**" shall mean that certain license agreement, dated as of September 1, 1994, as amended on May 18, 1998, March 7, 2000 and the Effective Date (and, if applicable, as otherwise amended prior to the Effective Date), between Merck Parent and Merck and Company, Incorporated, on the one hand, and E.R. Squibb & Sons, L.L.C., as successor in interest to DuPont Pharmaceuticals Company (formerly The DuPont Merck Pharmaceutical Company), on the other hand, as such agreement is amended from time to time.

1.72 **"Emtriva"** shall mean the product sold by Gilead Parent and its Affiliates under the trademark Emtriva® containing FTC as its only API.

1.73 **"EU Marketing Authorization"** shall mean that certain marketing authorization granted by the European Commission with respect to Combination Product.

1.74 **"EU Master Agreement"** shall mean that certain EU Master Agreement dated as of the Effective Date by and among the Gilead Sub, BMS, the Supply JV, the MAH and the US JV (or their respective Affiliates), as amended from time to time.

1.75 **"EU Operating Committee"** or **"EUOC"** shall mean that certain operating committee with respect to the Territory established pursuant to Section 2.4.

1.76 **"EU Pricing Discount Committee"** or **"EPDC"** shall have the meaning set forth in Section 4.1(a).

1.77 **"European Union"** shall mean all countries comprising the European Union, as it may be constituted from time to time.

1.78 **"Executive(s)"** shall mean (a) in the case of Gilead Sub, the Chief Executive Officer of Gilead Parent or any direct report designated by the Chief Executive Officer of Gilead Parent and (b) in the case of BMS, the Chief Executive Officer of BMS or any direct report designated by the Chief Executive Officer of BMS, in each case ((a) and (b)) who shall not be a member of the JEC, the JFC, the EUOC or any JLOC.

1.79 **"Existing Discount Customers"** shall have the meaning set forth in Section 4.1(d)(i).

1.80 **"Exploitation"** shall mean the making, having made, importation, use, sale, offering for sale or disposition of a product or process, including the research, development, registration, modification, enhancement, Improvement, Manufacturing, optimization, import, export, transport, distribution, promotion or Marketing of a product or process. When used as a verb, "Exploit" shall mean to engage in any of the foregoing activities.

1.81 **"Field"** shall mean the treatment of HIV infection in adult humans.

1.82 **"Field Force"** shall mean sales representatives in the Territory, and regional or other subnational managers of the foregoing.

1.83 **"Financial Agreement"** shall have the meaning set forth in the EU Master Agreement.

1.84 **"Forecast Principles"** shall mean the objective forecast principles set forth in Annex K.

1.85 **"Forecasts"** shall have the meaning set forth in Section 6.2(a).

1.86 **"FTC"** shall mean emtricitabine.

1.87 **"Generic Version"** shall mean, with respect to a country in the Territory and a Single Agent Product, Stocrin or Double Agent Product, a product containing the same API(s) as such product, with those being the only API(s) in such product, and (a) for any country in the European Union, which product is approved for Marketing in any country in the Territory under Article 10, 10a or 10b of Directive 2001/83/EC or any national implementations of, or regulations promulgated under, such Articles, including Regulation 726/2004 or (b) for any Other European Country, which product is approved for Marketing in such country under any analogous Applicable Law.

1.88 **"Generic Version Launch"** shall mean, with respect to a country in the Territory and the Single Agent Product, Stocrin or the Double Agent Product, as the case may be, the later of (a) the Launch in such country of at least one (1) Generic Version of such product and (b) the expiration of the last to expire Patent which claims the composition or use (for the indication of HIV infection in adult humans) of such product or the API(s) contained therein.

1.89 **"Gilead Licensed Trademarks"** shall have the meaning set forth in Section 7.1(a).

1.90 **"Gilead Non-Proprietary Product"** shall have the meaning set forth in Section 8.5(c).

1.91 **"Gilead Parent"** shall have the meaning set forth in the recitals to this Agreement.

1.92 **"Gilead Sole-Promote Countries"** shall mean those countries specified as such in Annex L.

1.93 **"Gilead Sub"** shall have the meaning set forth in the preamble to this Agreement.

1.94 **"Gilead Territory-Wide Percentage"** shall have the meaning set forth in the Financial Agreement.

1.95 **"GMP"** shall mean (a) applicable good manufacturing practice requirements promulgated by applicable European Community law and guidance as amended from time to time, including the applicable good manufacturing practices set forth in European Community Directive 2003/94/EC, Directive 2001/83/EC, all relevant implementations of such directives, and relevant guidelines including Volume 4 of the Rules Governing Medicinal Products in the European Union: Medicinal products for human and veterinary use: Good manufacturing practices or (b) in the case of each of the Other European Countries, the equivalent of the foregoing promulgated by the relevant Regulatory Authorities in such country.

1.96 **"GOA"** shall have the meaning set forth in Section 4.1(d)(i).

1.97 **"Improvement"** shall mean any modification to a compound, composition, product or technology or to any discovery, device, process or formulation related to such compound, composition, product or technology, whether or not patented or patentable, including any enhancement in the efficiency, operation, Manufacture, ingredients, preparation, presentation, formulation, means of delivery, packaging or dosage of a compound, composition, product or technology, or of any discovery, device, process or formulation related thereto; any discovery or development of any new or expanded indications or applications for a compound, composition, product or technology; any discovery or development that improves the stability, safety or efficacy of a compound, composition, product or technology; or any discovery or development of a new dosage regimen for a product or method of use or administration for a compound, composition, product or technology.

1.98 **"Independent Accounting Expert"** shall mean an independent Third Party accounting firm or consultant mutually agreed by the Parties.

1.99 **"Information and Inventions"** shall mean all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulas, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results and other material, including pre-clinical and clinical trial results, Manufacturing procedures, test procedures, and purification and isolation techniques, (whether or not confidential, proprietary, patented or patentable) in written, electronic or any other form now known or hereafter developed, and all Improvements, whether to the foregoing or otherwise, and all other discoveries, developments, inventions (whether or not confidential, proprietary, patented or patentable), and tangible embodiments of any of the foregoing.

1.100 **"Initial Launch Period"** shall mean, with respect to each country in the Territory and the Country-Specific Commercialization Plan and Country-Specific Commercialization Budget with respect thereto, the period commencing with the Launch of the Combination Product in such country and ending twenty-four (24) months after such Launch, or with respect to the Territory Centralized Budget, the period commencing with the Effective Date and ending twenty-four (24) months after the first Launch of the Combination Product in the Territory.

1.101 **"Initial Launch Period Detail Commitment"** shall mean, with respect to each Country-Specific Commercialization Plan, that certain minimum number of Details required to be included in such Commercialization Plan for each country in Territory B for the applicable Initial Launch Period, as set forth in Annex J (which Annex shall be amended by the Parties, prior to the Launch in the applicable country to include such minimum number for any country in Territory B for which such number is not specified in such Annex as of the Effective Date).

1.102 **"Initial Launch Period Financial Commitment"** shall mean, with respect to

each Country-Specific Commercialization Budget and the Territory Centralized Commercialization Budget, that certain minimum amount to be specified in such budget for the applicable Initial Launch Period, as set forth in Annex J (which Annex shall be amended by the Parties, prior to the Launch in the applicable country, to include such minimum amount for any country for which such amount is not specified in such Annex as of the Effective Date).

1.103 **"Interim Agreement"** shall mean that certain interim agreement entered into by and between Lawrence Laboratories and Bristol-Myers Squibb EMEA Sarl, on the one hand, and Gilead Sub, on the other hand, dated as of February 1, 2007, as such agreement is amended from time to time.

1.104 **"Interim Manufacturing Agreement"** shall mean that certain interim agreement entered into by and between E.R. Squibb & Sons, L.L.C. and Bristol-Myers Squibb EMEA Sarl, on the one hand, and Gilead Sub, on the other hand, dated as of June 13, 2007, as such agreement is amended from time to time.

1.105 **"Joint Executive Committee" or "JEC"** shall have the meaning set forth in Section 2.1(a).

1.106 **"Joint Finance Committee" or "JFC"** shall have the meaning set forth in Section 2.1(a).

1.107 **"Joint Local Operating Committee" or "JLOC"** shall mean, with respect to a given country in the Co-Promote Territory, that certain country-specific commercialization committee established pursuant to the Co-Promotion Agreement for such country, to focus on the planning and implementation of Commercialization Activities in such country.

1.108 **"Launch"** shall mean (a) with respect to the Combination Product, the date on which the Combination Product is first shipped by or on behalf of Gilead Sub or BMS (or their respective Affiliates) to Third Parties in a country, portion of the Territory or the Territory, as the case may be, or (b) with respect to any Generic Version, the date on which such product is first available for commercial sale and purchase in a country, portion of the Territory or the Territory, as the case may be.

1.109 **"Local Demand"** shall mean, with respect to a given country in the Territory and with respect to any given period of time specified in any forecast or order prepared hereunder, the unit quantities of the Combination Product required during such period to meet the treatment needs of HIV patients within such country, as determined objectively in accordance with the Forecast Principles.

1.110 **"Local Regulatory Lead"** shall mean (a) with respect to the BMS Sole-Promote Countries and the BMS Third Party Distributor Countries, BMS or (b) with respect to any other countries in the Territory, Gilead Sub.

1.111 **"Local Regulatory Matters"** shall have the meaning set forth in Section 3.1.

1.112 **"MAH"** shall mean Bristol-Myers Squibb Gilead Sciences And Merck Sharp & Dohme Limited, an Irish limited company.

1.113 **"MAH Shareholder Agreement"** shall mean that certain Shareholder Agreement, dated as of September 29, 2006, by and among Gilead Sub, Lawrence Laboratories, the MAH, and Merck Sharp & Dohme B.V. (which, for clarity, is no longer a party to such agreement pursuant to that certain Exit Agreement among the MAH and its shareholders and Merck and Company, Incorporated, dated as of the Effective Date), governing the conduct of such parties with respect to the MAH's activities, as such agreement is amended from time to time.

1.114 **"Manufacture"** shall mean with respect to the applicable product or compound, the manufacturing, processing, formulating, packaging, labeling, holding (including storage), and quality control testing (including release), of such product or compound.

1.115 **"Market" or "Marketing"** shall mean all programs and activities relating to the Promotion and sale and other commercialization of the Combination Product, including Detailing, advertising, and press and media activities, as well as selling, contracting for sale of, and distributing the Combination Product.

1.116 **"Maximum Percentage Discount"** shall have the meaning set forth in Section 4.1(d)(i).

1.117 **"Merck Parent"** shall mean Merck & Co., Inc.

1.118 **"Non-Affected Party"** shall mean the Party that is not the Affected Party.

1.119 **"Non-Affected Product"** shall mean (a) Sustiva or Stocrin, as the case may be, in the case of a Generic Version Launch of Viread, Emtriva or Truvada, or (b) Truvada, in the case of a Generic Version Launch of Sustiva or Stocrin.

1.120 **"Notice Address"** shall have the meaning set forth in Section 13.5.

1.121 **"Operating Committee"** shall mean the JFC or the EUOC, as the case may be.

1.122 **"Order"** shall have the meaning set forth in Section 6.2(b).

1.123 **"Other European Countries"** shall mean Iceland, Liechtenstein, Norway and Switzerland.

1.124 **"Parent"** shall mean, in the case of Gilead Sub or any of its Affiliates, Gilead Parent, and in the case of BMS or any of its Affiliates, BMS.

1.125 **"Party" and "Parties"** shall have the meaning set forth in the preamble to this Agreement.

1.126 **"Patents"** shall mean (a) all patents and patent applications (including provisional applications), (b) any substitutions, divisions, continuations, continuations-in-part, reissues, renewals, registrations, confirmations, re-examinations, extensions, supplementary protection certificates and the like, and (c) any foreign or international equivalents of any of the foregoing.

1.127 **"Person"** shall mean an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, unlimited company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency of a government.

1.128 **"Premium"** shall mean, with respect to a given country for which, at any time following the earliest to occur of the Generic Version Launch of Sustiva (or Stocrin, as applicable), Viread, Emtriva or Truvada, the then-current positive difference, if any, between the [*] for such country for a given Calendar Year and the sum of the [*] for such country and such Calendar Year.

1.129 **"Premium Share"** shall mean, with respect to a given country, a given Party and a given Calendar Year, (a) the Premium for such Calendar Year with respect to such country, multiplied by (b) such Party's Standard Country-Specific Percentage for the Calendar Year prior to the Calendar Year in which the first Generic Version Launch in such country occurred.

1.130 **"Price Approval Country"** shall have the meaning set forth in Section 4.1(c)(ii).

1.131 **"Pricing Rules"** shall mean the rules set forth in Section 1 of Annex C.

1.132 **"Product SmPC, Labeling and Package Leaflets"** shall mean with respect to a product (a) for each country in the European Union, (i) the Summary of Product Characteristics (as required by the Directive), (ii) any display of written, printed or graphic matter upon the immediate container, outside container, wrapper or other packaging of a product (including any pricing and reimbursement information and other local information contained within the "blue box" on the packaging of such product that is not included in the EU annexes attached to the European Commission's Decision with respect to the approval of such product) or (iii) any written, printed or graphic material on or within the package from which a product is to be dispensed, including the Package Leaflet (as required by the Directive), in each case ((i) through (iii)), as approved by the European Commission or (b) for each of the Other European Countries, the equivalent of each of the foregoing in such country, in each case, as approved by the applicable Regulatory Authority.

1.133 **"Product Supply Agreement"** shall mean the Product Supply Agreement dated as of the Effective Date between the Supply JV and Gilead Sub for the supply to Gilead Sub of Combination Product to be distributed in the Territory, as amended from time to time.

1.134 **"Product Supply Services Agreement"** shall mean that certain Product Supply Services Agreement dated as of the Effective Date between Gilead Sub, in its capacity as Service Provider, and the Supply JV, as amended from time to time.

[*] = CERTAINCONFIDENTIALINFORMATIONCONTAINEDINTHISDOCUMENT, MARKEDBYBRACKETS, HASBEENOMITTEDAND FILEDSEPARATELYWITHTHE SECURITIESAND EXCHANGE COMMISSIONPURSUANTTO RULE 24B-2 OFTHE SECURITIES EXCHANGE ACTOF 1934, ASAMENDED.

1.135 **"Promotion"** shall mean the conduct of activities normally undertaken by a pharmaceutical company's field force to implement plans and strategies for marketing and other commercialization aimed at encouraging the approved use of a pharmaceutical product, including Detailing. When used as a verb, "Promote" shall mean to engage in any of the foregoing activities.

1.136 **"Proposed Existing Customer Discount"** shall have the meaning set forth in Section 4.1(d)(i).

1.137 **"Proprietary Product"** shall have the meaning set forth in Section 8.5(c).

1.138 **"Reference Price Country"** shall have the meaning set forth in Section 4.1(c)(iii).

1.139 **"Regulatory Authorities"** shall mean any applicable supra-national, federal, national, regional, state, provincial, or local regulatory agencies, departments, bureaus, commissions, councils, or other government entities, including the European Medicines Agency and the European Commission, or other entity exercising regulatory authority with respect to the Exploitation of the Combination Product. For the avoidance of doubt, the Regulatory Authorities shall include any entity exercising regulatory authority with respect to the Manufacture of API for supply under any Covered Agreement, whether or not such entity is located in the Territory.

1.140 **"Requesting Party"** shall have the meaning set forth in Section 4.1(e).

1.141 **"SDEA"** shall mean that certain safety data exchange agreement dated as of September 25, 2006, by and among Gilead Parent, BMS and Merck Parent and such other Persons as may be parties thereto from time to time, as such agreement may be amended from time to time.

1.142 **"Selling Entity"** shall mean (a) with respect to each country in the Territory in which Gilead Sub is the Selling Party, the Affiliate of Gilead Sub that sells Territory Combination Product in such country or (b) with respect to each country in the Territory in which BMS is the Selling Party, the Affiliate of BMS that sells Territory Combination Product in such country.

1.143 **"Selling Party"** shall mean (a) with respect to each country in the Co-Promote Territory, Gilead Sub or (b) with respect to each other country in the Territory, BMS or Gilead Sub as set forth in Annex L. For clarity, the Selling Party with respect to any Third Party Distributor Country is intended to be the Party that sells (or has an Affiliate that sells) Territory Combination Product to the Third Party Distributor and has (or has an Affiliate that has) entered into an applicable distributor agreement with such Third Party Distributor that is consistent with this Agreement.

1.144 **"Service Provider"** shall mean Gilead Sub, acting in its capacity as service provider to the Supply JV pursuant to the Product Supply Services Agreement.

1.145 **"Significant Interim Update"** shall have the meaning set forth in Section 5.8(d).

1.146 **"Single Agent Product"** shall mean each of Viread, Emtriva, and Sustiva.

1.147 **"Sole-Promote Countries"** shall mean (a) all BMS Sole-Promote Countries and (b) all Gilead Sole-Promote Countries.

1.148 **"Sole Promoting Party"** shall mean (a) in the case of any BMS Sole-Promote Country, BMS or (b) in the case of any Gilead Sole-Promote Country, Gilead Sub.

1.149 **"Standard Country-Specific Percentage"** shall mean, with respect to a Party, the Country-Specific Percentage of such Party as calculated pursuant to the Financial Agreement (without regard to Section 8.5 of this Agreement).

1.150 **"Standard Terms"** shall mean those certain terms set forth in Annex C of the EU Master Agreement.

1.151 **"Stocrin"** shall mean the product sold under the trademark Stocrin® containing EFV as its only API.

1.152 **"Subsequent Launch Period"** shall mean (a) with respect to each country in the Territory, the twelve (12) month period immediately following the Initial Launch Period with respect to such country or (b) with respect to the Territory Centralized Budget, the period immediately following the Initial Launch Period with respect thereto and ending upon the end of the Subsequent Launch Period with respect to the country in the Co-Promote Territory with the latest Launch of the Combination Product.

1.153 **"Supply JV"** shall mean Tri-Supply Limited, an Irish limited company.

1.154 **"Supply JV Shareholder Agreement"** shall mean that certain Supply JV Shareholder Agreement dated as of the Effective Date by and among Gilead Sub, Lawrence Laboratories and the Supply JV, as amended from time to time.

1.155 **"Supporting Data"** shall have the meaning set forth in Annex K.

1.156 **"Sustiva"** shall mean the product sold by BMS and its Affiliates under the trademark Sustiva® containing EFV as its only API.

1.157 **"TDF"** shall mean tenofovir disoproxil fumarate.

1.158 **"Term"** shall have the meaning set forth in Section 12.1.

1.159 **"Terminated Party"** shall have the meaning set forth in Section 12.2.

1.160 **"Territory"** shall mean the European Union and the Other European Countries.

1.161 **"Territory A"** shall mean those countries in the Territory, other than any country that is included in Territory B. For the avoidance of doubt, Territory A shall include any countries that become part of the Territory after the Effective Date. The countries included in Territory A as of the Effective Date are set forth in Annex L.

1.162 **"Territory A Co-Promote Countries"** shall have the meaning set forth in Annex L.

1.163 **"Territory B"** shall mean France, Germany, Italy, Spain, the United Kingdom and the Republic of Ireland.

1.164 **"Territory Centralized Budget"** shall mean that portion of the Commercialization Budget that sets forth the Territory Centralized Expenses.

1.165 **"Territory Centralized Expenses**" shall mean those Territory-wide expenses set forth in the Commercialization Budget (*i.e.*, expenses set forth therein that are not designated as country-specific expenses).

1.166 **"Territory Centralized Plan"** shall mean that portion of the Commercialization Plan setting forth Territory-wide activities (*i.e.*, activities in the Commercialization Plan that are not country-specific activities).

1.167 **"Territory Combination Product"** shall mean any Combination Product sold or otherwise distributed (or, if not sold or otherwise distributed, Manufactured for intended sale or other distribution) pursuant to this Agreement.

1.168 **"Territory Customer Orders"** shall have the meaning set forth in Section 5.4(a).

1.169 **"Territory Pricing Information"** shall mean Section 4.1(f).

1.170 "Territory Marketing Authorization" shall mean (a) with respect to each country in the European Union, the EU Marketing Authorization and (b) with respect to any of the Other European Countries, any equivalent of the foregoing granted by the relevant Regulatory Authorities in such country.

1.171 **"Third Party"** shall mean any Person other than (a) the Parties or any of their respective Affiliates or (b) the Supply JV, the MAH or the US JV. For the avoidance of doubt, the exclusion of a Person from the definition of Third Party hereunder shall not be construed to afford such Person any express or implied rights, including third party beneficiary rights, hereunder.

1.172 **"Third Party Acquirer"** shall have the meaning set forth in Section 13.2(a).

1.173 **"Third Party Distributor"** shall have the meaning set forth in Section 5.1(b)(i).

1.174 **"Third Party Distributor Agreement"** shall mean any agreement between a Third Party Distributor and either Party or any of its Affiliates, which agreement grants such Third Party Distributor the right to distribute the Combination Product in one or more countries in the Territory, including any agreement under which a Third Party Distributor has the right to purchase Territory Combination Product.

1.175 **"Third Party Distributor Countries"** shall have the meaning set forth in Section 5.1(b)(i).

1.176 **"Trademark"** shall include any word, name, symbol, color, designation or device or any combination thereof, including any trademark, trade dress, service mark, service name, brand mark, trade name, brand name, logo or business symbol.

1.177 **"Transferring Party"** shall have the meaning set forth in Section 13.2(a).

1.178 **"Truvada"** shall mean the co-formulated product sold by Gilead Parent and its Affiliates under the trademark Truvada ® containing TDF and FTC as its only APIs.

1.179 **"US JV"** shall mean Bristol-Myers Squibb & Gilead Sciences, LLC.

1.180 **"US JV Collaboration Agreement"** shall mean that certain Amended and Restated Collaboration Agreement by and among Gilead Parent, Gilead Holdings, LLC, BMS, E.R. Squibb & Sons, L.L.C., and the US JV dated as of September 28, 2006, as such agreement is amended from time to time.

1.181 **"US JV Operating Agreement"** shall mean that certain Operating Agreement entered into as of December 17, 2004 by and between Gilead Holdings, LLC and E.R. Squibb & Sons, L.L.C, as such agreement is amended from time to time.

1.182 **"Viread"** shall mean the product sold by Gilead Parent and its Affiliates under the trademark Viread ® containing TDF as its only API.

SECTION 2
COLLABORATION MANAGEMENT

2.1 **Generally.**

(a) The Parties desire to expand the role of certain committees established under the US JV Collaboration Agreement and the US JV Operating Agreement as set forth in this Section 2 and elsewhere in this Agreement. In furtherance of such objective, (i) the Joint Executive Committee established under the US JV Operating Agreement shall serve as the "Joint Executive Committee" or "JEC" for purposes of this Agreement and (ii) the Joint Finance Committee established under the US JV Collaboration Agreement shall serve as the "Joint Finance Committee" or "JFC" for purposes of this Agreement. In taking any action pursuant to this Agreement, the JEC and the JFC shall each act in accordance with the terms of this Agreement. Further, any action taken by the JEC or JFC pursuant to this Agreement shall be deemed to have been taken pursuant to, and governed by, this Agreement and not the US JV Collaboration Agreement or the US JV Operating Agreement, as the case may be.

(b) The JEC and the JFC, with respect to the subject matter of this Agreement, and the EUOC and the JLOCs, each shall have only the responsibilities and authority delegated to or vested in such committee in this Section 2 or elsewhere in this Agreement or any other Covered Agreement to which the Parties or their respective Affiliates are parties.

2.2 **Joint Executive Committee.** Except as otherwise provided herein, the JEC shall be governed by, and shall act in accordance with, Section 6 of the US JV Operating Agreement (without regard to Section 6.2 of such agreement). The JEC shall have overall authority and responsibility with respect to the Commercialization Activities and any other activities conducted pursuant to the Agreement or any Co-Promotion Agreement (except for those matters reserved to the Parties or their respective Affiliates pursuant to this Agreement or any Co-Promotion Agreement). Without limitation of the foregoing, the JEC shall have the following powers and duties with respect to the activities conducted pursuant to this Agreement or any Co-Promotion Agreement:

(a) to oversee the work of the Operating Committees;

(b) if possible, resolve disputes referred to the JEC by the Alliance Managers pursuant to Section 2.5;

(c) to approve each annual update and Significant Interim Update of the Commercialization Plan or the Commercialization Budget, as the case may be;

(d) to approve Cost Allocation Proposals;

(e) to approve the JFC's reports submitted hereunder on financial matters that the JEC designates for the implementation of the financial aspects of the arrangements between the Parties and their Affiliates set forth herein with respect to the Exploitation of Territory Combination Product;

(f) to review recommendations of the JFC with respect to, and approve, one or more means of reconciling, one to the other, the internal reporting and accounting standards of each of the Parties or its applicable Affiliates where reasonably necessary, and methods of charging costs and expenses of each of the Parties and its applicable Affiliates pursuant to this Agreement and the Co-Promotion Agreements;

(g) to review and, if applicable, recommend to the Parties changes to the Pricing Rules and Discount Rules pursuant to Section 4.1(g);

(h) to resolve disputes within the EUOC with respect to (i) the initially proposed marketing materials for the Combination Product for each country in the Territory, and thereafter, updates of any Approved Marketing Materials, and (ii) a Party's obligation, if any, pursuant to Section 5.11 to provide the other Party with access to certain of such Party's records, documentation and data;

(i) to decide major strategic issues and any other matters relating to the collaboration between the Parties with respect to the Exploitation of Territory Combination Product that are not (i) within the purview of the EUOC, the JFC or the JLOCs or (ii) reserved to the Parties pursuant to this Agreement;

(j) to consider any dispute referred to the JEC by a Party pursuant to Section 2.6;

(k) to determine, with respect to each country in the Territory (other than with respect to a Designated Territory A Country or a Third Party Distributor Country, which, in each case, shall require mutual written agreement of the Parties to Launch the Combination Product in such country), whether Launch of the Combination Product in such country should occur and, if so, the timing thereof (where the Parties acknowledge that as of the Effective Date, the Launch of the Combination Product in the United Kingdom and Germany has been approved); *provided*, *however,* that, at any time on or after the date on which all of the Anticipated Agreements have been executed, in the case of any Price Approval Country or Reference Price Country (in each case, other than any Designated Territory A Country), subject to Section 5.1, the Selling Party shall have the right to Launch the Combination Product at any time after the Approved Price that corresponds to the price at which the Combination Product is to be sold to wholesalers or others purchasing directly from the Selling Party in such country has been established, *provided* that, in the case of a Price Approval Country, such Approved Price is at or above the Minimum Approved Price for such country; and

(l) to take such other actions as are reserved to the JEC in this Agreement or any Covered Agreement to which the Parties (or their respective Affiliates) are parties or as the Parties may mutually agree in writing, except that the JEC may not amend or take any action that would conflict with any provision of this Agreement (or such Covered Agreement if applicable).

Notwithstanding the enumerated authority of the JEC in this Agreement and the express reservation to the decision-making authority of the Parties with respect to certain matters herein, in the event that the JEC, acting (i) by unanimous affirmative Member Votes (as defined in the US JV Operating Agreement) pursuant to Section 6.5(d) of the US JV Operating Agreement, or (ii) by unanimous written consent pursuant to Section 6.5(c) of the US JV Operating Agreement, takes action on a matter relating to the Exploitation of Territory Combination Product, but with respect to which matter authority and responsibility have not been delegated to or vested in the JEC hereunder, the Parties shall be deemed to waive (and each Party shall cause its Affiliates to waive) any objection to the effect that the JEC acted beyond the scope of its authority or responsibility, and the resolution of such matter shall be binding on the Parties (and each Party shall cause its Affiliates to be bound) for purposes of this Agreement and any Co-Promotion Agreement.

2.3 **Joint Finance Committee.** Except as otherwise provided herein, the JFC shall be governed by, and shall act in accordance with, Section 2.6(a) and Section 2.7 of the US JV Collaboration Agreement as if such Sections were incorporated herein. Subject to the oversight of the JEC, the JFC shall have the following powers and duties with respect to the activities conducted pursuant to this Agreement or any Co-Promotion Agreement:

(a) to work with (i) the JEC, the EUOC and the JLOCs to assist in financial, budgeting and planning matters as required, including assisting in the preparation of budgets and annual and long-term plans and (ii) to the extent applicable, to coordinate with the Joint European Finance Committee with respect to expenses intended to be allocated on a Territory-wide basis and other matters covered by the Financial Agreement;

(b) in coordination with the EUOC, to oversee the work of the JLOCs;

(c) if possible, resolve disputes referred to the JFC by the Alliance Managers pursuant to Section 2.5 or by either Party (or any of its Affiliates) pursuant to any applicable provisions of the Financial Agreement;

(d) to recommend, for approval by the JEC, procedures, formats and timelines consistent with this Agreement for reporting financial data as well as additional or alternative reporting procedures concerning financial aspects of the arrangements between the Parties and their Affiliates with respect to the Exploitation of Territory Combination Product;

(e) to prepare, for approval by the JEC, reports on such financial matters as are designated by the JEC for the implementation of the financial aspects of the arrangements between the Parties and their Affiliates with respect to the Exploitation of Territory Combination Product;

(f) to make certain determinations and calculations set forth in the Financial Agreement, which determinations and calculations the JFC is assigned to perform thereunder;

(g) to coordinate audits of financial data where appropriate and required or allowed by this Agreement or any Covered Agreement to which the Parties or their respective Affiliates are parties;

(h) to address issues of implementation relating to the financial mechanics and calculations under this Agreement and the Financial Agreement;

(i) to recommend, for approval by the JEC, a means of reconciling, one to the other, the internal reporting and accounting standards of each of the Parties where necessary and the methods of charging costs and expenses of each of the Parties;

(j) to consider, upon request of Gilead Sub, and designate, if appropriate, any category of costs and expenses incurred by or on behalf of Gilead Sub in connection with the performance of its obligations under the Product Supply Services Agreement, other than any category that is already included in the Manufacturing Fee or Authorized Expenses (in each case, as defined in the Product Supply Services Agreement), as an "Approved Manufacturing Fee Category" or approved category of Authorized Expenses (as defined in such agreement), as applicable, for the Territory;

(k) to review the appropriate allocation of costs and expenses with respect to Authorized Expenses, including any Cost Allocation Proposals, and to make recommendations to the JEC with respect to Cost Allocation Proposals;

(l) to calculate or cause to be calculated, as the case may be, those matters expressly required to be calculated (or caused to be calculated) by the JFC, if any, pursuant to this Agreement and, if applicable, pursuant to any Co-Promotion Agreement;

(m) to provide updates on the JFC's activities and achievements hereunder to the JEC each Calendar Quarter; and

(n) to perform such other functions as the Parties may mutually agree in writing from time to time or as the JEC may delegate from time to time.

