GILEAD SCIENCES INC
Form 10-Q
August 01, 2013

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013

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 (State or Other Jurisdiction of Incorporation or Organization)	94-3047598 (IRS Employer Identification No.)
333 Lakeside Drive, Foster City, California (Address of principal executive offices)	94404 (Zip Code)

650-574-3000
Registrant's Telephone Number, Including Area Code

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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the 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.
Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

(Do not check if a 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 ý
Number of shares outstanding of the issuer's common stock, par value $0.001 per share, as of July 19, 2013: 1,530,626,021

GILEAD SCIENCES, INC.
INDEX

PART I.	FINANCIAL INFORMATION		2
	Item 1.	Condensed Consolidated Financial Statements	2
		Condensed Consolidated Balance Sheets at June 30, 2013 and December 31, 2012	2
		Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2013 and 2012	3
		Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2013 and 2012	4
		Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2013 and 2012	5
		Notes to Condensed Consolidated Financial Statements	6
	Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	31
	Item 4.	Controls and Procedures	31
PART II.	OTHER INFORMATION		32
	Item 1.	Legal Proceedings	32
	Item 1A.	Risk Factors	35
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	50
	Item 3.	Defaults Upon Senior Securities	50
	Item 4.	Mine Safety Disclosures	50
	Item 5.	Other Information	50
	Item 6.	Exhibits	51
SIGNATURES			60

We own or have rights to various trademarks, copyrights and trade names used in our business, including the following: GILEAD®, GILEAD SCIENCES®, STRIBILD®, COMPLERA®, EVIPLERA®, TRUVADA®, VIREAD®, HEPSERA®, AMBISOME®, EMTRIVA®, VISTIDE®, LETAIRIS®, VOLIBRIS®, RANEXA®, CAYSTON® and RAPISCAN®. ATRIPLA® is a registered trademark belonging to Bristol-Myers Squibb & Gilead Sciences, LLC.

LEXISCAN® is a registered trademark belonging to Astellas U.S. LLC. MACUGEN® is a registered trademark belonging to Eyetech, Inc. SUSTIVA® is a registered trademark of Bristol-Myers Squibb Pharma Company. TAMIFLU® is a registered trademark belonging to Hoffmann-La Roche Inc. This report also includes other trademarks, service marks and trade names of other companies.

PART I. FINANCIAL INFORMATION
ITEM I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
GILEAD SCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	June 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$2,202,176	$1,803,694
Short-term marketable securities	85,194	58,556
Accounts receivable, net	1,895,913	1,751,388
Inventories	1,935,147	1,744,982
Deferred tax assets	224,429	262,641
Prepaid taxes	395,494	348,420
Prepaid expenses	157,821	102,364
Other current assets	176,355	84,302
Total current assets	7,072,529	6,156,347
Property, plant and equipment, net	1,135,993	1,100,259
Long-term portion of prepaid royalties	183,657	175,790
Long-term deferred tax assets	155,667	131,107
Long-term marketable securities	688,428	719,836
Intangible assets, net	12,056,002	11,736,393
Goodwill	1,188,157	1,060,919
Other long-term assets	143,941	159,187
Total assets	$22,624,374	$21,239,838
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$1,390,641	$1,327,339
Accrued government rebates	879,112	745,148
Accrued compensation and employee benefits	197,668	236,716
Income taxes payable	37,974	13,403
Other accrued liabilities	831,399	674,762
Deferred revenues	112,119	103,162
Current portion of long-term debt and other obligations, net	1,488,225	1,169,490
Total current liabilities	4,937,138	4,270,020
Long-term deferred revenues	28,768	20,532
Long-term debt, net	5,849,552	7,054,555
Long-term income taxes payable	122,590	115,822
Long-term deferred tax liabilities	118,315	10,190
Other long-term obligations	224,627	217,850
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 5,000 shares authorized; none outstanding	—	—
Common stock, par value $0.001 per share; 5,600,000 shares authorized; 1,528,890 and 1,519,163 shares issued and outstanding	765	760

Additional paid-in capital	5,995,025	5,649,850
Accumulated other comprehensive income (loss)	30,371	(45,615)
Retained earnings	5,065,839	3,704,744
Total Gilead stockholders' equity	11,092,000	9,309,739
Noncontrolling interest	251,384	241,130
Total stockholders' equity	11,343,384	9,550,869
Total liabilities and stockholders' equity	$22,624,374	$21,239,838

See accompanying notes.

GILEAD SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
Product sales	$2,657,285	$2,321,240	$5,050,853	$4,529,582
Royalty revenues	106,514	81,106	240,921	152,211
Contract and other revenues	3,595	2,840	7,255	5,842
Total revenues	2,767,394	2,405,186	5,299,029	4,687,635
Costs and expenses:				
Cost of goods sold	684,663	617,345	1,319,111	1,198,276
Research and development	523,902	396,244	1,021,534	854,455
Selling, general and administrative	404,991	332,505	779,287	775,626
Total costs and expenses	1,613,556	1,346,094	3,119,932	2,828,357
Income from operations	1,153,838	1,059,092	2,179,097	1,859,278
Interest expense	(78,008)	(88,418)	(159,795)	(185,688)
Other income (expense), net	(231)	(1,075)	(3,555)	(35,160)
Income before provision for income taxes	1,075,599	969,599	2,015,747	1,638,430
Provision for income taxes	307,981	263,525	530,419	494,825
Net income	767,618	706,074	1,485,328	1,143,605
Net loss attributable to noncontrolling interest	4,987	5,490	9,463	9,915
Net income attributable to Gilead	$772,605	$711,564	$1,494,791	$1,153,520
Net income per share attributable to Gilead common stockholders—basic	$0.51	$0.47	$0.98	$0.76
Shares used in per share calculation—basic	1,526,945	1,513,902	1,524,174	1,513,238
Net income per share attributable to Gilead common stockholders—diluted	$0.46	$0.46	$0.89	$0.74
Shares used in per share calculation—diluted	1,694,577	1,561,012	1,683,269	1,558,492

See accompanying notes.

GILEAD SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$767,618	$706,074	$1,485,328	$1,143,605
Other comprehensive income:				
Net foreign currency translation gain (loss), net of tax	11,730	(2,642)	2,774	2,256
Available-for-sale securities:				
Net unrealized gain (loss), net of tax impact of $1,144, $(79), $128 and $188	(2,019)	134	(234)	(329)
Reclassifications to net income, net of tax impact of $(32), $(29), $(41) and $(547)	(58)	(50)	(75)	30,549
Net change	(2,077)	84	(309)	30,220
Cash flow hedges:				
Net unrealized gain, net of tax impact of $(1,730), $(4,074), $(3,579) and $(2,318)	5,022	107,855	79,082	58,993
Reclassifications to net income, net of tax impact of $(241), $(548), $(252) and $(994)	(5,110)	(14,511)	(5,561)	(25,292)
Net change	(88)	93,344	73,521	33,701
Other comprehensive income	9,565	90,786	75,986	66,177
Comprehensive income	777,183	796,860	1,561,314	1,209,782
Comprehensive loss attributable to noncontrolling interest	4,987	5,490	9,463	9,915
Comprehensive income attributable to Gilead	$782,170	$802,350	$1,570,777	$1,219,697

See accompanying notes.

GILEAD SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Six Months Ended June 30,	
	2013	2012
Operating Activities:		
Net income	$1,485,328	$1,143,605
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	50,091	39,937
Amortization expense	97,412	93,642
Stock-based compensation expense	117,720	97,134
Excess tax benefits from stock-based compensation	(89,151)	(35,439)
Tax benefits from employee stock plans	89,025	30,804
Deferred income taxes	9,974	21,966
Other	26,655	1,064
Changes in operating assets and liabilities:		
Accounts receivable, net	(181,266)	180,167
Inventories	(200,856)	(213,190)
Prepaid expenses and other assets	(153,801)	(32,329)
Accounts payable	64,831	230,614
Income taxes payable	42,321	(102,093)
Accrued liabilities	249,635	276,944
Deferred revenues	17,187	10,794
Net cash provided by operating activities	1,625,105	1,743,620
Investing Activities:		
Purchases of marketable securities	(199,357)	(607,078)
Proceeds from sales of marketable securities	159,828	63,274
Proceeds from maturities of marketable securities	39,571	2,951
Purchases of other investments	—	(25,000)
Acquisitions, net of cash acquired	(378,645)	(10,751,636)
Capital expenditures	(84,130)	(60,591)
Net cash used in investing activities	(462,733)	(11,378,080)
Financing Activities:		
Proceeds from debt financing, net of issuance costs	—	2,144,733
Proceeds from convertible note hedges	1,205,956	—
Proceeds from issuances of common stock	146,342	201,791
Repurchases of common stock	(82,239)	(261,791)
Repayments of debt financing	(2,135,537)	(700,000)
Repayments of other long-term obligations	(38)	(2,151)
Excess tax benefits from stock-based compensation	89,151	35,439
Contributions from (distributions to) noncontrolling interest	19,716	(37,310)
Net cash provided by (used in) financing activities	(756,649)	1,380,711
Effect of exchange rate changes on cash	(7,241)	(4,528)
Net change in cash and cash equivalents	398,482	(8,258,277)

Cash and cash equivalents at beginning of period	1,803,694	9,883,777
Cash and cash equivalents at end of period	$2,202,176	$1,625,500

See accompanying notes.

GILEAD SCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. The financial statements include all adjustments (consisting only of normal recurring adjustments) that the management of Gilead Sciences, Inc. (Gilead, we or us) believes are necessary for a fair presentation of the periods presented. These interim financial results are not necessarily indicative of results expected for the full fiscal year or for any subsequent interim period.

The accompanying Consolidated Financial Statements include the accounts of Gilead, our wholly-owned subsidiaries and our joint ventures with Bristol-Myers Squibb Company (BMS), for which we are the primary beneficiary. We record a noncontrolling interest in our Condensed Consolidated Financial Statements to reflect BMS's interest in the joint ventures. All intercompany transactions have been eliminated. The Condensed Consolidated Financial Statements include the results of companies acquired by us from the date of each acquisition for the applicable reporting periods.

The accompanying Condensed Consolidated Financial Statements and related Notes to Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the related notes thereto for the year ended December 31, 2012, included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

Significant Accounting Policies, Estimates and Judgments

The preparation of these Condensed 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 ongoing basis, management evaluates its significant accounting policies or estimates. We base our estimates on historical experience and on various 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.

Net Income Per Share Attributable to Gilead Common Stockholders

Basic net income per share attributable to Gilead common stockholders is calculated based on the weighted-average number of shares of our common stock outstanding during the period. Diluted net income per share attributable to Gilead common stockholders 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, performance shares and the assumed exercise of warrants relating to the convertible senior notes due in May 2013 (May 2013 Notes), May 2014 (May 2014 Notes) and May 2016 (May 2016 Notes) (collectively, the Convertible Notes) are determined under the treasury stock method.

Because the principal amount of the Convertible Notes will be settled in cash, only the conversion spread relating to the Convertible Notes is included in our calculation of diluted net income per share attributable to Gilead common stockholders. Our common stock resulting from the assumed settlement of the conversion spread of the Convertible Notes has a dilutive effect when the average market price of our common stock during the period exceeds the conversion price of $19.05 for the May 2013 Notes, $22.54 for the May 2014 Notes and $22.71 for the May 2016 Notes. Warrants relating to the Convertible Notes have a dilutive effect when the average market price of our common stock during the period exceeds the warrants' exercise price of $26.95 for the May 2013 Notes, $28.38 for the May 2014 Notes and $30.05 for the May 2016 Notes.

Our May 2013 Notes matured and as a result, we have only included their impact for the period they were outstanding on our net income per share calculations for the three and six months ended June 30, 2013. Warrants related to our May 2013 Notes remained outstanding at June 30, 2013 and we have included their full impact on our net income per share calculations for the three and six months ended June 30, 2013. The warrants related to our May 2013 Notes will expire in August 2013.

Stock options to purchase 1.0 million weighted-average shares of our common stock were outstanding during the three months ended June 30, 2013, 1.7 million shares during the six months ended June 30, 2013 and 9.2 million shares during both the three and six months ended June 30, 2012. These shares were not included in the computation of diluted net income per share attributable to Gilead common stockholders because their effect was antidilutive.

The following table is a reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per share attributable to Gilead common stockholders (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Numerator:				
Net income attributable to Gilead	$772,605	$711,564	$1,494,791	$1,153,520
Denominator:				
Weighted-average shares of common stock outstanding used in the calculation of basic net income per share attributable to Gilead common stockholders	1,526,945	1,513,902	1,524,174	1,513,238
Effect of dilutive securities:				
Stock options and equivalents	38,512	28,772	38,437	29,764
Conversion spread related to the May 2013 Notes	3,592	8,058	7,519	7,470
Conversion spread related to the May 2014 Notes	29,627	5,344	28,075	4,214
Conversion spread related to the May 2016 Notes	30,850	4,936	28,418	3,806
Warrants related to the Convertible Notes	65,051	—	56,646	—
Weighted-average shares of common stock outstanding used in the calculation of diluted net income per share attributable to Gilead common stockholders	1,694,577	1,561,012	1,683,269	1,558,492

Concentrations of Risk

We are subject to credit risk from our portfolio of cash equivalents and marketable securities. Under our investment policy, we limit amounts invested in such securities by credit rating, maturity, 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 a competitive after-tax rate of return.

We are also subject to credit risk from our accounts receivable related to our product sales. The majority of our trade accounts receivable arises from product sales in the United States and Europe.

As of June 30, 2013, our accounts receivable in Southern Europe, specifically Greece, Italy, Portugal and Spain, totaled approximately $891.2 million, of which $383.8 million were greater than 120 days past due and $135.4 million were greater than 365 days past due. To date, we have not experienced significant losses with respect to the collection of our accounts receivable. We believe that our allowance for doubtful accounts was adequate at June 30, 2013.

Recent Accounting Pronouncements

In February 2013, the FASB also issued an update to the existing standard for liabilities. The update provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements. For obligations for which the total amount is fixed at the reporting date, an entity will be required to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. Such entities will also be required to disclose the nature, amount and other significant information about the obligations. This guidance will become effective for us beginning in the first quarter of 2014. We are evaluating the financial statement impact of this guidance. Currently, we do not expect that adopting this update will have a material impact on our Consolidated Financial Statements.

2. FAIR VALUE MEASUREMENTS

We determine the fair value of financial and non-financial assets and liabilities using the fair value hierarchy, which establishes three levels of inputs that may be used to measure fair value, as follows:

- Level 1 inputs which include quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs which include observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. For our marketable securities, we review trading activity and pricing as of the measurement date. When sufficient quoted pricing for identical securities is not available, we use market pricing and other observable market inputs for similar securities obtained from various third-party data providers. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data; and
- Level 3 inputs which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation.

Our financial instruments consist principally of cash and cash equivalents, marketable securities, accounts receivable, foreign currency exchange forward and option contracts, accounts payable and short-term and long-term debt. Cash and cash equivalents, marketable securities and foreign currency exchange contracts that hedge accounts receivable and forecasted sales are reported at their respective fair values on our Condensed Consolidated Balance Sheets. Short-term and long-term debt are reported at their amortized cost on our Condensed Consolidated Balance Sheets. The remaining financial instruments are reported on our Condensed Consolidated Balances Sheets at amounts that approximate current fair values.

The fair values of our Convertible Notes and senior unsecured notes were determined using Level 2 inputs based on their quoted market values. The following table summarizes the carrying values and fair values of the Convertible Notes and senior unsecured notes (in thousands):

		June 30, 2013		December 31, 2012	
Type of Borrowing	Description	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible Senior	May 2013 Notes	$—	$—	$419,433	$815,297
Convertible Senior	May 2014 Notes	888,170	2,072,267	1,210,213	2,040,363
Convertible Senior	May 2016 Notes	1,162,018	2,808,435	1,157,692	2,110,938
Senior Unsecured	April 2021 Notes	993,352	1,080,040	992,923	1,146,990
Senior Unsecured	December 2014 Notes	749,552	766,320	749,394	772,650
Senior Unsecured	December 2016 Notes	699,210	739,935	699,095	748,902
Senior Unsecured	December 2021 Notes	1,247,573	1,336,325	1,247,428	1,420,725
Senior Unsecured	December 2041 Notes	997,847	1,105,890	997,810	1,252,090

The following table summarizes, for assets or liabilities recorded at fair value, the respective fair value and the classification by level of input within the fair value hierarchy defined above (in thousands):

	June 30, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Debt securities:								
U.S. Treasury securities	$161,219	$—	$—	$161,219	$81,903	$—	$—	$81,903
Money market funds	1,857,134	—	—	1,857,134	1,416,355	—	—	1,416,355
U.S. government agencies securities	—	155,317	—	155,317	—	248,952	—	248,952
Municipal debt securities	—	12,043	—	12,043	—	12,088	—	12,088
Corporate debt securities	—	370,087	—	370,087	—	352,718	—	352,718
Residential mortgage and asset-backed securities	—	79,955	—	79,955	—	82,732	—	82,732
Total debt securities	2,018,353	617,402	—	2,635,755	1,498,258	696,490	—	2,194,748
Derivatives	—	41,429	—	41,429	—	14,823	—	14,823
	$2,018,353	$658,831	$—	$2,677,184	$1,498,258	$711,313	$—	$2,209,571
Liabilities:								
Contingent consideration	$—	$—	$222,502	$222,502	$—	$—	$205,060	$205,060
Derivatives	—	13,875	—	13,875	—	65,248	—	65,248
	$—	$13,875	$222,502	$236,377	$—	$65,248	$205,060	$270,308

Level 2 Inputs

We estimate the fair values of our government related debt, corporate debt, residential mortgage and asset-backed securities by taking into consideration valuations obtained from third-party pricing services. The pricing services utilize industry standard valuation models, including both income- and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker/dealer quotes on the same or similar securities; issuer credit spreads; benchmark securities; prepayment/default projections based on historical data; and other observable inputs.

Substantially all of our foreign currency derivatives contracts have maturities primarily over an 18 month time horizon and all are with counterparties that have a minimum credit rating of A- or equivalent by Standard & Poor's, Moody's Investors Service, Inc. or Fitch, Inc. We estimate the fair values of these contracts by taking into consideration valuations obtained from a third-party valuation service that utilizes an income-based industry standard valuation model for which all significant inputs are observable, either directly or indirectly. These inputs include foreign currency rates, London Interbank Offered Rates (LIBOR) and swap rates. These inputs, where applicable, are at commonly quoted intervals.

Level 3 Inputs

As of June 30, 2013 and December 31, 2012, the only assets or liabilities that were measured using Level 3 inputs were contingent consideration liabilities. During 2012, we held auction rate securities and Greek government bonds which were measured at fair value using Level 3 inputs. Our policy is to recognize transfers into or out of Level 3 classification as of the actual date of the event or change in circumstances that caused the transfer.

Auction Rate Securities

During the third quarter of 2012, we sold our remaining portfolio of auction rate securities and as a result of the sale, we received total proceeds of $37.3 million which resulted in a $3.8 million loss that was recognized in other income (expense), net on our Condensed Consolidated Statements of Income.

The underlying assets of our auction rate securities consisted of student loans. Although auction rate securities would typically be measured using Level 2 inputs, the failure of auctions and the lack of market activity and liquidity experienced since the beginning of 2008 required that these securities be measured using Level 3 inputs. The fair value of our auction rate securities was determined using a discounted cash flow model that considered projected cash flows for the issuing trusts, underlying collateral and expected yields. Projected cash flows were estimated based on the underlying loan principal, bonds outstanding and payout formulas. The weighted-average life over which the cash flows were projected considered the collateral composition of the securities and related historical and projected prepayments.

Greek Government Bonds

During the first quarter of 2012, the Greek government restructured its sovereign debt which impacted all holders of Greek bonds. As a result, we recorded a $40.1 million loss related to the debt restructuring as part of other income (expense), net on our Condensed Consolidated Statements of Income and exchanged the Greek government-issued bonds for new securities, which we liquidated during the first quarter of 2012. We estimated the fair value of the Greek zero-coupon bonds using Level 3 inputs due to the then current lack of market activity and liquidity. The discount rates used in our fair value model for these bonds were based on credit default swap rates.

Contingent Consideration Liabilities

In connection with certain acquisitions, we may be required to pay future consideration that is contingent upon the achievement of specified development, regulatory approval or sales-based milestone events. We estimate the fair value of the contingent consideration liabilities on the acquisition date and each reporting period thereafter using a probability-weighted income approach, which reflects the probability and timing of future payments. This fair value measurement is based on significant Level 3 inputs such as the anticipated timelines and probability of achieving development, regulatory approval or sales-based milestone events and projected revenues. The resulting probability-weighted cash flows are discounted using credit-risk adjusted interest rates.

Each reporting period thereafter, we revalue these obligations by performing a review of the assumptions listed above and record increases or decreases in the fair value of these contingent consideration obligations in research and development (R&D) expenses within our Condensed Consolidated Statements of Income until such time that the related product candidate receives marketing approval. In the absence of any significant changes in key assumptions, the quarterly determination of fair values of these contingent consideration obligations would primarily reflect the passage of time.

Significant judgment is employed in determining Level 3 inputs and fair value measurements as of the acquisition date and for each subsequent period. Updates to assumptions could have a significant impact on our results of operations in any given period and actual results may differ from estimates. For example, significant increases in the probability of achieving a milestone or projected revenues would result in a significantly higher fair value measurement while significant decreases in the estimated probability of achieving a milestone or projected revenues would result in a significantly lower fair value measurement. Significant increases in the discount rate or in the anticipated timelines would result in a significantly lower fair value measurement while significant decreases in the discount rate or anticipated timelines would result in a significantly higher fair value measurement.

The potential contingent consideration payments required upon achievement of development or regulatory approval-based milestones related to our CGI Pharmaceuticals, Inc. and Calistoga Pharmaceuticals, Inc. acquisitions range from no payment if none of the milestones are achieved to an estimated maximum of $254.0 million (undiscounted), of which we had accrued $173.8 million as of June 30, 2013 and $159.3 million as of December 31, 2012. The remainder of the contingent consideration liabilities accrual as of June 30, 2013 and December 31, 2012 relates to potential future payments resulting from the acquisition of Arresto Biosciences, Inc. for royalty obligations on future sales once specified sales-based milestones are achieved.

