Exhibit Footnote	Exhibit Number	Description of Document
(10)	4.5	Indenture related to the Convertible Senior Notes, due 2011, between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 0.50% Convertible Senior Note due 2011), dated April 25, 2006
(10)	4.6	Indenture related to the Convertible Senior Notes, due 2013, between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 0.625% Convertible Senior Note due 2013), dated April 25, 2006
(11)	4.7	Indenture related to the Convertible Senior Notes, due 2014, between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 1.00% Convertible Senior Note due 2014), dated July 30, 2010
(11)	4.8	Indenture related to the Convertible Senior Notes, due 2016, between Registrant and Wells Fargo Bank, National Association, as trustee (including form of 1.625% Convertible Senior Note due 2016), dated July 30, 2010
(12)	10.1	Confirmation of OTC Convertible Note Hedge related to 2011 Notes, dated April 19, 2006, as amended and restated as of April 24, 2006, between Registrant and Bank of America, N.A.
(12)	10.2	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.
(12)	10.3	Confirmation of OTC Warrant Transaction, dated April 19, 2006, as amended and restated as of April 24, 2006, between Registrant and Bank of America, N.A. for warrants expiring in 2011
(12)	10.4	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
(13)	10.5	Amended and Restated Credit Agreement among Registrant, Gilead Biopharmaceutics Ireland Corporation, the lenders parties thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, dated as of December 18, 2007
(13)	10.6	Parent Guaranty Agreement, dated as of December 18, 2007, by Registrant
	10.7	Amendment No. 1 to Amended and Restated Credit Agreement and Limited Consent and Waiver dated as of June 3, 2009, among Registrant, Gilead Biopharmaceutics Ireland Corporation and Bank of America, N.A. in its capacity as administrative agent for the Lenders
	10.8	Amendment No. 2 to Amended and Restated Credit Agreement among Registrant, Gilead Biopharmaceutics Ireland Corporation and Bank of America, N.A. in its capacity as administrative agent for the Lenders, dated December 22, 2010
(2)	10.9	Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated July 26, 2010, between Registrant and Goldman, Sachs & Co.
(2)	10.10	Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association
(2)	10.11	Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated July 26, 2010, between Registrant and Goldman, Sachs & Co.
(2)	10.12	Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association
(2)	10.13	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2014

Exhibit Footnote	Exhibit Number	Description of Document
(2)	10.14	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2014
(2)	10.15	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2016
(2)	10.16	Confirmation of OTC Warrant Transaction, dated July 26, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2016
(14)	10.17	Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 5, 2010, between Registrant and Goldman, Sachs & Co.
(14)	10.18	Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association
(14)	10.19	Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 5, 2010, between Registrant and Goldman, Sachs & Co.
(14)	10.20	Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association
(14)	10.21	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2014
(14)	10.22	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2014
(14)	10.23	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and Goldman, Sachs & Co. for warrants expiring in 2016
(14)	10.24	Confirmation of OTC Additional Warrant Transaction, dated August 5, 2010, between Registrant and JPMorgan Chase Bank, National Association for warrants expiring in 2016
(14)	10.25	Amendment to Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
(14)	10.26	Amendment to Confirmation of OTC Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association
(14)	10.27	Amendment to Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
(14)	10.28	Amendment to Confirmation of OTC Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and JPMorgan Chase Bank, National Association
(14)	10.29	Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2014 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
(14)	10.30	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
(14)	10.31	Amendment to Confirmation of OTC Additional Convertible Note Hedge related to 2016 Notes, dated August 30, 2010, between Registrant and Goldman, Sachs & Co.
(14)	10.32	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
*(15)	10.33	Gilead Sciences, Inc. 1991 Stock Option Plan, as amended through January 29, 2003
*(16)	10.34	Form of option agreements used under the 1991 Stock Option Plan