2.4 **EU Operating Committee.**

The Parties shall establish the EUOC, which shall have certain responsibilities with respect to the Parties' collaboration under this Agreement, including to facilitate communications between the Parties with respect to the commercialization of Territory Combination Product, as set forth in this Section 2.4.

(a) Membership. Each Party shall appoint four (4) members of the EUOC. BMS shall appoint one (1) of the members designated by BMS to serve as chairperson of the EUOC through the first anniversary of the Effective Date. Thereafter, a member designated by Gilead Sub and then a member designated by BMS shall serve alternately as chairperson, on a rotating annual basis from each anniversary of the Effective Date. The initial EUOC members and the chairperson are identified in Annex B hereto.

(b) Authority. Subject to the oversight of the JEC, the EUOC shall have the following powers and duties:

(i) in coordination with the JFC, to oversee the work of the JLOCs;

(ii) if possible, resolve any disputes referred to the EUOC by the Alliance Managers pursuant to Section 2.5;

(iii) to (A) review and propose to the JEC for its approval each annual update and Significant Interim Update of the Commercialization Plan and Commercialization Budget and (B) review and approve each interim update other than any Significant Interim Update, in each case ((A) and (B)) proposed pursuant to Section 5.8;

(iv) to oversee and coordinate the Parties' activities under the Commercialization Plan;

(v) to oversee the distribution of Territory Combination Product;

(vi) to develop and approve (A) initial marketing materials for the Combination Product in the Territory, and (B) updates to such materials from time to time as may be reasonably necessary or appropriate, all in accordance with Section 5.6;

(vii) to review any Cost Allocation Proposals and make recommendations to the JEC with respect to any such proposal;

(viii) to monitor whether the Combination Product is being sold at prices that are permitted by Section 4.1, the Pricing Rules and the Discount Rules;

(ix) to coordinate matters relating to the Manufacturing and labeling of Territory Combination Product (to the extent that such matters are not within the authority of the EDC) as set forth in Section 6.1;

(x) to oversee the activities of any Third Party Distributors;

(xi) to resolve disputes between the Parties with respect to a Party's obligation, if any, pursuant to Section 5.11 to provide the other Party with access to certain of such Party's records, documentation and data relating to the Commercialization Activities;

(xii) to oversee the forecasting of Local Demand for the Territory;

(xiii) consider and resolve any dispute referred to it by any JLOC pursuant to any Co-Promotion Agreement;

(xiv) to provide updates on the EUOC's activities and achievements to the JEC each Calendar Quarter;

(xv) subject to the MAH Shareholder Agreement to the extent applicable, to oversee medical affairs and medical communication activities with respect to Territory Combination Product; and

(xvi) to perform such other functions as the Parties may mutually agree in writing from time to time or as the JEC may delegate from time to time.

(c) Member Qualifications. Any person appointed to serve as a member of the EUOC shall have appropriate expertise and be otherwise qualified to serve in such capacity. A member of the EUOC may serve on any other (sub)committee established hereunder. The Parties shall endeavor to match their respective representation on the EUOC in terms of functional areas and management level.

(d) Substitutions. A member of the EUOC may be removed or replaced at any time, with or without cause, by the Party that appointed such member. Such action shall be accomplished by written notice to the other Party. Each member of the EUOC shall serve until a successor is named by the Party that appointed such committee member (or until his or her earlier resignation or removal).

(e) Meetings. The EUOC shall meet at least once per Calendar Quarter until the second anniversary of the date on which the Combination Product has been Launched in each country in the Territory in which Launch is anticipated to occur or on such other schedule as may be determined by the EUOC. The EUOC shall meet at times and places mutually agreed by the members of the EUOC. The EUOC shall keep accurate and complete minutes of its meetings to record all proposals, recommendations and actions taken, which minutes shall be taken and approved as set forth in Section 2.4(f). All such minutes and other records of the EUOC shall be available to each member of the EUOC and each Party.

(f) Notice and Agendas; Minutes. The Alliance Managers, in collaboration with the chairperson of the EUOC, shall organize committee meetings, prepare the meeting agenda based on items submitted by committee members, take or cause to be taken accurate minutes of meetings, circulate draft minutes promptly after the meeting for approval by the members of such committee, and circulate final minutes to such members promptly following such approval. Notice of, and the agenda for, each meeting (and any accompanying materials) shall be circulated to the members of the EUOC so that such materials are received reasonably in advance of such meeting. Any member of the EUOC may waive notice of a meeting thereof, and shall be deemed to waive such notice if he or she attends the meeting and does not object to the meeting because of a lack of notice prior to its commencement.

(g) Quorum. At least three (3) members, including at least one (1) member appointed by each Party, shall be in attendance at a meeting of the EUOC to establish a quorum for the conduct of business. The EUOC members may attend meetings in person or, as long as each attendee is able to hear the others, by telephone or by video conference equipment.

(h) Voting. Each member of the EUOC shall have one (1) vote on all matters to be acted upon by the EUOC. The EUOC shall take action with respect to a matter only if: (i) a quorum is present at the time when such matter is to be acted upon by the EUOC; and (ii) the action proposed to be taken is approved by the affirmative vote of a majority of the EUOC members participating in such meeting, including the affirmative vote of at least one EUOC member appointed by each Party. Notwithstanding the foregoing, the EUOC may also act by unanimous written consent of its members without a meeting. If the EUOC is unable to reach agreement on a matter properly presented to the EUOC for its consideration, the matter shall be resolved as set forth in Section 2.6.

2.5 **Alliance Managers.**

(a) Gilead Sub and BMS shall each designate within their respective organizations an alliance manager (an **"Alliance Manager"**) with responsibility for facilitating the interaction and cooperation between the Parties with respect to the activities conducted hereunder and under the Co-Promotion Agreements. The initial Alliance Managers are identified in Annex B hereto. Each Party may change its Alliance Manager from time to time upon written notice to the other Party.

(b) The Alliance Managers shall not be members of the JEC or any Operating Committee. The Alliance Managers shall attend all meetings of the JEC and the EUOC and support the chairpersons of the JEC and the EUOC in the discharge of their responsibilities hereunder. The Alliance Managers shall be nonvoting participants in such meetings. Each Alliance Manager shall endeavor to create and maintain a collaborative work environment within and among the JEC, and the Operating Committees. In addition, with respect to the activities conducted hereunder and under the Co-Promotion Agreements, each Alliance Manager: (i) shall coordinate the relevant functional representatives of the Parties; (iii) shall provide a single point of communication for seeking consensus both internally within the respective Parties' organizations and between the Parties; (iv) shall identify and bring disputes relating to this Agreement or any Co-Promotion Agreement (other than any such disputes that, herein or in the applicable Co-Promotion Agreement, are expressly excluded from the scope of Section 2.6) to the attention of the JEC or the applicable Operating Committee, as appropriate, in a timely manner; (v) shall plan and coordinate cooperative efforts and internal and external communications; and (vi) shall take responsibility for ensuring that governance activities, such as the conduct of required JEC and Operating Committee meetings and production of meeting minutes, occur as set forth in this Agreement and in the Co-Promotion Agreements and that relevant action items agreed upon at such meetings are appropriately carried out or otherwise addressed.

2.6 **Resolution of Disputes.**

(a) Disputes may be referred to the JEC for resolution, as follows: (i) if an Operating Committee is unable to reach agreement on a matter properly presented to such Operating Committee for its decision, the Operating Committee shall refer the matter to the JEC; and (ii) either Party may refer to the JEC any issue arising under or with respect to this Agreement or any Co-Promotion Agreement that is not covered by clause (i), other than (A) a dispute arising with respect to Forecasts or Supporting Data (which dispute shall be resolved as set forth in Section 6), (B) a dispute with respect to a matter within the decision-making authority of the EU Pricing Discount Committee, or (C) a dispute that this Agreement (or the applicable Co-Promotion Agreement) expressly excludes from this Section 2.6.

(b) If the JEC is unable to resolve a dispute referred to it by an Operating Committee or by a Party pursuant to Section 2.6(a) within ten (10) days after such referral, or in the event that the JEC is unable to resolve a dispute arising within the JEC, then the dispute shall be referred for resolution to the Executives.

(c) If the Executives are unable to reach agreement on a disputed matter referred to them pursuant to Section 2.6(b) within ten (10) days after such referral, then either Gilead Sub or BMS may refer the disputed matter to binding arbitration pursuant to Section 6.7 of the Standard Terms if and only if the disputed matter constitutes an Arbitration Matter.

(d) Each Party shall, and shall cause its Affiliates to, refrain from exercising its rights to pursue arbitration under Section 2.9(c)(A) of the US JV Collaboration Agreement with respect to any disputed matter arising under or with respect to this Agreement or any Co-Promotion Agreement.

(e) Notwithstanding anything in this Section 2.6 to the contrary, the dispute resolution procedures set forth in Sections 2.6(a) through (c) shall not apply to any deadlock within the JEC or any Operating Committee resulting from a proposal by one Party's member(s) to reverse or modify a decision of the JEC or such Operating Committee with respect to a matter previously presented to it for decision, unless such proposal is based on new information or changed circumstances relevant to the applicable JEC or Operating Committee decision; *provided*, *however*, that this Section 2.6(e) shall not apply to the deliberations and decisions of the EUOC pursuant to Section 5.6, or the deliberations and decisions of the JEC with respect to any disputes that arise within the EUOC with respect thereto; and *provided*, *further*, that the EUOC's and the JEC's reconsideration of prior decisions with respect to the matters covered by the preceding proviso shall be governed by Section 5.6, and in the event of any such reconsideration (and any dispute resolution and arbitration in connection therewith), the prior decision in force at the time of reconsideration shall remain in force and continue to apply until such time, if any, as a modified position may be agreed by the EUOC or the JEC, or adopted by the Executives or, if applicable, the arbitrator(s), as the case may be.

(f) Nothing in this Section 2.6 shall affect the right of a Party to exercise its rights under Section 5.4(a) of the Standard Terms as incorporated herein with respect to a Material Default (as defined in the Standard Terms) by the other Party concurrently with the exercise of its rights under this Section 2.6. In the event that, at any time prior to completion of the dispute resolution procedures set forth in this Section 2.6, the non-Breaching Party (as defined in the Standard Terms) delivers a notice of Material Default to the Breaching Party, the cure period set forth in Section 5.4(a) of the Standard Terms shall begin to run upon the receipt of such notice and shall run concurrently with the procedures set forth in this Section 2.6.

(g) The dispute resolution mechanisms set forth in this Section 2.6 shall be the sole method for resolving any Arbitration Matter or any other matter that is the subject of this Section 2.6.

2.7 **Commercialization Budget Deadlocks; Commercialization Plan Deadlocks.** Notwithstanding anything herein to the contrary, in the event of a Commercialization Budget Deadlock or a Commercialization Plan Deadlock, in each case with respect to any period prior to the end of the Subsequent Launch Period, then in lieu of any other dispute resolution procedures set forth in this Agreement, the Parties agree that the dispute shall be conclusively resolved as follows:

(a) If a Commercialization Budget Deadlock arises with respect to the portion of the Commercialization Budget relating to a given country (such portion, the **"Country-Specific Commercialization Budget"**) for a given Calendar Year (or part thereof) prior to the end of the Initial Launch Period with respect to such country, the level of aggregate expenditure for such period with respect to such country shall be fixed, upon notice given by a Party to the other Party, at (i) in the case of disputes as to annual updates of such Country-Specific Commercialization Budget, the level of aggregate expenditure for such period provided for in the Initial Launch Period Financial Commitment (apportioned, if appropriate, to account for a period in dispute that is shorter than twelve (12) months), or (ii) in the case of disputes as to interim updates of any Country-Specific Commercialization Budget, the level of aggregate expenditure then in effect for the relevant part of the then-current Calendar Year in such Country-Specific Commercialization Budget.

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(b) If a Commercialization Budget Deadlock arises with respect to any Country-Specific Commercialization Budget for a given Calendar Year (or part thereof) during the Subsequent Launch Period with respect to such country, the level of aggregate expenditure for such period with respect to such country shall be fixed, upon notice given by a Party to the other Party, at (A) in the case of disputes as to annual updates of such Country-Specific Commercialization Budget, seventy-five percent (75%) of the level of spending set forth in the Initial Launch Period Financial Commitment for such country for the second twelve (12) month period of the Initial Launch Period for such country (apportioned, if appropriate, to account for a period in dispute that is shorter than twelve (12) months) unless both Parties, through their respective representatives on the JEC have proposed levels of aggregate expenditure for such country for such period in dispute both of which are lower than the aforesaid seventy-five percent (75%) level, in which case the level of aggregate expenditure for such period in dispute with respect to such country shall instead be fixed with respect to such country at the higher of the two levels of aggregate expenditure proposed for such period by the Parties through their respective representatives on the JEC, or (B) in the case of disputes as to interim updates of such Country-Specific Commercialization Budget, the level of aggregate expenditure then in effect for the relevant part of the current Calendar Year in such Country-Specific Commercialization Budget.

(c) For any period after the Subsequent Launch Period with respect to a given country, any aggregate expenditures in the Country-Specific Commercialization Budget for such period for such country shall be decided by the mutual agreement in writing of the Parties; failure to reach agreement thereon shall not be subject to dispute resolution pursuant to Section 2.6 or otherwise.

(d) Following the resolution of any Commercialization Budget Deadlock pursuant to this Section 2.7 with respect to a given Calendar Year and a given country, the Parties agree to negotiate in good faith such modifications to the activities set forth in the applicable Country-Specific Commercialization Plan as may be necessary in light of the modified Country-Specific Commercialization Budget.

(e) Any Commercialization Budget Deadlock that arises with respect to the Territory Centralized Budget for a given Calendar Year (or part thereof) prior to the end of the Initial Launch Period shall be resolved as set forth in Section 2.7(a) (and Section 2.7(d) shall apply) as if (i) it were a Commercialization Budget Deadlock with respect to a given country, and (ii) the Territory Centralized Budget were a Country-Specific Commercialization Budget.

(f) The Parties acknowledge and agree that the Territory Centralized Budget shall be established at a level of expenditure that is reasonably necessary to support the Commercialization Activities being conducted with respect to the countries that have a Country-Specific Commercialization Plan in effect as described in Section 5.8(c). Accordingly, if a Commercialization Budget Deadlock arises with respect to the Territory Centralized Budget for a given Calendar Year (or part thereof) during the Subsequent Launch Period, the Parties shall

attempt to resolve such dispute based on such principle. If no such agreement can be reached, (i) in the case of disputes as to annual updates thereto, the level of aggregate expenditure for the Territory Centralized Budget for such period shall be an amount that differs from the Territory Centralized Budget for the previous Calendar Year by the same percentage as the level of aggregate expenditure set forth in the Country-Specific Commercialization Budgets differs from the level of aggregate expenditure set forth in the Country-Specific Commercialization Budgets for the previous Calendar Year, and (ii) in the case of disputes as to interim updates to the Territory Centralized Budget, the level of aggregate expenditure for such period shall be the level of aggregate expenditure then in effect for the relevant part of the then-current Calendar Year in such Territory Centralized Budget. (For example, if the Territory Centralized Budget for a given Calendar Year during the Subsequent Launch Period is in dispute and (A) level of expenditure in the Territory Centralized Budget for the prior Calendar Year was $1 million, (B) level of expenditure in the Country-Specific Commercialization Budgets, in the aggregate, for such prior Calendar Year was $5 million and (C) the level of expenditure in the Country-Specific Commercialization Budgets, in the aggregate, for the Calendar Year in dispute is $4 million, then the level of expenditure in the Territory Centralized Budget will be set at $800,000.) Further, Section 2.7(d) shall apply to such Territory Centralized Budget as if it were a Country-Specific Commercialization Budget.

(g) For any period after the Subsequent Launch Period with respect to the Territory Centralized Budget, any aggregate expenditures in the Territory Centralized Budget for such period shall be decided by the mutual agreement in writing of the Parties; failure to reach agreement thereon shall not be subject to dispute resolution pursuant to Section 2.6 or otherwise.

(h) If a Commercialization Plan Deadlock arises with respect to the Country-Specific Commercialization Plan for a given country for a given Calendar Year (or part thereof) prior to the end of the Initial Launch Period with respect to such country, the minimum number of Details for such period shall be fixed, upon notice given by a Party to the other Party, at (i) in the case of disputes as to annual updates of such Country-Specific Commercialization Plan, the minimum number of Details for such country set forth in the Initial Launch Period Detail Commitment for such period (apportioned, if appropriate, to account for a period in dispute that is shorter than twelve (12) months) with respect to such country, or (ii) in the case of disputes as to interim updates of such Country-Specific Commercialization Plan, the minimum number of Details then in effect for such country for the relevant part of the then-current Calendar Year. For clarity, minimum Detail requirements are not required for any country in Territory A.

(i) If a Commercialization Plan Deadlock arises with respect to the Country-Specific Commercialization Plan for any country for a given Calendar Year (or part thereof) during the Subsequent Launch Period with respect to such country, (i) the minimum number of Details for such period with respect to such country shall be fixed, upon notice given by a Party to the other Party, at (A) in the case of disputes as to annual updates of such Country-Specific Commercialization Plan, seventy-five percent (75%) of the minimum number of Details for such period for such country set forth in the Initial Launch Period Financial Commitment for the second twelve (12) month period of the Initial Launch Period for such country (apportioned, if appropriate, to account for a period in dispute that is shorter than twelve (12) months) unless

both Parties, through their respective representatives on the JEC have proposed minimum numbers of Details for such period in dispute both of which are lower than the aforesaid seventy-five percent (75%) level, in which case the minimum number of Details for such period in dispute with respect to such country shall instead be fixed with respect to such country at the higher of the two minimum numbers proposed by the Parties for such period in dispute through their respective representatives on the JEC, or (B) in the case of disputes as to interim updates of such Country-Specific Commercialization Plan, the minimum number of Details then in effect for the relevant part of the current Calendar Year for such country in the Commercialization Plan. For clarity, minimum Detail requirements are not required for any country in Territory A.

(j) For any period commencing after the Subsequent Launch Period with respect to a given country, the minimum number of Details for such country for such period shall be decided by the mutual agreement in writing of the Parties; failure to reach agreement thereon shall not be subject to dispute resolution pursuant to Section 2.6 or otherwise.

2.8 **Relationship to Other Committees.** The EUOC and, with respect to the Territory, the JEC and the JFC shall each coordinate with the EDC and any other committees established pursuant to any Covered Agreement to which the Parties (or their respective Affiliates) are parties, as appropriate, and shall act in a manner consistent with the decisions of the EDC or any such other committee made pursuant to the applicable agreement.

2.9 **Committee-Related Expenses.** Gilead Sub and BMS shall each bear its own expenses related to the operations of the JEC, the Operating Committees and the JLOCs, including all expenses relating to the meetings of such committees, the participation of the Parties' representatives in such meetings, communications with the other Party in connection with such meetings or matters within the authority of the committees, and travel to and from such meetings, and such expenses shall not be deemed Authorized Expenses.

SECTION 3
REGULATORY MATTERS

3.1 **Generally.** This Section 3 shall govern any country-specific regulatory matters arising with respect to Territory Combination Product that are not governed by Section 4.1 (and the Pricing Rules and the Discount Rules), the MAH Shareholder Agreement or the SDEA (any such regulatory matters, **"Local Regulatory Matters"**). In the event of a conflict between this Section 3 and any provision of any of the foregoing agreements, such provision of such agreement shall control and this Agreement shall be construed in a manner consistent with such provision. For clarity, any Party that is the Local Regulatory Lead with respect to any Third Party Distributor Country may delegate its responsibilities hereunder as the Local Regulatory Lead to the Third Party Distributor in such country.

3.2 **Regulatory Filings.** Under the oversight of the EUOC (which shall coordinate with the EDC as appropriate) and participation of each Party as set forth in this Section 3, Gilead Sub and BMS (or their respective designated Affiliates) shall jointly prepare any submissions with respect to any Local Regulatory Matter and the Local Regulatory Lead shall have primary responsibility for filing such submissions with the applicable Regulatory Authority. All

submissions with respect to any Local Regulatory Matter shall be approved in advance by the applicable JLOC (or in the case in which (a) disclosing the applicable submission to the JLOC would violate Section 3.3 or (b) there is no JLOC with respect to the applicable country in the Territory (*e.g.*, in the case of a Sole-Promote Country), the EUOC). Each member of such committee shall indicate, within a time period to be established by such committee with respect to the applicable submission, whether he or she approves such proposed submission; *provided,* that such time period shall, in each case, allow the Local Regulatory Lead sufficient time to comply with Applicable Law and any deadlines required or reasonably requested by the applicable Regulatory Authority with respect to such submission. Notwithstanding the foregoing, the review and approval requirements of this Section 3.2 shall not apply to any minor regulatory submissions of an administrative nature; *provided, however,* that the Local Regulatory Lead shall make copies of such submissions available to the other Party for review promptly upon request of the other Party.

3.3 **Regulatory Documentation.**

(a) Notwithstanding the restrictions on use set forth in Section 5.4(b) of the MAH Shareholder Agreement, subject to Section 3.3(d), each Party (and its Affiliates) shall have the right to use any BMS Regulatory Documentation and Gilead Regulatory Documentation (each, as defined in the MAH Shareholder Agreement) provided or made available pursuant to such Section to the extent reasonably necessary to comply with Applicable Law. Further, without limitation of the foregoing, in the event that a Party desires to use such information of the other Party to perform its obligations hereunder and does not have the right to use such information pursuant to the immediately preceding sentence, such first Party shall obtain the consent of such other Party, such consent not to be unreasonably withheld.

(b) Subject to Section 3.3(d), in the event that either Party (or any of its Affiliates) reasonably requires any information in the possession and control of the other Party (other than any BMS Regulatory Documentation and Gilead Regulatory Documentation described in the foregoing clause (a)) to comply with Applicable Law, the Parties shall coordinate in good faith to ensure that such information is provided by the applicable Party to the other Party for such purpose in a timely manner. Further, without limitation of the foregoing, in the event that a Party desires to use any such information of the other Party to perform its obligations hereunder, such first Party shall obtain the consent of such other Party, such consent not to be unreasonably withheld, and if such consent is obtained, the consenting Party shall provide such information to such first Party.

(c) In the event that a Party (or its EUOC representatives) does not provide the consent required pursuant to this Section 3.3 to permit the other Party to obtain or use any BMS Regulatory Documentation, Gilead Regulatory Documentation or other information, or does not provide any such information, then, to the extent that such information is reasonably required for the other Party to perform its obligations hereunder, such other Party shall not be obligated to perform such obligations.

(d) Notwithstanding anything in this Section 3.3 to the contrary, except as provided in this Section 3.3(d) or required by the SDEA, (i) Gilead Sub shall not provide or

make available any BMS Regulatory Documentation or other information provided by BMS to Gilead Sub pursuant to this Section 3.3 that relates to EFV as an API to any local country Affiliate of Gilead Sub without the prior written consent of BMS (or consent of its EUOC representatives), *provided* that such consent may not be unreasonably withheld if the information is required to be submitted for regulatory or other legal reasons; and (ii) BMS shall not provide or make available any Gilead Regulatory Documentation or other information provided by Gilead Sub to BMS pursuant to this Section 3.3 that relates to either TDF or FTC as an API, or to both, to any local country Affiliate of BMS without the prior written consent of Gilead Sub (or consent of its EUOC representatives), *provided* that such consent may not be unreasonably withheld if the information is required to be submitted for regulatory or other legal reasons. Notwithstanding the foregoing, in the event that a local country Affiliate of a Party is required under Applicable Law to provide any of the foregoing information of the other Party to any Regulatory Authority, such first Party shall be permitted to provide such information to such local country Affiliate if and only if (x) such first Party has first notified the other Party and allowed such other Party an opportunity to provide such information directly to such Regulatory Authority, if and to the extent that such direct provision would fulfill such local country Affiliate's obligation under Applicable Law, and (y) to the extent such information is Confidential Information of the other Party, such first Party ensures that the information related to the other Party's API(s) that is provided to a local country Affiliate of such first Party is only used for Permitted Purposes (as defined in the EU Master Agreement) and in accordance with this Section 3.3 and not for any other purpose. In the event that a Party determines that it is reasonably necessary to provide any such information of the other Party to such first Party's local country Affiliate for the purpose of fulfilling such first Party's obligations hereunder, such other Party shall consider a request of such Party to do so. Such other Party shall not unreasonably withhold or delay its request to any such request. If such request is denied, for the avoidance of doubt, Section 3.3(c) shall apply.

(e) For the avoidance of doubt, nothing set forth in this Section 3 or elsewhere in this Agreement shall be construed to limit the rights and obligations of the Parties or its Affiliates with respect to safety-related information, data or other documentation required to be provided, maintained or disclosed pursuant to the SDEA.

3.4 **Regulatory Communications.** Communications regarding any Local Regulatory Matter shall be treated (a) with respect to countries for which Gilead Sub is the Local Regulatory Lead, as if such communications were communications covered by Section 5.4(d) and Section 5.4(e) of the MAH Shareholder Agreement, without giving effect to either such Section to the extent it affords the MAH any rights with respect thereto, or (b) with respect to countries for which BMS is the Local Regulatory Lead, as if BMS were the Regulatory Lead (as defined in the MAH Shareholder Agreement) under the MAH Shareholder Agreement and as if such communications were communications covered by Section 5.4(d) and Section 5.4(e) of the MAH Shareholder Agreement, without giving effect to either such Section to the extent it affords the MAH any rights with respect thereto.

3.5 **Medical Affairs and Medical Communications.**

(a) Subject to this Section 3.5 and the MAH Shareholder Agreement, the Parties shall determine independently how to utilize and deploy their respective medical science liaisons for activities relating to the Combination Product in each country in the Territory.

(b) Subject to the MAH Shareholder Agreement, the EUOC shall develop and approve presentation materials for use by each Party's medical science liaisons when engaging in activities to support the Combination Product. Each Party's medical science liaisons shall use only such approved presentation materials and any standard response documents approved pursuant to the MAH Shareholder Agreement in connection with such activities. The EUOC shall develop, and the Parties shall implement, procedures to coordinate the training of each Party's medical science liaisons on any approved presentation materials and standard response documents.

(c) Each Party shall cause its (and its Affiliates') medical science liaisons to comply with the provisions of this Section 3.5 and the MAH Shareholder Agreement.

3.6 **Records.** Each Party shall maintain, or cause to be maintained, records with respect to its activities pursuant to this Section 3 in sufficient detail and in material compliance with Applicable Law. Such records shall be retained for at least (a) three (3) years or (b) such longer period as may be required by Applicable Law.

3.7 **Compliance-Related Matters.**

(a) Role of QPPV. Notwithstanding anything herein to the contrary, nothing herein shall preclude the QPPV (as defined in the MAH Shareholder Agreement) for the Combination Product from performing his or her obligations as QPPV for the Combination Product under Applicable Law and no such performance, to the extent reasonably required by Applicable Law, shall constitute a breach of this Agreement by either Party.

(b) Certain Compliance Matters. Notwithstanding anything herein to the contrary, and except as otherwise provided in the Co-Promotion Agreements, as between the Parties, each Party shall have sole responsibility for any submissions to, or communications with, any Regulatory Authority in the Territory with respect to any matter relating to such Party's or any of its Affiliates' or subcontractors' compliance with Applicable Law in connection with its performance of (i) such Party's Commercialization Activities or (ii) any other activities of such Party or any of its Affiliates or subcontractors under any Co-Promotion Agreement. Notwithstanding anything in this Section 3.7(b) to the contrary, the foregoing shall not apply to any submissions or communications made in connection with obtaining or maintaining the applicable Territory Marketing Authorization.

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

3.8 **Local Regulatory Expenses.** Any external, out-of-pocket costs and expenses incurred by either Party in connection with the performance of its obligations under this Section 3 (other than Section 3.7(b)) shall constitute Authorized Other Expenses.

SECTION 4
PRICING AND REIMBURSEMENT

4.1 **Pricing and Reimbursement; Discounts.** The provisions set forth in this Section 4.1 and Annex C shall apply to the pricing of Territory Combination Product sold by the Selling Entity or any of its applicable Affiliates to any Third Party and shall not be construed to apply to the pricing of any other Combination Product (or any other sale). The Selling Party shall cause the Selling Entity to sell the Combination Product at prices that comply with the determinations of the EU Pricing Discount Committee (as defined below) made pursuant to the provisions of this Section 4.1, the Pricing Rules and the Discount Rules. Notwithstanding anything in this Section 4, the Pricing Rules or the Discount Rules, except to the extent mutually agreed in writing by the Parties, this Section 4.1, the Pricing Rules and the Discount Rules shall not apply with respect to any Third Party Distributor Country.

(a) European Pricing Discount Committee.

(i) Each Party shall appoint two (2) members of a committee to determine any discounts to be applied in connection with the sale of Territory Combination Product (the **"EU Pricing Discount Committee"** or **"EPDC"**). One (1) representative from each Party (the **"Business Representative"**) shall be an employee of such Party (or any of its Affiliates) and shall not be, at the time of his or her appointment, or at any time during his or her service on the EPDC, otherwise involved, directly or indirectly, in the pricing of such Party's (or any of its Affiliates') antiviral products (*provided*, that for purposes of this Section 4.1(a)(i), duties solely with respect to accounts receivable analysis, bookkeeping and accounting shall not, without more, be deemed involvement in pricing). The other representative from each Party (the **"Attorney Representative"**) shall be an attorney for such Party. Such representatives shall have skills reasonably appropriate to their responsibilities and functions as members of the EPDC. Furthermore, each Party covenants that, for twelve (12) months immediately after an individual's service on the EPDC (or for such shorter period as he or she is employed by such Party or its Affiliate), he or she will not be assigned to a function or position that involves, directly or indirectly, the pricing of such Party's (or any of its Affiliates') antiviral products. Each Party shall have the right to approve the other Party's proposed Business Representative and Attorney Representative on the EPDC (or any replacement therefor), which approval shall not be unreasonably withheld. Subject to the preceding sentence, each Party shall have the right to replace its Business Representative or Attorney Representative from time to time during the term of this Agreement, *provided* that the composition of the EPDC as so changed meets the requirements set forth above in this Section 4.1(a)(i). For the avoidance of doubt, the EPDC is not an Operating Committee.

(ii) Each Party shall be responsible for the performance of its representatives on the EPDC and their compliance with the terms of this Section 4.1, the Pricing Rules and the Discount Rules. Any issue regarding the functioning of the EPDC shall be

reviewed jointly by the Parties' respective Attorney Representatives. Each Party shall bear its own expenses related to the EPDC, including all expenses relating to the meetings of the EPDC, the participation of the Parties' representatives in such meetings, communications with the other Party in connection with such meetings or matters within the authority of the EPDC, and travel to and from such meetings, and such expenses shall not be deemed Authorized Expenses.