The following table provides a rollforward of our contingent consideration liabilities, which are recorded as part of other long-term obligations in our Condensed Consolidated Balance Sheets (in thousands):

Balance at December 31, 2012	$205,060
Additions from new acquisitions	—
Net changes in valuation	17,442

Balance at June 30, 2013	$222,502

10

3. AVAILABLE-FOR-SALE SECURITIES

The following table is a summary of available-for-sale debt securities recorded in cash and cash equivalents or marketable securities in our Condensed Consolidated Balance Sheets (in thousands):

	June 30, 2013				December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:								
U.S. Treasury securities	$161,523	$77	$(381)	$161,219	$81,752	$151	$—	$81,903
Money market funds	1,857,134	—	—	1,857,134	1,416,356	—	—	1,416,356
U.S. government agencies securities	155,274	184	(141)	155,317	248,595	386	(29)	248,952
Municipal debt securities	12,036	12	(5)	12,043	12,062	33	(7)	12,088
Corporate debt securities	369,792	875	(580)	370,087	351,309	1,492	(84)	352,717
Residential mortgage and asset-backed securities	80,240	42	(327)	79,955	82,717	156	(141)	82,732
Total	$2,635,999	$1,190	$(1,434)	$2,635,755	$2,192,791	$2,218	$(261)	$2,194,748

Estimated fair values of available-for-sale securities are generally based on prices obtained from commercial pricing services. The following table summarizes the classification of the available-for-sale debt securities on our Condensed Consolidated Balance Sheets (in thousands):

	June 30, 2013	December 31, 2012
Cash and cash equivalents	$1,862,133	$1,416,356
Short-term marketable securities	85,194	58,556
Long-term marketable securities	688,428	719,836
Total	$2,635,755	$2,194,748

Cash and cash equivalents in the table above exclude cash of $340.0 million as of June 30, 2013 and $387.3 million as of December 31, 2012.

The following table summarizes our portfolio of available-for-sale debt securities by contractual maturity (in thousands):

	June 30, 2013	
	Amortized Cost	Fair Value
Less than one year	$1,947,248	$1,947,328
Greater than one year but less than five years	671,277	671,061
Greater than five years but less than ten years	4,707	4,666
Greater than ten years	12,767	12,700
Total	$2,635,999	$2,635,755

The following table summarizes the gross realized gains and losses related to sales of marketable securities (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Gross realized gains on sales	$201	$84	$383	$10,099
Gross realized losses on sales	$(111)	$(5)	$(267)	$(40,101)

The cost of securities sold was determined based on the specific identification method.

The following table summarizes our 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		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
June 30, 2013						
Debt securities:						
U.S. Treasury securities	$(381)	$113,183	$—	$—	$(381)	$113,183
U.S. government agencies securities	(141)	57,875	—	—	(141)	57,875
Municipal debt securities	(5)	5,170	—	—	(5)	5,170
Corporate debt securities	(579)	158,603	(1)	2,044	(580)	160,647
Residential mortgage and asset-backed securities	(168)	55,652	(159)	9,721	(327)	65,373
Total	$(1,274)	$390,483	$(160)	$11,765	$(1,434)	$402,248
December 31, 2012						
Debt securities:						
U.S. government agencies securities	$(29)	$26,306	$—	$—	$(29)	$26,306
Municipal debt securities	(7)	3,993	—	—	(7)	3,993
Corporate debt securities	(84)	72,722	—	—	(84)	72,722
Residential mortgage and asset-backed securities	(141)	36,415	—	—	(141)	36,415
Total	$(261)	$139,436	$—	$—	$(261)	$139,436

We held a total of 120 securities as of June 30, 2013 and 47 securities as of December 31, 2012 that were in an unrealized loss position. Based on our review of these securities, we believe we had no other-than-temporary impairments on these securities as of June 30, 2013 and December 31, 2012 because we do not intend to sell these securities and it is not more likely than not that we will be required to sell these securities before the recovery of their amortized cost basis.

4. DERIVATIVE FINANCIAL INSTRUMENTS

We operate in foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations between the U.S. dollar and various foreign currencies, the most significant of which is the euro. In order to manage this risk, we may hedge a portion of our foreign currency exposures related to outstanding monetary assets and liabilities as well as forecasted product sales using foreign currency exchange forward or option contracts. In general, the market risk related to these contracts is offset by corresponding gains and losses on the hedged transactions. The credit risk associated with these contracts is driven by changes in interest and currency exchange rates and, as a result, varies over time. By working only with major banks and closely monitoring current market conditions, we limit the risk that counterparties to these contracts may be unable to perform. We also limit our risk of loss by entering into contracts that permit 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 gains on outstanding contracts (i.e., those contracts that have a positive fair value) at the date of default. We do not enter into derivative contracts for trading purposes.

We hedge our exposure to foreign currency exchange rate fluctuations for certain monetary assets and liabilities of our foreign subsidiaries that are denominated in a non-functional currency. The derivative instruments we use to hedge this exposure are not designated as hedges, and as a result, changes in their fair value are recorded in other income (expense), net on our Condensed Consolidated Statements of Income.

We hedge our exposure to foreign currency exchange rate fluctuations for forecasted product sales that are denominated in a non-functional currency. The derivative instruments we use to hedge this exposure are designated as cash flow hedges and have maturity dates of 18 months or less. Upon executing a hedging contract and quarterly thereafter, we assess prospective hedge effectiveness using a regression analysis which calculates the change in cash flow as a result of the hedge instrument. On a monthly basis, we assess retrospective hedge effectiveness using a dollar offset approach. We exclude time value from our effectiveness testing and recognize changes in the time value of the hedge in other income (expense), net. The effective component of our hedge is recorded as an unrealized gain or loss on the hedging instrument in accumulated OCI within stockholders' equity. When the hedged forecasted transaction occurs, the hedge is de-designated and the unrealized gains or losses are reclassified into product sales. The majority of gains and losses related to the hedged forecasted transactions reported in accumulated OCI at June 30, 2013 will be reclassified to product sales within 12 months.

The cash flow effects of our derivatives contracts for the six months ended June 30, 2013 and 2012 are included within net cash provided by operating activities in the Condensed Consolidated Statements of Cash Flows.

We had notional amounts on foreign currency exchange contracts outstanding of $3.59 billion at June 30, 2013 and $3.39 billion at December 31, 2012.

While all of our derivative contracts allow us the right to offset assets or liabilities, we have presented amounts on a gross basis. Under the International Swap Dealers Association, Inc. master agreements with the respective counterparties of the foreign currency exchange contracts, subject to applicable requirements, we are allowed to net settle transactions of the same currency with a single net amount payable by one party to the other. The following table summarizes the location and fair values of derivative instruments on our Condensed Consolidated Balance Sheets (in thousands):

	June 30, 2013			
	Asset Derivatives		Liability Derivatives	
	Classification	Fair Value	Classification	Fair Value
Derivatives designated as hedges:				
Foreign currency exchange contracts	Other current assets	$31,570	Other accrued liabilities	$13,704
Foreign currency exchange contracts	Other long-term assets	9,793	Other long-term obligations	—
Total derivatives designated as hedges		41,363		13,704
Derivatives not designated as hedges:				
Foreign currency exchange contracts	Other current assets	66	Other accrued liabilities	171
Total derivatives not designated as hedges		66		171
Total derivatives		$41,429		$13,875

	December 31, 2012			
	Asset Derivatives		Liability Derivatives	
	Classification	Fair Value	Classification	Fair Value
Derivatives designated as hedges:				
Foreign currency exchange contracts	Other current assets	$14,556	Other accrued liabilities	$54,597
Foreign currency exchange contracts	Other long-term assets	142	Other long-term obligations	10,630
Total derivatives designated as hedges		14,698		65,227
Derivatives not designated as hedges:				
Foreign currency exchange contracts	Other current assets	125	Other accrued liabilities	21
Total derivatives not designated as hedges		125		21
Total derivatives		$14,823		$65,248

The following table summarizes the effect of our foreign currency exchange contracts on our Condensed Consolidated Statements of Income (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Derivatives designated as hedges:				
Net gains recognized in OCI (effective portion)	$11,801	$112,011	$82,661	$63,125
Net gains reclassified from accumulated OCI into product sales (effective portion)	$5,351	$15,059	$5,813	$26,286
Net gains (losses) recognized in other income (expense), net (ineffective portion and amounts excluded from effectiveness testing)	$1,908	$(3,544)	$(224)	$(6,756)
Derivatives not designated as hedges:				
Net gains recognized in other income (expense), net	$9,077	$93,592	$41,697	$66,418

From time to time, we may discontinue cash flow hedges and as a result, record related amounts in other income (expense), net on our Condensed Consolidated Statements of Income. For the three and six months ended June 30, 2013 and 2012 no material amounts were recorded as a result of the discontinuance of cash flow hedges.

As of June 30, 2013 and December 31, 2012, we held one type of financial instrument, derivative contracts related to foreign currency exchange contracts. The following table summarizes the potential effect of offsetting derivatives by type of financial instrument on our Condensed Consolidated Balance Sheets (in thousands):

June 30, 2013

Offsetting of Derivative Assets/Liabilities

				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
Description	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Amounts of Assets/Liabilities Presented in the Condensed Consolidated Balance Sheet	Derivative Financial Instruments	Cash Collateral Received/Pledged	Net Amount (Legal Offset)
Derivative assets	$ 41,429	$—	$41,429	$(9,906)	$ —	$31,523
	(13,875)	—	(13,875)	9,906	—	(3,969)

Derivative
liabilities

14

December 31, 2012
Offsetting of Derivative Assets/Liabilities

Description	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Amounts of Assets/Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount (Legal Offset)
				Derivative Financial Instruments	Cash Collateral Received/Pledged	
Derivative assets	$ 14,823	$—	$14,823	$(9,644)	$ —	$5,179
Derivative liabilities	(65,248)	—	(65,248)	9,644	—	(55,604)

5. ACQUISITION

YM BioSciences Inc.

We completed the acquisition of YM BioSciences Inc. (YM) for total consideration transferred of $487.6 million on February 8, 2013, at which time YM became a wholly-owned subsidiary of Gilead. YM was a drug development company primarily focused on advancing momelotinib (formally known as CYT387), an orally administered, once-daily candidate for hematologic cancers.

The purchase accounting is preliminary as management is awaiting data needed to finalize its review of the deferred tax assets and related valuation allowances. We expect to finalize the purchase accounting during the second half of 2013. The preliminary fair values of acquired assets and assumed liabilities include primarily in-process research and development (IPR&D) of $362.7 million, goodwill of $127.2 million, deferred tax liabilities of $108.8 million and cash acquired of $108.9 million. Pro forma results of operations for the acquisition of YM have not been presented because this acquisition is not material to our consolidated results of operations. See Note 7, Intangible Assets and Goodwill for a description of the IPR&D acquired.

6. INVENTORIES

Inventories are summarized as follows (in thousands):

	June 30, 2013	December 31, 2012
Raw materials	$884,600	$826,545
Work in process	453,339	358,525
Finished goods	597,208	559,912
Total	$1,935,147	$1,744,982

The joint ventures formed by Gilead and BMS (See Note 8, Collaborative Arrangements), which are included in our Condensed Consolidated Financial Statements, held $1.35 billion as of June 30, 2013 and $1.26 billion as of December 31, 2012, in inventory of efavirenz active pharmaceutical ingredient which was purchased from BMS at BMS's estimated net selling price of efavirenz.

7. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The following table summarizes the carrying amount of our intangible assets (in thousands):

	June 30, 2013	December 31, 2012
Indefinite-lived intangible assets	$11,348,900	$10,986,200
Finite-lived intangible assets	707,102	750,193
Total intangible assets	$12,056,002	$11,736,393

Indefinite-Lived Intangible Assets

Our indefinite-lived intangible assets consisted primarily of the purchased IPR&D related to sofosbuvir from our acquisition of Pharmasset, Inc. (Pharmasset) in January 2012. We completed our acquisition of YM in February 2013. Of the total $487.6 million preliminary fair value of acquired assets and assumed liabilities for YM, we attributed approximately $362.7 million to IPR&D related to momelotinib on our Condensed Consolidated Balance Sheet. The following table summarizes our indefinite-lived intangible assets (in thousands):

	June 30, 2013	December 31, 2012
Indefinite-lived intangible asset - Sofosbuvir	$10,720,000	$10,720,000
Indefinite-lived intangible asset - Momelotinib (formerly CYT387)	362,700	—
Indefinite-lived intangible assets - Other	266,200	266,200
Total	$11,348,900	$10,986,200

Finite-Lived Intangible Assets

The following table summarizes our finite-lived intangible assets (in thousands):

	June 30, 2013		December 31, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible asset - Ranexa	$688,400	$161,984	$688,400	$133,119
Intangible asset - Lexiscan	262,800	108,338	262,800	95,466
Other	42,995	16,771	42,995	15,417
Total	$994,195	$287,093	$994,195	$244,002

Amortization expense related to finite-lived intangible assets included in cost of goods sold in our Condensed Consolidated Statements of Income totaled $21.5 million and $43.1 million for the three and six months ended June 30, 2013, respectively, and $15.8 million and $31.7 million for the three and six months ended June 30, 2012, respectively. The weighted-average amortization period for these intangible assets is approximately 11 years. As of June 30, 2013, the estimated future amortization expense associated with our intangible assets for the remaining six months of 2013 and each of the five succeeding fiscal years is as follows (in thousands):

Fiscal Year	Amount
2013 (remaining six months)	$43,091
2014	92,441
2015	97,673
2016	107,312
2017	116,137
2018	124,561
Total	$581,215

Goodwill

Upon completing the acquisition of YM, we preliminarily attributed $127.2 million to goodwill on our Condensed Consolidated Balance Sheets. The following table summarizes the changes in the carrying amount of goodwill (in thousands):

Balance at December 31, 2012	$1,060,919
Goodwill resulting from the acquisition of YM	127,238
Balance at June 30, 2013	$1,188,157

8. COLLABORATIVE ARRANGEMENTS

From time to time, as a result of entering into strategic collaborations, we may hold investments in non-public companies. We review our interests in investee companies for consolidation and/or appropriate disclosure based on applicable guidance. For variable interest entities (VIEs), we may be required to consolidate an entity if the contractual terms of the arrangement essentially provide us with control over the entity, even if we do not have a majority voting interest. We assess whether we are the primary beneficiary of a VIE based on our power to direct the activities of the VIE that most significantly impact the VIE's economic performance and our obligation to absorb

losses or the right to receive benefits from the VIE that could potentially be

significant to the VIE. As of June 30, 2013, we determined that certain of our investee companies are VIEs; 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 2004, we entered into a collaboration arrangement with BMS in the United States to develop and commercialize a single tablet regimen containing our Truvada and BMS's Sustiva (efavirenz). This combination was approved for use in the United States in 2006 and is sold under the brand name Atripla. We and BMS structured this collaboration as a joint venture that operates as a limited liability company named Bristol-Myers Squibb & Gilead Sciences, LLC, which we consolidate. 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. In 2006, we and BMS amended the joint venture's collaboration agreement to allow the joint venture to sell Atripla in Canada. 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 efavirenz and Truvada. Since the net selling price for Truvada may change over time relative to the net selling price of efavirenz, both our and BMS's respective economic interests in the joint venture may vary annually.

We and BMS shared marketing and sales efforts. Since the second quarter of 2011, except for a limited number of activities that will be jointly managed, the parties no longer coordinate detailing and promotional activities in the United States, and the parties have begun to reduce their joint promotional efforts since we launched Complera in August 2011 and Stribild in August 2012. The parties will continue to collaborate on activities such as manufacturing, regulatory, compliance and pharmacovigilance. The daily operations of the joint venture are governed by four primary joint committees formed by both BMS and Gilead. We are responsible for accounting, financial reporting, tax reporting, manufacturing and product distribution for the joint venture. Both parties provide their respective bulk active pharmaceutical ingredients to the joint venture at their approximate market values. The agreement will continue until terminated by the mutual agreement of the parties. In addition, either party may terminate the other party's participation in the collaboration within 30 days after the launch of at least one generic version of such other party's single agent products (or the double agent products). The non-terminating party then has the right to continue to sell Atripla, but will be obligated to pay the terminating party certain royalties for a three-year period following the effective date of the termination.

As of June 30, 2013 and December 31, 2012, the joint venture held efavirenz active pharmaceutical ingredient which it purchased from BMS at BMS's estimated net selling price of efavirenz in the U.S. market. These amounts are included in inventories on our Condensed Consolidated Balance Sheets. As of June 30, 2013, total assets held by the joint venture were $2.33 billion and consisted primarily of cash and cash equivalents of $186.2 million, accounts receivable of $255.3 million and inventories of $1.87 billion; total liabilities were $985.4 million and consisted primarily of accounts payable of $621.4 million and other accrued expenses of $361.4 million. As of December 31, 2012, total assets held by the joint venture were $1.95 billion and consisted primarily of cash and cash equivalents of $191.1 million, accounts receivable of $223.7 million and inventories of $1.54 billion; total liabilities were $1.32 billion and consisted primarily of accounts payable of $501.7 million and other accrued expenses of $291.5 million. These asset and liability amounts do not include intercompany receivables or payables that are eliminated in our Condensed Consolidated Balance Sheets. Although we consolidate the joint venture, the legal structure of the joint venture limits the recourse that its creditors will have over our general credit or assets. Similarly, the assets held in the joint venture can be used only to settle obligations of the joint venture.

Europe

In 2007, Gilead Sciences Limited, our wholly-owned subsidiary in Ireland, and BMS entered into a collaboration agreement with BMS which sets forth the terms and conditions under which we and BMS will commercialize and distribute Atripla in the European Union, Iceland, Liechtenstein, Norway and Switzerland (collectively, the European Territory). The parties formed a limited liability company which we consolidate, to manufacture Atripla for distribution in the European Territory using efavirenz that it purchases from BMS at BMS's estimated net selling price

of efavirenz in the European Territory. We are responsible for manufacturing, product distribution, inventory management and warehousing. Through our local subsidiaries, we have primary responsibility for order fulfillment, collection of receivables, customer relations and handling of sales returns in all the territories where we and BMS promote Atripla. In general, the parties share revenues and out-of-pocket expenses in proportion to the net selling prices of the components of Atripla, Truvada and efavirenz.

Starting in 2012, except for a limited number of activities that will be jointly managed, the parties no longer coordinate detailing and promotional activities in the region. We are responsible for accounting, financial reporting and tax reporting for

the collaboration. As of June 30, 2013 and December 31, 2012, efavirenz purchased from BMS at BMS's estimated net selling price of efavirenz in the European Territory is included in inventories on our Condensed Consolidated Balance Sheets.

The parties also formed a limited liability company to hold the marketing authorization for Atripla in Europe. We have primary responsibility for regulatory activities. In the major market countries, both parties have agreed to independently continue to use commercially reasonable efforts to promote Atripla.

9. LONG-TERM OBLIGATIONS

Financing Arrangements

The following table summarizes the carrying amount of our borrowings under various financing arrangements (in thousands):

Type of Borrowing	Description	Issue Date	Due Date	Interest Rate	June 30, 2013	December 31, 2012
Convertible Senior	May 2013 Notes	April 2006	May 2013	0.625%	$—	$ 419,433
Convertible Senior	May 2014 Notes	July 2010	May 2014	1.00%	888,170	1,210,213
Convertible Senior	May 2016 Notes	July 2010	May 2016	1.625%	1,162,018	1,157,692
Senior Unsecured	April 2021 Notes	March 2011	April 2021	4.50%	993,352	992,923
Senior Unsecured	December 2014 Notes	December 2011	December 2014	2.40%	749,552	749,394
Senior Unsecured	December 2016 Notes	December 2011	December 2016	3.05%	699,210	699,095
Senior Unsecured	December 2021 Notes	December 2011	December 2021	4.40%	1,247,573	1,247,428
Senior Unsecured	December 2041 Notes	December 2011	December 2041	5.65%	997,847	997,810
Credit Facility	Five-Year Revolver	January 2012	January 2017	Variable	600,000	750,000
Total debt, net					$ 7,337,722	$ 8,223,988
Less current portion					1,488,170	1,169,433
Total long-term debt, net					$ 5,849,552	$ 7,054,555

Maturity of 2013 Convertible Senior Notes

During the six months ended June 30, 2013, a portion of our May 2013 Notes were converted and on May 1, 2013, the remainder matured. We repaid an aggregate principal balance of $426.3 million and $714.0 million in cash related to the conversion spread, which represents the conversion value in excess of the principal amount. We received $714.0 million in cash from the related convertible note hedges. The warrants related to our May 2013 Notes expire in August 2013.

Convertible Senior Notes

During the six months ended June 30, 2013, a portion of the May 2014 Notes and May 2016 Notes was converted. We repaid $353.0 million of the principal balance, primarily composed of May 2014 Notes. We also paid $492.0 million in cash related to the conversion spread of the notes, which represents the conversion value in excess of the principal amount, and received $492.0 million in cash from our convertible note hedges related to these notes.

Credit Facility

During the six months ended June 30, 2013, we repaid $150.0 million under the Five-Year Revolving Credit Agreement. The Five-Year Revolving Credit Agreement bears interest at either (i) the Eurodollar Rate plus the Applicable Margin or (ii) the Base Rate plus the Applicable Margin, each as defined in the credit agreement. We may reduce the commitments and may prepay the loan in whole or in part at any time without premium or penalty. We are required to comply with certain covenants under the credit agreement and notes indentures and as of June 30, 2013, we were in compliance with all such covenants.

10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Department of Justice Investigation

In June 2011, we received a subpoena from the U.S. Attorney's Office for the Northern District of California requesting documents related to the manufacture, and related quality and distribution practices, of Atripla, Emtriva, Hepsera, Letairis, Truvada, Viread and Complera. We have been cooperating and will continue to cooperate with this governmental inquiry. An estimate of a possible loss or range of losses cannot be determined.

Litigation with Generic Manufacturers

As part of the approval process of some of our products, the U.S. Food and Drug Administration (FDA) granted a New Chemical Entity exclusivity period during which other manufacturers' applications for approval of generic versions of our product will not be granted. Generic manufacturers may challenge the patents protecting products that have been granted exclusivity one year prior to the end of the exclusivity period. Generic manufacturers have sought and may continue to seek FDA approval for a similar or identical drug through an abbreviated new drug application (ANDA), the application form typically used by manufacturers seeking approval of a generic drug.

We received notices that generic manufacturers have submitted ANDAs to manufacture a generic version of Atripla, Truvada, Viread, Hepsera, Emtriva, Ranexa and Tamiflu in the United States and Atripla, Truvada and Viread in Canada. We expect to begin trial with some of the generic manufacturers in 2013. In April 2013, we and Teva Pharmaceuticals (Teva) reached an agreement to settle the ongoing patent litigation concerning the four patents that protect tenofovir disoproxil fumarate in our Atripla, Truvada and Viread products. Under the agreement, Teva will be allowed to launch a generic version of Viread on December 15, 2017. The settlement agreement was filed and is under review by the Federal Trade Commission and Department of Justice. As a result of the recent invalidation of the patents protecting entecavir and due to declining sales of Hepsera in the United States, in March 2013, we granted Sigmapharm Labs (Sigmapharm) a Covenant Not to Sue and filed a motion to dismiss all claims in the lawsuit in March 2013. Once Sigmapharm obtains FDA approval of its product it may elect to launch its generic product. The trial related to the U.S. patents associated with Ranexa took place in April and May 2013. The court has not yet issued a decision in that case. The trial related to two Canadian patents associated with Atripla, Truvada and Viread is currently scheduled for September 2013. The trial related to the U.S. patents protecting emtricitabine is scheduled to begin in October 2013.

We cannot predict the ultimate outcome of these actions, and we may spend significant resources enforcing and defending these patents. If we are unsuccessful in these lawsuits, some or all of our original claims in the patents may be narrowed or invalidated and the patent protection for Atripla, Truvada, Viread, Hepsera, Emtriva, Ranexa and Tamiflu in the United States and Atripla, Truvada and Viread in Canada could be substantially shortened. Further, if all of the patents covering one or more products are invalidated, the FDA or Canadian Ministry of Health could approve the requests to manufacture a generic version of such products in the United States or Canada, respectively, prior to the expiration date of those patents. The sale of generic versions of these products earlier than their patent expiration would have a significant negative effect on our revenues and results of operations.

Other Matters

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

11. STOCK-BASED COMPENSATION

The following table summarizes the stock-based compensation expense included in our Condensed Consolidated Statements of Income (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cost of goods sold	$2,632	$2,119	$4,473	$4,220
Research and development expenses	24,646	20,355	51,521	138,977
Selling, general and administrative expenses	28,675	25,929	61,726	147,874
Stock-based compensation expense included in total costs and expenses	55,953	48,403	117,720	291,071
Income tax effect	(15,574)	(13,167)	(31,961)	(26,231)
Stock-based compensation expense, net of tax	$40,379	$35,236	$85,759	$264,840

Total stock-based compensation for the six months ended June 30, 2012 included $100.1 million in R&D expenses and $93.8 million in selling, general and administrative expenses, related to the acceleration of unvested stock options in connection with the acquisition of Pharmasset, which closed during the first quarter of 2012.

19

12. STOCKHOLDERS' EQUITY

Stock Repurchase Program

In February 2013, we suspended our share repurchase program in order to focus on debt repayment. During the three months ended June 30, 2013, we did not repurchase shares of common stock under our January 2011 stock repurchase program. During the six months ended June 30, 2013, we repurchased a total of $82.2 million or 2.1 million shares of common stock under our January 2011 stock repurchase program.

Accumulated Other Comprehensive Income

The following table summarizes the changes in accumulated OCI by component, net of tax (in thousands):

	Foreign Currency Items	Unrealized Gains and Losses on Available-for-Sale Securities	Unrealized Gains and Losses on Cash Flow Hedges	Total
Balance at December 31, 2012	$(1,420)	$ 7,502	$(51,697)	$(45,615)
Other comprehensive income (loss) before reclassifications	2,774	(234)	79,082	81,622
Amounts reclassified from accumulated other comprehensive income	—	(75)	(5,561)	(5,636)
Net current period other comprehensive income (loss)	2,774	(309)	73,521	75,986
Balance at June 30, 2013	$1,354	$ 7,193	$21,824	$30,371

Certain prior period amounts have been reclassified within accumulated OCI to conform to the current presentation. For the three and six months ended June 30, 2013, amounts reclassified from accumulated OCI to net income were not significant. Amounts reclassified for gains (losses) on cash flow hedges were recorded as part of product sales on our Condensed Consolidated Statements of Income. Amounts reclassified for unrealized gains (losses) on available-for-sale securities were recorded as part of other income (expense), net on our Condensed Consolidated Statements of Income.

13. SEGMENT INFORMATION

We operate in one business segment, which primarily focuses on the discovery, development and commercialization of innovative medicines in areas of unmet medical need. All products are included in one segment, because the majority of our products 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Antiviral products:				
Atripla	$938,108	$904,023	$1,815,181	$1,791,619
Truvada	807,779	785,933	1,508,021	1,544,196
Viread	250,188	215,414	460,520	407,107
Complera/Eviplera	188,683	72,909	336,872	125,089
Stribild	99,394	—	191,542	—
Hepsera	21,456	26,191	47,879	55,488
Emtriva	6,639	7,813	13,310	14,590
Total antiviral products	2,312,247	2,012,283	4,373,325	3,938,089
Letairis	128,257	101,634	246,364	188,922
Ranexa	106,597	95,555	202,883	178,756
AmBisome	75,137	83,653	160,412	168,417
Other products	35,047	28,115	67,869	55,398
Total product sales	$2,657,285	$2,321,240	$5,050,853	$4,529,582

20

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cardinal Health, Inc.	18 %	19 %	19 %	19 %
McKesson Corp.	17 %	15 %	16 %	15 %
AmerisourceBergen Corp.	11 %	11 %	11 %	11 %

14. INCOME TAXES

Our income tax rate of 28.6% and 26.3% for the three and six months ended June 30, 2013, respectively, differed from the U.S. federal statutory rate of 35% due primarily to the retroactive extension of the 2012 and 2013 federal research tax credit in January 2013 and certain operating earnings from non-U.S. subsidiaries that are considered indefinitely reinvested, partially offset by state taxes and our portion of the non-deductible pharmaceutical excise tax. We do not provide for U.S. income taxes on undistributed earnings of our foreign operations that are intended to be indefinitely reinvested in our foreign subsidiaries.

In January 2013, the U.S. Congress passed the American Taxpayer Relief Act of 2012 which retroactively reinstated the federal research tax credit for 2012 and 2013. As a result, our income tax provision for the first quarter of 2013 included a discrete tax benefit related to the federal research tax credit for 2012.

We file federal, state and foreign income tax returns in many jurisdictions in the United States and abroad. For federal income tax purposes, the statute of limitations is open for 2008 and onwards. For certain acquired entities, the statute of limitations is open for all years from inception due to our utilization of their net operating losses and credits carried over from prior years. For California income tax purposes, the statute of limitations is open for 2008 and onwards.

Our income tax returns are audited by federal, state and foreign tax authorities. We are currently under examination by the Internal Revenue Service (IRS) for the 2008 and 2009 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. We periodically evaluate our exposures associated with our tax filing positions.

As of June 30, 2013, we believe that it is reasonably possible that our unrecognized tax benefits will decrease by approximately $11 million in the next 12 months as we expect to have clarification from the IRS and other tax authorities regarding some of our uncertain tax positions. With respect to the remaining unrecognized tax benefits, we are currently unable to make a reasonable estimate as to the period of cash settlement, if any, with the respective tax authorities.

We record liabilities related to uncertain tax positions in accordance with the income tax guidance which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements 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. We do not believe any of our uncertain tax positions will have a material adverse effect on our Condensed Consolidated Financial Statements, although an adverse resolution of one or more of these uncertain tax positions in any period could have a material impact on the results of operations for that period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q 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, and the Securities Exchange Act of 1934, as amended. The forward-looking statements are contained principally in this section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors." Words such as "expect," "anticipate," "target," "goal," "project," "hope," "intend," "plan," "believe," "seek," "estimate," "continue," "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 and revenue 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." 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 Securities and Exchange Commission, 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.

In evaluating our business, you should carefully consider the risks described in the section entitled "Risk Factors" under Part II, Item 1A below, in addition to the other information in this Quarterly Report on Form 10-Q. Any of the risks contained herein could materially and adversely affect our business, results of operations and financial condition.

You should read the following management's discussion and analysis of our financial condition and results of operations in conjunction with our audited Consolidated Financial Statements and related notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2012 and our unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2013 and other disclosures (including the disclosures under "Part II. Item 1A. Risk Factors") included in this Quarterly Report on Form 10-Q. Our Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles and are presented in U.S. dollars.

Management Overview

Gilead Sciences, Inc. (Gilead, we or us), incorporated in Delaware on June 22, 1987, is a research-based biopharmaceutical company that discovers, develops and commercializes innovative medicines in areas of unmet medical need. With each new discovery and investigational drug candidate, we seek to improve the care of patients living with life-threatening diseases around the world. Gilead's primary areas of focus include human immunodeficiency virus (HIV), liver diseases such as hepatitis B virus (HBV) and hepatitis C virus (HCV), serious cardiovascular and respiratory conditions and oncology/inflammation. Headquartered in Foster City, California, we have operations in North America, Europe and Asia-Pacific. We continue to add to our existing portfolio of products through our internal research and clinical development programs and through our product acquisition and in-licensing strategy.

Our portfolio of 15 marketed products is comprised of Stribild®, Complera®/Eviplera®, Atripla®, Truvada®, Viread®, Hepsera®, Emtriva®, Letairis®, Ranexa®, AmBisome®, Cayston®, Vistide®, Tamiflu®, Lexiscan® and Macugen®. We have U.S. and international commercial sales operations, with marketing subsidiaries in North America, Europe and Asia-Pacific. In addition, we also sell and distribute certain products through our corporate partners under royalty-paying collaborative agreements.

Business Highlights

During the second quarter of 2013, our product sales increased 14% over the same quarter in 2012, and we continued to advance our product pipeline across all therapeutic areas. We believe the combination of our existing internal research programs, acquisitions and partnerships will allow us to continue to bring innovative therapies to individuals

who are living with unmet medical needs. During the quarter, we made the following announcements:

HCV Program

- We filed a new drug application (NDA) with the U.S. Food and Drug Administration (FDA) for the approval of sofosbuvir, a once-daily oral nucleotide analogue inhibitor for the treatment of chronic HCV infection. The FDA has granted priority review status and has set a target review date under the Prescription Drug User Fee Act of December 8, 2013. The NDA is supported primarily by results from four Phase 3 studies (NEUTRINO, FISSION, POSITRON and FUSION) evaluating sofosbuvir in nearly 1,000 patients with HCV as part of an all-oral 12-week or 16-week treatment regimen in combination with ribavirin (RBV) in genotypes 2 and 3, or with RBV and pegylated interferon for 12 weeks in genotypes 1, 4, 5 and 6.
- We reported interim data from the Phase 2 LONESTAR study, which evaluated eight- and 12-week courses of therapy with the once-daily fixed-dose combination of sofosbuvir/ledipasvir with and without RBV. All patients in the 12-week arm achieved a sustained virologic response (SVR) four weeks after completing therapy and 40/41 patients achieved a SVR eight weeks after completing therapy. Two additional cohorts in the study evaluated a 12-week course of the fixed-dose combination of sofosbuvir/ledipasvir with or without RBV in 40 patients who had previously failed therapy. Four weeks after completing therapy, 95% of patients in both arms achieved a SVR.
- We announced plans to initiate a Phase 3 study called ION-3, which will evaluate eight- and 12-week therapies of our fixed-dose combination tablet of sofosbusvir/ledipasvir for the treatment of HCV infection with and without RBV and a 12-week therapy with RBV in non-cirrhotic, treatment-naive genotype 1 HCV-infected patients.
- We announced that the European Medicines Agency (EMA) has validated our Marketing Authorisation Application for sofosbuvir for the treatment of HCV which was submitted on April 17, 2013, and is now under assessment.

HIV Program

- The FDA issued complete response letters on our NDAs for elvitegravir and cobicistat for us as part of HIV treatment regimens. The letters noted that the FDA cannot approve the applications in their current form due to deficiencies in documentation and validation of certain observations noted during a recent inspection. We are addressing the agency's concerns to move the applications forward. The FDA did not raise any concerns with the safety profiles of elvitegravir and cobicistat.
- The EMA granted marketing authorization for Stribild which allows for the marketing of our complete, once-daily single tablet regimen for HIV-1 infection for treatment-naïve adults across all 27 countries of the European Union.

Oncology Program

- We announced response data from a Phase 2 study (Study 101-08) evaluating idelalisib (formerly GS-1101) in treatment-naïve patients with chronic lymphocytic leukemia who achieved a complete response rate of 19% and an overall response rate of 97%, with estimated progression-free survival at 24 months of 93%.
- We announced interim results from a single-arm, open-label Phase 2 study (Study 101-09) evaluating idelalisib for treatment of patients with indolent non-Hodgkin's lymphoma that is non-responsive to rituximab and chemotherapy. In the study, single-agent treatment achieved an overall response rate of 54%, with a median duration of response at this interim analysis of 11.9 months.

Acquisition

We completed the acquisition of YM BioSciences Inc. (YM) for total consideration transferred of $487.6 million on February 8, 2013, at which time YM became a wholly-owned subsidiary of Gilead. YM was a drug development company primarily focused on advancing momelotinib (formally known as CYT387), an orally administered, once-daily candidate for hematologic cancers.

The purchase accounting is preliminary as management is awaiting data needed to finalize its review of the deferred tax assets and related valuation allowances. We expect to finalize the purchase accounting during the second half of 2013. The preliminary fair values of acquired assets and assumed liabilities include primarily in-process research and development (IPR&D) of $362.7 million, goodwill of $127.2 million, deferred tax liabilities of $108.8 million and cash acquired of $108.9 million. Pro forma results of operations for the acquisition of YM have not been presented because this acquisition is not material to our consolidated results of operations. See Note 7, Intangible Assets and Goodwill in our Notes to the Condensed Consolidated Financial Statements for a description of the IPR&D acquired.

Financial Highlights

During the second quarter of 2013, total revenues increased 15% to $2.77 billion, compared to $2.41 billion in the second quarter of 2012, driven by higher underlying demand across all therapeutic areas, the continued expansion and uptake of our HIV portfolio and an increase in royalty revenues. Total product sales were $2.66 billion for the second quarter of 2013, an increase of 14% compared to the same period in 2012, due primarily to growth in our antiviral franchise, which increased 15% to $2.31 billion. Cardiovascular product sales, which include Letairis and Ranexa, totaled $234.9 million, an increase of 19% compared to the same period in 2012. Royalty revenues from our collaborations with corporate partners were $106.5 million, an increase of 31% compared to the prior year, due primarily to higher Tamiflu royalty revenues from Roche.

Research and development (R&D) expenses increased 32% to $523.9 million for the second quarter of 2013 compared to the same period in 2012 as we continued to invest in our product pipeline, particularly in oncology and liver disease. Selling, general and administrative (SG&A) expenses increased 22% to $405.0 million for the second quarter of 2013 compared to the same period in 2012, primarily due to the ongoing growth and expansion of our business.

Net income attributable to Gilead for the second quarter of 2013 increased 9% to $772.6 million or $0.46 per diluted share, compared to the same period in 2012, primarily due to an increase in total revenues driven by underlying demand for our products partially offset by an increase in R&D and SG&A expenses.

As of June 30, 2013, cash, cash equivalents and marketable securities totaled $2.98 billion, an increase of $393.7 million compared to December 31, 2012. During the first half of 2013, we generated $1.63 billion of operating cash flows, repaid $929.6 million in debt, net of proceeds from convertible note hedges, and utilized $378.6 million for the acquisition of YM, net of cash acquired.

Results of Operations

Total Revenues

Total revenues include product sales, royalty revenues, and contract and other revenues. Total revenues for three months ended June 30, 2013 were $2.77 billion, up 15% compared to $2.41 billion for the same period in 2012. Total revenues for the six months ended June 30, 2013 were $5.30 billion, up 13% compared to $4.69 billion in the same period in 2012. Increases in total revenues for both periods were driven by growth in product sales and royalty revenues.

Product Sales

Total product sales were $2.66 billion for the three months ended June 30, 2013, an increase of 14% compared to the same period in 2012. Total product sales were $5.05 billion for the six months ended June 30, 2013, an increase of 12% compared to the same period in 2012. Increases in product sales for both periods were driven by an increase in antiviral and cardiovascular product sales. Sequentially, total product sales increased 11% due primarily to increases in sales growth in the United States as sub-wholesalers increased inventories and higher levels of purchasing in Europe in advance of the summer holidays.

Product sales in the United States increased by 20% and 15% for the three and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily driven by higher underlying demand for our antiviral products, specifically Complera and Stribild.

Approximately 40% of our product sales are generated outside of the United States and as a result, we face exposure to adverse movements in foreign currency exchange rates, primarily in euro. We used foreign currency exchange forward contracts to hedge a percentage of our foreign currency exposure. Foreign currency exchange, net of hedges, had an unfavorable impact of $21.0 million on our product sales for the three months ended June 30, 2013 and an unfavorable impact of $28.3 million on our product sales for the six months ended June 30, 2013 compared to the same periods in 2012.

Product sales in Europe increased by 4% and 6% for the three and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily driven by sales growth in our antiviral products, specifically Eviplera and Viread. Foreign currency exchange, net of hedges, had an unfavorable impact of $20.7 million and $27.7 million on our European product sales for the three and six months ended June 30, 2013 compared to the same periods in 2012.

In light of the continued fiscal and debt crises experienced by several countries in the European Union, several governments have announced or implemented measures to manage healthcare expenditures. We continue to experience pricing pressure such as increases in the amount of discounts required on our products and delayed reimbursement which could negatively impact our future product sales and results of operations.

The following table summarizes the period over period changes in our product sales (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Change		2013	2012	Change	
Antiviral products:								
Atripla	$938,108	$904,023	4	%	$1,815,181	$1,791,619	1	%
Truvada	807,779	785,933	3	%	1,508,021	1,544,196	(2	)%
Viread	250,188	215,414	16	%	460,520	407,107	13	%
Complera/Eviplera	188,683	72,909	159	%	336,872	125,089	169	%
Stribild	99,394	—	—		191,542	—	—	
Hepsera	21,456	26,191	(18	)%	47,879	55,488	(14	)%
Emtriva	6,639	7,813	(15	)%	13,310	14,590	(9	)%
Total antiviral products	2,312,247	2,012,283	15	%	4,373,325	3,938,089	11	%
Letairis	128,257	101,634	26	%	246,364	188,922	30	%
Ranexa	106,597	95,555	12	%	202,883	178,756	13	%
AmBisome	75,137	83,653	(10	)%	160,412	168,417	(5	)%
Other	35,047	28,115	25	%	67,869	55,398	23	%
Total product sales	$2,657,285	$2,321,240	14	%	$5,050,853	$4,529,582	12	%

Antiviral Products

Antiviral product sales increased by 15% and 11% for the three and six months ended June 30, 2013 compared to the same period in 2012 which reflects higher underlying demand for our new single-tablet regimen products, specifically Complera/Eviplera and Stribild.

- Atripla

Atripla sales increased by 4% and 1% for the three and six months ended June 30, 2013, respectively, compared to the same periods in 2012, due to an increase in the average net selling price and sales volume. Atripla sales accounted for 41% and 42% of our total antiviral product sales for the three and six months ended June 30, 2013, respectively. The efavirenz component of Atripla, which has a gross margin of zero, comprised $352.1 million of our Atripla sales for the three months ended June 30, 2013 and $680.2 million for the six months ended June 30, 2013. For the three months ended June 30, 2012, the efavirenz component of Atripla comprised $333.5 million of our Atripla sales and $659.9 million for the six months ended June 30, 2012.

A generic version of Bristol-Myers Squibb Company's Sustiva (efavirenz), a component of our Atripla, is being made available in Europe and Canada in late 2013 and in the United States in 2014. As a result, we may start to observe a negative impact from competition on our future Atripla sales.

- Truvada

Truvada sales increased by 3% for the three months ended June 30, 2013 compared to the same period in 2012, due to an increase in the average net selling price. Truvada sales decreased by 2% for the six months ended June 30, 2013 compared to the same period in 2012, due primarily to declines in wholesaler and sub-wholesaler inventories in the United States during the first quarter of 2013, partially offset by the increase in the average net selling price during the second quarter of 2013. Truvada sales accounted for 35% and 34% of our total antiviral product sales for the three and six months ended June 30, 2013, respectively.

- Complera/Eviplera

Complera/Eviplera sales increased by 159% and 169% for the three and six months ended June 30, 2013, respectively, compared to the same period in 2012, primarily due to sales growth in Europe and the United States.

- Stribild

Sales of Stribild were $99.4 million for the three months ended June 30, 2013 and $191.5 million for the six months ended June 30, 2013. Stribild was approved in the United States in August 2012 and Europe in May 2013.

Cardiovascular Products

Cardiovascular product sales increased 19% and 22% during the three and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to increases in underlying demand. During the three

months ended June

25

30, 2013, sales of Letairis increased by 26% and 30% during the six months ended June 30, 2013 compared to the same periods in 2012. During the three months ended June 30, 2013, sales of Ranexa increased by 12% and 13% during the six months ended June 30, 2013 compared to the same periods in 2012.