(iii) The EU Pricing Discount Committee shall meet at least each Calendar Quarter (which meeting may be conducted by telephone or videoconference equipment, so long as each attendee is able to hear the others), and as otherwise required from time to time, to determine such matters as are within the jurisdiction of the EU Pricing Discount Committee as set forth in this Section 4.1.

(iv) The EU Pricing Discount Committee shall perform only such functions as are assigned to the EU Pricing Discount Committee hereunder. The EU Pricing Discount Committee shall apply the Discount Rules to make such calculations and determinations as are specified in the Discount Rules.

(v) The representatives of each Party on the EU Pricing Discount Committee shall, in connection with any proposed GOA with respect to a Customer, provide the EU Pricing Discount Committee with (A) if applicable, its Proposed Existing Customer Discount, and (B) such other limited pricing information, if any, with respect to such Customer as the Attorney Representatives shall agree is necessary and appropriate.

(vi) In the event that interpretation or application of the Discount Rules is necessary in order to implement the provisions of the Discount Rules, the Business Representatives shall discuss the matter with the Attorney Representatives and attempt to resolve the matter by consensus. In the event that the Attorney Representatives disagree regarding any such interpretation or application, either Attorney Representative may refer the dispute to the JEC for resolution pursuant to Section 2.6.

(vii) The EU Pricing Discount Committee may determine, by consensus and in its sole discretion, to retain independent legal counsel, in which case the expenses of such counsel shall be deemed to be Authorized Other Expenses.

(b) Default Rules and Related Matters.

(i) In the event that, after following the procedures set forth in this Section 4.1, the Pricing Rules and the Discount Rules, as applicable, to completion (including those set forth in Section 3 of Annex C, if applicable), the Parties are unable to agree upon (A) any modification of a Country Price for a given country, the existing Country Price shall remain in effect, except in the case of a permitted modification to the existing Country Price pursuant to the Pricing Rules; or (B) a GOA (as defined below) with respect to a Customer, there shall be no GOA with respect to such Customer, except in the case of a GOA that applies automatically to an Existing Discount Customer pursuant to Section 4.1(d) or in the event that a GOA has been previously established pursuant to the Discount Rules or in the case of a permitted modification to the GOA with respect to a given Customer pursuant to this Section 4.1

or the Discount Rules. In the event that there is no GOA with respect to a given Customer, the Selling Party shall not, and shall cause the Selling Entity not to, enter into any contract with respect to the Combination Product with such Customer at a price less than the applicable Country Price. Further, in the event that the Parties cannot (x) reach agreement on a Country Price with respect to a country other than a Price Approval Country or Reference Price Country, or (y) obtain any initial pricing approval required by a national pricing authority in a Price Approval Country [*] (as defined in Annex C), the Combination Product shall not be Launched in such country. For clarity, Launch of the Combination Product in any Designated Territory A Country shall occur solely if and when approved by the Parties. Further, Launch in any Third Party Distributor Country or any country for which BMS is the Selling Party shall occur solely as provided in Section 5.1.

(ii) Notwithstanding Section 4.1(b)(i) or any other provision of this Agreement, in the event that, following the Launch of the Combination Product in a given Price Approval Country or Reference Price Country, any national pricing authority in such country reduces (despite the commercially reasonable efforts of the Selling Party or without advance notice to the Selling Party) an Approved Price to a price that is [*] the Selling Party shall submit to the other Party, promptly following the date on which the Selling Party becomes aware that such a reduction has been imposed and in no event less than twenty (20) Business Days after such date, the Selling Party's good faith interpretation of how such reduced Approved Price should be implemented and the effect of such reduced Approved Price on other prices with respect to the Combination Product in the country in which such Approved Price applies and on any Approved Prices in other countries in the Territory. If the non-Selling Party, based on its good faith assessment, objects in writing within ten (10) Business Days that the Selling Party's interpretation is incorrect, the dispute resolution provisions of Section 2.6 shall apply and, if such matter is not resolved by the Executives within the time period set forth therein, the matter shall constitute an Arbitration Matter. Prior to the resolution of such matter pursuant to Section 2.6, the Selling Party shall continue to fulfill orders for the Combination Product in the Territory (unless and until the Combination Product is withdrawn in such country by mutual written agreement of the Parties) and shall fulfill such orders at a price that is consistent with the Selling Party's good faith interpretation of any adjustment to the Country Price for the applicable country that shall be required to comply with the new Approved Price. Following the resolution of such matter pursuant to Section 2.6, the Country Price for the applicable country shall be adjusted in accordance with such resolution. In the event that the non-Selling Party does not object to the Selling Party's interpretation of any new Approved Price pursuant to this Section 4.1(b) within the time period required for such objection, the Country Price with respect to the applicable country shall be adjusted to reflect the Selling Party's interpretation of such new Approved Price. In no event shall (A) an incorrect interpretation of any adjusted Approved Price, or the effect of such an adjustment on the Country Price, or (B) any sales by the Selling Party or the Selling Entity made based on such interpretation, constitute a breach of this Agreement, so long as such interpretation was made in good faith by the Selling Party.

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(c) Country Prices and Pricing Approvals.

(i) In each country in the Territory, the respective Selling Party shall cause the respective Selling Entity to sell Territory Combination Product to any Third Party in such country at the Country Price for such country except as otherwise permitted in this Section 4.1, including Section 4.1(d).

(ii) For any country for which, as a matter of Applicable Law, the applicable Regulatory Authority approves a maximum reimbursement price or a maximum price at which the Selling Party may sell the Combination Product in such country (each, a **"Price Approval Country"**), the Country Price (as defined in Annex C) shall be set in accordance with this Section 4.1(c)(ii) and the Pricing Rules. Without limitation of any other country in the Territory that may constitute a Price Approval Country, the Parties acknowledge and agree that, as of the Effective Date, the United Kingdom, France, Italy and Spain each constitute a Price Approval Country. Except as otherwise agreed by the Parties, the Selling Party shall be responsible for managing the negotiation with the relevant agency in each country relating to obtaining and maintaining such reimbursement or other pricing approval. In conducting such negotiations, the Selling Party shall cooperate with the other Party and act in accordance with this Section 4.1(c)(ii) and the Pricing Rules. For each Price Approval Country, the Selling Party with respect to such country shall be responsible for any reporting required in connection with obtaining and maintaining reimbursement or other pricing approvals for the Combination Product in such country and shall handle dealings with any applicable agencies with respect to compliance with the rules, regulations and guidelines of such agencies with respect to obtaining and maintaining reimbursement or other pricing approvals for the Combination Product; *provided, however,* that the Selling Party shall provide to the other Party a copy of the initial submission for obtaining reimbursement or other pricing approval for the Combination Product in each Price Approval Country in the Territory for review in advance of its filing. The Selling Party shall promptly furnish the other Party with a copy of all materials received from such agencies, together with all reports and other communications submitted by the Selling Party to such agencies, in each case solely to the extent relating to Territory Combination Product. In addition, at least five (5) Business Days prior to filing any periodic reports with such agencies pursuant to this Section 4.1(c)(ii), the Selling Party shall furnish the other Party with a copy of such report.

(iii) For any country for which, as a matter of Applicable Law, the applicable Regulatory Authority determines the maximum reimbursement price or the maximum price at which the Selling Party may sell the Combination Product using reference pricing based on the pricing of Combination Product in one or more other countries (each, a **"Reference Price Country"**), the Selling Party shall notify the other Party promptly of the approved reference price (any such price, an **"Approved Reference Price"**) for the Combination Product in such country once such price has been set, or thereafter modified by the Regulatory Authority in the country. The Country Price for any Reference Price Country shall be determined as set forth in Section 1(B) of the Pricing Rules. Without limitation of any other country in the Territory that may constitute a Reference Price Country, the Parties acknowledge and agree that, as of the Effective Date, the Republic of Ireland constitutes a Reference Price Country. Except as otherwise agreed by the Parties, the Selling Party shall be responsible for managing the discussions with the relevant agency in the Reference Price Country relating to obtaining and

maintaining such reference pricing approval. For each Reference Price Country, the Selling Party with respect to such country shall be responsible for any reporting required in connection with obtaining and maintaining reference pricing approvals for the Combination Product in such country and shall handle dealings with any applicable agencies with respect to compliance with the rules, regulations and guidelines of such agencies with respect to obtaining and maintaining reference pricing approvals for the Combination Product; *provided, however,* that the Selling Party shall provide to the other Party a copy of the initial submission for obtaining reference pricing approval for the Combination Product in each Reference Price Country in the Territory for review in advance of its filing. The Selling Party shall promptly furnish the other Party with a copy of all materials received from such agencies, together with all reports and other communications submitted by the Selling Party to such agencies, in each case solely to the extent relating to Territory Combination Product in such country. In addition, at least five (5) Business Days prior to filing any periodic reports with such agencies pursuant to this Section 4.1(c)(iii), the Selling Party shall furnish the other Party with a copy of such report.

(iv) Any country in the Territory for which the Country Price is not established pursuant to Section 4.1(c)(ii) or 4.1(c)(iii), the Country Price for such country shall be determined based on Section 1(C) of the Pricing Rules. The Parties acknowledge and agree that, as of the Effective Date, Germany is governed by this Section 4.1(c)(iv) and Section 1(C) of the Pricing Rules (which classification shall be without limitation of any other countries in the Territory that may be so governed).

(v) Prior to the commencement of pricing negotiations in any country in Territory A, the EUOC shall designate such country in the Territory as a Price Approval Country, a Reference Price Country, or a country for which the Country Price is governed by Section 4.1(c)(iv).

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(d) Customer Discounts.

(i) This Section 4.1(d) shall cover any request by any customer, whether a public or private entity (each, a **"Customer"**), to purchase, or otherwise establish the price for any proposed sale of (*e.g.*, in the case in which such entity is a third-party payor), the Combination Product at a price that is lower than the Country Price for the applicable country (such price, a **"Discounted Price"**). The EU Pricing Discount Committee shall be responsible, on an on going basis, for calculating and providing to the Selling Party any grant of authority (**"GOA"**) as calculated in accordance with this Section and the Discount Rules with respect to each Customer that seeks to obtain a Discounted Price. The GOA, if any, for each Customer shall serve as the maximum discount that may be offered by the Selling Party (or its applicable Affiliate) in its negotiations with such Customer. The Selling Party shall cause the applicable Selling Entity not to sell any Territory Combination Product to any Customer at a price, or agree to a reimbursement price for the Combination Product in connection with any formulary listing of a Customer, that is less than the price calculated by applying the GOA, if any, for such Customer. The term for any agreement to sell Combination Product to a Customer at a Discounted Price shall not exceed **[*]** or, if applicable, such longer period as is agreed by the Parties pursuant to Section 2(D) of the Pricing Rules.

(ii) At least thirty (30) days prior to the Launch of the Combination Product in each country in the Territory (or such shorter period as is mutually agreed by the Parties), each Party shall submit to the EPDC **[*]**

(iii) In the event that any Customer, including an Existing Discount Customer, requests a Discounted Price, the Discount Rules shall apply.

(e) Independent Accounting Expert. Either Party (the **"Requesting Party"**) may, upon written notice to the other Party, cause the Independent Accounting Expert to confirm the accuracy, with respect to any Customer, of (i) any calculation by the EU Pricing Discount Committee or (ii) any pricing or discounting information provided to the EU Pricing Discount Committee or to the other Party pursuant to this Section 4.1, the Pricing Rules or the Discount Rules, including any Net Component Price (as defined in Annex C) so provided. In such case, each Party and the EU Pricing Discount Committee shall cooperate with the Independent Accounting Expert and (upon the Independent Accounting Expert's entry into an appropriate confidentiality agreement) provide him or her with the data necessary to make the requisite calculations. Further, upon the written request of either Party, the calculations of the Independent Accounting Expert shall be audited by a second Third Party mutually agreed by the Parties. The Independent Accounting Expert and the Third Party auditor, if any, shall notify the JEC of their respective determinations, which notifications shall not contain any information provided to such Independent Accounting Expert (or such Third Party auditor) by either Party. The calculations made by the Independent Accounting Expert pursuant to this Section 4.1(e) shall be binding upon the EU Pricing Discount Committee and the Parties; *provided*, *however*, that in the event that a Third Party auditor identifies a discrepancy in the Independent Accounting Expert's calculations, the Parties shall cause the Independent Accounting Expert and such Third Party auditor to confer and agree upon the final calculations and advise the Parties in writing of same, whereupon such final agreed calculations shall be binding on the Parties. The

Requesting Party shall bear the fees and costs of the Independent Accounting Expert and any Third Party auditor in connection with his or her engagement pursuant to this Section 4.1(e). Nothing in this Section 4.1(e) shall be deemed to limit any remedy available to either Party in the event of a breach of any of the provisions of this Section 4.1, the Pricing Rules or the Discount Rules by the other Party. Notwithstanding anything in this Agreement to the contrary, such breach shall not be subject to the cure provisions set forth in Section 5.4 of the Standard Terms as incorporated herein. For clarity, Section 4.5, and not this Section, governs the audit of the Net Selling Prices of Stocrin provided by Merck Parent or its applicable Affiliate.

(f) Pricing Information. All information provided to the EU Pricing Discount Committee that is not publicly available (**"Territory Pricing Information"**) shall be considered Confidential Information of the disclosing Party and shall be used solely for the purpose of making the applicable calculation under the Discount Rules and setting any applicable GOAs and for no other purpose. Notwithstanding Section 4 of the EU Master Agreement, except as expressly permitted by this Section 4.1, the Pricing Rules or the Discount Rules, each Party shall cause its representatives to not disclose any Territory Pricing Information of the other Party except to (i) counsel, the Independent Accounting Expert, or any Third Party auditor selected pursuant to Section 4.1(e), or (ii) the extent permitted by Section 4.2(a) of the EU Master Agreement (but not any other subsection of Section 4.2 of the EU Master Agreement). All Territory Pricing Information shall be segregated in locked or password protected files maintained by the EU Pricing Discount Committee, which files shall not be accessible by Persons other than the members of EU Pricing Discount Committee (and as required, counsel, the Independent Accounting Expert and any Third Party auditor performing activities described in this Section 4). Without limiting the foregoing, each Party shall cause its representatives not to reference or use, directly or indirectly, any information from the EU Pricing Discount Committee in pricing its or any of its Affiliate's own products.

(g) Review of Rules. On an annual basis, or as requested by either Attorney Representative in the event that such representative believes that the Pricing Rules or the Discount Rules do not cover a scenario with respect to Territory Combination Product that needs to be addressed, the JEC shall review the Pricing Rules and the Discount Rules (in each case, as most recently modified pursuant to this Section 4.1(g), if applicable) in light of the then-prevailing market conditions and any marketing and sales strategies agreed by the Parties. If appropriate, the JEC shall recommend to the Parties changes to the Pricing Rules and the Discount Rules. For the avoidance of doubt, the JEC's action or inaction under this Section 4.1(g) shall not be subject to arbitration. If (and only if) the Parties agree in writing to any changes to the Pricing Rules or the Discount Rules, as the case may be, proposed by the JEC, then the Pricing Rules or the Discount Rules, as applicable, as so changed shall be deemed to be the "Pricing Rules" or the "Discount Rules" hereunder.

4.2 **Pricing and Other Contract Negotiations.**

(a) As between the Parties (and their respective Affiliates), the applicable Selling Entity (and its Affiliates) shall have sole responsibility for conducting pricing and discounting negotiations (and all other contracting matters) with respect to the Combination Product with Customers in the applicable country in the Territory in accordance with the Pricing

Rules; *provided, however,* that except as otherwise agreed by the Parties in writing, subject to Section 5.1, the Third Party Distributor in any Third Party Distributor Country shall have all rights and responsibilities with respect to the foregoing activities.

(b) Each Party shall ensure that none of its employees or contractors, other than a Designated Negotiator (as defined below), conduct any negotiations with any Customer in the Territory with respect to pricing or discounting matters (or any other terms of any contract to be entered into between such a Customer and the applicable Selling Entity or its applicable Affiliate) with respect to the Combination Product (such matters, **"Contracting Matters"**) or discuss the availability of discounts to such Customer (or any other matter with respect to discounts with respect to the Combination Product) without the prior consent of a Designated Negotiator.

(c) For each country other than a Third Party Distributor Country, a **"Designated Negotiator"** shall mean an employee(s) of the applicable Selling Entity (or its applicable Affiliate) that has been authorized by the applicable Selling Entity (or such Affiliate), from time to time, to conduct price and discount negotiations with Customers in the applicable country in the Territory. The applicable Selling Party shall cause the applicable Selling Entity to keep the non-Selling Party (or its applicable Affiliate) apprised, from time to time, of the names(s) and contact information for the Designated Negotiator(s).

(d) In the event that any Customer desires to discuss any Contracting Matter, the non-Selling Party shall ensure that such matter is referred to a Designated Negotiator (or in the case of a Third Party Distributor Country, the Third Party Distributor).

4.3 **Consequence of Generic Launch on Pricing.** The consequences of a Generic Version Launch on pricing and discounting shall be solely as set forth in the applicable sections of the Pricing Rules and Discount Rules. For the avoidance of doubt, nothing in such sections shall be construed to modify the Parties' respective rights and obligations with respect to the calculation of the Parties' respective Country-Specific Percentages (as set forth in the Financial Agreement, as modified by Section 8.5) with respect to the applicable country or any other related calculations under any other Covered Agreement.

4.4 **Pricing of Single Agent Products/Double Agent Product.** Gilead Sub and BMS shall each retain sole discretion with respect to price-setting and discounts for its respective Single Agent Products and Double Agent Product. Notwithstanding the foregoing, each Party covenants that it shall act in good faith in setting the price and discounts for its respective Single Agent Products and Double Agent Product in the Territory and shall not directly or indirectly manipulate pricing or discounting arrangements of its own Single Agent Products or Double Agent Product in the Territory solely or primarily for the purpose of increasing the Gilead Territory-Wide Percentage or the BMS Territory-Wide Percentage, as the case may be, or any Country-Specific Percentage.

4.5 **Net Selling Price of Stocrin Information.** Unless and until BMS acquires rights to commercialize Stocrin in the Territory, the following shall apply:

(a) BMS shall cause Merck Parent or its applicable Affiliate to provide to BMS the Net Selling Price of Stocrin (600 mg dosage form) for each country in the Territory in which Stocrin is sold and BMS shall promptly provide to Gilead Sub any such information provided by Merck Parent or such Affiliate thereof for use as set forth in this Section 4.5 (and for no other purpose). Such Net Selling Prices shall be provided for (i) the first three Calendar Quarters of each Calendar Year sixty (60) days prior to the end of such Calendar Year or on such later date as such information is reasonably available and (ii) each Calendar Year within thirty (30) days following the end of such Calendar Year or on such later date as such information is reasonably available. Each such Net Selling Price shall be calculated based on the definition of "Net Sales" set forth in the EFV License Agreement for the applicable country and period divided by the number of Units (as defined in the Financial Agreement) of Stocrin (600 mg dosage form) sold in such country and period. In the event that the Stocrin (600 mg dosage form) is not on the market in a given country, BMS shall cause Merck Parent or its applicable Affiliate to provide the Net Selling Price of Stocrin (200 mg dosage form) and Gilead and BMS shall negotiate in good faith to determine the manner of converting such Net Selling Price into a proxy for the Net Selling Price of Stocrin (600 mg dosage form) in such country for use in connection with calculations hereunder and under any other Covered Agreement.

(b) Gilead Sub shall calculate, based on the Net Selling Prices supplied by Merck Parent or its applicable Affiliate as described in the foregoing clause **[*]**.

(c) BMS shall ensure that the EFV License Agreement permits an independent accountant acceptable to BMS and Gilead Sub to audit the Net Selling Price of Stocrin information provided by Merck Parent or its applicable Affiliate pursuant to the EFV License Agreement at least once a Calendar Year (with a reasonable look-back period). Except as otherwise agreed by the Parties in writing, BMS shall invoke such audit right each Calendar Year for the Calendar Year information supplied by Merck Parent or its applicable Affiliate with respect to the prior Calendar Year. Any reasonable costs and expenses incurred by BMS in connection with any such audit shall constitute Authorized Other Expenses. Gilead Sub shall be entitled to a copy of any information provided by BMS by the independent accountant in connection with any such audit. The findings of the audit shall be binding on the Parties (and each Party shall cause such findings to be binding on its Affiliates).

(d) In the event that the independent accountant determines, pursuant to clause (c), that any Net Selling Price of Stocrin provided by Merck Parent or its applicable Affiliate was inaccurate, the independent accountant shall calculate and provide to BMS and Gilead the correct Net Selling Price. Any calculations made based on the erroneous Net Selling Price hereunder or under any other Covered Agreement shall be recalculated based on the correct Net Selling Price and any amounts due hereunder or under any Covered Agreement that were determined based on such calculations shall be adjusted and appropriate credit notes or invoices shall be issued within thirty (30) days after the results of the audit are obtained by the Parties. Any such invoice shall be due thirty (30) days after such invoice is provided to a Party or its applicable Affiliate. Each Party shall cause its Affiliates to be bound by the foregoing.

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(e) Gilead Sub shall ensure that any information provided to it pursuant to this Section 4.5 shall (i) not be shared with any of its or its Affiliates' employees that is involved with the pricing or marketing strategies for any of its or its Affiliates' HIV-related products, (ii) shall not be used for any purpose other than those specified in this Section 4.5 and (iii) be treated as Proprietary Information (as defined in the EFV License Agreement as such agreement is in effect as of the Effective Date and as such definition has been provided to Gilead Sub prior to the Effective Date) of Merck Parent (or its applicable Affiliate) in accordance with the EFV License Agreement (as such agreement is in effect as of the Effective Date) to the extent the applicable provisions of the EFV License Agreement have been provided to Gilead Sub in writing prior to the Effective Date.

SECTION 5
COMMERCIALIZATION ACTIVITIES

5.1 **Generally; Arrangements for Certain Territory A Countries.**

(a) Generally.

(i) The Parties shall, and shall cause their respective Affiliates to, commercialize the Combination Product in the Territory in accordance with this Section 5, the other terms of this Agreement, any applicable Co-Promotion Agreement and the MAH Shareholder Agreement. The Parties acknowledge the rights granted by the MAH to the Parties to commercialize the Combination Product in the Territory.

(ii) Unless otherwise agreed by the Parties in writing, (A) Gilead Sub shall (and shall cause its Affiliates to) sell all Combination Product purchased by Gilead Sub pursuant to the Product Supply Agreement solely in the Territory (or as otherwise mutually agreed by the Parties) in accordance with the terms of this Agreement and (B) if applicable, BMS shall (and shall cause its Affiliates to) sell any Combination Product purchased by BMS or any of its Affiliates pursuant to any BMS Product Supply Agreement solely in the Territory and in accordance with the terms of this Agreement and such BMS Product Supply Agreement.

(iii) Each of Gilead Sub and BMS shall comply, and shall cause its Affiliates to comply, with Applicable Law, including the applicable Territory Marketing Authorization, in conducting their respective Commercialization Activities.

(iv) Promptly following the Effective Date, the Parties shall negotiate in good faith (A) to complete the designations set forth in Annex L, (B) without limitation of the foregoing, to determine which Party shall be the Selling Party with respect to such country, and (C) to determine the supply arrangements with respect to such country, including any modifications to the financial transactions set forth in the Covered Agreements as may be required to reflect such supply arrangements (provided that, in no event shall either Party be entitled to a distribution fee or other additional compensation or commission for serving as the distributor in any such country (other than reimbursement for any Authorized Distribution Expenses to the extent provided herein) unless otherwise mutually agreed by the Parties). In connection with the foregoing, the Parties shall amend this Agreement, including amending Annex L to specify the foregoing designations, and amend (or cause their respective Affiliates to amend) any other applicable Covered Agreement to reflect the Parties' determinations with respect to the foregoing and enter into any BMS Product Supply Agreement(s) that are determined to be required.

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(v) Neither Party shall have any right or obligation to distribute, Promote, Launch, or seek pricing approvals for the Combination Product in any Third Party Distributor Country until (A) the foregoing amendments with respect to such country have been made, (B) the Parties have complied with any other applicable provision(s) of this Section 5.1, including Section 5.1(b), and (C) any applicable BMS Product Supply Agreement or Third Party Distributor Agreement (or modifications thereto) has been executed. Further, prior to Launch in any Third Party Distributor Country, the Parties shall mutually agree in writing on the price at which the Combination Product will be sold to the Third Party Distributor for such country.

(vi) For any country other than (A) those countries in the Co-Promote Territory and (B) the Gilead Sole-Promote Countries, the Parties agree that, until such time as the distributor for such country has been determined (*i.e.*, a Selling Entity or Third Party Distributor has been designated for such country hereunder), the Parties shall specify an Affiliate of BMS, designated by BMS, as the local distributor in any applicable regulatory filings with respect to the Combination Product in the Territory on or after the Effective Date and on any applicable Product SmPC, Labeling and Package Leaflets for the Combination Product; *provided,* that the foregoing shall not apply to the extent and for so long as such designation is inconsistent with any Territory Marketing Authorization that may require the designation of Merck Parent (or its applicable Affiliate) as the local distributor.

(b) Third Party Distributor Countries.

(i) It is anticipated that, for certain countries in the Territory, a Third Party distributor (**"Third Party Distributor"**) will be engaged to distribute the Combination Product (such country, for so long as a Third Party is so engaged to distribute the Combination Product, a **"Third Party Distributor Country"**).

(ii) With respect to any anticipated Third Party Distributor Country, promptly following the Effective Date, the applicable Party shall provide to the other Party redacted copies of its relevant existing agreement(s) with the anticipated Third Party Distributor and the proposed terms to be included in such agreement in connection with extending such agreement to cover the Combination Product in the applicable country(ies) in the Territory. Such copies may be redacted to exclude provisions to the extent relating solely to products other than the Combination Product. Such Party shall provide the other Party an opportunity to comment on the (anticipated) terms of such Third Party arrangements (including the applicable transfer price and the commercialization plan (including discounts to be offered to such Third Party Distributor, the volume thresholds associated with such discounts, and initial launch pricing) and the term of the agreement(s) as it/they apply to the Combination Product) with respect to the Combination Product. In the event that the terms of such Third Party arrangements are unacceptable to one of the Parties or one of the Parties notifies the other Party that it elects not to Launch the Combination Product in the applicable country, the anticipated Third Party Distributor shall not be granted the right to distribute the Combination Product in such country. Further, the applicable Party shall provide the other Party an opportunity to comment on

modifications to the relevant commercialization plan that the Third Party Distributor intends to adopt from time to time, and in the event that such modifications are unacceptable to one of the Parties, then the applicable Party shall terminate such Third Party Distributor's right to distribute the Combination Product in such country. For clarity, until such time as the Third Party Distributor has the right to sell Combination Product in the applicable Third Party Distributor Country, the Parties shall make available Combination Product to Customers located in such country in a manner determined by the EUOC by way of sales by a Selling Entity in another country in the Territory to the extent that orders are received from such country.

(iii) In no event shall the Selling Party (A) extend the term of any Third Party Distributor Agreement (as the term applies to Territory Combination Product), (B) grant any further rights to any Third Party Distributor with respect to Territory Combination Product, or (C) otherwise materially modify any Third Party Distributor Agreement as it relates to Territory Combination Product without the consent of the non-Selling Party. For the avoidance of doubt, nothing in this Section 5.1(b)(iii) shall preclude either Party (or its applicable Affiliate) from negotiating, extending or modifying any Third Party Distributor Agreement (or any other agreement) as it applies to any of its products other than the Combination Product.

(iv) In the event that one of the Parties desires to assume the responsibilities of distributor of the Combination Product in any Third Party Distributor Country (*e.g.*, in the case of expiration or termination of the Third Party arrangements), such Party shall notify the other Party as promptly as possible. (In the event that both Parties desire to assume the responsibilities of distributor of the Combination Product in such country, the Parties shall negotiate in good faith to determine which Party would assume such responsibilities.) Promptly following receipt of such notice, the Selling Party shall use commercially reasonable efforts to terminate such arrangement with such Third Party Distributor with respect to distribution of the Combination Product in such country. Upon expiration or termination of the applicable agreement(s) with the Third Party Distributor (as they relate to Territory Combination Product), the applicable Party shall become the Sole Promoting Party (and the distributor) in such country.

(v) For clarity, Third Party Distributor Countries shall include only those countries with respect to which the Combination Product is sold to a Third Party Distributor and shall not include any country as a result of the Selling Party's engagement of a Distribution Subcontractor.

(vi) The Parties shall (and shall cause their respective Affiliates to) negotiate in good faith appropriate amendments to this Agreement and any other applicable Covered Agreement to ensure that the transfer price obtained from any Third Party Distributor in connection with its purchase of Territory Combination Product, taking account of any permitted discounts, is apportioned between the Parties (or their respective Affiliates) in a manner consistent with the apportionment of Net Sales (as defined in the Financial Agreement) of the Combination Product between the Parties (or their respective Affiliates) pursuant to the Covered Agreements.

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(c) Promotion Rights. Subject to this Section 5.1 (and any restrictions on Launch set forth therein), both Parties shall have the right to Promote the Combination Product in each country in the Territory (other than any Third Party Distributor Country, in which country neither Party shall Promote the Combination Product without the written consent of the other Party); *provided,* that the non-Sole Promoting Party shall have the right to Promote the Combination Product in the other Party's Sole-Promote Countries pursuant to this Section 5.1(c) only. With respect to any Sole-Promote Country, the non-Sole Promoting Party shall have the right to commence co-Promotion of Territory Combination Product in such country upon ninety (90) days' written notice to the Sole Promoting Party, which notice shall specify the date on which such non-Sole Promoting Party intends to commence such Promotion; *provided,* that such non-Sole Promoting Party shall not have the right to commence such co-Promotion until the date on which such non-Sole Promoting Party has established an HIV sales force in such country. Upon such notice, the Parties shall negotiate in good faith and, prior to the anticipated date on which such non-Sole Promoting Party (or any of its Affiliates) will commence co-Promotion of the Combination Product in such country, enter into (i) a Co-Promotion Agreement (as defined below) with respect to such country, and (ii) any appropriate amendments to this Agreement and any other applicable Covered Agreement then in effect, including the Financial Agreement, to reflect such non-Sole Promoting Party's co-Promotion of the Combination Product in such country, including any updates to the Commercialization Plan and the Commercialization Budget, if applicable, for such country commencing as of the date on which such non-Sole Promoting Party commences co-Promotion of the Combination Product in such country.