Royalty Revenues

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Royalty revenues	$106,514	$81,106	31 %	$240,921	$152,211	58 %

Royalty revenues increased 31% for the three months ended June 30, 2013 and 58% for the six months ended June 30, 2013 compared to the same periods in 2012, due primarily to higher royalty revenues from F. Hoffmann-La Roche Ltd (Roche) as a result of an increase in the number of patients treated for influenza with Tamiflu in the first quarter of 2013. We recognize royalties on Tamiflu sales by Roche in the quarter following the quarter in which the corresponding sales occur.

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:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Total product sales	$2,657,285	$2,321,240	14 %	$5,050,853	$4,529,582	12 %
Cost of goods sold	$684,663	$617,345	11 %	$1,319,111	$1,198,276	10 %
Product gross margin	74 %	74 %		74 %	74 %	

Our product gross margin for the three and six months ended June 30, 2013 and 2012 was 74%, remaining essentially flat as a percentage of total product sales when compared to the same periods in 2012.

Research and Development Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	2013	2012	Change	2013	2012	Change
Research and development	$523,902	$396,244	32 %	$1,021,534	$854,455	20 %

We manage our R&D expenses by identifying the R&D activities we anticipate will be performed during a given period and then prioritizing efforts based on scientific data, probability of successful development, market potential, available human and capital resources and other considerations. We continually review our R&D pipeline and the status of development and, as necessary, reallocate resources among the R&D portfolio that we believe will best support the future growth of our business.

R&D expenses summarized above consist primarily of clinical studies performed by contract research organizations, materials and supplies, licenses and fees, milestone payments under collaboration arrangements, personnel costs, including salaries, benefits and stock-based compensation and overhead allocations consisting of various support and facilities-related costs.

R&D expenses for the three months ended June 30, 2013 increased by $127.7 million or 32% compared to the same period in 2012, due primarily to $82.3 million related to an increase in clinical studies and $29.9 million related to personnel expenses to support the number of programs in late-stage development, specifically in oncology and liver disease.

R&D expenses for the six months ended June 30, 2013 increased by $167.1 million or 20% compared to the same period in 2012, due primarily to a $176.2 million related to an increase in clinical studies and $65.3 million related to personnel expenses to support the number of programs in late-stage development, specifically in liver disease and oncology. These increases were partially offset by a $100.1 million decrease in stock-based compensation expense related to our acquisition of Pharmasset Inc. (Pharmasset) in January 2012.

26

Selling, General and Administrative Expenses

(In thousands, except percentages)	Three Months Ended June 30, 2013	2012	Change	Six Months Ended June 30, 2013	2012	Change
Selling, general and administrative	$404,991	$332,505	22 %	$779,287	$775,626	0 %

SG&A expenses relate to sales and marketing, finance, human resources, legal and other administrative activities. Expenses are primarily comprised of facilities and overhead costs, outside marketing, advertising and legal expenses, and other general and administrative costs.

SG&A expenses for the three months ended June 30, 2013 increased by $72.5 million or 22%, compared to the same period in 2012, due primarily to a $37.4 million increase in headcount related and other expenses to support the ongoing growth and expansion of our business and a $19.0 million increase in bad debt expense. In the second quarter of 2012, we recorded a net reduction in bad debt expense of $15.2 million following a factoring arrangement where we sold accounts receivable balances in Spain. We continue to monitor the macroeconomic environment, particularly in Southern Europe for collectability issues related to our outstanding receivables.

SG&A expenses for the six months ended June 30, 2013 increased by $3.7 million, compared to the same period in 2012, due primarily to a $70.3 million increase in headcount related and other expenses to support the ongoing growth of our business. The total increase was partially offset by an $86.1 million decrease in stock-based compensation expense, which included $98.0 million in stock-based compensation related to our acquisition of Pharmasset in January 2012.

We expect SG&A expenses to increase through the remainder of 2013 as we build our commercial organization in preparation for the anticipated launch of sofosbuvir.

Interest Expense

Interest expense for the three months ended June 30, 2013 was $78.0 million, a decrease of $10.4 million compared to the same period in 2012. Interest expense for the six months ended June 30, 2013 was $159.8 million, a decrease of $25.9 million compared to the same period in 2012. The decreases for both periods were primarily due to the maturity of our convertible senior notes due in May 2013 (May 2013 Notes), repayment of revolving credit facilities and conversions of our May 2013 Notes and senior convertible notes due in May 2014 (May 2014 Notes).

Other Income (Expense), Net

Other income (expense), net for the three months ended June 30, 2013 and 2012 was not significant for both periods. Other income (expense), net for the six months ended June 30, 2013 was a net expense of $(3.6) million compared to a net expense of $(35.2) million for the same period in 2012, which included a $40.1 million loss on Greek bonds related to Greece's restructuring of its sovereign debt.

Provision for Income Taxes

Our provision for income taxes was $308.0 million and $530.4 million for the three and six months ended June 30, 2013, respectively, compared to $263.5 million and $494.8 million for the same periods in 2012, respectively. Our effective tax rate was 28.6% and 26.3% for the three and six months ended June 30, 2013, respectively, compared to 27.2% and 30.2% for the same periods in 2012, respectively. The effective tax rate for the three months ended June 30, 2013 was higher than the effective tax rate for the same period in 2012 due primarily to lower earnings from non-U.S. subsidiaries that are considered indefinitely reinvested, offset by the extension of the 2013 federal research tax credit. The effective tax rate for the six months ended June 30, 2013 was lower than the effective tax rate for the same period in 2012 as a result of the retroactive extension of the 2012 and 2013 federal research tax credit in January 2013 and the stock-based compensation expense related to the Pharmasset acquisition for which we receive no tax benefit in the first quarter of 2012, offset by lower earnings from non-U.S. subsidiaries that are considered indefinitely reinvested.

The effective tax rate for the three and six months ended June 30, 2013 differed from the U.S. federal statutory rate of 35% due primarily to the retroactive extension of the 2012 and 2013 federal research tax credit in January 2013 and certain operating earnings from non-U.S. subsidiaries that are considered indefinitely reinvested, partially offset by

state taxes and our portion of the non-deductible pharmaceutical excise tax. We do not provide for U.S. income taxes on undistributed earnings of our foreign operations that are intended to be indefinitely reinvested in our foreign subsidiaries. In January 2013, the U.S. Congress passed the American Taxpayer Relief Act of 2012 which retroactively reinstated the federal research tax credit for 2012 and 2013. As a result, our income tax provision for the first quarter of 2013 included a discrete tax benefit related to the federal research tax credit for 2012.

Liquidity and Capital Resources

We believe that our existing capital resources, supplemented by our cash flows generated from operating activities will be adequate to satisfy our capital needs for the foreseeable future. The following table summarizes our cash, cash equivalents and marketable securities, our working capital and our cash flow activities as of the end of, and for each of, the periods presented (in thousands):

	June 30, 2013	December 31, 2012
Cash, cash equivalents and marketable securities	$2,975,798	$2,582,086
Working capital	$2,135,391	$1,886,327

	Six Months Ended June 30,	
	2013	2012
Cash provided by (used in):		
Operating activities	$1,625,105	$1,743,620
Investing activities	$(462,733)	$(11,378,080)
Financing activities	$(756,649)	$1,380,711

Cash, Cash Equivalents and Marketable Securities

As of June 30, 2013, cash, cash equivalents and marketable securities totaled $2.98 billion, an increase of $393.7 million or 15% from December 31, 2012. During the six months ended June 30, 2013, we generated $1.63 billion in cash flows from operations, repaid $929.6 million in debt, net of proceeds from convertible note hedges, and utilized $378.6 million for the acquisition of YM, net of cash acquired.

Of the total cash, cash equivalents and marketable securities at June 30, 2013, approximately $1.33 billion was generated from operations in foreign jurisdictions and is intended for use in our foreign operations. We do not rely on unrepatriated earnings as a source of funds for our domestic business as we expect to have sufficient cash flow and borrowing capacity in the United States to fund our domestic operational and strategic needs.

Working Capital

Working capital was $2.14 billion at June 30, 2013. The increase of $249.1 million in working capital from December 31, 2012 was primarily due to an increase of $398.5 million in cash and cash equivalents and $190.2 million in inventories, partially offset by an increase in the current portion of long-term debt, net.

Cash Provided by Operating Activities

Cash provided by operating activities of $1.63 billion for the six months ended June 30, 2013 primarily related to net income of $1.49 billion, adjusted for non-cash items such as $147.5 million of depreciation and amortization expenses and $117.7 million of stock-based compensation expenses. This was partially offset by $161.9 million of net cash outflow related to changes in operating assets and liabilities.

Cash provided by operating activities of $1.74 billion for the six months ended June 30, 2012 primarily related to net income of $1.14 billion, adjusted for non-cash items such as $133.6 million of depreciation and amortization expenses, $97.1 million of stock-based compensation expenses and $350.9 million of net cash inflow related to changes in operating assets and liabilities. Cash provided by operations included the impact of the $193.9 million in stock-based compensation expense related to Pharmasset and $349.7 million of proceeds from the sale of accounts receivable balances in Spain.

Cash Used in Investing Activities

Cash used in investing activities for the six months ended June 30, 2013 was $462.7 million, consisting primarily of $378.6 million used in our acquisition of YM, net of the cash acquired.

Cash used in investing activities for the six months ended June 30, 2012 was $11.38 billion, consisting primarily of $10.75 billion used in our acquisition of Pharmasset, net of stock-based compensation expense and cash acquired.

Cash Provided by (Used in) Financing Activities

Cash used in financing activities for the six months ended June 30, 2013 was $756.6 million, driven primarily by $2.14 billion used to repay debt financing which includes the maturity and conversions of our May 2014 Notes and our senior convertible notes due in May 2016 (May 2016 Notes), partially offset by net proceeds of $1.21 billion related to our convertible note hedges and proceeds of $146.3 million from issuances of common stock under our employee stock plans.

Cash provided by financing activities for the six months ended June 30, 2012 was $1.38 billion, driven primarily by net proceeds of $2.14 billion from the issuance of bank debt in conjunction with the Pharmasset acquisition and proceeds of $201.8 million from issuances of common stock under our employee stock plans. The cash proceeds were partially offset by the $700.0 million used to repay bank debt during the quarter and $261.8 million used to repurchase our common stock under our January 2011 stock repurchase program, including commissions.

Long-Term Obligations

The following is a summary of our borrowings under various financing arrangements (in thousands):

Type of Borrowing	Description	Issue Date	Due Date	Interest Rate	June 30, 2013	December 31, 2012
Convertible Senior	May 2013 Notes	April 2006	May 2013	0.625%	$—	$ 419,433
Convertible Senior	May 2014 Notes	July 2010	May 2014	1.00%	888,170	1,210,213
Convertible Senior	May 2016 Notes	July 2010	May 2016	1.625%	1,162,018	1,157,692
Senior Unsecured	April 2021 Notes	March 2011	April 2021	4.50%	993,352	992,923
Senior Unsecured	December 2014 Notes	December 2011	December 2014	2.40%	749,552	749,394
Senior Unsecured	December 2016 Notes	December 2011	December 2016	3.05%	699,210	699,095
Senior Unsecured	December 2021 Notes	December 2011	December 2021	4.40%	1,247,573	1,247,428
Senior Unsecured	December 2041 Notes	December 2011	December 2041	5.65%	997,847	997,810
Credit Facility	Five-Year Revolver	January 2012	January 2017	Variable	600,000	750,000
Total debt, net					$7,337,722	$ 8,223,988
Less current portion					1,488,170	1,169,433
Total long-term debt, net					$5,849,552	$ 7,054,555

In January 2012, in conjunction with our acquisition of Pharmasset, we entered into a five-year $1.25 billion revolving credit facility credit agreement (the Five-Year Revolving Credit Agreement), a $750.0 million short-term revolving credit facility credit agreement (the Short-Term Revolving Credit Agreement) and a $1.00 billion term loan facility (the Term Loan Credit Agreement). We borrowed $750.0 million under the Five-Year Revolving Credit Agreement, $400.0 million under the Short-Term Revolving Credit Agreement and $1.00 billion under the Term Loan Credit Agreement, upon the close of the acquisition.

In 2012, we fully repaid the outstanding debt under the Term Loan Credit Agreement and the Short-Term Revolving Credit Agreement, at which time both agreements terminated. During the six months ended June 30, 2013, we repaid $150.0 million under the Five-Year Revolving Credit Agreement.

The Five-Year Revolving Credit Agreement contains customary representations, warranties, affirmative, negative and financial maintenance covenants and events of default. The loan bears interest at either (i) the Eurodollar Rate plus the Applicable Margin or (ii) the Base Rate plus the Applicable Margin, each as defined in the credit agreement. We may reduce the commitments and may prepay the loan in whole or in part at any time without premium or penalty. We are required to comply with certain covenants under the credit agreement and notes indentures and as of June 30, 2013, we were in compliance with all such covenants.

Maturity of 2013 Convertible Senior Notes

During the six months ended June 30, 2013, a portion of our May 2013 Notes were converted and on May 1, 2013, the remainder matured. We repaid an aggregate principal balance of $426.3 million and $714.0 million in cash related to

the conversion spread, which represents the conversion value in excess of the principal amount. We received $714.0 million in cash from the related convertible note hedges. Warrants related to our May 2013 Notes expired in August 2013 and we expect to pay approximately $1.04 billion to settle the warrants as the average market price of our common stock exceeded the warrants' exercise price.

Convertible Senior Notes

During the six months ended June 30, 2013, a portion of our May 2014 Notes and May 2016 Notes was converted. We repaid $353.0 million of the principal balance, primarily composed of May 2014 Notes. We also paid $492.0 million in cash related to the conversion spread of the notes, which represents the conversion value in excess of the principal amount, and received $492.0 million in cash from our convertible note hedges related to these notes.

Critical Accounting Policies, Estimates and Judgments

There have been no material changes in our critical accounting policies, estimates and judgments during the six months ended June 30, 2013 compared to the disclosures in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2012.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Recent Accounting Pronouncements

In February 2013, the FASB also issued an update to the existing standard for liabilities. The update provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements. For obligations for which the total amount is fixed at the reporting date, an entity will be required to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. Such entities will also be required to disclose the nature, amount and other significant information about the obligations. This guidance will become effective for us beginning in the first quarter of 2014. We are evaluating the financial statement impact of this guidance. Currently, we do not expect that adopting this update will have a material impact on our Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the six months ended June 30, 2013 compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2012.

As of June 30, 2013, our accounts receivable in Southern Europe, specifically Greece, Italy, Portugal and Spain, totaled approximately $891.2 million, of which $383.8 million were greater than 120 days past due and $135.4 million were greater than 365 days past due. To date, we have not experienced significant losses with respect to the collection of our accounts receivable. We believe that our allowance for doubtful accounts was adequate at June 30, 2013. To date, we have not experienced significant losses with respect to our collection of accounts receivable. However, we will continue to monitor the European economic environment for collectability issues related to our outstanding receivables.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation as of June 30, 2013 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 our “disclosure controls and procedures,” which are defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as controls and other procedures of a company that are designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at June 30, 2013.

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 June 30, 2013, 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.

Limitations on the Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Litigation with Generic Manufacturers

Tenofovir Disoproxil Fumarate, Emtricitabine and Fixed-dose Combination of Emtricitabine, Tenofovir Disoproxil Fumarate and Efavirenz

In November 2008, we received notice that Teva Pharmaceuticals (Teva) submitted an abbreviated new drug application (ANDA) to the U.S. Food and Drug Administration (FDA) requesting permission to manufacture and market a generic version of Truvada. In the notice, Teva alleges that two of the patents associated with emtricitabine, owned by Emory University and licensed exclusively to us, are invalid, unenforceable and/or will not be infringed by Teva's manufacture, use or sale of a generic fixed-dose combination of emtricitabine and tenofovir disoproxil fumarate. In December 2008, we filed a lawsuit in U.S. District Court in New York against Teva for infringement of the two emtricitabine patents. In March 2009, we received notice that Teva submitted an ANDA to the FDA requesting permission to manufacture and market a generic fixed-dose combination of emtricitabine, tenofovir disoproxil fumarate and efavirenz. In the notice, Teva challenged the same two emtricitabine patents. In May 2009, we filed another lawsuit in U.S. District Court in New York against Teva for infringement of the two emtricitabine patents, and this lawsuit was consolidated with the lawsuit filed in December 2008. In January 2010, we received notice that Teva submitted an ANDA to the FDA requesting permission to manufacture and market a generic version of Viread. In the notice, Teva challenged four of the tenofovir disoproxil fumarate patents protecting Viread. In January 2010, we also received notices from Teva amending its ANDAs related to generic versions of our Atripla and Truvada products. In the notice related to Teva's ANDA for a generic version of Atripla, Teva challenged four patents related to tenofovir disoproxil fumarate, two additional patents related to emtricitabine and two patents related to efavirenz. In the notice related to Teva's ANDA for a generic version of Truvada, Teva challenged four patents related to tenofovir disoproxil fumarate and two additional patents related to emtricitabine. In March 2010, we filed lawsuits against Teva for infringement of the four Viread patents and two additional emtricitabine patents. In March 2010, Bristol-Myers Squibb Company and Merck & Co., Inc. filed a lawsuit against Teva for infringement of the patents related to efavirenz. Because we filed our lawsuits within the requisite 45 day period provided in the Hatch Waxman Act, there were stays preventing FDA approval of Teva's ANDAs for 30 months or until a district court decision adverse to the patents. The 30-month stay for all three Teva ANDAs expired in July 2012. In April 2013, we and Teva reached an agreement to settle the ongoing patent litigation concerning the four patents that protect tenofovir disoproxil fumarate in our Atripla, Truvada and Viread products. Under the agreement, Teva will be allowed to launch a generic version of Viread on December 15, 2017. The settlement agreement was filed and is under review by the Federal Trade Commission and Department of Justice.

In November 2011, we received notice that Teva submitted an Abbreviated New Drug Submission (ANDS) to the Canadian Ministry of Health requesting permission to manufacture and market a generic fixed-dose combination of emtricitabine and tenofovir disoproxil fumarate. In the notice, Teva alleges that three of the patents associated with Truvada are invalid, unenforceable and/or will not be infringed by Teva's manufacture, use or sale of a generic version of Truvada. In January 2012, we filed a lawsuit against Teva in Canadian Federal Court seeking an order of prohibition against approval of this ANDS. This lawsuit is currently scheduled for hearing in September 2013. If we are unsuccessful in obtaining the order of prohibition and Teva receives approval of their product, Teva will be able to launch generic version of our Truvada product “at risk” before expiry of our patents upon approval of their ANDS.

In December 2011, we received notice that Teva submitted an ANDS to the Canadian Ministry of Health requesting permission to manufacture and market a generic fixed-dose combination of emtricitabine, tenofovir disoproxil fumarate and efavirenz. In the notice, Teva alleges that three of our patents associated with Atripla and two of Merck's patents associated with Atripla are invalid, unenforceable and/or will not be infringed by Teva's manufacture, use or sale of a generic fixed-dose combination of emtricitabine, tenofovir disoproxil fumarate and efavirenz. In February 2012, we filed a lawsuit against Teva in Canadian Federal Court seeking an order of prohibition against approval of this ANDS.

In July 2012, we received notice that Lupin Limited (Lupin) submitted an ANDA to the FDA requesting permission to manufacture and market a generic version of Truvada. In the notice, Lupin alleges that four patents associated with

emtricitabine and four patents associated with tenofovir disoproxil fumarate are invalid, unenforceable and/or will not be infringed by Lupin's manufacture, use or sale of a generic version of a fixed-dose combination of emtricitabine and tenofovir disoproxil fumarate. In August 2012, we filed a lawsuit against Lupin in U.S. District Court in New York for infringement of our patents.

In July 2012, we received notice that Cipla Ltd. (Cipla) submitted an ANDA to the FDA requesting permission to manufacture and market a generic version of Emtriva and a generic version of Viread. In the notice, Cipla alleges that two patents associated with emtricitabine are invalid, unenforceable and/or will not be infringed by Cipla's manufacture, use or sale of a generic version of emtricitabine and four patents associated with tenofovir disoproxil fumarate are invalid, unenforceable and/or will not be infringed by Cipla's manufacture, use or sale of a generic version of tenofovir disoproxil fumarate. In August 2012, we filed lawsuits against Cipla in U.S. District Court in New York for infringement of our patents.

In August 2012, we received notice that Teva submitted an ANDS to the Canadian Ministry of Health requesting permission to manufacture and market a generic version of tenofovir disoproxil fumarate. In the notice, Teva alleges that two patents associated with Viread are invalid, unenforceable and/or will not be infringed by Teva's manufacture, use or sale of a generic version of Viread. In September 2012, we filed a lawsuit against Teva in Canadian Federal Court seeking an order of prohibition against approval of this ANDS. Also in August 2012, Teva filed an Impeachment Action in Canadian Federal Court seeking invalidation of our two Canadian patents associated with Viread. We are currently defending that Impeachment Action. If we are unsuccessful in obtaining the order of prohibition in connection with Teva's ANDS for Truvada, Teva will be able to launch a generic version of our Truvada and Viread products “at risk” before expiry of our Canadian patents, assuming their generic product is approved.

In October 2012, we received notice that Lupin submitted an ANDA to the FDA requesting permission to manufacture and market a generic version of Viread. In the notice, Lupin alleges that four patents associated tenofovir disoproxil fumarate are invalid, unenforceable and/or will not be infringed by Lupin's manufacture, use or sale of a generic version of tenofovir disoproxil fumarate. In October 2012, we filed a lawsuit against Lupin in U.S. District Court in New York for infringement of our patents.

Ranolazine

In June 2010, we received notice that Lupin submitted an ANDA to the FDA requesting permission to manufacture and market a generic version of sustained release ranolazine. In the notice, Lupin alleges that ten of the patents associated with Ranexa are invalid, unenforceable and/or will not be infringed by Lupin's manufacture, use or sale of a generic version of Ranexa. In July 2010, we filed a lawsuit against Lupin in U.S. District Court in New Jersey for infringement of our patents for Ranexa. The FDA cannot approve Lupin's ANDA until we receive a district court decision or upon the expiration of the court's automatic stay in July 2013. The trial took place in April and May 2013. The court has not yet issued a decision. We do not anticipate a launch of a generic version of Ranexa by Lupin before the court has had an opportunity to issue its decision in the patent litigation. If necessary, we expect to have the opportunity to seek a preliminary injunction to prevent an unauthorized launch of a generic version of Ranexa by Lupin. If the court finds that none of the patents that protect our Ranexa formulation are infringed and/or that all are invalid and Lupin receives final approval of their product, Lupin will be able to launch generic version of our Ranexa product “at risk” upon issuance of that decision.

Adefovir disoproxil fumarate

In August 2010, we received notice that Sigmapharm Labs (Sigmapharm) submitted an ANDA to the FDA requesting permission to manufacture and market a generic adefovir dipivoxil. In the notice, Sigmapharm alleges that both of the patents associated with Hepsera are invalid, unenforceable and/or will not be infringed by Sigmapharm's manufacture, use or sale of a generic version of Hepsera. In September 2010, we filed a lawsuit against Sigmapharm in U.S. District Court in New Jersey for infringement of our patents. As a result of the recent invalidation of the patents protecting entecavir, which is also approved for the treatment of chronic hepatitis B, and due to declining sales of Hepsera in the United States, in March 2013, we granted Sigmapharm a Covenant Not to Sue for the patents associated with Hepsera and filed a motion to dismiss all claims in the lawsuit. FDA may approve Sigmapharm's product whenever it finds that the product meets the requirements for approval. Once Sigmapharm obtains FDA approval of its product, it may launch its generic product.

One of the patents challenged by Sigmapharm was also challenged by Ranbaxy, Inc. (Ranbaxy) pursuant to a notice received in October 2010. The patent challenged by Ranbaxy expires in July 2018. We do not anticipate filing a lawsuit against Ranbaxy.

Tamiflu

In February 2011, we received notice that Natco Pharma Ltd. (Natco) submitted an ANDA to the FDA requesting permission to manufacture and market a generic oseltamivir phosphate. In the notice, Natco alleges that one of the patents associated with Tamiflu is invalid, unenforceable and/or will not be infringed by Natco's manufacture, use or sale of a generic version of Tamiflu. In March 2011, we and F. Hoffmann-La Roche Ltd. (Roche) filed a lawsuit against Natco in U.S. District Court in New Jersey for infringement of one of the patents associated with Tamiflu. In December 2012, the court issued a ruling in favor of Gilead and Roche, that our patent is not invalid for the reasons stated in Natco's notice letter. Natco has appealed this decision.

We cannot predict the ultimate outcome of these actions, and we may spend significant resources enforcing and defending these patents. If we are unsuccessful in these lawsuits, some or all of our original claims in the patents may be narrowed or invalidated and the patent protection for Atripla, Truvada, Viread, Hepsera, Emtriva, Ranexa and Tamiflu in the United States and Atripla, Truvada and Viread in Canada could be substantially shortened. Further, if all of the patents covering one or more products are invalidated, the FDA or Canadian Ministry of Health could approve the requests to manufacture a generic version of such products in the United States or Canada, respectively, prior to the expiration date of those patents. The sale of generic versions of these products earlier than their patent expiration would have a significant negative effect on our revenues and results of operations.

Department of Justice Investigation

In June 2011, we received a subpoena from the U.S. Attorney's Office for the Northern District of California requesting documents related to the manufacture, and related quality and distribution practices, of Complera, Atripla, Truvada, Viread, Emtriva, Hepsera and Letairis. We have been cooperating and will continue to cooperate with this governmental inquiry.

Interference Proceedings and Litigation with Idenix Pharmaceuticals, Inc.

In February 2012, we received notice that the U.S. Patent and Trademark Office (PTO) had declared an Interference between our U.S. Patent No. 7,429,572 and Idenix Pharmaceuticals, Inc.'s (Idenix) pending patent application no. 12/131868. An Interference is an administrative proceeding before the PTO designed to determine who was the first to invent the subject matter being claimed by both parties. Our patent covers metabolites of sofosbuvir and RG7128. Idenix is attempting to claim a class of compounds, including these metabolites, in its pending patent application. In the course of this proceeding, both parties will be called upon to submit evidence of the date they conceived of their respective inventions. The Interference will determine who was first to invent these compounds and therefore who is entitled to the patent claiming these compounds. In March 2013, the PTO Patent Trials and Appeal Board (the Board) determined that Idenix is not entitled to the benefit of any of its early application filing dates because none of those patent applications taught how to make the compounds in dispute. The Board also determined that we are entitled to the filing date of our earliest application. As a result, the Board determined that we were first to file the patent application on the compounds in dispute and we are therefore the “senior party” in the interference. In the second phase of the interference, the Board will determine who was first to invent the compounds. The party who is deemed first to invent will prevail in the Interference. Idenix bears the burden of establishing that despite its much later patent application filing date, they were nevertheless first to invent the compounds in dispute. In order to prove they were first to invent, Idenix must prove that it was first to conceive of a compound within the scope of those in dispute, namely that (1) the named inventors had identified the structure, a method of making and a use for a disputed compound and (2) that Idenix worked diligently from its earliest conception date until it made and tested the compound or filed its application in 2008.

If the Board determines that Idenix was first to invent and is entitled to these patent claims and it is determined that we have infringed those claims, we may be required to obtain a license from and pay royalties to Idenix to commercialize sofosbuvir and RG7128. Any determination by the Board can be appealed by either party to U.S. Federal Court.

We believe the Idenix application involved in the Interference and similar U.S. and foreign patents claiming the same compounds and metabolites are invalid. As a result, we filed an Impeachment Action in Canadian Federal Court to invalidate the Idenix CA2490191 patent, which is the Canadian patent that corresponds to the Idenix U.S. Patent No. 7608600 and the Idenix patent application that is the subject of the Interference. Idenix has now asserted that our Canadian Patent No. 2527657, corresponding to the '572 patent in the Interference, is invalid. We filed a similar legal action in the Federal Court of Norway seeking to invalidate Idenix's corresponding Norwegian patent. We filed a similar legal action in the Federal Court of Australia seeking to invalidate the corresponding Australian patent. We may bring similar action in other countries in 2013. Idenix has not been awarded patents on these compounds in European countries, Japan or China. In the event such patents issue, we expect to challenge them in proceedings similar to those we invoked in Canada, Norway and Australia.

Arbitration with F. Hoffman-La Roche Ltd and Hoffman-La Roche Inc.

Gilead (as successor to Pharmasset, Inc. (Pharmasset)) is a party to an October 29, 2004 collaboration agreement with Roche and Hoffman-La Roche Inc. The agreement granted Roche rights to develop PSI-6130, a cytidine analog, and its prodrugs, for the treatment of chronic hepatitis C virus infection. The collaborative research efforts under the agreement ended on December 31, 2006. Roche later asked Pharmasset to consider whether Roche may have contributed to the inventorship of sofosbuvir and whether Pharmasset has complied with the confidentiality provisions of the collaboration agreement. Pharmasset advised us that it carefully considered the issues raised by Roche and that it believed any such issues are without merit. We have also considered these issues and reached the same conclusion. In March 2013, Roche initiated an arbitration against us and Pharmasset, predecessor to Gilead Pharmasset LLC, regarding the collaboration agreement. In the demand, Roche asserts that it has an exclusive license to sofosbuvir pursuant to the collaboration agreement because sofosbuvir, a prodrug of a uridine monophosphate analog, is allegedly a prodrug of PSI-6130. Roche further claims that, because it has exclusive rights to sofosbuvir, it also has an exclusive license to a patent covering sofosbuvir, and that we will infringe that

patent by selling and offering for sale products containing sofosbuvir. Gilead and Gilead Pharmasset LLC filed their response to Roche's demand in April 2013. We believe Roche's claim is without merit. However, if Roche were to successfully establish exclusive rights to sofosbuvir, our expected revenues and earnings from the sale of sofosbuvir could be adversely affected.

Contract Arbitration with Jeremy Clark

In March 2012, Jeremy Clark, a former employee of Pharmasset, which we acquired in January 2012, and inventor of U.S. Patent No. 7,429,572, filed a demand for arbitration in his lawsuit against Pharmasset and Dr. Raymond Schinazi. Mr. Clark initially filed the lawsuit against Pharmasset and Dr. Schinazi in Alabama District Court in February 2008 seeking to void the assignment provision in his employment agreement and assert ownership of U.S. Patent No. 7,429,572, which claims metabolites of sofosbuvir and RG7128. In December 2008, the court ordered a stay of the litigation pending the outcome of an arbitration proceeding required by Mr. Clark's employment agreement. Instead of proceeding with arbitration, Mr. Clark filed two additional lawsuits in September 2009 and June 2010, both of which were subsequently dismissed by the court. In September 2010, Mr. Clark filed a motion seeking reconsideration of the court's December 2008 order which was denied by the court. In December 2011, Mr. Clark filed a motion to appoint a special prosecutor. In February 2012, the Alabama Court issued an order requiring Mr. Clark to enter arbitration or risk dismissal of his case. Mr. Clark filed a demand for arbitration in March 2012. The arbitration panel held a hearing in April 2013. In June 2013, the arbitration panel issued its decision in favor of Pharmasset (now Gilead) and Dr. Schinazi.

Other Matters

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

ITEM 1A. RISK FACTORS

In evaluating our business, you should carefully consider the following risks in addition to the other information in this Quarterly Report on Form 10-Q. A manifestation of 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.

The public announcement of data from clinical studies evaluating sofosbuvir and the fixed-dose combination of sofosbuvir/ledipasvir in HCV-infected patients is likely to cause significant volatility in our stock price. If the development or approval of sofosbuvir alone or in combination with ledipasvir is delayed or discontinued, our stock price could decline significantly.

During 2013, we have received, and we expect to continue to receive, a significant amount of data from clinical trials evaluating sofosbuvir, an investigational nucleotide analog we acquired through our purchase of Pharmasset, Inc. (Pharmasset), alone or in combination with other direct acting antivirals in hepatitis C virus (HCV)-infected individuals across all genotypes.

In April 2013, we filed a new drug application (NDA) with the U.S. Food and Drug Administration (FDA) for sofosbuvir. The data submitted in this NDA support the use of sofosbuvir and ribavirin (RBV) as an all-oral therapy for patients with genotype 2 and 3 HCV infection, and of sofosbuvir in combination with RBV and peg-IFN for treatment-naïve patients with genotype 1, 4, 5 and 6 HCV infection. In May 2013, our marketing application for the use of sofosbuvir and RBV and sofosbuvir in combination with RBV and peg-IFN for the treatment of HCV in the same patient populations was validated by the European Medicines Agency (EMA). There is risk that the FDA and EMA may not approve sofosbuvir in a timely manner or at all, and that any marketing approval, if granted, may have significant limitations on their use.

In parallel, we are also advancing a fixed-dose combination of sofosbuvir/ledipasvir (formerly GS-5885) for the treatment of genotype 1 patients. Our NDA for the fixed dose combination of sofosbuvir/ledipasvir will be supported by two clinical trials. The first study, named ION-1, evaluates the fixed-dose combination of sofosbuvir/ledipasvir with and without RBV for either 12 or 24 weeks in treatment-naïve genotype 1 infected patients. In the second quarter

of 2013, we completed enrollment of remaining patients in the ION-1 study to assess the fixed dose combination of sofosbuvir/ledipasvir. In March 2013, we also completed enrollment of patients in a Phase 3 study, named ION-2, evaluating the fixed-dose combination with RBV for 12 weeks and with and without RBV for 24 weeks of therapy among treatment-experienced genotype 1 HCV patients.

We are also conducting a Phase 2 study, named LONESTAR, evaluating sofosbuvir/ledipasvir for 12 weeks and sofosbuvir/ledipasvir with and without RBV for 8 weeks among genotype 1 treatment-naïve patients. Two additional arms in this trial will evaluate sofosbuvir/ledipasvir with and without RBV for 12 weeks among treatment-experienced genotype 1 patients who had previously received a protease inhibitor-containing regimen. Based on interim data from the Phase 2 LONESTAR study, in June 2013, we completed enrollment of patients in a Phase 3 study, named ION-3, evaluating the fixed-dose combination of sofosbuvir/ledipasvir for eight weeks with and without RBV and for 12 weeks without RBV in 600 non-

cirrhotic, treatment-naïve genotype 1 HCV-infected patients. We expect to file for marketing approval of the fixed-dose combination of sofosbuvir/ledipasvir for treatment-naïve and treatment-experienced genotype 1 patients in the second quarter of 2014.

The announcement of data from our clinical studies evaluating sofosbuvir and the fixed-dose combination of sofosbuvir/ledipasvir is likely to cause significant volatility in our stock price. The announcement of any negative or unexpected data or the discontinuation of development of sofosbuvir or the fixed-dose combination of sofosbuvir/ledipasvir or any delay in our anticipated timelines for obtaining regulatory approval in the United States or European Union will likely cause our stock price to decline significantly.

A substantial portion of our revenues is derived from sales of our HIV products, particularly Atripla and Truvada. If we are unable to maintain or continue increasing sales of these 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, particularly Atripla and Truvada, 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 maintain or 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. For the quarter ended June 30, 2013, Atripla and Truvada product sales together were $1.75 billion, or 63% of our total revenues. We may not be able to sustain or increase the growth rate of sales of our HIV products, especially Stribild, Complera/Eviplera, Atripla and Truvada, for any number of reasons including, but not limited to, the following:

- 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 payers 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 and market share may be affected. For example, we currently also expect competition from a generic version of Sustiva (efavirenz), a component of our Atripla, to be available in Europe and Canada in late 2013 and the United States in 2014, which may negatively impact sales of our HIV products.

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

If we do not introduce new products to market or increase sales of our existing products, we will not be able to increase or maintain our total revenues and continue to expand our R&D efforts. Drug development is inherently risky and many product candidates fail during the drug development process. For example, in April 2013, we announced our decision to terminate our Phase 3 clinical trial of aztreonam for inhalation solution for the treatment of bronchiectasis. In addition, our NDAs for elvitegravir for the treatment of HIV in treatment-experienced patients; cobicistat, a pharmacoenhancing or “boosting” agent, and sofosbuvir for the treatment of HCV may not be approved by the FDA, EMA or other foreign regulatory authorities on a timely basis, or at all. Even if marketing approval is granted for the product, there may be significant limitations on their use. Further, we may be unable to file our marketing applications for new products, including the fixed-dose combination of sofosbuvir/ledipasvir or idelalisib for the treatment of indolent non-Hodgkin's lymphoma in the currently anticipated timelines and marketing approval for the products may not be granted.

Because Congress did not agree to a package of tax and federal spending proposals on January 1, 2013, an automatic reduction in federal spending or “sequestration” took effect on March 1, 2013. Under sequestration, across-the-board cuts have been implemented, which may negatively effect the operations of governmental agencies, including the

FDA. As a result, the FDA may be unable to review and approve NDAs in the currently anticipated timelines. Any significant delay in the timing of our anticipated product approvals may reduce our anticipated future revenue and earnings and could negatively affect our stock price.

Our results of operations will be adversely affected by current and potential future healthcare reforms.

Legislative and regulatory changes to government prescription drug procurement and reimbursement programs occur relatively frequently in the United States and foreign jurisdictions. In March 2010, healthcare reform legislation was adopted in the United States. As a result, we are required to further rebate or discount products reimbursed or paid for by various public payers, including Medicaid and other entities eligible to purchase discounted products through the 340B Drug Pricing Program under the Public Health Service Act, such as AIDS Drug Assistance Programs (ADAPs). As a result of the 2010 legislation, the discounts, rebates and fees that impacted us include:

- our minimum base rebate amount owed to Medicaid on products reimbursed by Medicaid increased by 8%, and the discounts or rebates we owe to ADAPs and other Public Health Service entities which reimburse or purchase our products also increased by 8%;
- we are required to extend rebates to patients receiving our products through Medicaid managed care organizations;
- we are required to provide a 50% discount on products sold to patients while they are in the Medicare Part D "donut hole;" and
- we, along with other pharmaceutical manufacturers of branded drug products, were required to pay a portion of a new industry fee (also known as the pharmaceutical excise tax) of $2.8 billion for 2012, calculated based on select government sales during the 2010 calendar year as a percentage of total industry government sales.

The amount of the industry fee imposed on the pharmaceutical industry as a whole increased to $2.8 billion in 2012 and 2013, with additional increases over the next several years to a peak of $4.1 billion per year in 2018, and then decrease to $2.8 billion in 2019 and thereafter. As the amount of the industry fee increases, our product sales increase and drug patents expire on major drugs of other companies, we expect our portion of the excise tax to increase as well. We estimate our portion of the pharmaceutical excise tax to be approximately $100-$120 million in 2013, compared to approximately $85 million in 2012. The excise tax is not tax deductible. Further, even though not addressed in the healthcare reform legislation, discussions continue at the federal level on legislation that would either allow or require the federal government to directly negotiate price concessions from pharmaceutical manufacturers or set minimum requirements for Medicare Part D pricing.

In addition, state Medicaid programs could request additional supplemental rebates on our products as a result of the increase in the federal base Medicaid rebate. Private insurers could also use the enactment of these increased rebates to exert pricing pressure on our products, and 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.

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 payer reimbursement for the cost of such products and related treatments. Government health administration authorities, private health insurers and other organizations generally provide reimbursement. In the United States, the European Union and other significant or potentially significant markets for our products and product candidates, government authorities and third-party payers are increasingly attempting to limit or regulate the price of medical products and services, particularly for new and innovative products and therapies, which has resulted in lower average selling prices.

A significant portion of our sales of the majority of our products are subject to significant discounts from list price and rebate obligations. In the United States, state ADAPs, which purchase a significant portion of our HIV products, rely on federal, supplemental federal and state funding to help fund purchases of our products. Given the current economic downturn, we have experienced a shift in our payer mix as patients previously covered by private insurance move to public reimbursement programs that require rebates or discounts from us or as patients previously covered by one public reimbursement program move to another public reimbursement program that requires greater rebates or discounts from us. As a result of this shift, revenue growth may be lower than prescription growth. Effective March 1, 2013, an automatic reduction in federal spending or "sequestration" is in effect. Under sequestration, across-the-board cuts have been implemented which could reduce the amount of federal and state funds to support ADAP programs. If federal and state funds are not available in amounts sufficient to support the number of patients that rely on ADAPs,

sales of our HIV products could be negatively impacted which would reduce our revenues. For example, during the first quarter of 2011, the state budget crisis in Florida led to a temporary movement of patients who were previously covered by Florida's ADAP into industry-supported patient assistance programs. In prior quarters, because of the insufficiency of federal and state funds and as many states reduced eligibility criteria, we saw an increase in the number of patients on state ADAP wait lists, and we may see similar increases in future periods as a result of any reduction in federal and state ADAP support resulting from the sequestration. Until these patients are enrolled in ADAP, they generally receive product from industry-supported patient assistance programs or are unable to access treatment. The increased emphasis on managed healthcare in the United States and on country and regional pricing and reimbursement controls in the European Union will put additional pressure on product pricing, reimbursement and usage, which may adversely

affect our product sales and profitability. These pressures can arise from rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and healthcare reform, pharmaceutical reimbursement policies and pricing in general.

In Europe, the success of our commercialized products, and any other product candidates we may develop, will 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. Reimbursement policies may adversely affect our ability to sell our products on a profitable basis. In many international markets, governments control the prices of prescription pharmaceuticals, including through the implementation of reference pricing, price cuts, rebates, revenue-related taxes and profit control, and they expect prices of prescription pharmaceuticals to decline over the life of the product or as volumes increase.

Recently, many countries in the European Union have increased the amount of discounts required on our products, and these efforts could continue as countries attempt to manage healthcare expenditures, especially in light of the severe fiscal and debt crises experienced by many countries in the European Union. For example, in June 2010, Spain imposed an incremental discount on all branded drugs and in August 2010, Germany increased the rebate on prescription pharmaceuticals. As generic drugs come to market, we may face price decreases for our products in some countries in the European Union. Further, cost containment pressures in the European Union, especially in Southern Europe, could lead to delays in the treatment of patients and also delay pricing approval, which could negatively impact the commercialization of new products.

Approximately 40% of our product sales occur outside the United States, and currency fluctuations and hedging expenses may cause our earnings to fluctuate, which could adversely affect our stock price.

Because a significant percentage of our product sales are denominated in foreign currencies, primarily the Euro, we face exposure to adverse movements in foreign currency exchange rates. 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 increases. 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.

We use foreign currency exchange forward and option contracts to hedge a percentage of our forecasted international sales, primarily those denominated in the Euro. We also hedge certain monetary assets and liabilities denominated in foreign currencies, which reduces but does not eliminate our exposure to currency fluctuations between the date a transaction is recorded and the date that cash is collected or paid. We cannot predict future fluctuations in the foreign currency exchange rate of the U.S. dollar. If the U.S. dollar appreciates significantly against certain currencies and our hedging program does not sufficiently offset the effects of such appreciation, our results of operations will be adversely affected and our stock price may decline.

Additionally, the expenses that we recognize in relation to our hedging activities can also cause our earnings to fluctuate. The level of hedging expenses that we recognize in a particular period is impacted by the changes in interest rate spreads between the foreign currencies that we hedge and the U.S. dollar.

Our inability to accurately estimate demand for our products, as well as sales fluctuations as a result of inventory levels held by wholesalers, pharmacies and non-retail customers make it difficult for us to accurately forecast sales and may cause our earnings to fluctuate, which could adversely affect our financial results and our stock price.