(d) [*]

5.2 **Co-Promotion Agreements.** Prior to the Launch of the Combination Product in each country in the Co-Promote Territory, Gilead Sub and BMS shall cause their applicable Affiliates to, enter into a co-promotion agreement with respect to the co-promotion of the Combination Product in such country substantially in the form of the agreement set forth in Annex D (each such agreement, a **"Co-Promotion Agreement"**).

5.3 **Promotion Obligations.**

(a) Generally. Without limitation of Section 5.2, Gilead Sub and BMS each shall use Commercially Reasonable Efforts to perform in each country in the Territory (other than any Third Party Distributor Country) the Commercialization Activities that such Party is required to perform under the Commercialization Plan in accordance with the Commercialization Budget, for so long as there is a Commercialization Plan in effect. Subject to the Commercialization Plan and, in the case of any country in the Co-Promote Territory, the applicable Co-Promotion Agreement, each Party and any of its Affiliates that has the right to Promote the Combination Product in a given country shall be free to (i) engage in Details in such country in its sole discretion, and (ii) select independently the target prescribers to which it shall Promote the Combination Product in such country. Gilead Sub and BMS shall each Detail the Combination Product and perform its other Promotional activities under this Agreement in the Territory in strict adherence with Applicable Law and any professional requirements, including those relating to promotion of pharmaceutical products, consumer protection, fraud and abuse and false claims. Gilead Sub and BMS shall each cause its Field Force to (A) comply with Section 5.6 and (B) make only such statements and claims regarding the Combination Product as are consistent with Applicable Law and the applicable Product SmPC, Labeling and Package Leaflets. The Parties shall agree in good faith on appropriate metrics for tracking and assessing the performance and effectiveness of the Parties' respective Commercialization Activities of the Parties and their applicable Affiliates.

(b) Countries without Minimum Detail Requirements. Without limitation of the foregoing clause (a), each Party shall use Commercially Reasonable Efforts to Promote the Combination Product in any Territory A Country (other than a Third Party Distributor Country). Not performing any Details in any Sole-Promote Country may be consistent with such level of effort; *provided, however,* in the event the Sole Promoting Party determines not to perform any Details in a given country (or to cease performing Details in such country), it shall notify the other Party of such determination.

5.4 **Distribution Obligations and Related Matters.**

(a) Except in the case of any Third Party Distributor Country, each Party (or its applicable Affiliate) shall have the sole responsibility and right to fill orders with respect to the Combination Product in each country in the Territory for which it is the Selling Party (**"Territory Customer Orders"**). If for any reason the non-Selling Party or any of its Affiliates with respect to a given country receives a Territory Customer Order for the Combination Product from a Customer located in such country, such Party shall, or shall cause such Affiliate to, promptly forward such order to the Selling Party (or its applicable Affiliate), or to the applicable Third Party Distributor in such country approved pursuant to Section 5.1, if any.

(b) Without limitation of Section 5.4(a), the Selling Party shall perform the following activities with respect to sales of the Combination Product in each country in the Territory for which it is the Selling Party: inventory management and control, warehousing and distribution, invoicing, collection of sales proceeds, preparation of sales records and reports, customer relations and services, the handling of returns, and such other activities for which the Selling Party has responsibility pursuant to Annex E, if any, in each case in accordance with the terms set forth in Annex E and, to the extent not inconsistent therewith, customary practice in the pharmaceutical industry.

(c) Any reasonable, external, out-of-pocket expenses incurred by the applicable Selling Party in connection with the performance of its activities conducted pursuant to this Section 5.4 (and Annex E) (including any amounts paid to any Distribution Subcontractor (as defined in Annex E) but subject to the remainder of this Section 5.4, and excluding any expenses incurred by the applicable Selling Party's Third Party Distributor, if applicable) shall constitute **"Authorized Distribution Expenses"**. Without limitation of the foregoing, any shipping and warehousing costs incurred by or on behalf of either Party or any Affiliate thereof in connection with the shipping of Territory Combination Product to the applicable Customer or warehousing of Territory Combination Product after it is sold to Gilead Sub pursuant to the Product Supply Agreement or to BMS or its applicable Affiliate pursuant to any BMS Product Supply Agreement shall constitute Authorized Distribution Expenses (and not Local Expenses under any Co-Promotion Agreement). Notwithstanding the foregoing, in the event that a Distribution Subcontractor is engaged to perform certain activities (other than shipping) in a given country, (i) the amount to be paid to such Distribution Subcontractor for performing such

activities, or if such amount is not fixed, the basis for calculating such amount, shall be provided to the other Party and the JFC prior to the engagement of such Distribution Subcontractor to perform such activities, and (ii) the amounts paid to such Distribution Subcontractor shall constitute Authorized Distribution Expenses to the extent that the JFC determines that such amounts are reasonable, which determination the JFC shall make by comparing such amounts to the amounts that BMS pays to its subcontractors for the same activities in such country or a similar country or, if not available, an appropriate benchmark selected by the JFC. For the avoidance of doubt, Authorized Distribution Expenses shall not include any expenses that are reimbursable pursuant to any Co-Promotion Agreement.

5.5 **[*]**

5.6 **Marketing Materials.** Subject to the remainder of this Section 5.6, each Party's Promotion of the Combination Product in the Territory shall be in accordance with the Approved Marketing Materials (as defined below) (including any localized version thereof) and the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product; *provided*, *however*, that subject to the foregoing (and any applicable provisions of the Co-Promotion Agreements), each Party (and its Affiliates) shall have a right to position the Combination Product within its HIV product portfolio in its sole discretion. Except as otherwise provided in this Section 5.6, each Party shall use the Approved Marketing Materials (and only the Approved Marketing Materials) for a given country in the Territory, together with the applicable Product SmPC, Labeling and Package Leaflets, in Promoting the Combination Product in such country. In the absence of any Approved Marketing Materials for a given country in the Territory, each Party shall Promote the Combination Product in such country using only the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product. The obligations set forth in this Section 5.6 shall be without limitation of any obligations of any Parties or its Affiliates set forth in the provisions of the MAH Shareholder Agreement with respect to Marketing Materials (as defined in such agreement), advertising and promotional compliance, and Combination Product Trademarks (as defined in such agreement). The Parties agree that, subject to any applicable provisions of the MAH Shareholder Agreement, the applicable Product SmPC, Labeling and Package Leaflets for Territory Combination Product and any Approved Marketing Materials shall include the two names "Bristol-Myers Squibb" and "Gilead Sciences" displayed with equal prominence, to the extent permitted by Applicable Law. Except as otherwise mutually agreed by the Parties in writing, any Party that is a party to a Third Party Distributor Agreement shall cause its Third Party Distributor to (i) use only the Approved Marketing Materials (which may be localized by the Third Party Distributor for the applicable country provided that no material modification is made in connection therewith) and the applicable Product SmPC, Labeling and Package Leaflets to Promote the Combination Product in the applicable countries and (ii) Promote the Combination Product in accordance with Applicable Law.

(a) The EUOC shall develop and approve an initial set of advertising and promotional materials for the Combination Product for use in each country in the Territory. If the EUOC cannot reach agreement with respect to such materials, the JEC shall attempt to resolve any disputed issues relating to the materials. Any such materials approved by the EUOC

or the JEC pursuant to this Section 5.6(a) with respect to a given country (and any updates thereto approved pursuant to Section 5.6(b) or Section 5.6(c)) shall be deemed **"Approved Marketing Materials"** with respect to such country. Further, any localization of any Approved Marketing Materials shall constitute Approved Marketing Materials without requiring approval of the EUOC; *provided,* that such localization is limited to translation and other non-material modifications. (Any material modifications made to the Approved Marketing Materials in the course of localization shall require the approval of the EUOC pursuant to this Section 5.6.)

(b) Each Party may propose interim updates to the Approved Marketing Materials for each country in the Territory from time to time, independent of the semi-annual reviews conducted pursuant to Section 5.6(e). The EUOC shall be required to consider, and shall adopt, such updates only if they satisfy the following conditions: (i) the update is based on relevant new scientific, medical or clinical data, relevant new regulatory or legal developments, or changes to the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product; and (ii) in the absence of such update, the use of the Approved Marketing Materials would not comply with Applicable Law (any update satisfying such conditions, a **"Required Update"**).

(c) Approximately six (6) months after the Launch of the Combination Product in a country in the Territory, the EUOC, as applicable, shall review and, if appropriate, update the Approved Marketing Materials, if any, for such country. Such updates shall include, at a minimum, any Required Updates. If the EUOC cannot reach agreement on a Required Update proposed by a Party, then the matter shall be referred to the JEC and shall be subject to dispute resolution under Section 2.6. In the event that none of the EUOC, the JEC, and the Executives is/are able to reach agreement on a proposed Required Update, and after the conclusion of any arbitration relating to Required Updates, each Party may elect upon written notice to the other Party to Promote the Combination Product in such country using (i) the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product alone or (ii) the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product or the Approved Marketing Materials as modified to reflect any Required Updates (as finally determined by the arbitrator(s), as applicable).

(d) In connection with the review conducted pursuant to Section 5.6(c), the EUOC may make other appropriate changes arising from business or other considerations (each, an **"Optional Update"**) as proposed by a Party. In the event that the EUOC cannot reach agreement on any proposed Optional Update to the Approved Marketing Materials for a country in the Territory, then the dispute shall be referred to the JEC and shall be subject to dispute resolution under Section 2.6; *provided*, *however*, that for the avoidance of doubt, the dispute shall not constitute an Arbitration Matter. In the event that none of the EUOC, the JEC, and the Executives is/are able to reach agreement on a proposed Optional Update, each Party may elect upon written notice to the other Party to Promote the Combination Product in such country using (i) the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product alone or (ii) the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product or the Approved Marketing Materials without such Optional Update.

(e) Following the review conducted pursuant to Section 5.6(c), the EUOC shall review the Approved Marketing Materials on a semi-annual basis and shall make Required Updates and consider any Optional Updates proposed by a Party. Any disputes within the EUOC relating to such updates shall be resolved using the procedures set forth in Sections 5.6(c) and 5.6(d), as applicable.

(f) The EUOC shall (i) select an advertising agency or agencies to assist with the Marketing of the Combination Product in each country in the Territory and (ii) oversee the activities of such agency or agencies. The EUOC shall determine the Party that shall contract with each such agency, which Party shall enter into a contract with such agency on commercially reasonable terms, and the Parties shall include the external, out-of-pocket costs and expenses anticipated to be incurred in connection with such contract in the Commercialization Budget.

(g) The EUOC shall develop, implement and oversee an orderly, systematic process, involving representatives from the legal, medical and regulatory functions of each Party, for the review and approval of advertising and promotional materials to be used in each country in the Territory.

(h) Without prejudice to the other provisions of this Section 5.6, with respect to Approved Marketing Materials for use in any country in the Territory, Gilead Sub shall be responsible for obtaining and maintaining any governmental approvals required with respect to the use of such Approved Marketing Materials and, for the avoidance of doubt, shall have the right to file for routine renewal of any such approvals annually without approval of the JEC or any Operating Committee.

5.7 **Use of Trademarks.** Each Party shall conduct its activities hereunder in a manner consistent with Section the provisions of the MAH Shareholder Agreement with respect to Combination Product Trademarks (as defined is such agreement).

5.8 **Commercialization Plan and Budget.**

(a) The Commercialization Plan shall (i) be developed on a country-by-country basis and, with respect to Territory Centralized Expenses and related activities, a Territory-wide basis, (ii) specify any Territory-wide activities and country-specific activities to be conducted in each country in the Territory, which country-specific activities shall be mutually agreed by the parties to the applicable Co-Promotion Agreement, if any, in accordance with such agreement, subject to any applicable provisions of this Agreement, and (iii) cover only activities for commercialization of Territory Combination Product that shall be conducted by or on behalf of one Party or its applicable Affiliate or that must be coordinated between the Parties or their respective Affiliates hereunder or under any Co-Promotion Agreement, which activities shall conform to the other terms of this Agreement, including the provisions of this Section 5 and the Co-Promotion Agreement, if any, for the applicable country. Such plan shall specify (A) such activities and (B) the Party that shall take the lead role with respect to such activities on a country-by-country basis (or Territory-wide basis, if applicable).

(b) The initial Commercialization Plan attached hereto as Annex F covers Calendar Years 2006, 2007 and 2008 (such plan, as updated from time to time in accordance with this Section 5.8, the **"Commercialization Plan"**) for certain countries in the Territory. From time to time, the Parties or the JEC shall amend the Commercialization Plan to include each other country in the Territory prior to the anticipated date of Launch in such country. The Commercialization Plan and any update thereto shall contain a budget for each Party's out-of-pocket expenses for such Party's activities set forth therein (such budget, the **"Commercialization Budget"**), which budget shall be set forth on a country-by-country basis (for the countries included in the Commercialization Plan) and with respect to Territory Centralized Expenses, on a Territory-wide basis. The initial Commercialization Plan covers, and any updates thereto shall cover (i) unit volume and market share forecasts for the Combination Product in each country in the Territory that is included in the Commercialization Plan for the foregoing period, (ii) certain Marketing and other commercialization activities for the Combination Product that are required to be conducted in each such country by or on behalf of one Party or its applicable Affiliate or that must be coordinated between the Parties or their respective Affiliates hereunder or under the applicable Co-Promotion Agreement, (iii) the total minimum number of Details by each Party in each country in the Territory in each Calendar Quarter (or part thereof); *provided, however,* that, without limitation of the obligations of each Party set forth in Section 5.3 to use Commercially Reasonable Efforts to perform such Party's Commercialization Activities and to Promote the Territory Combination Product, no minimum number of Details are required for any country in Territory A; and (iv) any other matters or activities determined by the EUOC. With respect to each country, except as otherwise agreed by the JEC or by the Parties in writing, the total amount included in the Country-Specific Commercialization Budget for the Initial Launch Period for such country shall be at least the amount of the Initial Launch Period Financial Commitment for such country.

(c) For each Calendar Year commencing with Calendar Year 2009 (other than (i) any such Calendar Year for which the Parties agree that there shall be no Commercialization Plan or Commercialization Budget or (ii) any such Calendar Year that follows a Calendar Year in which the Commercialization Budget is zero), the Parties shall jointly prepare, based on country-by-country plans and budgets developed by the JLOCs pursuant to the Co-Promotion Agreements or as otherwise agreed by the Parties, any proposed updates to the Commercialization Plan and Commercialization Budget (which updates shall be prepared in sufficient time to permit Gilead Sub to submit, in a timely manner, such updates to the EUOC and the JFC in accordance with this Section 5.8(c)). Gilead Sub shall submit to the EUOC and the JFC, not less than sixty (60) days prior to the start of each Calendar Year for such Calendar Year, any jointly-agreed proposed updates to the Commercialization Plan and Budget. In the event that Gilead Sub and BMS fail to reach agreement with respect to any such proposed updates, each Party shall submit its proposed updates to the EUOC and the JFC by the deadline set forth in the immediately preceding sentence. The JFC shall provide its comments on any Commercialization Budget submitted to the JFC to the EUOC, for its consideration, within ten (10) Business Days following such submission. Following review, discussion and appropriate revision of such proposed update, no later than forty-five (45) days prior to the start of the applicable Calendar Year, the EUOC shall (A) agree upon an update to propose to the JEC and submit such proposed update to the JEC, or (B) in the event the EUOC cannot reach agreement on such any such proposed update, to submit to the JEC the proposed update submitted by Gilead Sub (or each Party) to the EUOC pursuant to this Section 5.8(c) and any other relevant materials, including any comments that the JFC and either Party's EUOC members may have on such proposed update, so as to enable the JEC to reach agreement with respect to such an update.

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(d) Without limitation to the annual updates covered by Section 5.8(c), either Party, directly or through its representatives on the EUOC, as the case may be, may propose interim updates to the Commercialization Plan and the Commercialization Budget to the EUOC from time to time as appropriate in light of changed circumstances. The EUOC shall review, discuss and revise, as appropriate, any such proposed update at its next quarterly meeting. In the event that any such proposed update would cause the updated Commercialization Budget to exceed one hundred and five percent (105%) of the Commercialization Budget most recently approved by the JEC pursuant to Section 5.8(c) (a **"Significant Interim Update"**), the EUOC shall forward such proposed update, with its recommendation, if any, with respect to such proposed update, to the JEC for review and approval. In the event that such proposed update is not a Significant Interim Update, including in the case in which the proposed update would reallocate funds between or among two or more countries in the Territory, but not increase the Commercialization Budget beyond the foregoing threshold, the EUOC shall determine whether or not to approve such proposed update, which determination shall be final and not subject to dispute resolution pursuant to Section 2.6.

(e) Subject to Section 2.2(c) and Section 2.7, if a proposed update to the Commercialization Plan or Commercialization Budget is not approved by the JEC (or if applicable, the EUOC), then such Commercialization Plan or Commercialization Budget, as the case may be, shall continue in effect as approved and most recently updated pursuant to this Section 5.8.

5.9 **Commercialization Expenses.** The Parties agree that any expenses incurred by a Party or any of its Affiliates in connection with the performance of its respective Commercialization Activities hereunder or under any Co-Promotion Agreement shall constitute **"Authorized Commercialization Expenses"** solely to the extent that such expenses are Territory Centralized Expenses and: (a) such Commercialization Activities are covered in and consistent with the Territory Centralized Plan and are within an area of responsibility for such Party listed in the Territory Centralized Budget and are not eligible for sharing or reimbursement pursuant to any Co-Promotion Agreement; (b) the total expenses for such Party's designated activities under the Territory Centralized Plan for the relevant period do not exceed the aggregate amount set forth in the Territory Centralized Budget for such activities in such period; (c) the expenses are external, out-of-pocket costs of such Party or Affiliate, without any markup, and not internal costs, including internal costs incurred in maintaining or operating a Field Force or marketing organization (including marketing personnel and sales support personnel); and (d) the relevant Commercialization Activities are for the Marketing of the Combination Product in the Territory only and not for the Marketing of any other proprietary products of such Party or any of its Affiliates. The Parties acknowledge and agree that certain of the activities set forth in the Commercialization Plan may have been performed prior to the Effective Date under the Interim Agreement and that the costs and expenses associated therewith shall be reimbursable under this Agreement as Authorized Commercialization Expenses to the extent that they satisfy the foregoing criteria. Notwithstanding the limitation contained in clause (d) above, in the event that

either Party reasonably believes that there are cost or other efficiencies that can reasonably be expected to be achieved through one or both Parties' conducting Commercialization Activities with respect to the Combination Product as part of, or in coordination with, activities being conducted by one or both Parties with respect to its or their Single Agent Product(s) or Double Agent Product, such Party(ies) may propose, by and through its applicable EUOC member(s), that such activities be coordinated and an appropriate and reasonable allocation of the related costs be made between the Combination Product, on the one hand, and such other product or products, on the other hand, and that the amount allocated to the Combination Product be treated as Authorized Commercialization Expenses (each such proposal, a "Cost Allocation Proposal"). If, and only to the extent that, such Cost Allocation Proposal is reviewed by the EUOC and JFC and approved by the JEC (with any modifications made by the JEC), the amount approved by the JEC for allocation to the Combination Product shall constitute Authorized Commercialization Expenses.

5.10 **Reports.** Except as otherwise agreed by the EUOC, with respect to each country in the Territory, Gilead Sub and BMS shall each present to the other, at a meeting of the EUOC at least once per Calendar Quarter until the second anniversary of the Launch of the Combination Product in such country and, thereafter, at a meeting of the EUOC at least semiannually, a report (oral and written, which written report shall not be required to contain more detail than that typically included in an executive summary) describing (a) the Commercialization Activities it has performed, or caused to be performed, including Details, since the preceding meeting at which such a report was presented (or, in the case of the first meeting of the EUOC, prior to such meeting) and on a Calendar Year-to-date basis, evaluating the work performed in relation to the goals and timeline of each Commercialization Plan, (b) its Commercialization Activities in process and the future activities it expects to initiate during the then-current Calendar Year, as compared to each Commercialization Plan, and (c) in the case of the written report, the Authorized Commercialization Expenses incurred, and expected to be incurred, by such Party (and its applicable Affiliates) for the then-current Calendar Year, as compared to the applicable Commercialization Budget. In addition, Gilead Sub and BMS shall report promptly to the EUOC through their respective committee members any material developments with respect to Commercialization Activities that they are responsible for performing under the Commercialization Plan. Notwithstanding anything contained in this Section 5.10 to the contrary, each Party's reporting obligations under this Section 5.10 shall automatically be deemed to terminate with respect to any period in which there is not then in effect a Commercialization Plan or Commercialization Budget. Without limitation of any of the foregoing, the Parties shall negotiate in good faith and mutually agree in writing upon any additional reporting requirements with respect to any Third Party Distributor Country.

5.11 **Records.**

(a) Maintenance of Records. Gilead Sub and BMS each shall (in accordance with their respective allocations of responsibility with respect to the Commercialization Activities) maintain and retain, or cause to be maintained and retained, final records (but not draft records or documents except as otherwise required by Applicable Law) of its (and its Affiliates') respective Commercialization Activities covered in the Commercialization Plan for at least (i) three (3) years or (ii) such longer period as may be required by Applicable Law.

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(b) Access to Records. Subject to this Section 5.11(b), each Party shall have the right, with respect to records maintained by the other Party (and its Affiliates) of such other Party's (and its Affiliates') Commercialization Activities covered in the Commercialization Plan, during normal business hours and upon reasonable notice, to inspect and copy any such records pursuant to this Section 5.11(b) solely to the extent relating to the Combination Product and solely to the extent (i) necessary in order for the inspecting Party (or its Affiliates) to perform its obligations with respect to Commercialization Activities in a manner consistent with the applicable Commercialization Plan, (ii) necessary for the inspecting Party to confirm compliance with, or to comply with, Applicable Law, as it relates to the activities conducted hereunder or under any Co-Promotion Agreement, or (iii) necessary to enable the inspecting Party to conduct reasonable diligence on matters potentially giving rise to liability on the part of the Supply JV, the MAH or such Party or any of its Affiliates, or to conduct a defense of itself or any of the foregoing Persons, if and to the extent that a fact, circumstance or event has arisen that gives the inspecting Party a reasonable basis to believe that it or any such Person has or may incur such liability, in each case for use by the inspecting Party for the purpose set forth in clause (i), (ii) or (iii) above, as the case may be. Clause (iii) of the immediately preceding sentence shall not require any Party or any of its Affiliates to provide such data, documentation or records in the event that the Parties' (or their respective Affiliates') interests in such matter are or may be adverse in any material respect, in which case Applicable Law, including discovery rules and procedures shall apply. Each such request shall be made in writing and shall state the reason(s) therefor (each a **"Commercial Record Request"**). The Party (or its applicable Affiliate) from which such records, documentation or data are requested shall have the right to raise reasonable objections in writing in response to such Commercial Record Request, including based on such Party's or Affiliate's interests in protecting from disclosure to the requesting Party trade secrets or other competitive business information. Upon any such objection being asserted, the Parties shall promptly confer in an attempt to address each Party's concerns and reach a resolution with respect to the matter, and in the event that the Parties are unable to agree upon a mutually agreeable resolution, either Party shall have the right to refer the matter to the EUOC. In the event that any such dispute is referred by a Party to arbitration pursuant to Section 2.6 (and Section 6.7 of the Standard Terms), the arbitrators shall determine as a threshold matter whether and to what extent one or more criteria set forth in clauses (i), (ii) or (iii) above have been satisfied by the requesting Party, and, if so, shall make a determination with respect to whether and to what extent the disclosure of such information shall be required, by balancing, on the one hand, the requesting Party's need to obtain such records, documentation or data, and on the other hand, the objecting Party's interests in protecting such records, documentation and data from disclosure. In making such determination, the arbitrator(s) shall (x) confine their consideration to the facts and arguments set forth in the Commercial Record Request and the other Party's written response thereto, and (y) have the right to require the receiving Party to abide by terms and conditions for the handling, use and non-disclosure (either within such Party's organization or to other Persons) of such information as may be reasonable under the circumstances. Except as provided in this Section 5.11, a Party shall not have the right to obtain from the other Party access to or copies of the other Party's records, documentation and data described above, unless

otherwise expressly permitted pursuant to this Agreement or any other Covered Agreement to which the Parties (or their respective Affiliates) are parties or the other Party gives its consent in its sole discretion. Notwithstanding the foregoing, neither Party shall have any obligation to (and, with respect to pricing and discounting matters as set forth in Section 4.1, neither Party shall) provide (or cause to be provided) to the other Party any information pursuant to the Section 5.11 to the extent it relates to price setting and discounting, or inventory management agreements, or which such first Party (or any of its Affiliates) is restricted from disclosing pursuant to Applicable Law or confidentiality or other contractual arrangements with Persons other than the Parties or their Affiliates.

(c) Notwithstanding the foregoing, nothing in this Section 5.11 shall limit the rights or obligation of the Parties (or any of their respective Affiliates) under Section 3 of the Standard Terms as incorporated herein or any audit provision set forth in the Financial Agreement. In the event of a conflict between this Section 5.11 and Section 3 of the Standard Terms or any such audit provision, Section 3 of the Standard Terms or such audit provision, as the case may be, shall control. The Parties shall negotiate in good faith and mutually agree in writing upon any audit rights with respect to Third Party Distributor records.

5.12 **Samples and Product Donations.**

(a) Except to the extent mutually agreed in writing, Gilead Sub and BMS shall not provide, or give access to, samples of the Combination Product to health care practitioners or patients in connection with Promotion of the Combination Product in the Territory.

(b) Further, no Party shall donate any Territory Combination Product to any Third Party unless (i) mutually agreed in writing by the Parties (or their respective Affiliates) or (ii)(A) such Party provides notice to the other Party of its intention to donate Territory Combination Product, which notice shall specify (x) the price at which such Party intends to purchase such Territory Combination Product, (y) the quantity of Territory Combination Product such Party intends to purchase for purposes of such donation, and (z) the Person to which such Party intends to donate such Territory Combination Product and (B) the other Party consents to such proposed donation, which consent shall not be unreasonably withheld or delayed. In the event that such consent is provided and the donating Party proceeds with the donation, (a) if the donating Party is the Selling Party with respect to the donated Combination Product, the donating Party shall treat any Combination Product so donated as Net Sales (as defined in the Financial Agreement) for the country for which the Combination Product is labeled, or (b) if the donating Party is the non-Selling Party, the Selling Party shall sell the Combination Product to the donating Party at the price specified in the foregoing clause (x). Notwithstanding the foregoing, nothing in this clause (b) shall apply to any Combination Product to be used in any Clinical Trial.

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SECTION 6
SUPPLY-RELATED MATTERS

6.1 **Generally.** Without limitation of the other provisions of this Section 6, semiannually or on such other schedule as the EUOC may agree from time to time, the EUOC shall (a) review the Manufacturing arrangements for Territory Combination Product, including availability of API and Manufacturing capacity, the anticipated Manufacturing schedule, and inventory levels of Territory Combination Product, including safety stock, held by the Supply JV, (b) provide general oversight of the process with respect to Forecasts and Orders set forth in Section 6.2 and (c) make such recommendations to the Parties with respect to any of the foregoing as the EUOC deems appropriate.

6.2 **Forecasts and Orders.**

(a) Forecasts and Related Supporting Data.

(i) Each Party shall appoint a designated employee to oversee the preparation of Forecasts (as defined below) pursuant to this Section 6.2(a), which designated employee may be an employee of an Affiliate of such Party. Any Forecast proposed by a Party hereunder shall be based on Local Demand in each country in the Territory as determined based on the Forecast Principles and Supporting Data set forth in Annex K. Further, all Forecasts agreed pursuant to clause (ii) below shall be based on Local Demand in each country in the Territory as determined based on the Forecast Principles and Supporting Data set forth in Annex K and shall be prepared in good faith and with due diligence, care and consideration. The Parties, through their respective designated employees, shall discuss any proposed Forecasts and review and exchange Supporting Data as appropriate and on such schedule as the Parties may establish from time to time; *provided* that neither Party shall have any obligation to provide any Supporting Data hereunder to the other Party to the extent that such Supporting Data is licensed by such Party (or any of its Affiliates) from any Third Party if such Party (or any of its Affiliates) does not have the right to provide such Supporting Data as required hereunder.

(ii) Based on the Supporting Data exchanged pursuant to clause (i), the Parties shall jointly develop and agree on such forecasts for each country in the Territory as Gilead Sub is required to submit to the Supply JV pursuant to the Product Supply Agreement (such forecasts, "Forecasts") in accordance with the requirements for such Forecasts set forth in the Product Supply Agreement and in sufficient time to allow Gilead Sub to submit such Forecast to the Supply JV by the date on which such Forecast is due under the Product Supply Agreement.

(iii) In the event that the Parties have not agreed upon any Forecast by ten (10) Business Days prior to the date on which such Forecast is due to be submitted under the Product Supply Agreement, either Party may refer such matter to the Designated EUOC Members, in which case the Designated EUOC Members shall consider and agree upon such Forecast not less than four (4) days prior to the date on which such Forecast is due under the Product Supply Agreement. The determination of the Designated EUOC Members shall be made based on Local Demand. In the event that the Designated EUOC Members cannot reach

agreement by such deadline with respect to any Forecast, such matter shall be escalated to the Commercial Executives for resolution not less than two (2) days prior to the date on which such Forecast is due under the Product Supply Agreement. With respect to any meetings or other discussions between the Commercial Executives regarding the resolution of such dispute, such meetings and discussions shall relate solely to the applicable Forecast or Order which is the subject of such dispute. In the event that the Commercial Executives are not able to reach agreement, Gilead Sub shall submit to the Supply JV, pursuant to the Product Supply Agreement, the required Forecast based on the previous Forecast that was most recently submitted to the Supply JV, where the forecast for any period not covered by such previous forecast shall be equal to the forecast for the immediately preceding period. The terms of Section 2.6 shall not apply with respect to any such dispute.

(b) Orders. Based on the Forecasts, and, if applicable, the relevant Supporting Data, Gilead Sub shall prepare and submit such orders for the Territory (each, a "Order") for the Combination Product as (i) are required to be submitted by Gilead Sub pursuant to the Product Supply Agreement, or (ii) Gilead Sub is permitted to submit pursuant to the Product Supply Agreement and determines, in connection with its management of the inventory of Territory Combination Product, are appropriate, in each case ((i) and (ii)) in accordance with the requirements for such orders set forth in the Product Supply Agreement.

6.3 **Supply-Related Expenses.** Any external, out-of-pocket amounts incurred by Gilead Sub in the Territory pursuant to the Product Supply Agreement other than amounts incurred by Gilead Sub pursuant to Section 6.1 or Section 6.2 of the Product Supply Agreement, shall constitute **"Authorized Supply Expenses"**, except that (a) any such amounts incurred by Gilead Sub to the extent arising out of the gross negligence or intentional misconduct of Gilead Sub or any of its Affiliates shall not constitute Authorized Supply Expenses and shall be borne in full by Gilead Sub; and (b) any such amounts incurred by Gilead Sub to the extent arising out of the gross negligence or intentional misconduct of BMS or any of its Affiliates shall not constitute Authorized Supply Expenses and shall be borne by BMS.

SECTION 7
LICENSE GRANTS AND INTELLECTUAL PROPERTY

7.1 **Licenses and Related Matters.**

(a) Trademark Licenses and Related Matters.

(i) Subject to the terms and conditions of this Agreement, Gilead Sub hereby grants, on behalf of itself and its Affiliates, to BMS a non-exclusive, royalty-free, fully paid-up, license, with right to sublicense through multiple tiers, to use in the Territory (A) the Trademarks listed on Annex G hereto (the **"Gilead Licensed Trademarks"**) for the sole purposes of commercialization of the Combination Product (but not to the commercialization of the active pharmaceutical ingredients thereof individually or in combination other than in the Combination Product or other Exploitation of the Combination Product) in the Territory and (B) the name and company logo/identifiers of Gilead Sub or its applicable Affiliate(s) for use (alone or as part of the name of the MAH) on Approved Marketing Materials and the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product.

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

(ii) Subject to the terms and conditions of this Agreement, BMS hereby grants, on behalf of itself and its Affiliates, to Gilead Sub a non-exclusive, royalty-free, fully paid-up, license, with right to sublicense through multiple tiers, to use in the Territory (A) the Trademarks listed on Annex H hereto (the **"BMS Licensed Trademarks"**) for the sole purposes of commercialization of the Combination Product (but not to the commercialization of the active pharmaceutical ingredients thereof individually or in combination other than in the Combination Product or other Exploitation of the Combination Product) in the Territory and (B) the name and company logo/identifiers of BMS or its applicable Affiliates(s) for use (alone or as part of the name of the MAH) on Approved Marketing Materials and the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product.

(iii) Gilead Sub hereby recognizes BMS's and its Affiliates' right, title, and interest in and to the BMS Licensed Trademarks. Gilead Sub further recognizes that this Agreement, or use of the BMS Licensed Trademarks in connection with this Agreement, in no way confers to Gilead Sub any right, title, and interest in and to the BMS Licensed Trademarks or any other trademarks or intellectual property rights owned by BMS or any of its Affiliates, except as may otherwise be expressly provided in this Agreement. BMS hereby recognizes Gilead Sub's and its Affiliates' right, title, and interest in and to the Gilead Licensed Trademarks. BMS further recognizes that this Agreement, or use of the Gilead Licensed Trademarks in connection with this Agreement, in no way confers to BMS any right, title, and interest in and to the Gilead Licensed Trademarks or any other trademarks or intellectual property rights owned by Gilead Sub or any of its Affiliates, except as may otherwise be expressly provided in this Agreement.

(iv) Gilead Sub acknowledges that the goodwill generated by any use of the BMS Licensed Trademarks in connection with this Agreement will inure solely to the benefit of BMS or its applicable Affiliate. BMS acknowledges that the goodwill generated by any use of the Gilead Licensed Trademarks in connection with this Agreement will inure solely to the benefit of Gilead Sub or its applicable Affiliate.

(b) Sublicense of Gilead Commercialization Rights. Subject to the terms and conditions of this Agreement, Gilead Sub hereby grants to BMS a royalty-free, non-exclusive sublicense, with the right to sublicense through multiple tiers of sublicensees to any of its Affiliates or permitted subcontractors, under any and all licenses granted to Gilead Sub in each Commercial License Agreement (to the extent that such a sublicense is permitted to be granted under such agreement) for the sole purpose of performing BMS's obligations hereunder and BMS's (or its Affiliates') obligations under the Co-Promotion Agreements and, if applicable, any BMS Product Supply Agreement.

(c) All license rights not specifically granted in this Section 7.1 are expressly reserved by each licensing Party. Any license granted in Section 7.1 may be transferred or assigned by the licensee Party only in connection with a permitted assignment of this Agreement by such Party pursuant to Section 6.5 of the Standard Terms as incorporated herein.

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7.2 **Ownership of Trademarks and Related Matters.**

(a) Gilead Licensed Trademarks. Gilead Sub shall have the sole right, at its sole cost and expense, to search, clear, file, register, prosecute, maintain and enforce the Gilead Licensed Trademarks. Gilead Sub shall have the sole right and option, at its sole cost and expense, to respond to any infringement with respect to any Gilead Licensed Trademark by appropriate steps, including by filing an infringement suit or taking other similar action. Gilead Sub shall also have the sole right and option not to prosecute, maintain or enforce Gilead Licensed Trademarks or take action to respond to any such infringement.

(b) BMS Licensed Trademarks. BMS shall have the sole right, at its sole cost and expense, to search, clear, file, register, prosecute, maintain and enforce the BMS Licensed Trademarks. BMS shall have the sole right and option, at its sole cost and expense, to respond to any infringement with respect to any BMS Licensed Trademark by appropriate steps, including by filing an infringement suit or taking other similar action. BMS shall also have the sole right and option not to prosecute, maintain or enforce BMS Licensed Trademarks or take action to respond to any such infringement.

(c) Combination Product Trademarks. The Parties acknowledge that the ownership of the Combination Product Trademarks (as defined in the US JV Collaboration Agreement) and any response to any infringement or potential infringement of such Trademark (and the costs and expenses associated therewith) shall be governed by the US JV Collaboration Agreement. Gilead Sub shall be solely responsible for searching, clearing, filing, registering, prosecuting and maintaining any such Trademarks in the Territory in the name of the US JV and the external, out-of-pocket expenses incurred by Gilead Sub in connection therewith shall be treated as Authorized Other Expenses hereunder.

(d) EU Combination Product Trademarks. In the event that there are any EU Combination Product Trademarks (as defined in the MAH Shareholder Agreement), the Parties shall coordinate in good faith (i) to secure from the owner(s) of such Trademarks (the ownership of which is governed by the MAH Shareholder Agreement) such licenses or other rights as are reasonably necessary to conduct the Parties' activities hereunder and under the Co-Promotion Agreements, (ii) to allocate responsibility as between the Parties and such owner(s) for (A) the searching, clearing, filing, registering, prosecuting and maintaining any such Trademarks in the Territory and (B) any response to any infringement or potential infringement of any such Trademarks in the Territory and (iii) to allocate, as between the Parties and such owner(s), any costs with respect to any of the foregoing.

7.3 **Ownership of Marketing Materials.** Any Approved Marketing Materials, and any intellectual property rights with respect thereto, shall be jointly owned by the Parties; provided, that (a) except as otherwise provided in clause (b), each Party shall have the right to use the Approved Marketing Materials solely as set forth herein and (b) in the event that either Party desires to use the Approved Marketing Materials (as modified appropriately) in connection with the Marketing of the Combination Product outside the Territory, the other Party shall not unreasonably withhold or delay its consent to such use and, if such consent is granted, shall grant such licenses with respect to the Approved Marketing Materials as may be reasonably necessary

in connection therewith; *provided, that* such grant shall not be required to include any grant of any rights to use any Trademark; and, provided, further that the foregoing shall not be construed to modify the rights and obligations of the Parties or their respective Affiliates under Section 5.7 of the US JV Collaboration Agreement.

7.4 **IP Expenses.** In the event that Gilead Sub reimburses the US JV pursuant to any Covered Agreement for amounts incurred by or on behalf of the US JV with respect to obtaining, maintaining or enforcing any intellectual property rights, including Trademarks, that are licensed to Gilead Sub under such agreement with respect to the Territory, such amounts reimbursed by Gilead Sub shall constitute Authorized Other Expenses to extent attributable to the Territory.

SECTION 8
PAYMENTS

8.1 **Authorized Expenses.**

For clarity, any amounts paid or payable pursuant to this Section 8 shall be subject to adjustment pursuant to the Financial Agreement to the extent provided therein.

(a) Allocation. Gilead Sub and BMS shall each bear any Authorized Expenses in accordance with the Working Percentage for the Gilead Territory-Wide Percentage and the BMS Territory-Wide Percentage, respectively, as set forth in this Section 8.1. For the avoidance of doubt, with respect to any costs and expenses incurred by a Party in performing the Commercialization Activities or other activities hereunder, the other Party shall bear a portion of such costs and expenses pursuant to this Section 8.1 only if such costs and expenses constitute Authorized Expenses.

(b) Authorized Commercialization Expenses.

(i) Each Party shall report to the other Party, no later than ten (10) Business Days after the end of each Calendar Quarter, the Authorized Commercialization Expenses incurred by such Party during such Calendar Quarter. Such report shall specify in reasonable detail all amounts included in such Authorized Commercialization Expenses during such Calendar Quarter. All Authorized Commercialization Expenses shall be reported in Euros. For reporting purposes, any Authorized Commercialization Expenses incurred in a currency other than Euros shall be converted to Euros from the applicable currency by the incurring Party in a manner consistent with its then-current standard worldwide currency conversion methodology, as consistently applied. For the avoidance of doubt, any expenses that are reimbursable pursuant to any Co-Promotion Agreement shall not constitute Authorized Commercialization Expenses hereunder.

(ii) Authorized Commercialization Expenses shall be subject to reimbursement, as follows. Within thirty (30) days after the date on which the Authorized Commercialization Expense reports for a particular Calendar Quarter are due pursuant to Section 8.1(b)(i), the Party that has paid less than its share (based on the allocation principles set forth in Section 8.1(a)) of the aggregate Authorized Commercialization Expenses for such Calendar Quarter shall make a reconciling payment in Euros to the other Party to achieve the appropriate allocation of Authorized Commercialization Expenses as provided in Section 8.1(a).

(c) Authorized Supply Expenses. Gilead Sub shall submit an invoice to BMS, no later than ten (10) Business Days after the end of each calendar month, for an amount equal to the Working Percentage for the BMS Territory-Wide Percentage multiplied by the total amount of Authorized Supply Expenses incurred by Gilead Sub during such month. Such invoice shall specify in reasonable detail all amounts included in such Authorized Supply Expenses. All Authorized Supply Expenses shall be invoiced in United States Dollars. For invoicing purposes, any Authorized Supply Expenses incurred in a currency other than United States Dollars shall be converted to United States Dollars from the applicable currency by Gilead Sub in a manner consistent with its then-current standard worldwide currency conversion methodology, as consistently applied. BMS shall pay any invoice submitted by Gilead Sub pursuant to this Section 8.1(c) within twenty (20) days after the date on which BMS receives such invoice.

(d) Authorized Distribution Expenses. The Selling Party shall submit an invoice to the non-Selling Party, no later than ten (10) Business Days after the end of each calendar month, for an amount equal to the Working Percentage for the BMS Territory-Wide Percentage (in the case that Gilead Sub is the Selling Party in such country) or the Gilead Territory-Wide Percentage (in the case that BMS is the Selling Party in such country) multiplied by the total amount of Authorized Distribution Expenses incurred by the Selling Party (or its applicable Affiliate) during such month. Such invoice shall specify in reasonable detail all amounts included in such Authorized Distribution Expenses. All Authorized Distribution Expenses shall be invoiced in United States Dollars. For invoicing purposes, any Authorized Distribution Expenses incurred in a currency other than United States Dollars shall be converted to United States Dollars from the applicable currency by the Selling Party in a manner consistent with its then-current standard worldwide currency conversion methodology, as consistently applied. The non-Selling Party shall pay any invoice submitted by the Selling Party pursuant to this Section 8.1(d) within thirty (30) days after the date on which the non-Selling Party receives such invoice.

(e) Authorized Other Expenses.

(i) Each Party shall report to the other Party, no later than ten (10) Business Days after the end of each calendar month, any Authorized Other Expenses that are incurred during such month. Such report shall specify in reasonable detail all amounts included in such Authorized Other Expenses during such month. All Authorized Other Expenses shall be reported in Euros. For reporting purposes, any Authorized Other Expenses incurred in a currency other than Euros shall be converted to Euros from the applicable currency by the incurring Party in a manner consistent with its then-current standard worldwide currency conversion methodology, as consistently applied.

(ii) Authorized Other Expenses shall be subject to reimbursement, as follows. Within thirty (30) days after the date on which the Authorized Other Expense reports for a particular month are due pursuant to Section 8.1(e)(i), the Party that has paid less than its share (based on the allocation principles set forth in Section 8.1(a)) of the aggregate Authorized Other Expenses for such month shall make a reconciling payment in Euros to the other Party to achieve the appropriate allocation of such Authorized Other Expenses as provided in Section 8.1(a).

(f) Notwithstanding anything in this Section 8.1 to the contrary, any invoice that a Party has a right to submit to the other Party pursuant to this Section 8.1 may be submitted to such other Party by a designated Affiliate of such invoicing Party, in which case such other Party shall submit payment to such designated Affiliate.

(g) Notwithstanding anything in this Section 8.1 to the contrary, no cost or expense shall be reimbursable hereunder to the extent that it is reimbursable pursuant to the Financial Agreement, the EU Master Agreement or the MAH Shareholder Agreement.

8.2 **Manufacturing Fee.**

(a) BMS shall pay to Gilead Sub an amount equal to the Working Percentage (as defined in the Financial Agreement) for the BMS Territory-Wide Percentage multiplied by the Manufacturing Fee (as defined in the Product Supply Agreement) paid or payable by Gilead Sub pursuant to Section 6.2 of the Product Supply Agreement, subject to any adjustments made pursuant to the Financial Agreement. Notwithstanding the foregoing, (i) with respect to any Manufacturing Fee incurred by Gilead Sub pursuant to the Product Supply Agreement that arises out of the gross negligence or intentional misconduct of Gilead Sub or any of its Affiliates, BMS shall have no payment obligation pursuant to this Section 8.2(a), and (ii) with respect to any Manufacturing Fee incurred by Gilead Sub pursuant to the Product Supply Agreement that arises out of the gross negligence or intentional misconduct of BMS or any of its Affiliates, BMS shall pay, pursuant to this Section 8.2(a), such Manufacturing Fee in its entirety. For the avoidance of doubt, this Section 8.2 shall apply with respect to the Manufacturing Fee for any Territory Combination Product, including any such Combination Product that is Lost (as defined in the Product Supply Agreement).

(b) Unless otherwise agreed by the Parties, upon receipt of an invoice from the Supply JV pursuant to the Product Supply Agreement for any Manufacturing Fee with respect to which BMS has a corresponding payment obligation pursuant to Section 8.2(a), Gilead Sub shall invoice BMS in U.S. Dollars for the corresponding amount due under this Section 8.2. BMS shall pay any such invoice within twenty (20) days following receipt of such invoice from Gilead Sub.

8.3 **Sharing of Recoveries Obtained from the Supply JV.**

(a) Gilead Sub shall pay to BMS such proportion of any recoveries paid by the Supply JV to Gilead Sub pursuant to Section 5.6.2 of the Product Supply Agreement, after deduction of any out-of-pocket expenses of Gilead Sub in obtaining such recoveries from the Supply JV pursuant to the Product Supply Agreement, that corresponds to the proportion of the expenses to which such recoveries relate that were borne by BMS hereunder.

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(b) In the event that a Party (or its applicable Affiliate) causes (during the period in which such Party (or its Affiliate) holds title to a given quantity of Territory Combination Product), due to its gross negligence or intentional misconduct, the Loss (as defined in the Product Supply Services Agreement) of any such Combination Product, then such Party shall be responsible for reimbursing the other Party (or its designated Affiliate) for the API Replacement Fee (as defined in the Product Supply Services Agreement) for the quantity(ies) of such other Party's API(s) contained in such Lost Combination Product (which remedy shall be the sole remedy of the non-Selling Party or any of its Affiliates with respect to such Loss of API).

8.4 **Other Payments.** Unless otherwise agreed by the Parties, and except as otherwise provided in this Section 8, each Party promptly shall invoice the other Party for any amounts due under this Agreement in the currency in which the corresponding expense is incurred by such Party and each Party shall pay any invoice provided by the other Party pursuant to this Section 8.4 within thirty (30) days after receipt of such invoice.

8.5 **Adjustment to Country-Specific Percentages Following Generic Launch.** On a country-by-country basis, this Section 8.5 shall apply with respect to the Country-Specific Percentages for each Affected Country commencing as of the first Calendar Quarter following the Calendar Quarter during which the applicable Generic Version Launch occurs in such country (where the Country-Specific Percentages for the Calendar Year in which such Calendar Quarter occurs shall be calculated based on the Standard Country-Specific Percentages for the portion of such Calendar Year from its commencement through the Calendar Quarter in which such Generic Version Launch occurs and thereafter pursuant to this Section 8.5). Notwithstanding anything to the contrary herein or in any Covered Agreement, the Country-Specific Percentages for the applicable country, for all purposes under the Financial Agreement, the EU Master Agreement and any other Covered Agreement, shall be modified as follows (where any capitalized terms used in this Section 8.5 and not defined in this Agreement shall have the meaning set forth in the Financial Agreement):

(a) Country-Specific Percentage of the Affected Party for any Country in the Territory. The Country-Specific Percentage of the Affected Party with respect to the applicable Affected Country in the Territory for each Calendar Year shall equal, stated in percentage terms: a fraction,

the numerator of which is (i) the **[*]** in such country minus (ii) the sum of (A) the **[*]** in such country and (B) in the event that there is a **[*]** with respect to such country, the Non-Affected Party's **[*]**; and

the denominator of which is the Net Selling Price of the Combination Product in such country.

(b) Country-Specific Percentage of the Non-Affected Party for any Country in the Territory. The Country-Specific Percentage of the Non-Affected Party with respect to the applicable country for a given Calendar Year shall equal: one hundred percent (100%) minus the **[*]** with respect to such country and such Calendar Year, as determined pursuant to this Section 8.5.

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(c) Generic Version Launch of Two Components. Notwithstanding the foregoing, in the event that there has been a Generic Version Launch with respect to Sustiva or Stocrin and either Viread or Emtriva, but not both (and not Truvada) in a given country, commencing as of the first Calendar Quarter following the Calendar Quarter during which the Generic Version Launch triggering this clause (c) occurs in such country the following shall apply with respect to such country:

(i) Gilead Sub's Country-Specific Percentage shall equal the sum of (in each case stated in percentage terms):

(A) a fraction, the numerator of which equals the **[*]** (such product, the **"Proprietary Product"**) in such country, and the denominator of which equals the **[*]** in such country, and

(B) (1) a fraction, the numerator of which equals the **[*]** that is not the Proprietary Product (**"Gilead Non-Proprietary Product"**) and the denominator of which is the sum of such **[*]**, multiplied by (2) a fraction, the numerator of which equals (x) the **[*]** in such country minus (y) the **[*]**, and the denominator of which equals the **[*]** in such country; *provided,* that if any **[*]** described in clause (1) is not available, the fraction in clause (1) shall equal **[*]**. For purposes of clause (1) of this Section 8.5(c)(i)(B), the **[*]**

By way of illustration, in the event that the Proprietary Product is Viread (and the foregoing proviso does not apply), Gilead Sub's Country-Specific Percentage would be equal to the sum of:

[*]

(ii) BMS's Country-Specific Percentage shall equal one hundred percent (100%) minus **[*]**, as determined pursuant to the foregoing clause (i).

(d) Generic Version Launch of Three Components. Notwithstanding the foregoing, in the event that there has been a Generic Version Launch with respect to Sustiva or Stocrin, as applicable, and both Single Agent Products of Gilead Sub (or Truvada) in a given Affected Country, with respect to such country, the Parties shall negotiate in good faith the appropriate adjustments to the Country-Specific Percentages for the applicable Affected Country for the period commencing as of the first Calendar Quarter following the Calendar Quarter during which the Generic Version Launch triggering this clause (d) occurs in such country.

(e) Effect of Modifications. For the avoidance of doubt, the Working Percentages (as defined in the Financial Agreement) with respect to the Country-Specific Percentages, and any calculations to be made hereunder or under the EU Master Agreement or any Covered Agreement using Country-Specific Percentages (or such Working Percentages), including the calculation of any applicable Transfer Price or the Interim Transfer Price, shall be adjusted to reflect any modifications to the Country-Specific Percentages pursuant to this Section 8.5. Each Party shall, and shall cause its Affiliates to, be bound by any such adjustments.

8.6 **Payment Terms.** Except as otherwise agreed by the Parties, all payments hereunder to a Party shall be made by wire transfer or electronic funds transfer to such bank account as the payee Party may designate from time to time by notice to the payor Party. Any amounts due hereunder shall be paid in the currency in which such amounts are invoiced.

8.7 **Interest.** Interest on any payments due and owing pursuant to this Agreement that are not timely made shall accrue from the date such payments are due at the lesser of (i) an annual rate equal to the sum of (a) the prime rate of interest in force on the date the payment is due as published in The Wall Street Journal (Eastern United States Edition) (in the case of payments to be made in United States dollars) or the European Central Bank main refinancing rate (as published in the Central Bank and Financial Services Authority for Ireland website www.centralbank.ie) (in the case of payments to be made in any currency other than United States dollars) and (b) three hundred (300) basis points and (ii) the maximum rate of interest permissible under Applicable Law.

8.8 **Taxes.** Each Party shall be responsible for any and all sales, use, excise, value added, goods and services and similar taxes and charges imposed with respect to any payments to such Party by the other Party pursuant to this Section 8, *provided* that each Party shall be responsible for any taxes (including any such taxes imposed by way of withholding) in the nature of income or franchise taxes or based on or measured by gross or net income imposed with respect to its income. Each Party shall pay any and all withholding taxes or similar charges imposed by any governmental unit that are required to be withheld from any amounts due to the Party to be paid pursuant to this Section 8 to the proper taxing authority, and proof of payment of such taxes or charges shall be secured and sent to such Party as evidence of such payment. All amounts paid by a Party pursuant to the immediately preceding sentence with respect to taxes for which the other Party is responsible pursuant to the first sentence of this Section 8.8 shall be paid for the account of such other Party and deducted from the amounts due from the paying Party to such other Party pursuant to this Section 8.

8.9 **Royalty Payments to Third Parties.**

(a) If a Patent of any Third Party is or would be infringed or any such Person's trade secrets are or would be misappropriated solely as a direct result of the incorporation of TDF, FTC or both TDF and FTC in the Combination Product, then Gilead Sub shall be solely responsible for any royalty, license fee or other payment obligation to such Person (which shall not qualify as an Authorized Expense) in connection with any such infringement or misappropriation in connection with the Manufacture of Territory Combination Product (or the TDF or FTC included therein) or any Commercialization Activities or other activities conducted hereunder or under any Co-Promotion Agreement. If a Patent of any Third Party is or would be infringed or any such Person's trade secrets are or would be misappropriated solely as a direct result of the incorporation of EFV in the Combination Product, then BMS shall be solely responsible for any royalty, license fee or other payment obligation to such Person (which shall not qualify as an Authorized Expense) in connection with any such infringement or misappropriation in connection with the Manufacture of Territory Combination Product (or the EFV included therein) or any Commercialization Activities or other activities conducted hereunder or under any Co-Promotion Agreement.

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(b) All royalty, license fee or other payments by Gilead Sub or BMS (or any of their respective Affiliates), other than those covered by Section 8.9(a), to any Third Party (other than to the extent comprising Losses (as defined in the EU Master Agreement) covered by Section 3 of the EU Master Agreement) in connection with licenses granted to any Party or any of its Affiliates under any Patents or trade secrets owned or controlled by any Third Party that are reasonably necessary for (i) the performance of either Party's obligations under this Agreement or any Co-Promotion Agreement or (ii) the Manufacture of Territory Combination Product, in each case ((i) and (ii)), shall constitute Authorized Commercialization Expenses. For the avoidance of doubt, no royalty, licensee fee or other payment by BMS (or any of its Affiliates) pursuant to the EFV License Agreement shall constitute Authorized Commercialization Expenses.

(c) Notwithstanding Section 8.9(b), the royalties, license fees or other payments described therein shall constitute Authorized Commercialization Expenses solely to the extent that (i) with respect to any license agreement existing as of the Effective Date, the Party that is a party to the applicable license agreement has notified the other Party, on or before the Effective Date, of the obligation to pay such royalty, license fee or other payment in connection with the foregoing activities, (ii) with respect to any license agreement not covered by clause (i), the Party has conferred with the other Party prior to entering into such license agreement and has obtained the other Party's consent to the applicable terms of such agreement and (iii) in the event that any such fee or payment is not attributable solely to the foregoing activities (*e.g.*, it covers not only the Exploitation of Territory Combination Product, but also the Exploitation of any other product(s) or Combination Product other than Territory Combination Product), the Parties shall negotiate in good faith an appropriate manner of apportionment). In the event that a Party denies its consent pursuant to the foregoing clause (ii) with respect to a given license agreement and, as a result, the royalties, license fees or other payments incurred by the other Party pursuant to such Agreement are excluded from Authorized Commercialization Expenses and such first Party and its Affiliates are not licensed under such agreement, then, notwithstanding Section 3.5(c) of the EU Master Agreement, such unlicensed Party shall be responsible, as between Gilead Sub (and its Affiliates) and BMS (and its Affiliates), for any Losses (as defined in the EU Master Agreement) that would be borne (in the absence of application of this sentence) by the Parties (or their applicable respective Affiliates) pursuant to Section 3.5(c) of the EU Master Agreement, to the extent that such Losses would not have arisen if such unlicensed Party had been licensed under such license agreement.

(d) Nothing herein shall be construed to prevent either Party or any of its Affiliates from entering into any license agreement with respect to the Combination Product or otherwise; *provided, however,* that in the event that a Party desires to enter into such a license agreement with respect to the Combination Product, such Party shall notify the other Party. If following such notification, the Parties mutually agree to coordinate with respect to entering into such a license agreement and the negotiations with respect thereto, the Parties shall coordinate in good faith with regard to the foregoing.

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SECTION 9
TERRITORY COMBINATION PRODUCT RECALLS

Each Party acknowledges that any determinations with respect to any product disposal, recall or withdrawal of Territory Combination Product that are made pursuant to the MAH Shareholder Agreement or any other applicable Covered Agreement are binding on the Parties and that any expenses with respect to any of the foregoing are allocated between the Parties (and their respective Affiliates) as set forth in the MAH Shareholder Agreement.

SECTION 10
REPRESENTATIONS AND WARRANTIES

10.1 **Generally.** Each Party represents and warrants to the other Party that: (a) it is not aware of any pending or threatened litigation (and has not received any communication) that alleges that such Party's activities related to this Agreement or any Co-Promotion Agreement have violated, or that by conducting the activities as contemplated in this Agreement or any Co-Promotion Agreement such Party would violate, any of the intellectual property rights of any other Person (after giving effect to the license grants in this Agreement), and (b) such Party has the right to grant the licenses granted by such Party to the other Party hereunder, and has not, prior to the Effective Date, made a grant to any other Person of any right or license that would conflict with any grant of rights or licenses granted by such Party to the other Party hereunder.

10.2 **Relationship to Standard Terms.** The representations and warranties set forth in Section 10.1 shall be without limitation of the representations, warranties and covenants set forth in the Standard Terms.

SECTION 11
LIMITATIONS ON LIABILITY AND RELATED MATTERS

11.1 **Limits on Liability.** Notwithstanding anything herein to the contrary, and without limitation of any liability limitation set forth in the Standard Terms or herein or any indemnity obligation set forth in the EU Master Agreement, (a) with respect to any losses resulting from any breach by Gilead Sub of any representation or covenant hereunder, to the extent such losses arise out of any corresponding breach by the Supply JV of any representation or covenant under the Product Supply Agreement, the liability, if any, of Gilead Sub to BMS hereunder **[*]** for such losses (less any reasonable, out-of-pocket expenses of Gilead Sub in obtaining such compensation from the Supply JV thereunder) and (b) with respect to losses other than those covered by the foregoing clause (a), a Party shall be liable hereunder with respect to losses of the other Party (other than Losses as defined in the EU Master Agreement) **[*]** by such Party or its Affiliates or subcontractors.

11.2 **Exceptions to Standard Terms Limitations.** Notwithstanding Section 4.3 of the Standard Terms as incorporated herein, the Parties shall be liable to each other for **[*]**, if applicable, in connection with any breach of Section 4.1, the Pricing Rules or the Discount Rules, *provided* that such breach arises out of acts or omissions constituting gross negligence or intentional misconduct.

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11.3 **Relationship to EU Master Agreement.** Nothing in this Section 11 is intended to, or shall operate to limit, a Party's (or its Affiliates') rights to indemnification or obligations of indemnity under any other agreement, including the EU Master Agreement, and for clarity, "losses" as used in Section 11.1 shall not be construed to include losses arising from Third Party Claims (as defined in the EU Master Agreement).

SECTION 12
TERM AND TERMINATION

12.1 **Term.** The term of this Agreement (**"Term"**) shall commence as of the Effective Date and shall continue until the expiration of the last to expire Patent which affords market exclusivity in the Territory with respect to the Combination Product or any component thereof unless earlier terminated pursuant to this Section 12 or the Standard Terms as incorporated herein.

12.2 **Voluntary Termination.** Without limitation of the bases for termination set forth in the Standard Terms, either Party (the **"Terminating Party"**) may terminate this Agreement in its entirety by written notice to the other Party (the **"Continuing Party"**), which termination shall be effective on the later of (a) the last day of the second (2nd) Calendar Quarter after the Calendar Quarter in which such notice is delivered to the other Party and (b) **[*]**. In the event that, at least ninety (90) days prior to the date on which such termination would become effective (in the absence of application of this sentence), the other Party provides written notice to the Terminating Party indicating that such other Party does not desire to continue to commercialize the Combination Product in the Territory, the effective date of such termination shall be, notwithstanding the foregoing, the earlier of (i) the date on which the Territory Combination Product is withdrawn in each country in the Territory and (ii) if the Combination Product is licensed to a Third Party for distribution in the Territory, the date on which such Third Party assumes such distribution. Further, in the case in which a notice is provided pursuant to the immediately preceding sentence, the Parties shall coordinate to seek any required approvals to withdraw the Territory Combination Product in each country in the Territory and, provided that any such approvals are obtained, to withdraw the Territory Combination Product in all countries in the Territory or, if mutually agreed by the Parties, to license the Combination Product to a Third Party. In the case of any such withdrawal or licensing to a Third Party, the Parties shall negotiate in good faith appropriate wind-down provisions in connection therewith (and Section 12.3(b) shall apply solely to the extent applicable). For clarity, termination of this Agreement does not automatically terminate any other Covered Agreement (other than the Co-Promotion Agreements) but may entitle a Party or its Affiliates to terminate one or more of such other Covered Agreements pursuant to their terms (including the Standard Terms as incorporate therein).