In quarter ended June 30, 2013, approximately 79% of our product sales in the United States were to three wholesalers, Cardinal Health, Inc., McKesson Corp. and AmerisourceBergen Corp. The U.S. wholesalers with whom we have entered into inventory management agreements make estimates to determine end user demand and may not be completely effective in matching their inventory levels to actual end user demand. As a result, changes in inventory levels held by those wholesalers can cause our operating results to fluctuate unexpectedly if our sales to these wholesalers do not match end user demand. In addition, inventory is held at retail pharmacies and other non-wholesale locations with whom we have no inventory management agreements and no control over buying patterns. Adverse changes in economic conditions or other factors may cause retail pharmacies to reduce their inventories of our products, which would reduce their orders from wholesalers and, consequently, the wholesalers' orders from us, even

if end user demand has not changed. For example, during the fourth quarter of 2012, our wholesalers increased their inventory levels for our antiviral products. In the first quarter of 2013, our wholesalers drew down on their inventory such that inventory levels for our antiviral products moved to the lower end of the contractual boundaries set by our inventory management agreements. As inventory in the distribution channel fluctuates from quarter to quarter, we may continue to see fluctuations in our earnings and a mismatch between prescription demand for our products and our revenues

In addition, the non-retail sector in the United States, which includes government institutions, including state ADAPs, correctional facilities and large health maintenance organizations, tends to be even less consistent in terms of buying patterns and often causes quarter over quarter fluctuations that do not necessarily mirror patient demand. Federal and state budget pressures, including sequestration, as well as the annual grant cycles for federal and state ADAP funds, may cause ADAP purchasing patterns to not reflect patient demand. For example, similar to first quarters of prior years, in the first quarter of 2013, we observed large non-retail purchases by a number of state ADAPs which exceeded patient demand. We believe such purchases were driven by the grant cycle for federal ADAP funds. Given the uncertainty about the timing and amount of federal funding for ADAP for the 2013 year, we expect to see reduced purchasing by ADAPs until the Ryan White Funds are fully communicated. As a result, we expect to continue to experience fluctuations in the purchasing patterns of our non-retail customers which may result in fluctuations in our product sales, revenues and earnings in the future. In light of the global economic downturn and budget crises faced by many European countries, we have observed variations in purchasing patterns induced by cost containment measures in Europe. We believe these measures have caused some government agencies and other purchasers to reduce inventory of our products in the distribution channels, which has decreased our revenues and caused fluctuations in our product sales and earnings. We may continue to see this trend in the future.

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 the joint venture established by GlaxoSmithKline Inc. (GSK) and Pfizer Inc. (Pfizer) which markets fixed-dose combination products that compete with Stribild, Complera/Eviplera, Atripla and Truvada. For example, lamivudine, marketed by this joint venture, is competitive with emtricitabine, the active pharmaceutical ingredient of Emtriva and a component of Complera/Eviplera, Atripla and Truvada.

We also face competition from generic HIV products. In May 2010, the compound patent covering Epivir (lamivudine) itself expired in the United States, and generic lamivudine is now available in the United States, Spain, Portugal and Italy. We expect that generic versions of lamivudine will be launched in other countries within the European Union. In May 2011, a generic version of Combivir (lamivudine and zidovudine) was approved and was recently launched in the United States. In addition, in late 2011, generic tenofovir also became available in Turkey, which resulted in an increase in the rebate for Viread in Turkey. We currently also expect competition from a generic version of Sustiva (efavirenz), a component of our Atripla, to be available in Europe and Canada in late 2013 and the United States in 2014, which may negatively impact sales of our HIV products. We also expect the launch of dolutegravir, an integrase inhibitor, in the fourth quarter of 2013 by GSK which could impact the sales of our HIV products.

For Viread and Hepsera for treatment of chronic hepatitis B virus (HBV), we compete primarily with products produced by GSK, Bristol-Myers Squibb Company (BMS) and 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. 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 such formulations in Greece and Taiwan. 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 a product produced by Actelion Pharmaceuticals US, Inc. and indirectly with pulmonary arterial hypertension products from United Therapeutics Corporation and Pfizer. Ranexa competes predominantly with generic compounds from three distinct classes of drugs, beta-blockers, calcium channel blockers and long-acting nitrates for the treatment of chronic angina in the United States. Cayston competes with a product marketed by Novartis. Tamiflu competes with products sold by GSK and generic competitors.

In addition, a number of companies are pursuing the development of technologies which are competitive with our existing products or 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 or programs.

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 post-approval use. As our products are used over longer periods of time by many patients with underlying health problems, taking numerous other medicines, 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.

Our product Letairis, which was approved by the FDA in June 2007, is a member of a class of compounds called endothelin receptor antagonists which pose specific risks, including serious risks of 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.

Regulatory authorities have been moving towards more active and transparent pharmacovigilance and are making greater amounts of stand-alone safety information directly available to the public through websites and other means, e.g. periodic safety update report summaries, risk management plan summaries and various adverse event data. Safety information, without the appropriate context and expertise, may be misinterpreted and lead to misperception or legal action which may potentially cause our product sales or stock price to decline.

Further, 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 and our results of operations would be adversely affected.

Our operations depend on compliance with complex FDA and comparable international regulations. Failure to obtain broad approvals on a timely basis or to maintain 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, the EMA and comparable regulatory agencies in other countries. We are continuing clinical trials for Stribild, Complera/Eviplera, Atripla, Truvada, Viread, Hepsera, Emtriva, Letairis, Ranexa, AmBisome and Cayston for currently approved and additional uses. We anticipate that we will file for marketing approval in additional countries and for additional indications and products over the next several years. These products may fail to receive such marketing approvals on a timely basis, or at all.

Further, 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, including those related to promotion and manufacturing, we could be subject to penalties including fines, suspensions of regulatory approvals, product recalls, seizure of products and criminal prosecution.

For example, under FDA rules, we are often required to conduct post-approval clinical studies to assess a known serious risk, signals of serious risk or to identify an unexpected serious risk and implement a Risk Evaluation and Mitigation Strategy for our products, 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 the distribution or use of a product. Failure to comply with these or other requirements, if imposed on a sponsor by the FDA, could result in significant civil monetary penalties and our operating results may be adversely affected.

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 from 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, in April 2013, we announced our decision to terminate our Phase 3 clinical trial of aztreonam for inhalation solution for the treatment of bronchiectasis. In addition, we may also face challenges in clinical trial protocol design. If the clinical trials for any of the product candidates in our pipeline are delayed or terminated, our prospects for future revenue growth would be adversely impacted. For example, we face numerous risks and uncertainties with our

product candidates, including sofosbuvir and the fixed-dose combination of sofosbuvir/ledipasvir for the treatment of HCV; ranolazine for the treatment of incomplete revascularization post-percutaneous coronary intervention and type II diabetes; and idelalisib for the treatment of chronic lymphocytic leukemia and indolent non-Hodgkin's lymphoma, each 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 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. 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) to perform most of our clinical studies, including document preparation, site identification, screening and preparation, pre-study visits, training, program management and bioanalytical analysis. Many important aspects of the services performed for us by the CROs are out of our direct control. 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.

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, and the FDA and/or other regulatory agencies may require more clinical testing than we originally anticipated. Uneven and unexpected spending on these programs, including on the clinical trials that will be necessary to advance sofosbuvir, the fixed-dose combination of sofosbuvir/ledipasvir and our other product candidates for the treatment of HCV and oncology, may cause our operating results to fluctuate from quarter to quarter and volatility in our stock price.

We depend on relationships with other companies for sales and marketing performance, development and commercialization of product candidates and revenues. Failure to maintain these relationships, poor performance by these companies or disputes with these 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; F. Hoffmann-La Roche Ltd. (together with Hoffmann-La Roche Inc., Roche) for Tamiflu worldwide; and GSK for ambrisentan in territories outside of the United States. In some countries, we rely on international distributors for sales of Truvada, Viread, Hepsera, Emtriva 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 the risk that:

- we are unable to control the resources our corporate partners devote to our programs or products;
- disputes may arise with respect to the ownership of rights to technology developed with our corporate partners;
- disagreements with our corporate partners 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 may fail to provide significant protection or may fail to be effectively enforced if one of these partners fails to perform;
- our corporate partners have 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;
- our corporate partners with marketing rights 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
- our distributors and our corporate partners may be unable to pay us, particularly in light of current economic conditions.

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 revenues from products could decline.

We also rely on collaborative relationships with major pharmaceutical companies for development and commercialization of certain product candidates. Gilead (as successor to Pharmasset) is a party to an October 29, 2004 collaboration agreement with Roche. The agreement granted Roche rights to develop PSI-6130, a cytidine analog, and its prodrugs, for the treatment of chronic HCV infection. The collaborative research efforts under the agreement ended on December 31, 2006. Roche later asked Pharmasset to consider whether Roche may have contributed to the inventorship of sofosbuvir and whether Pharmasset has complied with the confidentiality provisions of the collaboration agreement. Pharmasset advised us that it carefully considered the issues raised by Roche and that it believed any such issues are without merit. We have also considered these issues and reached the same conclusion. In March 2013, Roche initiated an arbitration against us and Pharmasset, predecessor to Gilead Pharmasset LLC, regarding the collaboration agreement. In the demand, Roche asserts that it has an exclusive license to sofosbuvir pursuant to the collaboration agreement because sofosbuvir, a prodrug of a uridine monophosphate analog, is allegedly a prodrug of PSI-6130. Roche further claims that, because it has exclusive rights to sofosbuvir, it also has an exclusive license to a patent covering sofosbuvir, and that we will infringe that patent by selling and offering for sale products containing sofosbuvir. Gilead and Gilead Pharmasset LLC filed their response to Roche's demand in April 2013. We believe Roche's claim is without merit. However, if Roche were to successfully establish exclusive rights to sofosbuvir, our expected revenues and earnings from the sale of sofosbuvir could be adversely affected.

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. In November 2009, we entered into an agreement with GSK that provided GSK with exclusive commercialization rights and registration responsibilities for Viread for the treatment of chronic HBV in China. In October 2010, we granted similar rights to GSK in Japan and Saudi Arabia. The success of Hepsera and Viread for the treatment of chronic HBV in these territories depends almost entirely on the efforts of GSK. In this regard, GSK promotes Epivir-HBV/Zeffix, a product that competes with Hepsera and Viread for the treatment of chronic HBV. Consequently, GSK's marketing strategy for Hepsera and Viread for the treatment of chronic HBV 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 and Viread for the treatment of chronic HBV 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 or Viread for the treatment of chronic HBV in its territories, our potential revenues in these territories may be substantially reduced.

In addition, Cayston and Letairis are 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 Cayston or Letairis;
- not devote the resources necessary to sell Cayston or 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, Cayston may only be taken by patients using a specific inhalation device that delivers the drug to the lungs of patients. Our ongoing distribution of Cayston is entirely reliant upon the manufacturer of that device. For example, the

manufacturer could encounter other issues with regulatory agencies related to the device or be unable to supply sufficient quantities of this device. In addition, the manufacturer may not be able to provide adequate warranty support for the device after it has been distributed to patients. With respect to distribution of the drug and device to patients, we are reliant on the capabilities of specialty pharmacies. For example, the distribution channel for drug and device is complicated and requires coordination. The reimbursement approval processes associated with both drug and device are similarly complex. If the device manufacturer is unable to obtain reimbursement approval or receives approval at a lower-than-expected price, sales of Cayston may be adversely affected. Any of the previously described issues may limit the sales of Cayston, which would adversely affect our financial results.

Our success will depend to a significant degree on our ability to defend 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;
- defend against infringement and efforts to invalidate our patents; and
- operate without infringing on the intellectual property of others.

If we have a properly drafted 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 a period of time before 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 or first to file an application directed toward 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 products. In addition, if competitors file patent applications covering our technology, we may have to participate in interference/derivation proceedings or litigation to determine the right to a patent. Litigation and interference/derivation proceedings are unpredictable and expensive, such that, even if we are ultimately successful, our results of operations may be adversely affected by such events.

From time to time, certain individuals or entities may challenge our patents. For example, in 2007, the Public Patent Foundation filed requests for re-examination with the U.S. Patent and Trademark Office (PTO) challenging four of our patents related to tenofovir disoproxil fumarate, which is an active ingredient in Stribild, Complera/Eviplera, Atripla, Truvada and Viread. The PTO granted these requests, and in 2008, the PTO confirmed the patentability of all four patents.

From time to time, we may become involved in disputes with inventors on our patents. For example, in March 2012, Jeremy Clark, a former employee of Pharmasset, which we acquired in January 2012, and inventor of U.S. Patent No. 7,429,572, filed a demand for arbitration in his lawsuit against Pharmasset and Dr. Raymond Schinazi. Mr. Clark initially filed the lawsuit against Pharmasset and Dr. Schinazi in February 2008 seeking to void the assignment provision in his employment agreement and assert ownership of U.S. Patent No. 7,429,572, which claims metabolites of sofosbuvir and RG7128. In December 2008, the court ordered a stay of the litigation pending the outcome of an arbitration proceeding required by Mr. Clark's employment agreement. Instead of proceeding with arbitration, Mr. Clark filed two additional lawsuits in September 2009 and June 2010, both of which were subsequently dismissed by the court. In September 2010, Mr. Clark filed a motion seeking reconsideration of the court's December 2008 order which was denied by the court. In December 2011, Mr. Clark filed a motion to appoint a special prosecutor. In February 2012, the court issued an order requiring Mr. Clark to enter arbitration or risk dismissal of his case. Mr. Clark filed a demand for arbitration in March 2012. The arbitration panel held a hearing in April 2013. In June 2013, the arbitration panel issued its decision in favor of Pharmasset (now Gilead) and Dr. Schinazi.

AbbVie Inc. (AbbVie) recently obtained United States Patent Nos. 8,466,159 and 8,492,386, which claim the use of a combination of sofosbuvir and ledipasvir for the treatment of HCV. We own published and pending patent applications directed to the use of combinations for the treatment of HCV, and, specifically, to combinations of sofosbuvir and ledipasvir. Certain of those applications were filed before AbbVie's recently issued patents. For this reason and others, we believe AbbVie's patents are invalid. Accordingly, we do not expect AbbVie's patents to block

or delay the commercialization of our combination products.

Patents do not cover the ranolazine compound, the active ingredient of Ranexa. Instead, when it was discovered that only a sustained release formulation of ranolazine would achieve therapeutic plasma levels, patents were obtained on those formulations and the characteristic plasma levels they achieve. 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 HBV, the indication for which Hepsera has been developed.

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 or supplementary protection certificates in some countries.

Generic manufacturers have sought and may continue to seek FDA approval to market generic versions of our products through an abbreviated new drug application (ANDA), the application form typically used by manufacturers seeking approval of a generic drug. See a description of our ANDA litigation in "Legal Proceedings" beginning on page 32 and risk factor entitled "Litigation with generic manufacturers has reduced and may continue to reduce our earnings. If we are unsuccessful in all or some of these lawsuits, some or all of our original claims in the patents may be narrowed or invalidated and generic versions of our products could be launched prior to our patent expiry." beginning on page 46.

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 valid 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 patents that may relate to our operation of LEAP, our restricted distribution program designed to support Letairis. We own patents that claim sofosbuvir as a chemical entity and its metabolites. However, the existence of issued patents does not guarantee our right to practice the patented technology or commercialize the patented product. Third parties may have or obtain rights to patents which they may claim could be used to prevent or attempt to prevent us from commercializing the patented product candidates obtained from the Pharmasset acquisition. For example, we are aware of patents and patent applications owned by other parties that might be alleged to cover the use of sofosbuvir. If these other parties are successful in obtaining valid and enforceable patents, and establishing our infringement of those patents, we could be prevented from selling sofosbuvir unless we were able to obtain a license under such patents. If any license is needed it may not be available on commercially reasonable terms or at all.

In some instances, we may be required to defend our right to a patent on an invention through an Interference proceeding before the PTO. An Interference is an administrative proceeding before the PTO designed to determine who was the first to invent the subject matter being claimed by both parties. In February 2012, we received notice that the PTO had declared an Interference between our U.S. Patent No. 7,429,572 and Idenix Pharmaceuticals, Inc.'s (Idenix) pending patent application no. 12/131868. An Interference is an administrative proceeding before the PTO designed to determine who was the first to invent the subject matter being claimed by both parties. Our patent covers metabolites of sofosbuvir and RG7128. Idenix is attempting to claim a class of compounds, including these metabolites, in its pending patent application. In the course of this proceeding, both parties will be called upon to submit evidence of the date they conceived of their respective inventions. The Interference will determine who was first to invent these compounds and therefore who is entitled to the patent claiming these compounds. In March 2013, the PTO Patent Trials and Appeal Board (the Board) determined that Idenix is not entitled to the benefit of any of its early application filing dates because none of those patent applications taught how to make the compounds in dispute. The Board also determined that we are entitled to the filing date of our earliest application. As a result, the Board determined that we were first to file the patent application on the compounds in dispute and we are therefore the “senior party” in the interference. In the second phase of the interference, the Board will determine who was first to invent the compounds. The party who is deemed first to invent will prevail in the Interference. Idenix bears the burden of establishing that despite its much later patent application filing date, they were nevertheless first to invent the compounds in dispute. In order to prove they were first to invent, Idenix must prove that it was first to conceive of a compound within the scope of those in dispute, namely that (1) the named inventors had identified the structure, a method of making and a use for a disputed compound and (2) that Idenix worked diligently from its earliest conception date until it made and tested the compound or filed its application in 2008.

If the Board determines that Idenix was first to invent and is entitled to these patent claims and it is determined that we have infringed those claims, we may be required to obtain a license from and pay royalties to Idenix to

commercialize sofosbuvir and RG7128. Any determination by the Board can be appealed by either party to U.S. Federal Court.

We believe the Idenix application involved in the Interference and similar U.S. and foreign patents claiming the same compounds and metabolites are invalid. As a result, we filed an Impeachment Action in Canadian Federal Court to invalidate the Idenix CA2490191 patent, which is the Canadian patent that corresponds to the Idenix U.S. Patent No. 7608600 and the Idenix patent application that is the subject of the Interference. Idenix has now asserted that our Canadian Patent No. 2527657, corresponding to the '572 patent in the Interference, is invalid. We filed a similar legal action in the Federal Court of Norway seeking to invalidate Idenix's corresponding Norwegian patent. We filed a similar legal action in the Federal Court of Australia seeking to invalidate the corresponding Australian patent. We may bring similar action in other countries in 2013. Idenix has not been awarded patents on these compounds in European countries, Japan or China. In the event such patents issue, we expect to challenge them in proceedings similar to those we invoked in Canada, Norway and Australia.

Furthermore, 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.

Manufacturing problems, including at our third-party manufacturers and corporate partners, could cause inventory shortages and delay product shipments and regulatory approvals, which may adversely affect our results of operations.

In order to generate revenue from our products, we must be able to produce sufficient quantities of our products to satisfy demand. Many of our products are the result of complex manufacturing processes. The manufacturing process for pharmaceutical products is also highly regulated and regulators may shut down manufacturing facilities that they believe do not comply with regulations.

Our products are either manufactured at our own facilities or by third-party manufacturers or corporate partners. We depend on third parties to perform manufacturing activities effectively and on a timely basis for the majority of our solid dose products. In addition, Roche, either by itself or through third parties, is responsible for manufacturing Tamiflu. We, our third-party manufacturers and our corporate partners are subject to current Good Manufacturing Practices (GMP), which are extensive regulations governing manufacturing processes, stability testing, record keeping and quality standards as defined by the FDA and the EMA. Similar regulations are in effect in other countries.

Our third-party manufacturers and corporate partners 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 or corporate partners 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.

In addition, we, our third-party manufacturers and our corporate partners may only be able to produce some of our products at one or a limited number of facilities and, therefore, have limited manufacturing capacity for certain products. For example, in 2012, due to unexpected delays both in qualifying two new external sites and with expanding Cayston manufacturing in San Dimas, we were unable to supply enough Cayston to fulfill our projected demand. From February through September 2012, we suspended access for patients with new prescriptions for Cayston, subject to certain exceptions where specific medical need exists. As a result of our inability to manufacture sufficient Cayston to meet demand, the amount of revenues we received from the sale of Cayston was reduced.

Our manufacturing operations are subject to routine inspections by regulatory agencies. For example, in April 2013, the FDA conducted an inspection of our Foster City facility and issued 483 Inspectional Observations, which noted deficiencies in documentation and validation of certain quality testing procedures and methods. As a result of the observations, the FDA delivered Complete Response Letters notifying us that it was unable to approve our NDAs for elvitegravir and cobicistat as standalone agents. There is a risk that we may be unable to remedy the deficiencies cited by the FDA in the Complete Response Letters on a timely basis and that our inability to address those deficiencies could adversely impact currently marketed products and regulatory approval of products in development, which could adversely impact our anticipated revenues and stock price. Further, there is risk that regulatory agencies in other countries where marketing applications are pending will undertake similar additional reviews or apply a heightened standard of review, which could delay the approval of such products in those countries.

Our ability to successfully manufacture and commercialize Cayston will depend upon our ability to manufacture in a multi-product facility.

Aztreonam, the active pharmaceutical ingredient in Cayston, is a mono-bactam Gram-negative antibiotic. We manufacture Cayston by ourselves in San Dimas, California, or through third parties, in multi-product manufacturing facilities. Historically, the FDA has permitted the manufacture of mono-bactams in multi-product manufacturing facilities; however, there can be no assurance 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 Cayston nor have we engaged a contract manufacturer with a single-product facility for Cayston. If the FDA prohibits the manufacture of mono-bactam antibiotics, like aztreonam, 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 Cayston and our anticipated financial results attributable to such product.

45

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

We need access to certain supplies and products to conduct our clinical trials and to manufacture our products. In light of the global economic downturn, we have had increased difficulty in purchasing certain of the raw materials used in our manufacturing process. If we are unable to purchase sufficient quantities of these materials or find suitable alternate materials in a timely manner, our development efforts for our product candidates may be delayed or our ability to manufacture our products would be limited, which would limit our ability to generate revenues.

Suppliers of key components and materials must be named in an NDA filed with the FDA, EMA or other regulatory authority for any product candidate for which we are seeking marketing approval, and significant delays can occur if the qualification of a new supplier is required. Even after a manufacturer is qualified by the regulatory authority, the manufacturer must continue to expend time, money and effort in the area of production and quality control to ensure full compliance with GMP. Manufacturers are subject to regular, periodic inspections by the regulatory authorities following initial approval. If, as a result of these inspections, a regulatory authority determines that the equipment, facilities, laboratories or processes do not comply with applicable regulations and conditions of product approval, the regulatory authority may suspend the manufacturing operations. If the manufacturing operations of any of the single suppliers for our products are suspended, we may be unable to generate sufficient quantities of commercial or clinical supplies of product to meet market demand, which would in turn decrease our revenues and harm our business. In addition, 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 certain drug product intermediates utilized in AmBisome exclusively at our facilities in San Dimas, California. In the event of a disaster, including an earthquake, equipment failure or other difficulty, we may be unable to replace this manufacturing capacity in a timely manner and may be unable to manufacture AmBisome to meet market needs.