12.3 **Consequences of Expiration or Termination.**

(a) Expiration or Termination Pursuant to the Standard Terms. Upon expiration of this Agreement or termination of this Agreement pursuant to the Standard Terms, the provisions of this Section 12.3(a) shall apply. The license grants in Section 7 to a Party shall survive only to the extent necessary to enable such Party to perform any obligations hereunder

that survive such termination. No later than thirty (30) days after the date of such expiration or termination, each Party shall make arrangements for, at the election of the other Party, either the return or disposal of any Confidential Information of the other Party, whether such Confidential Information is in tangible or intangible form (except for one (1) copy which may be retained solely for archival purposes); *provided, however*, that the foregoing shall not apply with respect to any such Confidential Information to the extent that this Agreement or any other binding agreement between the Parties (or their respective Affiliates) expressly provides that the Returning Party retains the right to use such Confidential Information (*e.g.*, in the case of a surviving license) following such termination. Further, with respect to any termination of this Agreement pursuant to the Standard Terms, the Parties shall coordinate in good faith to ensure an appropriate wind down of the activities conducted under this Agreement.

(b) Consequences in the Case of Voluntary Termination. Upon termination of this Agreement pursuant to Section 12.2, the provisions of this Section 12.3(b) shall apply:

(i) The license grants in Section 7 from the Terminating Party to the Continuing Party shall survive only to the extent necessary to enable the Continuing Party to identify the Terminating Party on the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product to the extent required by Applicable Law.

(ii) The Continuing Party shall pay to the Terminating Party such amounts as are determined pursuant to the formula set forth in Annex I on the dates specified therein. Each such payment shall be accompanied by a written report, providing a detailed breakdown of the calculation of amounts paid for the relevant period. For the avoidance of doubt, Sections 8.6 through 8.9 shall apply to any such payments.

(iii) The Terminating Party, at its own election (of which it shall promptly notify the Continuing Party in writing), shall (pursuant to a license or supply agreement containing the following terms and any other terms upon which the Parties mutually agree) either (A) enable the Continuing Party to Manufacture quantities of the API(s) of the Terminating Party for use in the Manufacture of the Combination Product for distribution in the Territory, in which event the Terminating Party shall (1) automatically be deemed to grant a royalty-free, exclusive (as to the Combination Product, but not any other product) license to the Continuing Party (or its Third Party designee, which shall be reasonably acceptable to the Terminating Party) (x) under the Terminating Party's Patents covering such Manufacture and Information and Inventions used in such Manufacture by or on behalf of the Terminating Party, to Manufacture such API(s) for use in the Manufacture of the Combination Product for distribution in the Territory, and (y) under the Terminating Party's Patents covering the composition or use of such API(s), to sell or otherwise distribute such API(s) (for inclusion in such Combination Product or as included in such Combination Product) in such country, which license shall be sublicensable to any Third Party distributor of such Party or any of its Affiliates, and (2) provide reasonable technical assistance to such Continuing Party or Third Party designee (which choice of recipient shall be subject to the prior approval of the Terminating Party, such approval not to be unreasonably withheld or delayed), at the Continuing Party's expense on the Terminating Party's then-current standard terms and conditions; or (B) continue to supply to the Supply JV (or, at the election of the Continuing Party, a designee of the Continuing Party) on a non-exclusive basis such

quantities of such API(s) as such Continuing Party may request for Manufacture of the Combination Product for distribution in the Territory, at a transfer price of such supply equal to **[*]** of the Cost of Goods of such API. Notwithstanding the foregoing, the Terminating Party may elect to cease the Manufacture of such API(s) or to terminate the supply arrangement referred to in the foregoing clause (B), in which case the Terminating Party shall (x) give the Continuing Party at least twelve (12) months' written notice prior to ceasing such Manufacture or otherwise terminating such agreement unless the Continuing Party obtains an alternate source for the supply of such API(s) in which case the Terminating Party may cease Manufacture upon the Continuing Party obtaining such alternate supply of API(s), (y) grant to the Continuing Party the license described in clause (A)(1) above, and (z) provide to the Continuing Party the technical assistance described in clause (A)(2) above. Further, in event that, as an initial matter, the Terminating Party elects to proceed under the foregoing clause (A) rather than clause (B), the Terminating Party shall supply its API(s) for use in the Manufacture of the Combination Product for distribution in the Territory at a transfer price of such supply equal to **[*]** of the Cost of Goods of such API(s) unless and until the Terminating Party has performed its obligations under clause (A) and the Continuing Party has secured a source of supply of such API(s) (and any necessary regulatory approvals have been obtained with respect to such source of supply), provided that the Continuing Party is using diligent efforts to secure such source of supply and such approvals. In the event that the Terminating Party and the Supply JV or designee of the Continuing Party enter into a supply arrangement for API(s) pursuant to the first sentence of this Section 12.3(b)(iii), and thereafter the Supply JV or such designee, as the case may be, desires to terminate such supply arrangement (without receiving from the Terminating Party the license described in clause (A)(1) above or the technical assistance described in clause (A)(2) above), the Continuing Party shall provide twelve (12) months' written notice thereof to the Terminating Party.

(iv) Except to the extent necessary to enable the Continuing Party to identify the Terminating Party (or its applicable Affiliate) on the applicable Product SmPC, Labeling and Package Leaflets for the Combination Product to the extent required by Applicable Law, the Continuing Party shall not (and shall cause its Affiliates not to) use the Trademark or name of the Terminating Party (or any of its Affiliates) (A) on any labeling, packaging and advertising materials for the Combination Product in the Territory or (B) otherwise in connection with the Continuing Party's business with respect to the Combination Product in the Territory.

(v) The Terminating Party shall promptly (and in any event within thirty (30) days thereafter) make arrangements for the return or disposal, at the Continuing Party's option, of any Confidential Information, in tangible or intangible form, except for (x) one (1) copy which may be retained solely for archival purposes and (y) Confidential Information relating to any surviving licenses and other rights pursuant to any Covered Agreement.

(vi) For the avoidance of doubt, the pricing and other provisions contained in Section 4, the Pricing Rules and the Discount Rules shall terminate.

12.4 **Accrued Rights; Survival.**

(a) Termination or expiration of this Agreement shall be without prejudice to any rights that shall have accrued to the benefit of a Party prior to such termination or expiration. Such termination or expiration shall not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement.

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(b) Without limiting anything contained in Section 12.3, in the event of any expiration or termination of this Agreement for any reason, this Section 12.4 and Sections 3.6, 4.4, 5.9, 5.11, 6.3, 7.2, 7.3, 8 (except Section 8.5), 9, 10, 11, 12.3 and 13 (except 13.4) shall survive such expiration or termination; *provided, however,* that Section 5.9, Section 6.3, Section 8.1, Section 8.2, and Section 8.9(b) shall survive solely to the extent that the applicable expenses (or in the case of Section 8.9(b), royalties, license fees or other payments) were incurred in connection with activities, including Manufacturing, performed prior to the date of expiration or termination of this Agreement.

SECTION 13
MISCELLANEOUS

13.1 **Standard Terms.** The Standard Terms are hereby incorporated herein.

13.2 **Assignment; Subcontracting.**

(a) In the event that, with respect to a Party, there is a sale of substantially all of the assets of such Party and its Affiliates to which the Covered Agreements, collectively, relate or a change of control of such Party's Parent (such Party, the **"Transferring Party"**, and such event, a **"Change of Control"**), without limitation of Section 6.5 of the Standard Terms as incorporated herein, the Transferring Party shall give the other Party written notice thereof within ten (10) days, identifying the purchaser, acquirer or surviving entity (the **"Third Party Acquirer"**), as the case may be. If immediately prior to such Change of Control, such Third Party Acquirer is marketing in the Territory a Competing Product that was commercially available as of the Effective Date, then, upon written notice from the other Party, at its election, to the Transferring Party within thirty (30) days of such other Party's receiving written notice of such Change of Control, such Third Party Acquirer shall have six (6) months to divest any such Competing Product. If such Third Party Acquirer fails to complete a timely divestiture of such Competing Product: (i) the performance obligations (other than payment obligations and related financial reporting obligations) of the Parties under this Agreement shall terminate, except to the extent of those minimum obligations reasonably required for Gilead Sub (or its applicable Affiliate) to sell the Combination Product in the Territory and to perform its obligations with respect to pricing with respect to the Combination Product as set forth in Section 4.1 and the Pricing Rules and the Discount Rules (as modified by Section 4.3, if applicable), (ii) the Commercialization Plan and Commercialization Budget shall terminate, (iii) each Co-Promotion Agreement shall terminate as set forth in such agreement, (iv) each Party shall have the right to Promote, Market and otherwise commercialize (but, in the case of BMS, not to sell or otherwise distribute) the Combination Product in the Territory without coordination with the other Party under this Agreement (including without any obligation to reach agreement on Marketing materials); *provided* that each Party shall ensure that its Marketing materials with respect to the Combination Product in the Territory comply with Applicable Law and, without limitation of the foregoing, shall be consistent with applicable Product SmPC, Labeling and Package Leaflets, and (v) Gilead Sub shall prepare and submit to the Supply JV any and all Forecasts and Orders, along with any required Supporting Data, in its sole discretion.

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(b) Either Party may subcontract the performance of its obligations hereunder, including any Commercialization Activities assigned to it under the Commercialization Plan; *provided*, *however*, that the subcontracting Party shall oversee the performance by its subcontractors of such subcontracted activities in a manner that would be reasonably expected to result in their timely and successful completion and shall remain responsible for the performance of such activities and, to the extent applicable, the Commercialization Plan. Notwithstanding the foregoing, neither Gilead Sub nor BMS may engage any subcontractor, including any contract sales organization, to perform any Details of the Combination Product in the Territory; *provided, however,* that, subject to Section 5.1, the conduct of Details by a Third Party Distributor consistent with the arrangements entered into with such Third Party Distributor by one or both of the Parties pursuant to this Agreement shall be permitted.

13.3 **Employees.** The Parties agree that, as between the Parties, all actions taken or omitted to be taken by any employee of a Party (or any of its Affiliates) in his or her capacity as a member of any committee established pursuant to this Agreement or any Co-Promotion Agreement, and all other actions taken or omitted to be taken by any employee of a Party (or any of its Affiliates) with respect to the Commercialization Activities and any other activities conducted hereunder or under any Co-Promotion Agreement, shall be attributed only to such Party.

13.4 **Nonsolicitation of Employees.** During the Term, each Party agrees that neither it nor any of its Affiliates that participates in or is responsible for the commercialization of the Combination Product pursuant to this Agreement shall recruit, solicit or induce any employee of the other Party's, or any of its Affiliates', HIV/Virology sales force (including any manager) or any HIV/Virology marketing or medical personnel employed in the Territory to terminate his or her employment with such other Party or its Affiliate and become employed by or consult for such other Party or its Affiliate, whether or not such employee is a full-time employee of such other Party or its Affiliate, and whether or not such employment is pursuant to a written agreement or is at-will. For purposes of the foregoing, "recruit," "solicit" or "induce" shall not be deemed to mean (a) general solicitations by Third Party placement specialists or firms (*e.g.*, headhunters) or (b) other general solicitations of employment (including responses to general advertisements), in each case ((a) and (b)) not specifically targeted at employees of a Party or any of its Affiliates.

13.5 **Notice.** The **"Notice Address"** for each Party is as follows:

if to Gilead Sub, to:

John F. Milligan, Ph.D, Chief Operating Officer
Gilead Sciences Limited
333 Lakeside Drive Foster City, CA 94404
Facsimile No.: **[*]**

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with copies to:

Gregg H. Alton, Esq.
Senior Vice President and General Counsel
Gilead Sciences Limited
333 Lakeside Drive
Foster City, CA 94404
Facsimile No.: **[*]**

and:

Julie O'Neill, General Manager
Gilead Sciences Limited
Unit 13 Stillorgan Industrial Park
Blackrock, Co. Dublin, Ireland
Facsimile No.: **[*]**

and:

Monica Viziano, Director, Project Management
Gilead Sciences Limited
333 Lakeside Drive
Foster City, CA 94404
Facsimile No.: **[*]**

and:

Covington & Burling LLP
One Front Street
San Francisco, CA 94111
Attn: James C. Snipes, Esq.

if to BMS, to:

Bristol-Myers Squibb
3 rue Joseph Monnier
Rueil Malmaison, France 92500
Attn: Sr. VP Europe Marketing & Brand Commercialization
Facsimile No.: **[*]**

with a copy to:

Bristol-Myers Squibb Company
Route 206 and Province Line Road
Princeton, NJ 08540 USA

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Attn: Vice President and Senior Counsel,
Corporate and Business Development
Facsimile No.: **[*]**

and:

Frank Kuchma, Director, Alliance Management
Bristol-Myers Squibb Company
Route 206 and Province Line Road
Princeton, NJ 08543 USA

13.6 **Public Announcements.** The following shall constitute a "Restricted Matter," and as such shall be subject to Section 2.2 of the Standard Terms: any matter concerning this Agreement or its subject matter.

13.7 **Entire Agreement.** This Agreement, together with the Annexes attached hereto, the EU Master Agreement and any other Existing Covered Agreements (as defined in the EU Master Agreement) to which the Parties are parties that set forth rights or obligations of the Parties with respect to the subject matter of this Agreement shall constitute, on and as of the Effective Date, the entire agreement of the Parties with respect to the subject matter of this Agreement, and all prior or contemporaneous understandings or agreements (other than the foregoing agreements), whether written or oral, between the Parties with respect to such subject matter are hereby superseded in their entireties, including the Interim Agreement and the Interim Manufacturing Agreement (and the Parties shall, or shall cause their respective applicable Affiliates to, terminate the Interim Agreement).

[Signature Pages Follow]

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IN WITNESS WHEREOF, the Parties have caused this Commercialization Agreement to be duly executed and delivered as of the date first above written.

SIGNED for and on behalf of
Gilead Sciences Limited

/s/ John F. Milligan	December 10, 2007
John F. Milligan, Ph.D	Date
Chief Operating Officer	

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SIGNED for and on behalf of
Bristol-Myers Squibb Company

/s/ Graham Brazier
Graham Brazier
Vice President and Head of Business Development

December 10, 2007
Date

SIGNATURE PAGE TO COMMERCIALIZATION AGREEMENT

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List of Annexes

Annex A	Cost of Goods
Annex B	Initial EUOC Members and Initial Alliance Managers
Annex C	Pricing Rules and Discount Rules
Annex D	Form of Co-Promotion Agreement
Annex E	Distribution Terms
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Annex A

Cost of Goods

"Cost of Goods" shall mean, with respect to the applicable API, the amount equal to the sum (expressed in U.S. Dollars per kilogram of the applicable API) of **[*]**.

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Annex B

Initial EUOC Members and Initial Alliance Managers

Gilead EUOC Members:

[*]

[*]

[*]

[*]

Gilead Alliance Manager:

[*]

BMS EUOC Members:

[*]

[*]

[*]

[*]

BMS Alliance Manager:

[*]

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Annex C

Pricing Rules and Discount Rules

[*]

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Annex D

Form of Co-Promotion Agreement

[*]

[Omitted]

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Annex E

Distribution Terms

Capitalized terms used in this Annex and not defined herein shall have the meaning set forth in the agreement to which this Annex is attached (the "Agreement"). Section references used in this Annex shall refer to Sections in the Agreement except as otherwise provided. The terms set forth in this Annex shall apply solely (a) in the case of Gilead Sub as the Selling Party, with respect to Territory Combination Product intended for distribution in the Co-Promote Territory or any other country in Territory A for which Gilead Sub has been designated as the Selling Party pursuant to the Agreement, from and after the date on which the Supply JV transfers title to such Combination Product to Gilead Sub pursuant to the Product Supply Agreement or (b) in the case of BMS as the Selling Party, with respect to Territory Combination Product intended for distribution in any country in Territory A for which BMS has been designated as the Selling Party pursuant to the Agreement, from and after the date on which Gilead Sub transfers title to such Combination Product to BMS or its applicable Affiliate pursuant to the BMS Product Supply Agreement(s). For purposes of this Annex, a Third Party Distributor shall not constitute a Distribution Subcontractor unless mutually agreed by the Parties in writing; *provided,* that each Party shall cause its Third Party Distributors to be subject to obligations with respect to its distribution of Territory Combination Product that are substantially similar to the obligations of the Selling Party set forth in this Annex E.

"**Distribution Subcontractor**" shall mean any Third Party subcontractor that performs storage, warehousing, shipping or other distribution activities on behalf of a Selling Party (or its Affiliates) (acting in such capacity) under the Agreement; *provided* that such Distribution Subcontractor does not take title to such Combination Product. For the avoidance of doubt, neither a Contract Manufacturer nor a Third Party Distributor shall be deemed to be a Distribution Subcontractor and a Distribution Subcontractor shall not be deemed to be a Contract Manufacturer or a Third Party Distributor.

"Material Safety Data Sheet" shall have the meaning set forth in the Product Supply Agreement.

"Quality Agreement" shall have the meaning set forth in the Product Supply Services Agreement.

"Selling Party Products" shall mean the Selling Party's (or its Affiliates') own products for the treatment of HIV infection in adult humans. For the avoidance of doubt, the Combination Product is not a Selling Party Product.

1. General. The Selling Party with respect to a given country in the Territory shall (a) be the exclusive distributor of Combination Product in such country and (b) perform or cause to be performed activities as are reasonably required to distribute Combination Product in such country (any such activities, the **"Distribution Activities"**), including inventory management and control, warehousing and storage, order filling, invoicing, collection of sales proceeds, determination and processing of charge-backs and rebates, preparation of sales records and reports, customer relations and services, and handling of returns.

2. Inventory Management and Control.

(a) The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, receive Territory Combination Product inventory (i) in the case of Gilead Sub as the Selling Party, directly from the Contract Manufacturer (as defined in the Product Supply Services Agreement) or (ii) in the case of BMS as the Selling Party, as specified in the BMS Product Supply Agreement(s). Prior to distributing any quantity of Territory Combination Product, the Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, ensure that it has the proper certificate of analysis and other appropriate documentation with respect to such Combination Product as required by Applicable Law, including GMP.

(b) The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, (i) monitor Territory Combination Product inventory for products that are short-dated and out-dated, as determined in accordance with the Selling Party's standard operating procedures (**"SOPs"**) and GMP, and (ii) withhold any such product from use and ensure its proper destruction.

(c) The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, perform a periodic stock reconciliation by comparing the actual and recorded quantities of Territory Combination Product. If there are any significant stock discrepancies, the Selling Party shall promptly notify the non-Selling Party and shall investigate any such discrepancies. The non-Selling Party shall have the right to participate in the investigation made by the Selling Party with respect to such discrepancies, upon written request made promptly after receiving notice of any discrepancy.

3. Warehousing and Storage.

(a) The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, maintain temperature, humidity (if applicable) and other environmental controls in compliance with storage requirements listed on the labeling of Territory Combination Product and the Material Safety Data Sheet for the Combination Product. The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, ensure that Territory Combination Product is received, stored, segregated, and distributed in compliance with Applicable Law and quality, storage and distribution requirements referred to in the Material Safety Data Sheet.

(b) The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, maintain premises and control systems that provide a commercially reasonable level of security against the theft or alteration of Territory Combination Product. The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, maintain, or cause to be maintained, a clean environment, pest control program, and any other deterrent measure normally utilized by the Selling Party to provide a commercially reasonable level of contamination prevention for Territory Combination Product.

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(c) The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, perform receipt and inspection of all incoming shipments to confirm item(s), quantity and suitability (as may reasonably be determined by such receipt and inspection) before authorizing such shipments for approval for distribution. The Selling Party shall notify the non-Selling Party promptly in the event of any deviation(s) with respect to such shipments that requires an investigation (as well as the results of such investigation) pursuant to the Selling Party's SOPs, Applicable Law and any applicable Covered Agreement. The Selling Party shall keep or cause to be kept appropriate reconciliation records of the receipts with respect to such shipments.

(d) Without limitation of its obligations under any Covered Agreement with respect to product recalls or withdrawals, the Selling Party shall ensure that a system is in place to immediately withhold released quantities of Territory Combination Product from shipment when notified to do so by or on behalf of the MAH.

(e) The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, investigate and prepare an incident report for damage to any significant quantity of Territory Combination Product that occurs under its, its Distribution Subcontractor's or its Affiliate's control. The Selling Party shall make available to the non-Selling Party pursuant to Section 9(a) of this Annex, or pursuant to the non-Selling Party's reasonable request, such incident reports indicating the cause of such damage and shall propose an action plan and corrective measures needed in order to avoid reoccurrence of any such incident resulting in damage to significant quantities of Territory Combination Product.

4. Order Filling.

(a) The Selling Party shall receive orders for Territory Combination Product through means used by the Selling Party for the Selling Party Products. The Selling Party may reject an order for Territory Combination Product only if such rejection is reasonable under the circumstances.

(b) The Selling Party shall distribute Territory Combination Product according to the shipping orders received based on remaining shelf life as reflected on the product label (*i.e.*, inventory with the shortest remaining shelf life shall be shipped first), and only in the quantities and to those markets within the Territory indicated in the applicable shipping orders. A picking order shall be created only against an existing shipping order. The Selling Party shall perform appropriate checks before a picking order can be shipped and shall follow the Selling Party's SOPs and Applicable Law in conducting such checks.

(c) The Selling Party shall transport, or cause to be transported, all quantities of Territory Combination Product to Customers, its Affiliates and its Distribution Subcontractors in a manner that provides commercially reasonable protection of product integrity and maintenance of the applicable storage conditions.

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5. Purchase of Combination Product by Customers.

(a) The Selling Party (or its applicable Affiliate) shall invoice the Customer for Territory Combination Product upon delivery of such Combination Product to the Customer. Such invoices shall be inclusive of any applicable taxes.

(b) For each order of Territory Combination Product shipped pursuant to the Agreement, the Selling Party shall, or shall cause its applicable Affiliate or a Distribution Subcontractor to, be responsible for collecting payment from the applicable Customer pursuant to the invoice delivered by the Selling Party and shall otherwise manage the receivable resulting from such order using the same collection procedures and efforts applicable to the Selling Party Products.

6. Customer Relations and Services. The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, provide customer relations services with respect to Combination Product sales in the Territory. Such services shall consist of handling incoming customer calls and documenting and resolving customer complaints in accordance with the Selling Party's SOPs for the Selling Party Products.

7. Returns. The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, accept and process Territory Combination Product returns in accordance with the Selling Party's return policy for the Selling Party Products.

8. Records Retention. The Selling Party shall, or shall cause an Affiliate of the Selling Party or a Distribution Subcontractor to, retain all records relating to the performance of Distribution Activities (including records of receipt, storage, picking, shipping, and environmental controls) for at least the duration of the applicable Combination Product's labeled shelf life plus one (1) year, but in all cases for not less than the periods required by the Selling Party's record retention policies. The Selling Party shall retain all records of any disposal of Territory Combination Product by or on behalf of the Selling Party (or its Affiliates) in accordance with the Selling Party's record retention policies, unless Applicable Law dictates otherwise in which case such records will be kept in accordance with Applicable Law. Subject to the preceding provisions of this Section 8, the non-Selling Party shall have access to the original documents pursuant to Section 9 of this Annex.

9. Inspection of Facilities; Certain Regulatory Matters.

(a) During the Term, the non-Selling Party shall have the right to visit the facilities used in the performance of Distribution Activities once per Calendar Year during normal business hours upon reasonable prior notice to the Selling Party, its applicable Affiliate or its applicable Distribution Subcontractor, as appropriate; *provided* that (i) the visit does not unreasonably interfere with the operations at the applicable facility and (ii) if the visit requires access to the facilities of a Distribution Subcontractor, the non-Selling Party must obtain such Distribution Subcontractor's consent with the reasonable assistance of the Selling Party. In

addition, during the Term, the non-Selling Party shall have the right to conduct a "For Cause" audit at any time, when requested as a reasonable response to any audit notice or inquiry regarding Territory Combination Product by any Regulatory Authority, an unresolved deviation in relation to the performance of Distribution Activities, or customer complaints or Adverse Events (as defined in the SDEA) regarding Territory Combination Product. During any such visit or audit, the non-Selling Party shall have the right to inspect and audit the Selling Party's quality system, materials management, records, and facilities for the purpose of determining compliance with Applicable Law and this Annex. The Selling Party shall, and shall use its reasonable efforts to cause any Distribution Subcontractor to, cooperate fully in any such inspection conducted pursuant to this Section 9(a). For any contractual or regulatory deficiencies determined as a result of such a visit or audit, the Selling Party shall, or shall cause the applicable Distribution Subcontractor to, take a commercially reasonable course of action and resolution, and the non-Selling Party shall be entitled to conduct additional audits to ensure that any such deficiencies have been resolved by the Selling Party or the applicable Distribution Subcontractor, as applicable.

(b) The Selling Party shall (i) notify the non-Selling Party of any inspections by any Regulatory Authority of any facility used in the performance of Distribution Activities within five (5) Business Days of the inspection and (ii) provide the non-Selling Party with copies of all regulatory correspondence relating to any such inspection and Territory Combination Product within five (5) Business Days of receipt of the correspondence; *provided* that the Selling Party may redact the correspondence to protect the names of and identifying information for Third Parties and products other than the Combination Product, as applicable. If any Territory Combination Product is implicated in any regulatory inspection findings, the Selling Party shall provide a draft of the pertinent responses to the non-Selling Party for review and comment prior to submission to the applicable Regulatory Authority. In addition, the non-Selling Party shall have the right to have a representative present during the portion of the inspection that involves the Combination Product.

10. Employees. The Selling Party's (or its Affiliate's) employees engaged in performing Distribution Activities pursuant to the Agreement shall be deemed its (or its Affiliate's) own employees (and not the employees of the non-Selling Party or any of its Affiliates) for all purposes, including federal, state and local tax and employment laws.

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Annex F

Initial Commercialization Plan and Initial Commercialization Budget

Territory B Initial Commercialization Budget - 2006 & 2007

The 2006 and 2007 expenses are not intended to be subject to adjustment pursuant to the Financial Agreement.

	Estimated Number of Units (Bottles)		Commercialization Expenses (in thousands of Euros)	
Country	Total Year 2006 [2]	Total Year Forecast 2007 [3]	Total Year 2006 [2]	Total Year Forecast 2007 [3]
Germany	—	—	—	[*]
United Kingdom [1] (and Ireland)	—	—	—	[*]
Spain	—	—	—	—
Italy	—	—	—	—
France	—	—	—	—
EU Headquarters	N/A	N/A	[*]	[*]
Total	—	—	[*]	[*]

1 GBP/Euro exchange rate for 2007: GBP 1 = €1.4763.

2 Actual Expenses 2006 as approved and reflected in the Interim Commercialization Agreement.

3 Total Spend of **[*]** is in line with JEC approved Latest Estimate.

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Territory B Initial Commercialization Plan and Budget - 2008

The number of Details to be performed for Calendar Year 2008 for each country in Territory B shall be as set forth in Annex J, *provided*, that the numbers set forth therein for the first 12-month period shall be adjusted to account for the date on which Launch occurred in the applicable country (e.g., in the event a country were to Launch at the commencement of the third Calendar Quarter of 2008, then the minimum number of Details for such country for 2008 would be fifty percent (50%) of the minimum number of Details specified in Annex J for the first twelve (12) month period for such country).

	Estimated Number of units (Bottles)				
Country	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Total Year Budget 2008
Germany	[*]	[*]	[*]	[*]	[*]
United Kingdom (and Ireland)	[*]	[*]	[*]	[*]	[*]
Spain	[*]	[*]	[*]	[*]	[*]
Italy	[*]	[*]	[*]	[*]	[*]
France	[*]	[*]	[*]	[*]	[*]
Total	[*]	[*]	[*]	[*]	[*]

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Country	Commercialization Expenses (in thousands of Euros)				
	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Total Year Budget 2008
Germany	[*]	[*]	[*]	[*]	[*]
United Kingdom[1] (and Ireland)	[*]	[*]	[*]	[*]	[*]
Spain	[*]	[*]	[*]	[*]	[*]
Italy	[*]	[*]	[*]	[*]	[*]
France	[*]	[*]	[*]	[*]	[*]
EU Headquarters	[*]	[*]	[*]	[*]	[*]
Total	[*]	[*]	[*]	[*]	[*]

[1] GBP/Euro exchange rate for 2008: GBP 1 = €1.4763.

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Annex G

Gilead Licensed Trademarks

Country	Mark	App. /Reg. No.	Filing /Reg. Date	Class
Bulgaria	TRUVADA	Int'l Reg. No. 834700	17 Aug. 2004	5
European Community	TRUVADA	Reg. No. 3965861	8 Aug. 2004	5, 16, 44
Iceland	TRUVADA	Int'l Reg. No. 834700	17 Aug. 2004	5
Ireland	TRUVADA	Reg. No. 229350	22 March 2004	5
Liechtenstein	TRUVADA	Int'l Reg. No. 834700	17 Aug. 2004	5
Norway	TRUVADA	Int'l Reg. No. 834700	17 Aug. 2004	5
Romania	TRUVADA	Int'l Reg. No. 834700	17 Aug. 2004	5
Serbia & Montenegro	TRUVADA	Int'l Reg. No. 834700	17 Aug. 2004	5
Switzerland	TRUVADA	Int'l Reg. No. 834700	17 Aug. 2004	5
Bulgaria	VIREAD	Int'l Reg. No. 822747	20 Jan. 2004	5
European Community	VIREAD	Reg. No. 1815364	20 Aug. 2000	1, 5, 42
Iceland	VIREAD	Int'l Reg. No. 822747	20 Jan. 2004	5
Liechtenstein	VIREAD	Int'l Reg. No. 822747	20 Jan. 2004	5
Norway	VIREAD	Reg. No. 209953	16 Aug. 2001	5
Romania	VIREAD	Int'l Reg. No. 822747	20 Jan. 2004	5
Serbia-Montenegro	VIREAD	Int'l Reg. No. 822747	20 Jan. 2004	5
Switzerland	VIREAD	Reg. No. 485710	12 Dec. 2000	5
Bulgaria	EMTRIVA	Reg. No. 51433	16 Oct. 2003	5
Czech Republic	EMTRIVA	Reg. No. 264137	10 Oct. 2003	5
Estonia	EMTRIVA	Reg. No. 40344	15 Dec. 2004	5
European Community	EMTRIVA	Reg. No. 3399466	10 Oct. 2003	5, 16, 44

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Hungary	EMTRIVA	Reg. No. 180771	14 Oct. 2003	5
Iceland	EMTRIVA	Reg. No. 951/2003	28 Nov. 2003	5
Latvia	EMTRIVA	Reg. No. M53901	16 Oct. 2003	5
Liechtenstein	EMTRIVA	Reg. No. 13173	16 Oct. 2003	5
Lithuania	EMTRIVA	Reg. No. 49985	13 Oct. 2003	5
Norway	EMTRIVA	Reg. No. 224467	29 Sept. 2004	5
Poland	EMTRIVA	Reg. No. 177366	14 Oct. 2003	5
Romania	EMTRIVA	Reg. No. 57647	10 Oct. 2003	5
Serbia & Montenegro	EMTRIVA	Reg. No. 49515	17 Oct. 2003	5
Slovak Republic	EMTRIVA	Reg. No. 207833	10 Oct. 2003	5
Slovenia	EMTRIVA	Reg. No. 200371487	10 Oct. 2003	5
Switzerland	EMTRIVA	Reg. No. 516574	18 April 2003	5

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Annex H

BMS Licensed Trademarks

Country	Mark	App/Reg. No.	Filing/Reg Date	Class
Austria	SUSTIVA	169 299	16 Oct. 1997	5
Benelux	SUSTIVA	607899	24 Feb. 1997	5
Bulgaria	SUSTIVA	30217	27 Feb. 1997	5
Cyprus, Republic of	SUSTIVA	47297	30 March 2001	5
Czech Republic	SUSTIVA	209211	28 Feb. 1997	5
Denmark	SUSTIVA	VR 1997/01905	25 April 1997	5
Finland	SUSTIVA	208767	31 Dec. 1997	5
France	SUSTIVA	97665304	24 Feb. 1997	5
Germany	SUSTIVA	397 07 938	22 April 1997	5
Greece	SUSTIVA	132368	19 Nov. 2001	5
Hungary	SUSTIVA	146 431	15 Sept. 1997	5
Iceland	SUSTIVA	1043/1997	15 Sept. 1997	5
Ireland	SUSTIVA	203503	21 Feb. 1997	5
Italy	SUSTIVA	TO/2006/2986	2 Sept. 1999	5
Liechtenstein	SUSTIVA	10220	10 Sept. 1997	5
Malta	SUSTIVA	27130	28 May 1997	5
Norway	SUSTIVA	187013	4 Dec. 1997	5
Poland	SUSTIVA	116392	21 Dec. 1999	5
Portugal	SUSTIVA	322116	12 March 1998	5
Romania	SUSTIVA	R30097	23 April 1997	5
Slovakia	SUSTIVA	187154	2 April 1997	5
Spain	SUSTIVA	2076473	5 Sept. 1997	5
Sweden	SUSTIVA	333623	5 Nov 1999	5
Switzerland	SUSTIVA	444933	21 Feb. 1997	5
United Kingdom	SUSTIVA	2124440	20 Feb. 1997	5
European Community	SUSTIVA	969717	24 Feb. 2000	5
	SUNRISE LOGO			

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Annex I

Voluntary Termination Compensation Formula

Capitalized terms used in this Annex and not defined herein shall have the meaning set forth in the agreement to which this Annex is attached.

"Net Sales" shall have the meaning set forth in the Financial Agreement.

"Net Selling Price" shall have the meaning set forth in the Financial Agreement.

"Territory-Wide Percentage" shall mean the BMS Territory-Wide Percentage or the Gilead Territory-Wide Percentage, as the case may be.

1. The Continuing Party shall pay to the Terminating Party with respect to the period from the effective date of such termination through the third anniversary thereof an amount determined pursuant to the following formula (with Net Sales being determined for the applicable yearly period), where such amount shall be calculated and paid in Euros:

Net Sales of the Combination Product in the Territory

multiplied by

[*]

multiplied by the following percentages for the following twelve (12)-month periods commencing with the effective date of termination:

Year 1 – **[*]**

Year 2 – **[*]**

Year 3 – **[*]**

[*]

2. The Continuing Party shall pay any such amounts within sixty (60) days of the end of the Calendar Quarter in which the relevant Net Sales were recognized as revenue (as set forth in the definition of Net Sales set forth in the Financial Agreement).

3. For purposes of calculating any payment pursuant to this Annex I, Net Sales in a currency other than Euros shall be converted into Euros from the applicable currency by the Continuing Party in a manner consistent with its then-current standard worldwide currency conversion methodology, as consistently applied.

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Annex J

Initial Launch Period Commitments

Plan/Budget	Expected Launch Date	Minimum Financial Commitment (in thousands)		Total Minimum Number of Details (Each Party is responsible for 50% of the Details specified for each country)	
		First 12 Months after Launch	Second 12 Months after Launch	First 12 Months after Launch	Second 12 Months after Launch
France	[*]	[*]	[*]	[*]	[*]
Spain	[*]	[*]	[*]	[*]	[*]
Italy	[*]	[*]	[*]	[*]	[*]
UK	[*]	[*]	[*]	[*]	[*]
Ireland	[*]	[*]	[*]	[*]	[*]
Germany	[*]	[*]	[*]	[*]	[*]
Territory Centralized Expenses		[*]	[*]	[*]	[*]
Total		[*]	[*]	[*]	[*]

[1] In Euros unless otherwise specified.

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Annex K

Forecast Principles and Supporting Data

Capitalized terms used in this Annex and not defined herein shall have the meaning set forth in the agreement to which this Annex is attached (the "Agreement"). Section references used in this Annex shall refer to Sections in the Agreement except as otherwise provided.

The Parties have agreed that, in order to enable to manage the manufacturing arrangements associated with the supply of Territory Combination Product and, in particular, applicable production capacity, Forecasts shall be prepared based on Local Demand (as defined in the Agreement).

The determination of Local Demand shall be based solely on the objective data, information and criteria that would be used by Gilead Sub and BMS to forecast unit demand for the Combination Product in the ordinary course of business to meet the treatment needs of HIV patients within a country in the Territory or within the Territory, as applicable ("**Supporting Data**"). Supporting Data may include, without limitation, the categories of data, information and criteria set out below. This list is non-exhaustive and the Parties may agree to add further categories of data, information and criteria from time to time.

Supporting Data

The Supporting Data required to establish reasonable forecasted estimates of Local Demand may include the following (to the extent that such data is available):

- **[*]**
- **[*]**
- **[*]**
- **[*]**
- **[*]**
- **[*]**
- **[*]**

[*]

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Annex L

Territory A Countries

Territory A Co-Promote Countries:

Country	Selling Party
Austria	Gilead Sub
Belgium	Gilead Sub
Denmark	Gilead Sub
Finland	Gilead Sub
Greece	Gilead Sub
Iceland	Gilead Sub
Liechtenstein	Gilead Sub
Luxembourg	Gilead Sub
Netherlands	Gilead Sub
Norway	Gilead Sub
Portugal	Gilead Sub
Sweden	Gilead Sub
Switzerland	Gilead Sub

BMS Sole-Promote Countries:

Country	Selling Party
Czech Republic*	To be determined pursuant to Section 5.1
Hungary	To be determined pursuant to Section 5.1
Poland	To be determined pursuant to Section 5.1
Romania*	To be determined pursuant to Section 5.1

Gilead Sole-Promote Countries:

Country	Selling Party
Malta	Gilead Sub

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Third Party Distributor Countries:

Country	Selling Party/Third Party Distributor
Bulgaria*	To be determined pursuant to Section 5.1
Cyprus	Gilead Sub/Third Party Distributor to be determined pursuant to Section 5.1
Estonia*	To be determined pursuant to Section 5.1
Latvia*	To be determined pursuant to Section 5.1
Lithuania*	To be determined pursuant to Section 5.1
Slovak Republic	To be determined pursuant to Section 5.1
Slovenia	To be determined pursuant to Section 5.1

[*]

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GILEAD SCIENCES, INC.
STOCK OPTION AGREEMENT

RECITALS

A. Optionee is to render valuable services to the Corporation (or a Related Entity), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's grant of an option to Optionee.

B. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

NOW, THEREFORE, the Corporation hereby grants an option to Optionee upon the following terms and conditions:

1. **Grant of Option**. The Corporation hereby grants to the person identified on attached Schedule I (the "Optionee") an option to purchase shares of Common Stock under the Plan. The date on which this option is granted (the "Grant Date"), the number of shares of Common Stock purchasable under this option (the "Option Shares"), the exercise price payable per share (the "Exercise Price"), the applicable vesting schedule by which this option shall vest and become exercisable incrementally for the Option Shares (the "Vesting Schedule") and the date to be used to measure the maximum term of this option (the "Expiation Date") are also indicated on attached Schedule I to this Agreement. The option is a non-statutory option under the US federal income tax laws. The remaining terms and conditions governing this option shall be as set forth in this Agreement.

2. **Option Term**. The term of this option shall commence on the Grant Date and continue to be in effect until the close of business on the last business day prior to the Expiration Date specified in attached Schedule I, unless sooner terminated in accordance with Paragraph 5 or 6 below.

3. **Limited Transferability**.

(a) This option may be assigned in whole or in part during Optionee's lifetime to a Living Trust. The assigned portion may only be exercised by the Living Trust. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents to be executed by the Optionee and the Living Trust as the Corporation may deem appropriate.

(b) Except for the limited transferability provided under Paragraph 3(a), this option shall be neither transferable nor assignable by Optionee other than by will or the laws of inheritance following Optionee's death and may be exercised, during Optionee's lifetime, only by Optionee. However, Optionee may designate one or more persons as the beneficiary or beneficiaries of this option by completing the Corporation's Universal Beneficiary Designation form and filing the completed form with the Corporation's Human Resources Department. Should Optionee file such Universal Beneficiary Designation form and die while holding this option, then this option shall automatically be transferred to the designated beneficiary or beneficiaries. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5 below, be exercised following Optionee's death.

4. **Dates of Exercise**. This option shall vest and become exercisable for the Option Shares in a series of installments in accordance with the Vesting Schedule set forth in attached Schedule I. As the option vests and becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the last business day prior to the Expiration Date or any sooner termination of the option term under Paragraph 5 or 6 below.

5. **Cessation of Service**. The option term specified in Paragraph 2 above shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Except as otherwise expressly provided in subparagraphs (b) through (f) of this Paragraph 5, should Optionee cease to remain in Continuous Service for any reason while this option is outstanding, then Optionee shall have until the close of business on the last business day prior to the expiration of the three- (3) month period measured from the date of such cessation of Continuous Service during which to exercise this option for any or all of the Option Shares for which this option is vested and exercisable at the time of Optionee's cessation of Continuous Service, but in no event shall this option be exercisable at any time after the close of business on the last business day prior to the Expiration Date.

(b) In the event Optionee ceases Continuous Service by reason of his or her death while this option is outstanding, then this option may be exercised, for any or all of the Option Shares for which this option is vested and exercisable at the time of Optionee's cessation of Continuous Service, by (i) the personal representative of Optionee's estate or (ii) the person or persons to whom the option is transferred pursuant to Optionee's will or the laws of inheritance following Optionee's death. However, if Optionee dies while holding this option and has an effective beneficiary designation in effect for this option at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this option following Optionee's death. Any such right to exercise this option shall lapse, and this option shall cease to be outstanding, upon the close of business on the last business prior to the ***earlier*** of (i) the expiration of the twelve- (12) month period measured from the date of Optionee's death or (ii) the Expiration Date. Upon the expiration of such limited exercise period, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

(c) Should Optionee cease Continuous Service by reason of Permanent Disability while this option is outstanding, then Optionee shall have until the close of business on the last business day prior to the expiration of the twelve- (12) month period measured from the date of such cessation of Continuous Service during which to exercise this option for any or all of the Option Shares for which this option is vested and exercisable at the time of such cessation of Continuous Service. In no event, however, shall this option be exercisable at any time after the close of business on the last business day prior to the Expiration Date.

(d) Except as otherwise precluded by Applicable Laws, should (i) Optionee cease Continuous Service after completion of at least three (3) years of Continuous Service and (ii) the sum of Optionee's attained age and completed years of Continuous Service at the time of such cessation of service equals or exceeds seventy (70) years, then Optionee shall have until the close of business on the last business day prior to the expiration of the twelve- (12) month period measured from the date of such cessation of Continuous Service during which to exercise this option for any or all of the Option Shares for which this option is vested and exercisable at the time of such cessation of Continuous Service. In no event, however, shall this option be exercisable at any time after the close of business on the last business day prior to the Expiration Date.

(e) The applicable period of post-service exercisability in effect pursuant to the foregoing provisions of this Paragraph 5 shall automatically be extended by an additional period of time equal in duration to any interval within such post-service exercise period during which the exercise of this option or the immediate sale of the Option Shares acquired under this option cannot be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of this option beyond the close of business on the last business day prior to the Expiration Date.

(f) Should Optionee's Continuous Service be terminated for Cause, or should Optionee engage in any other conduct, while in Continuous Service or following cessation of Continuous Service, that is materially detrimental to the business or affairs of the Corporation (or any Related Entity), as determined in the sole discretion of the Administrator, then this option, whether or not vested and exercisable at the time, shall terminate immediately and cease to be outstanding.

(g) During the limited period of post-service exercisability provided under this Paragraph 5, this option may not be exercised in the aggregate for more than the number of Option Shares for which this option is at the time vested and exercisable. Except to the extent (if any) specifically authorized by the Administrator pursuant to an express written agreement with the Optionee, this option shall not vest or become exercisable for any additional Option Shares, whether pursuant to the normal Vesting Schedule set forth in attached Schedule I or the special vesting acceleration provisions of Paragraph 6 below, following Optionee's cessation of Continuous Service. Upon the expiration of such limited exercise period or (if earlier) upon the close of business on the last business day prior to the Expiration Date, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

6. **Special Acceleration of Option**.

(a) This option, to the extent outstanding at the time of an actual Change in Control but not otherwise fully exercisable, shall automatically accelerate so that this option shall, immediately prior to the effective date of such Change in Control, become exercisable for all of the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully vested shares of Common Stock. However, this option shall ***not*** become exercisable on such an accelerated basis if and to the extent: (i) this

option is to be assumed by the successor corporation (or parent thereof) or is otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction, (ii) this option is to be replaced with an economically-equivalent substitute award or (iii) this option is to be replaced with a cash retention program of the successor corporation which preserves the spread existing at the time of the Change in Control on any Option Shares for which this option is not otherwise at that time vested and exercisable (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such shares) and provides for subsequent payout of that spread in accordance with the same (or more favorable) Vesting Schedule for those Option Shares as set forth in attached Schedule I.

(b) Immediately following the consummation of the Change in Control, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(c) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Common Stock subject to this option would have been converted in consummation of such Change in Control had those shares actually been outstanding at the time. Appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of this option but subject to the Administrator's approval, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(d) If this option is assumed or otherwise continued in effect in connection with a Change in Control or replaced with an economically-equivalent award or a cash retention program in accordance with Paragraph 6(a) above, then:

(i) the option (or such economically equivalent award) shall vest and become immediately exercisable for all of the Option Shares or other securities at the time subject to the option (or such award) and may be exercised for any or all of those Option Shares or other securities as fully vested shares or securities, or

(ii) the balance credited to Optionee under any cash retention program established pursuant to Paragraph 6(a) shall immediately be paid to Optionee in a lump sum, subject to the Corporation's collection of all applicable Withholding Taxes;

if, within the period beginning with the execution date of the definitive agreement for the Change in Control transaction and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change in Control or (ii) the expiration of the Applicable Acceleration Period following the consummation of such Change in Control, Optionee's Continuous Service terminates due to an involuntary termination (other than for death or Permanent Disability) without Cause or a voluntary termination by Optionee due to Constructive Termination.

(e) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. **Adjustment in Option Shares**. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable and proportional adjustments shall be made by the Administrator to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price. The adjustments shall be made in such manner as the Administrator deems appropriate in order to reflect such change and thereby prevent the dilution or enlargement of benefits hereunder, and those adjustments shall be final, binding and conclusive upon Optionee and any other person or persons having an interest in the option. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 6(c) above shall be controlling.

8. **Stockholder Rights**. The holder of this option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

9. **Manner of Exercising Option**.

(a) In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise as to the Option Shares for which the option is exercised or comply with such other procedures as the Corporation may establish for notifying the Corporation, either directly or through an on-line internet transaction with a brokerage firm authorized by the Corporation to effect such option exercises, of the exercise of this option for one or more Option Shares. Copies of the Notice of Exercise may be obtained from the Corporation's intranet at http://gnet/finance/doc/noe.doc.

(ii) Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms:

(A) cash or check made payable to the Corporation; or

(B) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in accordance with the Corporation's pre-clearance/pre-notification policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable Withholding Taxes and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise (or other notification procedure) delivered to the Corporation in connection with the option exercise.

(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(iv) Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all applicable Withholding Taxes.

(b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares (either in paper or electronic form), with the appropriate legends affixed thereto.

(c) In no event may this option be exercised for any fractional shares.

10. **Compliance with Laws and Regulations**.

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all Applicable Laws relating thereto.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

11. **Successors and Assigns**. Except to the extent otherwise provided in Paragraphs 3 and 6 above, the provisions of this Agreement shall inure to the benefit of and be binding upon the Corporation and its successors and assigns and Optionee, Optionee's assigns, the legal representatives, heirs and legatees of Optionee's estate and any beneficiaries of this option designated by Optionee.

12. **Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the most current address then indicated for Optionee on the Corporation's employee records or shall be delivered electronically to Optionee through the Corporation's electronic mail system or through an on-line brokerage firm authorized by the Corporation to effect option exercises through the internet. All notices shall be deemed effective upon personal delivery or delivery through the Corporation's electronic mail system or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

13. **Construction**. This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the provisions of this Agreement and the terms of the Plan, the terms of the Plan shall be controlling. All decisions of the Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

14. **Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to California's conflict-of-laws rules.

15. **Excess Shares**. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then this option shall be void with respect to those excess shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan. In no event shall the option be exercisable with respect to any of the excess Option Shares unless and until such stockholder approval is obtained.

16. **Leaves of Absence**. The following provisions shall govern leaves of absence, except to the extent the application of such provisions to Optionee would contravene Applicable Laws.

(a) For purposes of this Agreement, Optionee's Continuous Service shall not be deemed to cease during any period for which Optionee is on a military leave, sick leave or other personal leave approved by the Corporation. However, Optionee shall not receive any Continuous Service credit, for purposes of vesting in this option and the Option Shares pursuant to the Vesting Schedule set forth in attached Schedule I, for any period of such leave of absence, except to the extent otherwise required by law or pursuant to the following policy:

- Optionee shall receive Continuous Service credit for such vesting purposes for (i) the first three (3) months of an approved personal leave of absence or (ii) the first seven (7) months of any bona fide leave of absence (other than an approved personal leave), but in no event beyond the expiration date of such leave of absence.

(b) In no event shall Optionee be deemed to remain in Continuous Service at any time after the earlier of (i) the expiration date of his or her leave of absence, unless Optionee returns to active Continuous Service on or before that date, or (ii) the date Optionee's Continuous Service actually terminates by reason of his or her voluntary or involuntary termination or by reason of his or her death or disability.

17. **Employment at Will**. Nothing in this Agreement or in the Plan shall confer upon Optionee any right to remain in Employee status for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Related Entity employing Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Employee status at any time for any reason, with or without Cause.

18. **Plan Prospectus**. The official prospectus for the Plan is available on the Corporation's intranet at: http://gnet/ HR/stocks_new.asp. Optionee may also obtain a printed copy of the prospectus by contacting Stock Administration either through the internet at stockadministration@gilead.com or by telephoning 650-522-5517.

19. **Optionee Acceptance**. Optionee must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Corporation or through a written acceptance delivered to the Corporation in a form satisfactory to the Corporation. In no event shall this option be exercised in the absence of such acceptance.

IN WITNESS WHEREOF, Gilead Sciences, Inc. has caused this Agreement to be executed on its behalf by its duly-authorized officer on the day and year first indicated above.

GILEAD SCIENCES, INC.

By: _____

Title: _____

APPENDIX

The following definitions shall be in effect under the Agreement:

A. **Administrator** shall mean the Compensation Committee of the Board (or a subcommittee thereof) acting in its capacity as administrator of the Plan.

B. **Agreement** shall mean this Stock Option Agreement.

C. **Applicable Acceleration Period** shall have the meaning assigned to such term in Section 2(b) of the Plan and shall be determined on the basis of Optionee's status on the Grant Date.

D. **Applicable Laws** shall mean the legal requirements related to the Plan and the option under applicable provisions of the federal securities laws, state corporate and state securities laws, the Code, the rules of any applicable Stock Exchange on which the Common Stock is listed for trading, and the rules of any non-U.S. jurisdiction applicable to options granted to residents therein.

E. **Board** shall mean the Corporation's Board of Directors.

F. **Cause** shall, for purposes of Paragraph 5 of the Agreement, mean the termination of Optionee's Continuous Service as a result of Optionee's (i) performance of any act, or failure to perform any act, in bad faith and to the detriment of the Corporation or a Related Entity; (ii) dishonesty, intentional misconduct, material violation of any applicable Corporation or Related Entity policy, or material breach of any agreement with the Corporation or a Related Entity; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person. However, for purposes of Paragraph 6(d) of the Agreement,**Cause** shall mean the termination of Optionee's Continuous Service as a result of Optionee's (a) conviction of, a guilty plea with respect to, or a plea of *nolo contendere* to, a charge that Optionee has committed a felony under the laws of the United States or of any State or a crime involving moral turpitude, including (without limitation) fraud, theft, embezzlement or any crime that results in or is intended to result in personal enrichment to Optionee at the expense of the Corporation or a Related Entity; (b) material breach of any agreement entered into between Optionee and the Corporation or a Related Entity that impairs the Corporation's or the Related Entity's interest therein; (c) willful misconduct, significant failure to perform his or her duties or gross neglect of his or her duties; or (d) engagement in any activity that constitutes a material conflict of interest with the Corporation or a Related Entity.

G. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction;

(ii) a sale, transfer or other disposition of all or substantially all of the Corporation's assets;

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with the Corporation) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve- (12) month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders; or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) above who were still in office at the time the Board approved such election or nomination.

In no event, however, shall a Change in Control be deemed to occur upon a merger, consolidation or other reorganization effected primarily to change the State of the Corporation's incorporation or to create a holding company structure pursuant to which the Corporation becomes a wholly-owned subsidiary of an entity whose outstanding voting securities immediately after its formation are beneficially owned, directly or indirectly, and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to the formation of such entity.

H. **Code** shall mean the Internal Revenue Code of 1986, as amended.

I. **Common Stock** shall mean shares of the Corporation's common stock.

J. **Constructive Termination** shall have the meaning assigned to such term in Section 11(d) of the Plan.

K. **Consultant** shall mean any person, including an advisor, who is compensated by the Corporation or any Related Entity for services performed as a non-employee consultant; ***provided, however,*** that the term "Consultant" shall not include non-employee Directors serving in their capacity as Board members. The term "Consultant" shall include a member of the board of directors of a Related Entity.

L. **Continuous Service** shall mean the performance of services for the Corporation or a Related Entity (whether now existing or subsequently established) by a person in the capacity of an Employee, Director or Consultant. For purposes of this Agreement, Optionee shall be deemed to cease Continuous Service immediately upon the occurrence of either of the following events: (i) Optionee no longer performs services in any of the foregoing capacities for the Corporation or any Related Entity or (ii) the entity for which Optionee is performing such services ceases to remain a Related Entity of the Corporation, even though Optionee may subsequently continue to perform services for that entity. In jurisdictions requiring notice in advance of an effective termination of Optionee's service as an Employee, Director or Consultant, Continuous Service shall be deemed terminated upon the actual cessation of such service to the Corporation or a Related Entity notwithstanding any required notice period that must be fulfilled before Optionee's termination as an Employee, Director or Consultant can be effective under Applicable Laws.

M. **Corporation** shall mean Gilead Sciences, Inc., a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of Gilead Sciences, Inc. which shall by appropriate action adopt the Plan.

N. **Director** shall mean a member of the Board.

O. **Employee** shall mean an individual who is in the employ of the Corporation (or any Related Entity), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

P. **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

Q. **Exercise Price** shall mean the exercise price payable per Option Share as specified in attached Schedule I.

R. **Expiration Date** shall mean the date specified on attached Schedule I for measuring the maximum term for which the option may remain outstanding.

S. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing price per share of Common Stock (or the closing bid, if no sales were reported), as quoted on the Stock Exchange serving as the primary trading market for the Common Stock, on the last market trading day prior to the date of determination (or, if no closing price or closing bid was reported on that date, as applicable, on the last trading date such closing price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable.

T. **Grant Date** shall mean the date on which the option is granted, as specified on attached Schedule I.

U. **Living Trust** shall mean a revocable living trust established by Optionee or by Optionee and his or her spouse of which Optionee is the sole trustee (or sole co-trustee with his or her spouse) and sole beneficiary (or sole co-beneficiary with his or her spouse) during Optionee's lifetime.

V. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

W. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

X. **Notice of Exercise** shall mean the notice of option exercise in the form authorized by the Corporation.

Y. **Option Shares** shall mean the number of shares of Common Stock subject to the option as specified in attached Schedule I.

Z. **Optionee** shall mean the person identified in attached Schedule I to whom the option is granted pursuant to the Agreement.

AA. **Parent** shall mean a "parent corporation," whether now existing or hereafter established, as defined in Section 424(e) of the Code.

BB. **Permanent Disability** shall mean the inability of Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is expected to result in death or to be of continuous duration of twelve (12) months or more.

CC. **Plan** shall mean the Corporation's 2004 Equity Incentive Plan, as amended from time to time.

DD.**Related Entity** shall mean (i) any Parent or Subsidiary of the Corporation and (ii) any corporation in an unbroken chain of corporations beginning with the Corporation and ending with the corporation in the chain for which Optionee provides services as an Employee, Director or Consultant, provided each corporation in such chain owns securities representing at least twenty percent (20%) of the total outstanding voting power of the outstanding securities of another corporation or entity in such chain and there is a legitimate non-tax business purpose for making this option grant to Optionee.

EE. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

FF. **Subsidiary** shall mean a "subsidiary corporation," whether now existing or hereafter established, as defined in Section 424(f) of the Code.

GG. **Vesting Schedule** shall mean the schedule set forth in attached Schedule I, pursuant to which the option is to vest and become exercisable for the Option Shares in a series of installments over Optionee's period of Continuous Service.

HH. **Withholding Taxes** shall mean the federal, state, local and/or foreign income taxes and the employee portion of the federal, state, local and/or foreign employment taxes required to be withheld by the Corporation in connection with the exercise of the option.

SCHEDULE I

OPTION GRANT SPECIFICS

Name of Optionee: «FIRST_NAME» «MIDDLE_NAME» «LAST_NAME»

Grant Date: «DATE» «MONTH» «YEAR»

Total Number of Option Shares: «SHARES_GRANTED»

Exercise Price: «OPTION_PRICE»

Vesting Schedule:

Shares	Vest Type	Full Vest Date	Expiration Date
«SHARES_PERIOD_1»	«VEST_TYPE_PERIOD_1»	«VEST_DATE_PERIOD_1»	«EXPIRATION_DATE_PERIOD_1»
«SHARES_PERIOD_2»	«VEST_TYPE_PERIOD_2»	«VEST_DATE_PERIOD_2»	«EXPIRATION_DATE_PERIOD_2»
«SHARES_PERIOD_3»	«VEST_TYPE_PERIOD_3»	«VEST_DATE_PERIOD_3»	«EXPIRATION_DATE_PERIOD_3»
«SHARES_PERIOD_4»	«VEST_TYPE_PERIOD_4»	«VEST_DATE_PERIOD_4»	«EXPIRATION_DATE_PERIOD_4»
«SHARES_PERIOD_5»	«VEST_TYPE_PERIOD_5»	«VEST_DATE_PERIOD_5»	«EXPIRATION_DATE_PERIOD_5»

The option will vest and become exercisable for the number of Option Shares noted on the first line above on the first anniversary of the Grant Date, as noted by the date listed under “Full Vest Date.” With respect to each subsequent line, the option will vest and become exercisable for the listed Option Shares in equal quarterly installments, beginning one quarter after the Full Vest Date on the previous line and ending on the corresponding Full Vest Date for the listed Option Shares at issue. Fractional shares will be rounded down to the nearest whole number.

Exhibit 10.64

NON-EMPLOYEE BOARD MEMBER—INITIAL GRANT

GILEAD SCIENCES, INC.
STOCK OPTION AGREEMENT

RECITALS

A. Optionee is to render valuable services to the Corporation as a non-employee Board member, and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's grant of an option to Optionee in his or her capacity as a non-employee Board member.

B. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

NOW, THEREFORE, the Corporation hereby grants an option to Optionee upon the following terms and conditions:

1. **Grant of Option**. The Corporation hereby grants to Optionee, as of the Grant Date, an option to purchase the Option Shares under the Plan. The number of Option Shares purchasable under the option, the applicable vesting schedule for the option, the exercise price per share and the remaining terms and conditions governing the option shall be as set forth in this Agreement.

AWARD SUMMARY

Optionee:	_____
Grant Date:	_____, 200___
Exercise Price:	$_____ per share
Number of Option Shares:	_____ shares of Common Stock
Vesting Commencement Date:	_____, 20____
Expiration Date:	_____, 20____*
Type of Option:	Non-Statutory Stock Option
Exercise Schedule:	The option shall vest and become exercisable for the Option Shares in two (2) successive equal annual installments upon Optionee's completion of each year of Continuous Service over the two- (2) year period measured from the Vesting Commencement Date.

* The option will in no event remain exercisable beyond the close of business on the last business day immediately prior to the Expiration Date.

2.**Option Term.** The term of this option shall commence on the Grant Date and continue to be in effect until the close of business on the last business day prior to the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 6 below.

3. **Limited Transferability**. The following provisions shall govern the transferability of this option:

(a) This option may be assigned in whole or in part during Optionee's lifetime to one or more members of Optionee's Immediate Family or to a trust established for Optionee and/or one or more Immediate Family members, provided such assignment constitutes a gratuitous transfer by Optionee for which no consideration is directly or indirectly received. The assigned portion may only be exercised by the person who acquires a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents to be executed by Optionee and the assignee as the Corporation may deem appropriate.

(b) Optionee may also designate one or more persons as the beneficiary or beneficiaries of this option. Should Optionee die while holding this option, then the option shall be, in accordance with such designation, automatically transferred to such beneficiary or beneficiaries upon Optionee's death. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5 below, be exercised following Optionee's death.