Cayston is dependent on two different third-party single-source suppliers. First, aztreonam, the active pharmaceutical ingredient in Cayston, is manufactured by a single supplier at a single site. Second, it is administered to the lungs of patients through a device that is made by a single supplier at a single site. Disruptions or delays with any of these single suppliers could adversely affect our ability to supply Cayston, and we cannot be sure that alternative suppliers can be identified in a timely manner, or at all. See the Risk Factor entitled “Our ability to successfully manufacture and commercialize Cayston will depend upon our ability to manufacture in a multi-product facility.”

In addition, we depend on a single supplier for high-quality cholesterol, which is used in the manufacture of AmBisome. We also rely on a single source for the active pharmaceutical ingredient of Hepsera, Letairis and Vistide and for the tableting of Letairis. Astellas US LLC, which markets Lexiscan in the United States, is responsible for the commercial manufacture and supply of product in the United States and is dependent on a single supplier for the active pharmaceutical ingredient of Lexiscan. Problems with any of the single suppliers we depend on may negatively impact our development and commercialization efforts.

A significant portion of the raw materials and intermediates used to manufacture our HIV products (Stribild, Complera/Eviplera, Atripla, Truvada, Viread and Emtriva) are supplied by Chinese-based companies. As a result, an international trade dispute between China and the United States or any other actions by the Chinese government that would limit or prevent Chinese companies from supplying these materials would adversely affect our ability to manufacture and supply our HIV products to meet market needs and have a material and adverse effect on our operating results.

Litigation with generic manufacturers has reduced and may continue to reduce our earnings. If we are unsuccessful in all or some of these lawsuits, some or all of our original claims in the patents may be narrowed or invalidated and generic versions of our products could be launched prior to our patent expiry.

As part of the approval process of some of our products, the FDA granted a New Chemical Entity exclusivity period during which other manufacturers' applications for approval of generic versions of our product will not be granted. Generic manufacturers may challenge the patents protecting products that have been granted exclusivity one year prior to the end of the exclusivity period. Generic manufacturers have sought and may continue to seek FDA approval for a

similar or identical drug through an ANDA, the application form typically used by manufacturers seeking approval of a generic drug.

We received notices that generic manufacturers have submitted ANDAs to manufacture a generic version of Atripla, Truvada, Viread, Hepsera, Emtriva, Ranexa and Tamiflu in the United States and Atripla, Truvada and Viread in Canada. We expect to begin trial with some of the generic manufacturers in 2013. In April 2013, we and Teva Pharmaceuticals (Teva) reached an agreement to settle the ongoing patent litigation concerning the four patents that protect tenofovir disoproxil fumarate in our Atripla, Truvada and Viread products. Under the agreement, Teva will be allowed to launch a generic version of Viread on December 15, 2017. The settlement agreement was filed and is under review with the Federal Trade Commission and Department of Justice. As a result of the recent invalidation of the patents protecting entecavir and due to declining sales of

Hepsera in the United States, in March 2013, we granted Sigmapharm Labs (Sigmapharm) a Covenant Not to Sue and filed a motion to dismiss all claims in the lawsuit in March 2013. Once Sigmapharm obtains FDA approval of its product it may elect to launch its generic product. The trial related to the U.S. patents associated with Ranexa took place in April and May 2013. The court has not yet issued a decision in that case. The trial related to two Canadian patents associated with Atripla, Truvada and Viread is currently scheduled for September 2013. The trial related to the U.S. patents protecting emtricitabine is scheduled to begin in October 2013.

We cannot predict the ultimate outcome of these actions, and we may spend significant resources enforcing and defending these patents. If we are unsuccessful in these lawsuits, some or all of our original claims in the patents may be narrowed or invalidated and the patent protection for Atripla, Truvada, Viread, Hepsera, Emtriva, Ranexa and Tamiflu in the United States and Atripla, Truvada and Viread in Canada could be substantially shortened. Further, if all of the patents covering one or more products are invalidated, the FDA or Canadian Ministry of Health could approve the requests to manufacture a generic version of such products in the United States or Canada, respectively, prior to the expiration date of those patents. The sale of generic versions of these products earlier than their patent expiration would have a significant negative effect on our revenues and results of operations.

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

Our European product sales to government-owned or supported customers in Southern Europe, specifically Greece, Italy, Portugal and Spain have historically been and continue to be subject to significant payment delays due to government funding and reimbursement practices. This has resulted and may continue to result in days sales outstanding being significantly higher in these countries due to the average length of time that accounts receivable remain outstanding. As of June 30, 2013, our accounts receivable in these countries totaled approximately $891.2 million of which, $383.8 million were past due greater than 120 days and $135.4 million were past due greater than 365 days as follows (in thousands):

	June 30, 2013	
	Greater than 120 days past due	Greater than 365 days past due
Italy	$82,610	$36,739
Spain	187,903	29,671
Portugal	90,326	65,683
Greece	22,949	3,261
Total	$383,788	$135,354

Historically, receivable balances with certain publicly-owned hospitals accumulate over a period of time and are then subsequently settled as large lump sum payments. This pattern is also experienced by other pharmaceutical companies that sell directly to hospitals. 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.

In 2012, we collected $533.4 million in past due accounts receivable from customers based in Spain and Portugal. This included $349.7 million in proceeds from a one-time factoring arrangement where we sold receivables in Spain. In 2011, the Greek government settled substantially all of its outstanding receivables subject to the bond settlement with zero-coupon bonds that trade at a discount to face value. In March 2012, the Greek government restructured its sovereign debt which impacted all holders of Greek bonds. As a result, we recorded a $40.1 million loss.

Our 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 134 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 2006 agreement, our revenues would be adversely affected. In addition, we have established partnerships with thirteen Indian generic manufacturers to distribute high-quality, low-cost generic versions of tenofovir disoproxil fumarate to 112 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 112 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. For example, in the European Union, we are required to permit products purchased in one country to be sold in another country. 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 can cause the relative sales levels in the various countries to fluctuate from quarter to quarter and not reflect the actual consumer demand in any given quarter. These quarterly fluctuations may impact our earnings, which could adversely affect our stock price and harm our business.

Expensive litigation and government investigations have reduced and may continue to reduce our earnings.

We are involved in a number of litigation, investigation and other dispute-related matters that require us to expend substantial internal and financial resources. We expect these matters will continue to require a high level of internal and financial resources for the foreseeable future. These matters have reduced and will continue to reduce our earnings. Please see a description of our Department of Justice investigation; Interference and litigation proceedings with Idenix; and arbitration with Roche beginning on page 34. The outcome of the lawsuits above, or any other lawsuits that may be brought against us, the investigation or any other investigations that may be initiated, are inherently uncertain, and adverse developments or outcomes can result in significant expenses, monetary damages, penalties or injunctive relief against us that could significantly reduce our earnings and cash flows and harm our business.

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. In July 2009, the Brazilian patent authority rejected our patent application for tenofovir disoproxil fumarate, the active pharmaceutical ingredient in Viread. This was the highest level of appeal available to us within the Brazilian patent authority. Because we do not currently have a patent in Brazil, the Brazilian government now purchases its supply of tenofovir disoproxil fumarate from generic manufacturers. In addition, concerns over the cost and availability of Tamiflu related to a potential avian flu pandemic and H1N1 influenza generated international discussions over compulsory licensing of our Tamiflu patents. For example, the Canadian government considered allowing 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 issued voluntary licenses to permit third-party manufacturing of Tamiflu. For example, Roche 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 third-party 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.

Changes in royalty revenue disproportionately affect our pre-tax income, earnings per share and gross margins.

A portion of our revenues is derived from royalty revenues recognized from collaboration agreements with third parties. Royalty revenues impact our pre-tax income, earnings per share and gross margins disproportionately more than their contributions to our revenues. Any increase or decrease to our royalty revenue could be material and could significantly impact our operating results. For example, Roche's Tamiflu sales have unpredictable variability due to their strong relationship with seasonal influenza and global pandemic planning efforts. Tamiflu royalties increased

sharply in 2009 and the first quarter of 2010 primarily as a result of pandemic planning initiatives worldwide. Tamiflu royalties since the second quarter of 2010 have decreased due to declining pandemic planning initiatives worldwide. During periods when our royalty revenue from Tamiflu increase, we will see a disproportionate increase in our pre-tax income, earnings per share and gross margins. Similarly, during periods when our royalty from Tamiflu decrease, we will see a disproportionate decrease in our pre-tax income, earnings per share and gross margins.

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 product candidates 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 cost-effective product liability insurance has decreased, so we may be unable to maintain sufficient coverage for product liabilities that may arise. In addition, the cost to defend lawsuits or pay damages for product liability claims may exceed our coverage. If we are unable to maintain adequate coverage or if claims exceed our coverage, our financial condition and our ability to clinically test our product candidates and market our products will be adversely impacted. In addition, negative publicity associated with any claims, regardless of their merit, may decrease the future demand for our products and impair our financial condition.

Business disruptions from natural or man-made disasters may harm our future revenues.

Our worldwide operations could be subject to business interruptions stemming from natural or man-made disasters for which we may be self-insured. Our corporate headquarters and Fremont locations, which together house a majority of our R&D activities, and our San Dimas and Oceanside manufacturing facilities are located in California, a seismically active region. As we do not carry earthquake insurance and significant recovery time could be required to resume operations, our financial condition and operating results could be materially adversely affected in the event of a major earthquake.

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, our portion of the non-deductible pharmaceutical excise tax, the accounting for stock options and other share-based payments, mergers and acquisitions, the amortization of certain acquisition related intangibles for which we receive no tax benefit, future levels of R&D spending, changes in accounting standards, changes in the mix of earnings in the various tax jurisdictions in which we operate, changes in overall levels of pre-tax earnings and resolution 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 2008 and 2009 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. 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.

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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

In February 2013, our share repurchase program was suspended and as a result, no repurchases of shares were made during the three months ended June 30, 2013. As of June 30, 2013, we had repurchased $1.15 billion of our common stock under the January 2011 stock repurchase program with a remaining authorized amount of $3.85 billion available for repurchases under this program.

The table below summarizes our stock repurchase activity for the three months ended June 30, 2013 (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 Program [1]	Maximum Fair Value of Shares that May Yet Be Purchased Under the Program [1]
April 1 – April 30, 2013	29	$ 50.29	—	$3,847,868
May 1 – May 31, 2013	90	$ 52.96	—	$3,847,868
June 1 – June 30, 2013	29	$ 52.42	—	$3,847,868
Total	148 [2]	$ 52.33	— [2]	

(1) In January 2011, we announced that our Board authorized a $5.00 billion stock repurchase program, which expires in January 2014.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit Footnote	Exhibit Number	Description of Document
√(1)	2.1	Agreement and Plan of Merger among Registrant, Apex Merger Sub, Inc. and CV Therapeutics, Inc., dated as of March 12, 2009
†(2)	2.5	Agreement and Plan of Merger among Registrant, Merger Sub and Pharmasset, Inc., dated as of November 21, 2011
(3)	3.1	Amended and Restated Certificate of Incorporation of Registrant, as amended and restated on May 8, 2013
(4)	3.2	Amended and Restated Bylaws of Registrant, as amended and restated on May 12, 2011
	4.1	Reference is made to Exhibit 3.1 and Exhibit 3.2
(5)	4.2	Indenture related to the Convertible Senior Notes due 2013 (2013 Notes), between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 0.625% Convertible Senior Note due 2013), dated April 25, 2006
(6)	4.3	Indenture related to the Convertible Senior Notes due 2014 (2014 Notes), between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 1.00% Convertible Senior Note due 2014), dated July 30, 2010
(6)	4.4	Indenture related to the Convertible Senior Notes due 2016 (2016 Notes), between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 1.625% Convertible Senior Note due 2016), dated July 30, 2010
(7)	4.5	Indenture related to Senior Notes, dated as of March 30, 2011, between Registrant and Wells Fargo, National Association, as Trustee
(7)	4.6	First Supplemental Indenture related to Senior Notes, dated as of March 30, 2011, between Registrant and Wells Fargo, National Association, as Trustee (including form of Senior Notes)
(8)	4.7	Second Supplemental Indenture related to Senior Notes, dated as of December 13, 2011, between Registrant and Wells Fargo, National Association, as Trustee (including Form of 2014 Note, Form of 2016 Note, Form of 2021 Note, Form of 2041 Note)
(9)	10.1	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.
(9)	10.2	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
(10)	10.3	Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated July 26, 2010, between Registrant and Goldman, Sachs & Co.

(10)	10.4	Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association
(10)	10.5	Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated July 26, 2010, between Registrant and Goldman, Sachs & Co.
(10)	10.6	Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association
(10)	10.7	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2014
(10)	10.8	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2014
(10)	10.9	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2016

Exhibit Footnote	Exhibit Number	Description of Document
(10)	10.10	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2016
(11)	10.11	Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 5, 2010, between Registrant and Goldman, Sachs & Co.
(11)	10.12	Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association
(11)	10.13	Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 5, 2010, between Registrant and Goldman, Sachs & Co.
(11)	10.14	Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association
(11)	10.15	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2014
(11)	10.16	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2014
(11)	10.17	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2016
(11)	10.18	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2016
(11)	10.19	Amendment to Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
(11)	10.20	Amendment to Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association
(11)	10.21	Amendment to Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
(11)	10.22	Amendment to Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association
(11)	10.23	Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
(11)	10.24	Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association

(11)	10.25	Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
(11)	10.26	Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association
(12)	10.27	5-Year Revolving Credit Facility Credit Agreement among Registrant and Gilead Biopharmaceutics Ireland Corporation, as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, certain other lenders parties thereto, Barclays Capital, as Syndication Agent, and Goldman Sachs Bank USA, JPMorgan Chase Bank, N.A., Royal Bank of Canada and Wells Fargo Bank, N.A., as Co-Documentation Agents, dated as of January 12, 2012
(12)	10.28	Parent Guaranty Agreement (5-Year Revolving Credit Facility), dated as of January 12, 2012, by Registrant
*(13)	10.29	Gilead Sciences, Inc. 1991 Stock Option Plan, as amended through January 29, 2003
*(14)	10.30	Form of option agreements used under the 1991 Stock Option Plan

Exhibit Footnote	Exhibit Number	Description of Document
*(13)	10.31	Gilead Sciences, Inc. 1995 Non-Employee Directors' Stock Option Plan, as amended through January 30, 2002
*(15)	10.32	Form of option agreement used under the Gilead Sciences, Inc. 1995 Non-Employee Directors' Stock Option Plan
*(3)	10.33	Gilead Sciences, Inc. 2004 Equity Incentive Plan, as amended through May 8, 2013
*(16)	10.34	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants prior to February 2008)
*(17)	10.35	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants made February 2008 through April 2009)
*(18)	10.36	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants commencing in May 2009)
*(19)	10.37	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants commencing in February 2010)
*(20)	10.38	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for 2011 and subsequent year grants)
*(17)	10.39	Form of non-employee director stock option agreement used under 2004 Equity Incentive Plan (for grants prior to 2008)
*(17)	10.40	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for initial grants made in 2008)
*(17)	10.41	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for annual grants made in May 2008 and through May 2012)
*(18)	10.42	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for annual grants commencing in May 2009 and through May 2012)
*	10.43	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for annual grants made in May 2013)
*	10.44	Form of non-employee director option agreement (non-U.S.) used under 2004 Equity Incentive Plan (for annual grants made in May 2013)
*(21)	10.45	Form of restricted stock unit issuance agreement used under 2004 Equity Incentive Plan (for annual grants to non-employee directors in May 2012)
*(18)	10.46	Form of restricted stock award agreement used under 2004 Equity Incentive Plan (for annual grants to certain non-employee directors prior to May 2012)

*	10.47	Form of restricted stock unit issuance agreement used under 2004 Equity Incentive Plan (for annual grants to non-employee directors commencing in May 2013)
*	10.48	Form of restricted stock unit issuance agreement (non-U.S.) used under 2004 Equity Incentive Plan (for annual grants to non-employee directors commencing in May 2013)
*(18)	10.49	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made in 2009)
*(19)	10.50	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made in 2010)
*(20)	10.51	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made in 2011)
*(22)	10.52	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made in 2012)

Exhibit Footnote	Exhibit Number	Description of Document
*(23)	10.53	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for TSR Goals in 2013)
*(23)	10.54	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for Revenue Goals in 2013)
*(24)	10.55	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made prior to May 2009)
*(18)	10.56	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers commencing in May 2009)
*(25)	10.57	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (service-based vesting for certain executive officers commencing in November 2009)
*(20)	10.58	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (service-based vesting for certain executive officers commencing in 2011)
*	10.59	Gilead Sciences, Inc. Employee Stock Purchase Plan, amended and restated through May 8, 2013
*	10.60	Gilead Sciences, Inc. International Employee Stock Purchase Plan, amended and restated through May 8, 2013
*(26)	10.61	Gilead Sciences, Inc. Deferred Compensation Plan-Basic Plan Document
*(26)	10.62	Gilead Sciences, Inc. Deferred Compensation Plan-Adoption Agreement
*(26)	10.63	Addendum to the Gilead Sciences, Inc. Deferred Compensation Plan
*(27)	10.64	Gilead Sciences, Inc. 2005 Deferred Compensation Plan, as amended and restated on October 23, 2008
*(22)	10.65	Gilead Sciences, Inc. Severance Plan, as amended on January 26, 2012
*(16)	10.66	Gilead Sciences, Inc. Corporate Bonus Plan
*(4)	10.67	Amended and Restated Gilead Sciences, Inc. Code Section 162(m) Bonus Plan
*(28)	10.68	2013 Base Salaries for the Named Executive Officers
*(29)	10.69	Offer Letter dated April 16, 2008 between Registrant and Robin Washington
*(14)	10.70	Form of Indemnity Agreement entered into between Registrant and its directors and executive officers

*(14)	10.71	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees
*(19)	10.72	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees (revised in September 2006)
(30)	10.73	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
(17)	10.74	Commercialization Agreement by and between Gilead Sciences Limited and Bristol-Myers Squibb Company, dated December 10, 2007

Exhibit Footnote	Exhibit Number	Description of Document
(31)	10.75	Amendment Agreement, dated October 25, 1993, between Registrant, the Institute of Organic Chemistry and Biochemistry (IOCB) and Rega Stichting v.z.w. (REGA), together with the following exhibits: the License Agreement, dated December 15, 1991, between Registrant, IOCB and REGA (the 1991 License Agreement), the License Agreement, dated October 15, 1992, between Registrant, IOCB and REGA (the October 1992 License Agreement) and the License Agreement, dated December 1, 1992, between Registrant, IOCB and REGA (the December 1992 License Agreement)
(32)	10.76	Amendment Agreement between Registrant and IOCB/REGA, dated December 27, 2000 amending the 1991 License Agreement and the December 1992 License Agreement
(30)	10.77	Sixth Amendment Agreement to the License Agreement, between IOCB/REGA and Registrant, dated August 18, 2006 amending the October 1992 License Agreement and the December 1992 License Agreement
(30)	10.78	Development and License Agreement among Registrant and F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc., dated September 27, 1996
(33)	10.79	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
(34)	10.80	Second Amendment dated December 22, 2011 to the Development and Licensing Agreement between Registrant, F. Hoffmann-La Roche Ltd and Hoffman-La Roche Inc. dated September 27, 1996
+(35)	10.81	Third Amendment dated October 5, 2012 to the Development and Licensing Agreement between Registrant, F. Hoffmann-La Roche Ltd and Hoffman-La Roche Inc. dated September 27, 1996
(36)	10.82	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
(37)	10.83	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
(37)	10.84	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
(38)	10.85	License Agreement between Japan Tobacco Inc. and Registrant, dated March 22, 2005
(39)	10.86	First Amendment to License Agreement between Japan Tobacco Inc. and Registrant, dated May 19, 2005

(39)	10.87	Second Amendment to License Agreement between Japan Tobacco Inc. and Registrant, dated May 17, 2010
(39)	10.88	Third Amendment to License Agreement between Japan Tobacco Inc. and Registrant, dated July 5, 2011
(39)	10.89	Fourth Amendment to License Agreement between Japan Tobacco Inc. and Registrant, dated July 5, 2011
(40)	10.90	License Agreement between Registrant (as successor to Myogen, Inc.) and Abbott Deutschland Holding GmbH dated October 8, 2001
+(41)	10.91	License Agreement between Registrant (as successor to Myogen, Inc.) and Glaxo Group Limited, dated March 3, 2006
(40)	10.92	License Agreement between Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated March 27, 1996

Exhibit Footnote	Exhibit Number	Description of Document
(42)	10.93	First Amendment to License Agreement between Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated July 3, 1997
(42)	10.94	Amendment No. 2 to License Agreement between Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated November 30, 1999
(43)	10.95	Amendment No. 4 to License Agreement with Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated June 20, 2006
(34)	10.96	Amendment No. 5 to License Agreement with Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated December 22, 2011
(44)	10.97	License and Collaboration Agreement by and among Registrant, Gilead Sciences Limited and Janssen R&D Ireland (formerly Tibotec Pharmaceuticals), dated July 16, 2009
(39)	10.98	Second Amendment to License and Collaboration Agreement by and among Registrant, Gilead Sciences Limited and Janssen R&D Ireland (formerly Tibotec Pharmaceuticals), dated July 1, 2011
+(23)	10.99	Amended and Restated Second Amendment to License and Collaboration Agreement by and among Registrant, Gilead Sciences Limited and Janssen R&D Ireland (formerly Tibotec Pharmaceuticals), dated February 7, 2013
(45)	10.100	Master Clinical and Commercial Supply Agreement between Gilead World Markets, Limited, Registrant and Patheon Inc., dated January 1, 2003
(37)	10.101	Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama), Ltd., dated July 17, 2003
(46)	10.102	Addendum to Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama) Ltd., dated May 10, 2007
(28)	10.103	Addendum to Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama) Ltd., dated December 5, 2008
(20)	10.104	Addendum to Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama) Ltd., dated February 3, 2011
(33)	10.105	

		Restated and Amended Toll Manufacturing Agreement between Gilead Sciences Limited, Registrant and Takeda GmbH (formerly Nycomed GmbH and Altana Pharma Oranienburg GmbH), dated November 7, 2005
+(9)	10.106	Emtricitabine Manufacturing Supply Agreement between Gilead Sciences Limited and Evonik Degussa GmbH (formerly known as Degussa AG), dated June 6, 2006
+(10)	10.107	Amendment No. 1 to Emtricitabine Manufacturing Supply Agreement between Gilead Sciences Limited and Evonik Degussa GmbH (formerly known as Degussa AG), dated April 30, 2010
(47)	10.108	Purchase and Sale Agreement and Joint Escrow Instructions between Electronics for Imaging, Inc. and Registrant, dated July 18, 2012
(48)	10.109	Amendment No. 1, dated October 30, 2012, to the Purchase and Sale Agreement and Joint Escrow Instructions between Electronics for Imaging, Inc. and Registrant, dated July 18, 2012
	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

Exhibit Footnote	Exhibit Number	Description of Document
	32.1**	Certifications 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)
	101***	The following materials from Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, formatted in Extensible Business Reporting Language (XBRL) includes: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements.