4.**Dates of Exercise**. This option shall become exercisable for the Option Shares in a series of installments over Optionee's period of Continuous Service in accordance with the Exercise Schedule set forth in Paragraph 1 above. As the option becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until (i) the close of business on the last business day prior to the Expiration Date or (ii) the sooner termination of the option term under Paragraph 5 or 6 below. Optionee shall be deemed to remain in Continuous Service, for purposes of this Paragraph 4 and Paragraph 5 below, for so long as Optionee continues to serve the Corporation as a Director Emeritus immediately following his or her cessation of service as a Board member without an intervening break in Continuous Service.

5.**Cessation of Service**. The option term specified in Paragraph 2 above shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Except as otherwise expressly provided in subparagraphs (b) through (d) of this Paragraph 5, should Optionee cease to remain in Continuous Service for any reason while this option is outstanding, then Optionee shall have until the close of business on the last business day prior to the expiration of the three- (3) year period measured from the date of such cessation of Continuous Service during which to exercise this option for any or all of the Option Shares at the time subject to this option, but in no event shall this option be exercisable at any time after the close of business on the last business day prior to the Expiration Date.

(b) Should Optionee's Continuous Service terminate by reason of his or her death while this option is outstanding, then this option may be exercised, for any or all of the Option Shares for which this option is vested and exercisable at the time of such termination of Continuous Service, by (i) the personal representative of Optionee's estate, (ii) the person or persons to whom the option is transferred pursuant to Optionee's will or the laws of inheritance following Optionee's death or (iii) the person or persons to whom this option is transferred during Optionee's lifetime pursuant to a permitted transfer under Paragraph 3(a) above, as the case may be. However, if Optionee dies while holding this option and has an effective beneficiary designation in effect for this option at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this option following Optionee's death. Any such right to exercise this option shall lapse, and this option shall cease to be outstanding, upon the close of business on the last business day prior to the ***earlier*** of (i) the expiration of the three- (3) year period measured from the date of Optionee's death or (ii) the Expiration Date. Upon the expiration of such limited exercise period, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

(c) The applicable period of post-service exercisability in effect pursuant to the foregoing provisions of this Paragraph 5 shall automatically be extended by an additional period of time equal in duration to any interval within such post-service exercise period during which the exercise of this option or the immediate sale of the Option Shares acquired under this option cannot be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of this option beyond the close of business on the last business day prior to the Expiration Date.

(d) Should Optionee's Continuous Service be terminated for Cause, or should Optionee engage in any other conduct, while in such service or following cessation of Continuous Service, that is materially detrimental to the business or affairs of the Corporation (or any Related Entity), as determined in the sole discretion of the Administrator, then this option shall terminate immediately and cease to be outstanding.

(e) During the limited period of post-service exercisability under this Paragraph 5, this option may not be exercised in the aggregate for more than the number of Option Shares for which this option is at the time vested and exercisable. Except to the extent (if any) specifically authorized by the Administrator pursuant to an express written agreement with Optionee, this option shall not vest or become exercisable for any additional Option Shares, whether pursuant to the normal Exercise Schedule specified in Paragraph 1 above or the special vesting acceleration provisions of Paragraph 6 below, following Optionee's cessation of Continuous Service. Upon the expiration of such limited exercise period or (if earlier) upon the close of business on the last business day prior to the Expiration Date, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

6.**Change in Control**.

(a) Should Optionee continue to serve as a Board member until the effective date of a Change in Control, then this option, to the extent outstanding at the time but not otherwise fully exercisable, shall automatically accelerate so that this option shall, immediately prior to the effective date of such Change in Control, become exercisable for all of the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully vested shares of Common Stock.

(b) Immediately following the consummation of the Change in Control, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(c) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Common Stock subject to this option would have been converted in consummation of such Change in Control had those shares actually been outstanding at the time. Appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of this option but subject to the Administrator's approval, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(d) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. **Adjustment in Option Shares**. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable and proportional adjustments shall be made by the Administrator to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price. The adjustments shall be made in such manner as the Administrator deems appropriate in order to reflect such change and thereby prevent the dilution or enlargement of benefits hereunder, and those adjustments shall be final, binding and conclusive upon Optionee and any other person or persons having an interest in the option. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 6(c) above shall be controlling.

8.**Stockholder Rights**. The holder of this option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

9. **Manner of Exercising Option**.

(a) In order to exercise this option with respect to all or any portion of the Option Shares for which this option is at the time vested and exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise as to the Option Shares for which the option is exercised or comply with such other procedures as the Corporation may establish for notifying the Corporation, either directly or through an on-line internet transaction with a brokerage firm authorized by the Corporation to effect option exercises, of the exercise of this option for one or more Option Shares. The applicable Notice of Exercise may be obtained through the internet at stockadministration@gilead.com or by telephoning Stock Administration at 650-522-5517.

(ii) Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms:

(A) cash or check made payable to the Corporation;

(B) shares of Common Stock (whether delivered in the form of actual stock certificates or through attestation of ownership in a manner reasonably satisfactory to the Corporation) held for the requisite period (if any) necessary to avoid any resulting charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date; or

(C) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in accordance with the Corporation's pre-clearance/pre-notification policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable Withholding Taxes and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise (or other notification procedure) delivered to the Corporation in connection with the option exercise.

(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(iv) Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all applicable Withholding Taxes.

(b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares (either in paper or electronic form), with the appropriate legends affixed thereto.

(c) In no event may this option be exercised for any fractional shares.

10.**Compliance with Laws and Regulations**.

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all Applicable Laws relating thereto.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

11. **Successors and Assigns**. Except to the extent otherwise provided in Paragraphs 3 and 6 above, the provisions of this Agreement shall inure to the benefit of and be binding upon the Corporation and its successors and assigns and Optionee, Optionee's assigns, the legal representatives, heirs and legatees of Optionee's estate and any beneficiaries of this option designated by Optionee.

12. **Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the most current address then indicated for Optionee on the Corporation's records or shall be delivered electronically to Optionee through the Corporation's electronic mail system or through an on-line brokerage firm authorized by the Corporation to effect option exercises through the internet. All notices shall be deemed effective upon personal delivery or electronic delivery as specified above or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

13.**Construction**. This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the provisions of this Agreement and the terms of the Plan, the terms of the Plan shall be controlling. All decisions of the Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

14.**Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to California's conflict-of-laws rules.

15. **Excess Shares**. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then this option shall be void with respect to those excess shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan. In no event shall the option be exercisable with respect to any of the excess Option Shares unless and until such stockholder approval is obtained.

16.**No Impairment of Rights**. This Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Corporation or its stockholders to remove Optionee from the Board at any time in accordance with the provisions of applicable law.

17. **Plan Prospectus**. The official prospectus for the Plan is attached if this option is the first option made to Optionee under the October 2007 restatement of the Plan. Optionee may obtain an additional printed copy of the prospectus by contacting Stock Administration through the internet at stockadministration@gilead.com or by telephoning 650-522-5517.

18. **Optionee Acceptance**. Optionee must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Corporation or through a written acceptance delivered to the Corporation in a form satisfactory to the Corporation. In no event shall this option be exercised in the absence of such acceptance.

IN WITNESS WHEREOF, Gilead Sciences, Inc. has caused this Agreement to be executed on its behalf by its duly-authorized officer on the day and year first indicated above.

GILEAD SCIENCES, INC.

By: _____

Title: _____

APPENDIX

The following definitions shall be in effect under the Agreement:

A. **Administrator** shall mean the Compensation Committee of the Board (or any subcommittee thereof) in its capacity as administrator of the Plan.

B. **Agreement** shall mean this Stock Option Agreement.

C. **Applicable Laws** shall mean the legal requirements related to the Plan and the option under applicable provisions of the federal securities laws, state corporate and state securities laws, the Code, the rules of any applicable Stock Exchange on which the Common Stock is listed for trading, and the rules of any non-U.S. jurisdiction applicable to options granted to residents therein.

D. **Board** shall mean the Corporation's Board of Directors.

E. **Cause** shall mean the termination of Optionee's Continuous Service as a result of Optionee's (i) performance of any act, or failure to perform any act, in bad faith and to the detriment of the Corporation; (ii) dishonesty, intentional misconduct, material breach of any fiduciary duty owed to the Corporation; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person.

F. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction;

(ii) a sale, transfer or other disposition of all or substantially all of the Corporation's assets;

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with the Corporation) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve- (12) month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or

convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders; or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) above who were still in office at the time the Board approved such election or nomination.

In no event, however, shall a Change in Control be deemed to occur upon a merger, consolidation or other reorganization effected primarily to change the State of the Corporation's incorporation or to create a holding company structure pursuant to which the Corporation becomes a wholly-owned subsidiary of an entity whose outstanding voting securities immediately after its formation are beneficially owned, directly or indirectly, and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to the formation of such entity.

G. **Code** shall mean the Internal Revenue Code of 1986, as amended.

H. **Common Stock** shall mean shares of the Corporation's common stock.

I. **Consultant** shall mean any person, including an advisor, who is compensated by the Corporation or any Related Entity for services performed as a non-employee consultant; ***provided, however,*** that the term "Consultant" shall not include non-employee Directors serving in their capacity as Board members. The term "Consultant" shall include (i) a former Board member during his or her period of service as Director Emeritus immediately following his or her cessation of service as a Board member, without an intervening break in Continuous Service, or (ii) an individual serving as a member of the board of directors of a Related Entity.

J. **Continuous Service** shall mean the performance of services for the Corporation or a Related Entity (whether now existing or subsequently established) by a person in the capacity of an Employee, Director or Consultant. For purposes of this Agreement, Optionee shall be deemed to cease Continuous Service immediately upon the occurrence of either of the following events: (i) Optionee no longer performs services in any of the foregoing capacities for the Corporation or any Related Entity or (ii) the entity for which Optionee is performing such services ceases to remain a Related Entity of the Corporation, even though Optionee may subsequently continue to perform services for that entity.

K. **Corporation** shall mean Gilead Sciences, Inc., a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of Gilead Sciences, Inc. which shall by appropriate action adopt the Plan.

L. **Director** shall mean a member of the Board.

M. **Domestic Partner** shall mean a person who meets and continues to meet all of the criteria detailed in the Gilead Sciences Affidavit of Domestic Partnership when the Domestic Partnership has been internally registered with the Corporation by filing with the Corporation an original, properly completed, notarized Gilead Sciences Affidavit of Domestic Partnership.

N. **Employee** shall mean an individual who is in the employ of the Corporation (or any Related Entity), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

O. **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

P. **Exercise Price** shall mean the exercise price per Option Share as specified in Paragraph 1 of the Agreement.

Q. **Exercise Schedule** shall mean the schedule set forth in Paragraph 1 of the Agreement, pursuant to which the option is to vest and become exercisable for the Option Shares in two (2) successive equal annual installments over Optionee's period of Continuous Service.

R. **Expiration Date** shall mean the date specified in Paragraph 1 of the Agreement for measuring the maximum term for which the option may remain outstanding.

S. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing price per share of Common Stock (or the closing bid, if no sales were reported), as quoted on the Stock Exchange serving as the primary trading market for the Common Stock, on the last market trading day prior to the date of determination (or, if no closing price or closing bid was reported on that date, as applicable, on the last trading date such closing price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable.

T. **Grant Date** shall mean the date of grant of the option as specified in Paragraph 1 of the Agreement.

U. **Immediate Family** shall mean, with respect to Optionee, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law including adoptive relationships, Domestic Partner, a trust in which such persons (or person) have more than fifty percent (50%) of the beneficial interest, a foundation in which such persons (or person) control the management of such entity's assets, or any other entity in which such persons (or person) own more than fifty percent (50%) of the voting interests.

V. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

W. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

X. **Notice of Exercise** shall mean the notice of option exercise in the form prescribed by the Corporation.

Y. **Option Shares** shall mean the number of shares of Common Stock subject to the option as specified in Paragraph 1 of the Agreement.

Z.**Optionee** shall mean the person to whom the option is granted pursuant to the Agreement.

AA.**Parent** shall mean a "parent corporation," whether now or hereafter established, as defined in Section 424(e) of the Code.

BB.**Plan** shall mean the Corporation's 2004 Equity Incentive Plan, as amended from time to time.

CC.**Related Entity** shall mean (i) any Parent or Subsidiary of the Corporation and (ii) any corporation in an unbroken chain of corporations beginning with the Corporation and ending with the corporation in the chain for which Optionee provides services as an Employee, Director or Consultant, provided each corporation in such chain owns securities representing at least twenty percent (20%) of the total outstanding voting power of the outstanding securities of another corporation or entity in such chain and there is a legitimate non-tax business purpose for making this option grant to Optionee.

DD.**Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

EE.**Subsidiary** shall mean a "subsidiary corporation," whether now or hereafter established, as defined in Section 424(f) of the Code.

FF.**Withholding Taxes** shall mean any federal, state and local taxes required to be withheld by the Corporation in connection with the exercise of the option.

GILEAD SCIENCES, INC.
STOCK OPTION AGREEMENT

RECITALS

A. Optionee is to render valuable services to the Corporation as a non-employee Board member, and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's grant of an option to Optionee in his or her capacity as a non-employee Board member.

B. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

NOW, THEREFORE, the Corporation hereby grants an option to Optionee upon the following terms and conditions:

1. Grant of Option. The Corporation hereby grants to Optionee, as of the Grant Date, an option to purchase the Option Shares under the Plan. The number of Option Shares purchasable under the option, the applicable vesting schedule for the option, the exercise price per share and the remaining terms and conditions governing the option shall be as set forth in this Agreement.

AWARD SUMMARY

Optionee:	_____
Grant Date:	_____, 200___
Exercise Price:	$_____ per share
Number of Option Shares:	_____ shares of Common Stock
Expiration Date:	_____, 20____*
Type of Option:	Non-Statutory Stock Option
Exercise Schedule:	The option is fully-vested and immediately exercisable for any or all of the Option Shares.

* The option will in no event remain exercisable beyond the close of business on the last business day immediately prior to the Expiration Date.

2. **Option Term**. The term of this option shall commence on the Grant Date and continue to be in effect until the close of business on the last business day prior to the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 6 below.

3. **Limited Transferability**. The following provisions shall govern the transferability of this option:

(a) This option may be assigned in whole or in part during Optionee's lifetime to one or more members of Optionee's Immediate Family or to a trust established for the Optionee and/or one or more Immediate Family members, provided such assignment constitutes a gratuitous transfer by the Optionee for which no consideration is directly or indirectly received. The assigned portion may only be exercised by the person who acquires a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents to be executed by the Optionee and the assignee as the Corporation may deem appropriate.

(b) Optionee may also designate one or more persons as the beneficiary or beneficiaries of this option. Should Optionee die while holding this option, then the option shall be, in accordance with such designation, automatically transferred to such beneficiary or beneficiaries upon the Optionee's death. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5 below, be exercised following Optionee's death.

4.**Dates of Exercise**. This option is immediately exercisable for all of the Option Shares as fully-vested shares of Common Stock and may be exercised for any or all of those Option Shares at any time prior to (i) the close of business on the last business day prior to the Expiration Date or (ii) the sooner termination of the option term under Paragraph 5 or 6 below.

5.**Cessation of Service**. The option term specified in Paragraph 2 above shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Except as otherwise expressly provided in subparagraphs (b) through (e) of this Paragraph 5, should Optionee cease to remain in Continuous Service for any reason while this option is outstanding, then Optionee shall have until the close of business on the last business day prior to the expiration of the three- (3) year period measured from the date of such cessation of Continuous Service during which to exercise this option for any or all of the Option Shares at the time subject to this option, but in no event shall this option be exercisable at any time after the close of business on the last business day prior to the Expiration Date.

(b) For purposes of this Paragraph 5, Optionee shall be deemed to remain in Continuous Service for so long as Optionee continues to serve the Corporation as a Director Emeritus immediately following his or her cessation of service as a Board member without an intervening break in Continuous Service.

(c) Should Optionee's Continuous Service terminate by reason of his or her death while this option is outstanding, then this option may be exercised for any or all of the Option Shares subject to this option at the time of such termination of Continuous Service by (i) the personal representative of Optionee's estate, (ii) the person or persons to whom the option is transferred pursuant to Optionee's will or the laws of inheritance following Optionee's death or (iii) the person or persons to whom this option is transferred during Optionee's lifetime pursuant to a permitted transfer under Paragraph 3(a) above, as the case may be. However, if Optionee dies while holding this option and has an effective beneficiary designation in effect for this option at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this option following Optionee's death. Any such right to exercise this option shall lapse, and this option shall cease to be outstanding, upon the close of business on the last business day prior to the ***earlier*** of (i) the expiration of the three- (3) year period measured from the date of Optionee's death or (ii) the Expiration Date. Upon the expiration of such limited exercise period, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not otherwise been exercised.

(d) The applicable period of post-service exercisability in effect pursuant to the foregoing provisions of this Paragraph 5 shall automatically be extended by an additional period of time equal in duration to any interval within such post-service exercise period during which the exercise of this option or the immediate sale of the Option Shares acquired under this option cannot be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of this option beyond the close of business on the last business day prior to the Expiration Date.

(e) Should Optionee's Continuous Service be terminated for Cause, or should Optionee engage in any other conduct, while in such service or following cessation of Continuous Service, that is materially detrimental to the business or affairs of the Corporation (or any Related Entity), as determined in the sole discretion of the Administrator, then this option shall terminate immediately and cease to be outstanding.

6.**Change in Control**.

(a) Immediately following the consummation of a Change in Control transaction, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(b) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Common Stock subject to this option would have been converted in consummation of such Change in Control had those shares actually been outstanding at the time. Appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of this option but subject to the Administrator's approval, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(c) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7.**Adjustment in Option Shares**. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable and proportional adjustments shall be made by the Administrator to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price. The adjustments shall be made in such manner as the Administrator deems appropriate in order to reflect such change and thereby prevent the dilution or enlargement of benefits hereunder, and those adjustments shall be final, binding and conclusive upon Optionee and any other person or persons having an interest in the option. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 6(c) above shall be controlling.

8.**Stockholder Rights**. The holder of this option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

9.**Manner of Exercising Option**.

(a) In order to exercise this option with respect to all or any portion of the Option Shares at the time subject to this option, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise as to the Option Shares for which the option is exercised or comply with such other procedures as the Corporation may establish for notifying the Corporation, either directly or through an on-line internet transaction with a brokerage firm authorized by the Corporation to effect option exercises, of the exercise of this option for one or more Option Shares. The applicable Notice of Exercise may be obtained through the internet at stockadministration@gilead.com or by telephoning Stock Administration at 650-522-5517.

(ii) Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms:

(A) cash or check made payable to the Corporation; or

(B) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in accordance with the Corporation's pre-clearance/pre-notification policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable Withholding Taxes and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise (or other notification procedure) delivered to the Corporation in connection with the option exercise.

(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(iv) Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all applicable Withholding Taxes.

(b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares (either in paper or electronic form), with the appropriate legends affixed thereto.

(c) In no event may this option be exercised for any fractional shares.

10.**Compliance with Laws and Regulations**.

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all Applicable Laws relating thereto.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

11.**Successors and Assigns**. Except to the extent otherwise provided in Paragraphs 3 and 6 above, the provisions of this Agreement shall inure to the benefit of and be binding upon the Corporation and its successors and assigns and Optionee, Optionee's assigns, the legal representatives, heirs and legatees of Optionee's estate and any beneficiaries of this option designated by Optionee.

12.**Notices**. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the most current address then indicated for Optionee on the Corporation's records or shall be delivered electronically to Optionee through the Corporation's electronic mail system or through an on-line brokerage firm authorized by the Corporation to effect option exercises through the internet. All notices shall be deemed effective upon personal delivery or electronic delivery as specified above or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

13.**Construction**. This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the provisions of this Agreement and the terms of the Plan, the terms of the Plan shall be controlling. All decisions of the Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

14.**Governing Law**. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to California's conflict-of-laws rules.

15.**Excess Shares**. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then this option shall be void with respect to those excess shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan. In no event shall the option be exercisable with respect to any of the excess Option Shares unless and until such stockholder approval is obtained.

16.**No Impairment of Rights**. This Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Corporation or its stockholders to remove Optionee from the Board at any time in accordance with the provisions of applicable law.

17.**Plan Prospectus**. The official prospectus for the Plan is attached if this option is the first option made to Optionee under the October 2007 restatement of the Plan. Optionee may obtain an additional printed copy of the prospectus by contacting Stock Administration through the internet at stockadministration@gilead.com or by telephoning 650-522-5517.

18. **Optionee Acceptance**. Optionee must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Corporation or through a written acceptance delivered to the Corporation in a form satisfactory to the Corporation. In no event shall this option be exercised in the absence of such acceptance.

IN WITNESS WHEREOF, Gilead Sciences, Inc. has caused this Agreement to be executed on its behalf by its duly-authorized officer on the day and year first indicated above.

GILEAD SCIENCES, INC.

By: _____

Title: _____

APPENDIX

The following definitions shall be in effect under the Agreement:

A.**Administrator** shall mean the Compensation Committee of the Board (or any subcommittee thereof) acting in its capacity as administrator of the Plan.

B.**Agreement** shall mean this Stock Option Agreement.

C.**Applicable Laws** shall mean the legal requirements related to the Plan and the option under applicable provisions of the federal securities laws, state corporate and state securities laws, the Code, the rules of any applicable Stock Exchange on which the Common Stock is listed for trading, and the rules of any non-U.S. jurisdiction applicable to options granted to residents therein.

D.**Board** shall mean the Corporation's Board of Directors.

E.**Cause** shall mean the termination of Optionee's Continuous Service as a result of Optionee's (i) performance of any act, or failure to perform any act, in bad faith and to the detriment of the Corporation; (ii) dishonesty, intentional misconduct, material breach of any fiduciary duty owed to the Corporation; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person.

F.**Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction;

(ii) a sale, transfer or other disposition of all or substantially all of the Corporation's assets;

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve-(12) month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or

convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders; or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) above who were still in office at the time the Board approved such election or nomination.

In no event, however, shall a Change in Control be deemed to occur upon a merger, consolidation or other reorganization effected primarily to change the State of the Corporation's incorporation or to create a holding company structure pursuant to which the Corporation becomes a wholly-owned subsidiary of an entity whose outstanding voting securities immediately after its formation are beneficially owned, directly or indirectly, and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to the formation of such entity.

G.**Code** shall mean the Internal Revenue Code of 1986, as amended.

H.**Common Stock** shall mean shares of the Corporation's common stock.

I.**Consultant** shall mean any person, including an advisor, who is compensated by the Corporation or any Related Entity for services performed as a non-employee consultant; *provided, however***,** that the term "Consultant" shall not include non-employee Directors serving in their capacity as Board members. The term "Consultant" shall include (i) a former Board member during his or her period of service as Director Emeritus immediately following his or her cessation of service as a Board member, without an intervening break in Continuous Service, or (ii) an individual serving as a member of the board of directors of a Related Entity.

J. **Continuous Service** shall mean the performance of services for the Corporation or a Related Entity (whether now existing or subsequently established) by a person in the capacity of an Employee, Director or Consultant. For purposes of this Agreement, Optionee shall be deemed to cease Continuous Service immediately upon the occurrence of either of the following events: (i) Optionee no longer performs services in any of the foregoing capacities for the Corporation or any Related Entity or (ii) the entity for which Optionee is performing such services ceases to remain a Related Entity of the Corporation, even though Optionee may subsequently continue to perform services for that entity.

K.**Corporation** shall mean Gilead Sciences, Inc., a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of Gilead Sciences, Inc. which shall by appropriate action adopt the Plan.

L.**Director** shall mean a member of the Board.

M.**Domestic Partner** shall mean a person who meets and continues to meet all of the criteria detailed in the Gilead Sciences Affidavit of Domestic Partnership when the Domestic Partnership has been internally registered with the Corporation by filing with the Corporation an original, properly completed, notarized Gilead Sciences Affidavit of Domestic Partnership.

N.**Employee** shall mean an individual who is in the employ of the Corporation (or any Related Entity), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

O.**Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

P.**Exercise Price** shall mean the exercise price per Option Share as specified in Paragraph 1 of the Agreement.

Q.**Exercise Schedule** shall mean the schedule set forth in Paragraph 1 of the Agreement, pursuant to which the option is immediately exercisable for any or all of the Option Shares.

R.**Expiration Date** shall mean the date specified in Paragraph 1 of the Agreement for measuring the maximum term for which the option may remain outstanding.

S.**Fair Market Value** per share of Common Stock on any relevant date shall be the closing price per share of Common Stock (or the closing bid, if no sales were reported), as quoted on the Stock Exchange serving as the primary trading market for the Common Stock, on the last market trading day prior to the date of determination (or, if no closing price or closing bid was reported on that date, as applicable, on the last trading date such closing price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable.

T.**Grant Date** shall mean the date of grant of the option as specified in Paragraph 1 of the Agreement.

U. **Immediate Family** shall mean, with respect to Optionee, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law including adoptive relationships, Domestic Partner, a trust in which such persons (or person) have more than fifty percent (50%) of the beneficial interest, a foundation in which such persons (or person) control the management of such entity's assets, or any other entity in which such persons (or person) own more than fifty percent (50%) of the voting interests.

V.**1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

W.**Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

X.**Notice of Exercise** shall mean the notice of option exercise in the form prescribed by the Corporation.

Y.**Option Share**s shall mean the number of shares of Common Stock subject to the option as specified in Paragraph 1 of the Agreement.

Z.**Optionee** shall mean the person to whom the option is granted pursuant to the Agreement.

AA.**Parent** shall mean a "parent corporation," whether now or hereafter established, as defined in Section 424(e) of the Code.

BB.**Plan** shall mean the Corporation's 2004 Equity Incentive Plan, as amended from time to time.

CC.**Related Entity** shall mean (i) any Parent or Subsidiary of the Corporation and (ii) any corporation in an unbroken chain of corporations beginning with the Corporation and ending with the corporation in the chain for which Optionee provides services as an Employee, Director or Consultant, provided each corporation in such chain owns securities representing at least twenty percent (20%) of the total outstanding voting power of the outstanding securities of another corporation or entity in such chain and there is a legitimate non-tax business purpose for making this option grant to Optionee.

DD.**Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

EE.**Subsidiary** shall mean a "subsidiary corporation," whether now or hereafter established, as defined in Section 424(f) of the Code.

FF.**Withholding Taxes** shall mean any federal, state and local taxes required to be withheld by the Corporation in connection with the exercise of the option.

Exhibit 21.1

SUBSIDIARIES OF GILEAD SCIENCES, INC.

Name of Subsidiary	Country of Incorporation
Bristol-Myers Squibb & Gilead Sciences, LLC	United States
Bristol-Myers Squibb and Gilead Sciences Limited	Ireland
Gilead Alberta, LLC	United States
Gilead Alberta ULC	Canada
Gilead Biopharmaceutics Ireland Corporation	Ireland
Gilead Colorado, Inc.	United States
Gilead Holdings, LLC	United States
Gilead Sciences (NZ)	New Zealand
Gilead Sciences Belgium	Belgium
Gilead Sciences Canada, Inc.	Canada
Gilead Sciences Cork Limited	Ireland
Gilead Sciences Denmark ApS	Denmark
Gilead Sciences Europe Ltd.	United Kingdom
Gilead Sciences Finland Oy	Finland
Gilead Sciences GesmbH.	Austria
Gilead Sciences GmbH	Germany
Gilead Sciences Hellas EPE	Greece
Gilead Sciences Holding, LLC	United States
Gilead Sciences Hong Kong Limited	Hong Kong
Gilead Sciences International Ltd.	United Kingdom
Gilead Sciences, Lda.	Portugal
Gilead Sciences Limited	Ireland
Gilead Sciences llac Ticaret Limited Sireketi	Turkey
Gilead Sciences Ltd.	United Kingdom
Gilead Sciences Luxembourg S.a.r.l.	Luxembourg
Gilead Sciences Netherlands BV	Netherlands
Gilead Sciences Norway AS	Norway
Gilead Sciences Pty Limited	Australia
Gilead Sciences SARL	France
Gilead Sciences, S.L.	Spain
Gilead Sciences, S.r.l.	Italy
Gilead Sciences Sweden AB	Sweden
Gilead Sciences Switzerland Sarl	Switzerland
Leaf & Shield Insurance Limited	Bermuda
Tri-Supply Limited	Ireland

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-08085, 333-08083, 333-47520, 333-58893, 333-64628, 333-84713, 333-84719, 333-102911, 333-102912, 333-117480, 333-126012, 333-135412, 333-136814, 333-138985 and 333-143920) pertaining to the 1991 Stock Option Plan, the Employee Stock Purchase Plan, the 1995 Non-Employee Directors' Stock Option Plan, the 2004 Equity Incentive Plan of Gilead Sciences, Inc., the NeXstar Pharmaceuticals, Inc. 1993 Incentive Stock Plan, the NeXstar Pharmaceuticals, Inc. 1995 Director Option Plan, the Vestar, Inc. 1988 Stock Option Plan, the Triangle Pharmaceuticals, Inc. 1996 Stock Incentive Plan, Option Agreement, dated August 5, 2002, between Triangle Pharmaceuticals, Inc. and Daniel G. Welch, the Corus Pharma, Inc. 2001 Stock Plan, the Myogen, Inc. 2003 Equity Incentive Plan, and the Registration Statements on Form S-3 (Nos. 333-103871, 333-111451, 333-138979, 333-54350 and 333-87167) of Gilead Sciences, Inc. and in the related Prospectuses of our reports dated February 25, 2008, with respect to the consolidated financial statements and schedule of Gilead Sciences, Inc., and the effectiveness of internal control over financial reporting of Gilead Sciences, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ Ernst & Young LLP

Palo Alto, California
February 25, 2008

Exhibit 31.1

CERTIFICATIONS

I, John C. Martin, Ph.D., certify that:

1. I have reviewed this annual report on Form 10-K of Gilead Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

/s/ JOHN C. MARTIN

John C. Martin, Ph.D.
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, John F. Milligan, Ph.D., certify that:

1. I have reviewed this annual report on Form 10-K of Gilead Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

/s/ JOHN F. MILLIGAN

John F. Milligan, Ph.D.
Chief Operating Officer and Chief Financial Officer

Exhibit 32

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350, as adopted), John C. Martin, Ph.D., the President and Chief Executive Officer of Gilead Sciences, Inc. (the Company), and John F. Milligan, Ph.D., the Executive Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2007, to which this Certification is attached as Exhibit 32.1 (the Annual Report), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition of the Company at the end of the periods covered by the Annual Report and results of operations of the Company for the periods covered by the Annual Report.

Dated: February 27, 2008

/s/ JOHN C. MARTIN
John C. Martin, Ph.D.
President and Chief Executive Officer

/s/ JOHN F. MILLIGAN
John F. Milligan, Ph.D.
Chief Operating Officer and Chief Financial Officer

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.