(1) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on March 12, 2009, and incorporated herein by reference.

(2) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on November 25, 2011, and incorporated herein by reference.

(3) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 8, 2013, and incorporated herein by reference.

(4) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 17, 2011, and incorporated herein by reference.

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

(6) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on August 2, 2010, and incorporated herein by reference.

(7) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on April 1, 2011, and incorporated herein by reference.

(8) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on December 13, 2011, and incorporated herein by reference.

(9) 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.

(10) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, and incorporated herein by reference.

(11) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, and incorporated herein by reference.

(12) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on January 17, 2012, and incorporated herein by reference.

(13) 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.

(14) Filed as an exhibit to Registrant's Registration Statement on Form S-1 (No. 33-55680), as amended, 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 Current Report on Form 8-K/A filed on February 22, 2006, 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, 2007, and incorporated herein by reference.

(18)

Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, and incorporated herein by reference.

(19) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.

(20) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, 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, 2012, and incorporated herein by reference.

(22) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, and incorporated herein by reference.

(23) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, and incorporated herein by reference.

(24) Filed as an exhibit to Registrant's Current Report on Form 8-K first filed on December 19, 2007, and incorporated herein by reference.

(25) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, and incorporated herein by reference.

(26) 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.

(27) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and incorporated herein by reference.

(28) Information is included in Registrant's Current Report on Form 8-K filed on February 5, 2013, and incorporated herein by reference.

(29) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, and incorporated herein by reference.

(30) 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.

(31) 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.

(32) 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.

(33) 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.

(34) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and incorporated herein by reference.

(35) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and incorporated herein by reference .

(36) Filed as an exhibit to Triangle Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q/A filed on November 3, 1999, and incorporated herein by reference.

(37) 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.

(38) 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.

(39) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, and incorporated herein by reference.

(40) 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.

(41) Filed as an exhibit to Myogen, Inc.'s Quarterly Report on Form 10-Q filed on May 9, 2006, and incorporated herein by reference.

(42) Filed as an exhibit to CV Therapeutics, Inc.'s Registration Statement on Form S-3 (No. 333-59318), as amended, originally filed on April 20, 2001, and incorporated herein by reference.

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

(44)

Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, and incorporated herein by reference.

(45) 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.

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

(47) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, and incorporated herein by reference.

(48) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and incorporated herein by reference.

The Agreement and Plan of Merger (the Merger Agreement) contains representations and warranties of Registrant, Apex Merger Sub, Inc. and CV Therapeutics, Inc. made solely to each other as of specific dates. Those representations and warranties were made solely for purposes of the Merger Agreement and may be subject to important qualifications and limitations agreed to by Registrant, Apex Merger Sub, Inc. and CV Therapeutics, Inc. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a standard of materiality provided for in the Merger Agreement and have been used for the purpose of allocating risk among Registrant, Apex Merger Sub, Inc. and CV Therapeutics, Inc. rather than establishing matters as facts.

The Agreement and Plan of Merger (the Pharmasset Merger Agreement) contains representations and warranties of Registrant, Merger Sub and Pharmasset, Inc. made solely to each other as of specific dates. Those representations and warranties were made solely for purposes of the Pharmasset Merger Agreement and may be subject to important qualifications and limitations agreed to by Registrant, Merger Sub and Pharmasset, Inc. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a standard of materiality provided for in the Pharmasset Merger Agreement and have been used for the purpose of allocating risk among Registrant, Merger Sub and Pharmasset, Inc. rather than establishing matters as facts.

* Management contract or compensatory plan or arrangement.

** This certification accompanies the Form 10-Q 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-Q), irrespective of any general incorporation language contained in such filing.

*** XBRL information is filed herewith.

+ 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 Securities and Exchange Commission without the Mark pursuant to Registrant's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements 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.
(Registrant)

Date: August 1, 2013

/s/ JOHN C. MARTIN
John C. Martin, Ph.D.
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 1, 2013

/s/ ROBIN L. WASHINGTON
Robin L. Washington
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit Index

Exhibit Footnote	Exhibit Number	Description of Document
√(1)	2.1	Agreement and Plan of Merger among Registrant, Apex Merger Sub, Inc. and CV Therapeutics, Inc., dated as of March 12, 2009
†(2)	2.5	Agreement and Plan of Merger among Registrant, Merger Sub and Pharmasset, Inc., dated as of November 21, 2011
*(3)	3.1	Amended and Restated Certificate of Incorporation of Registrant, as amended and restated on May 8, 2013
*(4)	3.2	Amended and Restated Bylaws of Registrant, as amended and restated on May 12, 2011
	4.1	Reference is made to Exhibit 3.1 and Exhibit 3.2
*(5)	4.2	Indenture related to the Convertible Senior Notes due 2013 (2013 Notes), between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 0.625% Convertible Senior Note due 2013), dated April 25, 2006
*(6)	4.3	Indenture related to the Convertible Senior Notes due 2014 (2014 Notes), between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 1.00% Convertible Senior Note due 2014), dated July 30, 2010
*(6)	4.4	Indenture related to the Convertible Senior Notes due 2016 (2016 Notes), between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 1.625% Convertible Senior Note due 2016), dated July 30, 2010
*(7)	4.5	Indenture related to Senior Notes, dated as of March 30, 2011, between Registrant and Wells Fargo, National Association, as Trustee
*(7)	4.6	First Supplemental Indenture related to Senior Notes, dated as of March 30, 2011, between Registrant and Wells Fargo, National Association, as Trustee (including form of Senior Notes)
*(8)	4.7	Second Supplemental Indenture related to Senior Notes, dated as of December 13, 2011, between Registrant and Wells Fargo, National Association, as Trustee (including Form of 2014 Note, Form of 2016 Note, Form of 2021 Note, Form of 2041 Note)
*(9)	10.1	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.
*(9)	10.2	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
*(10)	10.3	Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated July 26, 2010, between Registrant and Goldman, Sachs & Co.

*(10)	10.4	Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association
*(10)	10.5	Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated July 26, 2010, between Registrant and Goldman, Sachs & Co.
*(10)	10.6	Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association
*(10)	10.7	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2014
*(10)	10.8	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2014
*(10)	10.9	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2016
*(10)	10.10	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2016

Exhibit Footnote	Exhibit Number	Description of Document
*(11)	10.11	Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 5, 2010, between Registrant and Goldman, Sachs & Co.
*(11)	10.12	Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association
*(11)	10.13	Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 5, 2010, between Registrant and Goldman, Sachs & Co.
*(11)	10.14	Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association
*(11)	10.15	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2014
*(11)	10.16	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2014
*(11)	10.17	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2016
*(11)	10.18	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2016
*(11)	10.19	Amendment to Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
*(11)	10.20	Amendment to Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association
*(11)	10.21	Amendment to Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
*(11)	10.22	Amendment to Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association
*(11)	10.23	Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
*(11)	10.24	Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association
*(11)	10.25	

		Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
*(11)	10.26	Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association
*(12)	10.27	5-Year Revolving Credit Facility Credit Agreement among Registrant and Gilead Biopharmaceutics Ireland Corporation, as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, certain other lenders parties thereto, Barclays Capital, as Syndication Agent, and Goldman Sachs Bank USA, JPMorgan Chase Bank, N.A., Royal Bank of Canada and Wells Fargo Bank, N.A., as Co-Documentation Agents, dated as of January 12, 2012
*(12)	10.28	Parent Guaranty Agreement (5-Year Revolving Credit Facility), dated as of January 12, 2012, by Registrant
*(13)	10.29	Gilead Sciences, Inc. 1991 Stock Option Plan, as amended through January 29, 2003
*(14)	10.30	Form of option agreements used under the 1991 Stock Option Plan
*(13)	10.31	Gilead Sciences, Inc. 1995 Non-Employee Directors' Stock Option Plan, as amended through January 30, 2002

Exhibit Footnote	Exhibit Number	Description of Document
*(15)	10.32	Form of option agreement used under the Gilead Sciences, Inc. 1995 Non-Employee Directors' Stock Option Plan
*(3)	10.33	Gilead Sciences, Inc. 2004 Equity Incentive Plan, as amended through May 8, 2013
*(16)	10.34	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants prior to February 2008)
*(17)	10.35	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants made February 2008 through April 2009)
*(18)	10.36	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants commencing in May 2009)
*(19)	10.37	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants commencing in February 2010)
*(20)	10.38	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for 2011 and subsequent year grants)
*(17)	10.39	Form of non-employee director stock option agreement used under 2004 Equity Incentive Plan (for grants prior to 2008)
*(17)	10.40	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for initial grants made in 2008)
*(17)	10.41	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for annual grants made in May 2008 and through May 2012)
*(18)	10.42	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for annual grants commencing in May 2009 and through May 2012)
*	10.43	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for annual grants made in May 2013)
*	10.44	Form of non-employee director option agreement (non-U.S.) used under 2004 Equity Incentive Plan (for annual grants made in May 2013)
*(21)	10.45	Form of restricted stock unit issuance agreement used under 2004 Equity Incentive Plan (for annual grants to non-employee directors in May 2012)
*(18)	10.46	Form of restricted stock award agreement used under 2004 Equity Incentive Plan (for annual grants to certain non-employee directors prior to May 2012)
*	10.47	Form of restricted stock unit issuance agreement used under 2004 Equity Incentive Plan (for annual grants to non-employee directors commencing in May 2013)

*	10.48	Form of restricted stock unit issuance agreement (non-U.S.) used under 2004 Equity Incentive Plan (for annual grants to non-employee directors commencing in May 2013)
*(18)	10.49	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made in 2009)
*(19)	10.50	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made in 2010)
*(20)	10.51	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made in 2011)
*(22)	10.52	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made in 2012)
*(23)	10.53	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for TSR Goals in 2013)

Exhibit Footnote	Exhibit Number	Description of Document
*(23)	10.54	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for Revenue Goals in 2013)
*(24)	10.55	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers made prior to May 2009)
*(18)	10.56	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (for grants to certain executive officers commencing in May 2009)
*(25)	10.57	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (service-based vesting for certain executive officers commencing in November 2009)
*(20)	10.58	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (service-based vesting for certain executive officers commencing in 2011)
*	10.59	Gilead Sciences, Inc. Employee Stock Purchase Plan, amended and restated through May 8, 2013
*	10.60	Gilead Sciences, Inc. International Employee Stock Purchase Plan, amended and restated through May 8, 2013
*(26)	10.61	Gilead Sciences, Inc. Deferred Compensation Plan-Basic Plan Document
*(26)	10.62	Gilead Sciences, Inc. Deferred Compensation Plan-Adoption Agreement
*(26)	10.63	Addendum to the Gilead Sciences, Inc. Deferred Compensation Plan
*(27)	10.64	Gilead Sciences, Inc. 2005 Deferred Compensation Plan, as amended and restated on October 23, 2008
*(22)	10.65	Gilead Sciences, Inc. Severance Plan, as amended on January 26, 2012
*(16)	10.66	Gilead Sciences, Inc. Corporate Bonus Plan
*(4)	10.67	Amended and Restated Gilead Sciences, Inc. Code Section 162(m) Bonus Plan
*(28)	10.68	2013 Base Salaries for the Named Executive Officers
*(29)	10.69	Offer Letter dated April 16, 2008 between Registrant and Robin Washington
*(14)	10.70	Form of Indemnity Agreement entered into between Registrant and its directors and executive officers
*(14)	10.71	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees

*(19)	10.72	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees (revised in September 2006)
(30)	10.73	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
(17)	10.74	Commercialization Agreement by and between Gilead Sciences Limited and Bristol-Myers Squibb Company, dated December 10, 2007
(31)	10.75	Amendment Agreement, dated October 25, 1993, between Registrant, the Institute of Organic Chemistry and Biochemistry (IOCB) and Rega Stichting v.z.w. (REGA), together with the following exhibits: the License Agreement, dated December 15, 1991, between Registrant, IOCB and REGA (the 1991 License Agreement), the License Agreement, dated October 15, 1992, between Registrant, IOCB and REGA (the October 1992 License Agreement) and the License Agreement, dated December 1, 1992, between Registrant, IOCB and REGA (the December 1992 License Agreement)

Exhibit Footnote	Exhibit Number	Description of Document
(32)	10.76	Amendment Agreement between Registrant and IOCB/REGA, dated December 27, 2000 amending the 1991 License Agreement and the December 1992 License Agreement
(30)	10.77	Sixth Amendment Agreement to the License Agreement, between IOCB/REGA and Registrant, dated August 18, 2006 amending the October 1992 License Agreement and the December 1992 License Agreement
(30)	10.78	Development and License Agreement among Registrant and F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc., dated September 27, 1996
(33)	10.79	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
(34)	10.80	Second Amendment dated December 22, 2011 to the Development and Licensing Agreement between Registrant, F. Hoffmann-La Roche Ltd and Hoffman-La Roche Inc. dated September 27, 1996
+(35)	10.81	Third Amendment dated October 5, 2012 to the Development and Licensing Agreement between Registrant, F. Hoffmann-La Roche Ltd and Hoffman-La Roche Inc. dated September 27, 1996
(36)	10.82	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
(37)	10.83	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
(37)	10.84	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
(38)	10.85	License Agreement between Japan Tobacco Inc. and Registrant, dated March 22, 2005
(39)	10.86	First Amendment to License Agreement between Japan Tobacco Inc. and Registrant, dated May 19, 2005
(39)	10.87	Second Amendment to License Agreement between Japan Tobacco Inc. and Registrant, dated May 17, 2010
(39)	10.88	Third Amendment to License Agreement between Japan Tobacco Inc. and Registrant, dated July 5, 2011
(39)	10.89	Fourth Amendment to License Agreement between Japan Tobacco Inc. and Registrant, dated July 5, 2011

(40)	10.90	License Agreement between Registrant (as successor to Myogen, Inc.) and Abbott Deutschland Holding GmbH dated October 8, 2001
+(41)	10.91	License Agreement between Registrant (as successor to Myogen, Inc.) and Glaxo Group Limited, dated March 3, 2006
(40)	10.92	License Agreement between Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated March 27, 1996
(42)	10.93	First Amendment to License Agreement between Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated July 3, 1997
(42)	10.94	Amendment No. 2 to License Agreement between Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated November 30, 1999

Exhibit Footnote	Exhibit Number	Description of Document
(43)	10.95	Amendment No. 4 to License Agreement with Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated June 20, 2006
(34)	10.96	Amendment No. 5 to License Agreement with Registrant (as successor to CV Therapeutics, Inc.) and Roche Palo Alto LLC (successor in interest by merger to Syntex (U.S.A.) Inc.), dated December 22, 2011
(44)	10.97	License and Collaboration Agreement by and among Registrant, Gilead Sciences Limited and Janssen R&D Ireland (formerly Tibotec Pharmaceuticals), dated July 16, 2009
(39)	10.98	Second Amendment to License and Collaboration Agreement by and among Registrant, Gilead Sciences Limited and Janssen R&D Ireland (formerly Tibotec Pharmaceuticals), dated July 1, 2011
+(23)	10.99	Amended and Restated Second Amendment to License and Collaboration Agreement by and among Registrant, Gilead Sciences Limited and Janssen R&D Ireland (formerly Tibotec Pharmaceuticals), dated February 7, 2013
(45)	10.100	Master Clinical and Commercial Supply Agreement between Gilead World Markets, Limited, Registrant and Patheon Inc., dated January 1, 2003
(37)	10.101	Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama), Ltd., dated July 17, 2003
(46)	10.102	Addendum to Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama) Ltd., dated May 10, 2007
(28)	10.103	Addendum to Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama) Ltd., dated December 5, 2008
(20)	10.104	Addendum to Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama) Ltd., dated February 3, 2011
(33)	10.105	Restated and Amended Toll Manufacturing Agreement between Gilead Sciences Limited, Registrant and Takeda GmbH (formerly Nycomed GmbH and Altana Pharma Oranienburg GmbH), dated November 7, 2005
+(9)	10.106	Emtricitabine Manufacturing Supply Agreement between Gilead Sciences Limited and Evonik Degussa GmbH (formerly known as Degussa AG), dated June 6, 2006
+(10)	10.107	Amendment No. 1 to Emtricitabine Manufacturing Supply Agreement between Gilead Sciences Limited and Evonik Degussa GmbH (formerly known as Degussa AG), dated

		April 30, 2010
(47)	10.108	Purchase and Sale Agreement and Joint Escrow Instructions between Electronics for Imaging, Inc. and Registrant, dated July 18, 2012
(48)	10.109	Amendment No. 1, dated October 30, 2012, to the Purchase and Sale Agreement and Joint Escrow Instructions between Electronics for Imaging, Inc. and Registrant, dated July 18, 2012
	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
	32.1**	Certifications 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)

Exhibit Footnote	Exhibit Number	Description of Document
	101***	The following materials from Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, formatted in Extensible Business Reporting Language (XBRL) includes: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements.

(1) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on March 12, 2009, and incorporated herein by reference.

(2) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on November 25, 2011, and incorporated herein by reference.

(3) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 8, 2013, and incorporated herein by reference.

(4) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 17, 2011, and incorporated herein by reference.

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

(6) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on August 2, 2010, and incorporated herein by reference.

(7) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on April 1, 2011, and incorporated herein by reference.

(8) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on December 13, 2011, and incorporated herein by reference.

(9) 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.

(10) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, and incorporated herein by reference.

(11) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, and incorporated herein by reference.

(12) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on January 17, 2012, and incorporated herein by reference.

(13) 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.

(14) Filed as an exhibit to Registrant's Registration Statement on Form S-1 (No. 33-55680), as amended, 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 Current Report on Form 8-K/A filed on February 22, 2006, 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, 2007, and incorporated herein by reference.

(18) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, and incorporated herein by reference.

(19) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.

(20)

	Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, 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, 2012, and incorporated herein by reference.

(22) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, and incorporated herein by reference.

(23) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, and incorporated herein by reference.

(24) Filed as an exhibit to Registrant's Current Report on Form 8-K first filed on December 19, 2007, and incorporated herein by reference.

(25) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, and incorporated herein by reference.

(26) 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.

(27) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and incorporated herein by reference.

(28) Information is included in Registrant's Current Report on Form 8-K filed on February 5, 2013, and incorporated herein by reference.

(29) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, and incorporated herein by reference.

(30) 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.

(31) 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.

(32) 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.

(33) 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.

(34) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and incorporated herein by reference.

(35) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and incorporated herein by reference.

(36) Filed as an exhibit to Triangle Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q/A filed on November 3, 1999, and incorporated herein by reference.

(37) 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.

(38) 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.

(39) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, and incorporated herein by reference.

(40) 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.

(41) Filed as an exhibit to Myogen, Inc.'s Quarterly Report on Form 10-Q filed on May 9, 2006, and incorporated herein by reference.

(42) Filed as an exhibit to CV Therapeutics, Inc.'s Registration Statement on Form S-3 (No. 333-59318), as amended, originally filed on April 20, 2001, and incorporated herein by reference.

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

(44) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, and incorporated herein by reference.

(45) 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.

(46)

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

(47) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, and incorporated herein by reference.

(48) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and incorporated herein by reference.

The Agreement and Plan of Merger (the Merger Agreement) contains representations and warranties of Registrant, Apex Merger Sub, Inc. and CV Therapeutics, Inc. made solely to each other as of specific dates. Those representations and warranties were made solely for purposes of the Merger Agreement and may be subject to important qualifications and limitations agreed to by Registrant, Apex Merger Sub, Inc. and CV Therapeutics, Inc. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a standard of materiality provided for in the Merger Agreement and have been used for the purpose of allocating risk among Registrant, Apex Merger Sub, Inc. and CV Therapeutics, Inc. rather than establishing matters as facts.

† The Agreement and Plan of Merger (the Pharmasset Merger Agreement) contains representations and warranties of Registrant, Merger Sub and Pharmasset, Inc. made solely to each other as of specific dates. Those representations and warranties were made solely for purposes of the Pharmasset Merger Agreement and may be subject to important qualifications and limitations agreed to by Registrant, Merger Sub and Pharmasset, Inc. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a standard of materiality provided for in the Pharmasset Merger Agreement and have been used for the purpose of allocating risk among Registrant, Merger Sub and Pharmasset, Inc. rather than establishing matters as facts.

* Management contract or compensatory plan or arrangement.

** This certification accompanies the Form 10-Q 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-Q), irrespective of any general incorporation language contained in such filing.

*** XBRL information is filed herewith.

+ 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 Securities and Exchange Commission without the Mark pursuant to Registrant's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act of 1934, as amended.