Exhibit Footnote	Exhibit Number	Description of Document
*(15)	10.35	Gilead Sciences, Inc. 1995 Non-Employee Directors' Stock Option Plan, as amended through January 30, 2002
*(17)	10.36	Form of option agreement used under the Gilead Sciences, Inc. 1995 Non-Employee Directors' Stock Option Plan
*(18)	10.37	Gilead Sciences, Inc. 2004 Equity Incentive Plan, as amended through May 6, 2009
*(19)	10.38	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants prior to February 2008)
*(20)	10.39	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants made February 2008 through April 2009)
*(21)	10.40	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants commencing in May 2009)
*(22)	10.41	Form of employee stock option agreement used under 2004 Equity Incentive Plan (for grants commencing in February 2010)
*(19)	10.42	Form of non-employee director stock option agreement used under 2004 Equity Incentive Plan (for grants prior to 2008)
*(20)	10.43	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for initial grants made in 2008)
*(20)	10.44	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for annual grants made in May 2008)
*(21)	10.45	Form of non-employee director option agreement used under 2004 Equity Incentive Plan (for annual grants commencing in May 2009)
*(21)	10.46	Form of restricted stock unit issuance agreement used under 2004 Equity Incentive Plan (for annual grants to non-employee directors commencing in May 2009)
*(21)	10.47	Form of restricted stock award agreement used under 2004 Equity Incentive Plan (for annual grants to certain non-employee directors)
*(23)	10.48	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants made in 2007)
*(24)	10.49	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants made in 2008)
*(21)	10.50	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants made in 2009)
*(22)	10.51	Form of performance share award agreement used under the 2004 Equity Incentive Plan (for grants made in 2010)
*(25)	10.52	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (for grants made prior to May 2009)
*(21)	10.53	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (for grants commencing in May 2009)
*(26)	10.54	Form of restricted stock unit issuance agreement used under the 2004 Equity Incentive Plan (service-based vesting for executive officers commencing in November 2009)
*(22)	10.55	Gilead Sciences, Inc. Employee Stock Purchase Plan, amended and restated on November 3, 2009
*(27)	10.56	Gilead Sciences, Inc. International Employee Stock Purchase Plan, adopted November 3, 2009

Exhibit Footnote	Exhibit Number	Description of Document
*(28)	10.57	Gilead Sciences, Inc. Deferred Compensation Plan—Basic Plan Document
*(28)	10.58	Gilead Sciences, Inc. Deferred Compensation Plan—Adoption Agreement
*(28)	10.59	Addendum to the Gilead Sciences, Inc. Deferred Compensation Plan
*(29)	10.60	Gilead Sciences, Inc. 2005 Deferred Compensation Plan, as amended and restated on October 23, 2008
*(22)	10.61	Gilead Sciences, Inc. Severance Plan, as amended on December 14, 2009
*(19)	10.62	Gilead Sciences, Inc. Corporate Bonus Plan
*(19)	10.63	Gilead Sciences, Inc. Code Section 162(m) Bonus Plan
*(30)	10.64	2011 Base Salaries for the Named Executive Officers
*(31)	10.65	Offer Letter dated April 16, 2008 between Registrant and Robin Washington
*(16)	10.66	Form of Indemnity Agreement entered into between Registrant and its directors and executive officers
*(16)	10.67	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees
*(22)	10.68	Form of Employee Proprietary Information and Invention Agreement entered into between Registrant and certain of its officers and key employees (revised in September 2006)
+(32)	10.69	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
+(20)	10.70	Commercialization Agreement by and between Gilead Sciences Limited and Bristol-Myers Squibb Company, dated December 10, 2007
+(33)	10.71	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)
(34)	10.72	Amendment Agreement between Registrant and IOCB/REGA, dated December 27, 2000 amending the 1991 License Agreement and the December 1992 License Agreement
(32)	10.73	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
+(32)	10.74	Development and License Agreement among Registrant and F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc., dated September 27, 1996
+(35)	10.75	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
+(36)	10.76	Exclusive License Agreement between Registrant (as successor to Triangle Pharmaceuticals, Inc.), Glaxo Group Limited, The Wellcome Foundation Limited, Glaxo Wellcome Inc. and Emory University, dated May 6, 1999

Exhibit Footnote	Exhibit Number	Description of Document
+(37)	10.77	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)	10.78	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)	10.79	License Agreement between Japan Tobacco Inc. and Registrant, dated March 22, 2005
+(39)	10.80	License Agreement between Registrant (as successor to Myogen, Inc.) and Abbott Deutschland Holding GmbH dated October 8, 2001
+(39)	10.81	License Agreement between Registrant (as successor to CV Therapeutics, Inc.) and Syntex (U.S.A.) Inc., dated March 27, 1996
+(40)	10.82	First Amendment to License Agreement between Registrant (as successor to CV Therapeutics, Inc.) and Syntex (U.S.A.) Inc., dated July 3, 1997
(40)	10.83	Amendment No. 2 to License Agreement between Registrant (as successor to CV Therapeutics, Inc.) and Syntex (U.S.A.) Inc., dated November 30. 1999
+(41)	10.84	Amendment No. 4 to Collaboration and 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
+(42)	10.85	License and Collaboration Agreement by and among Registrant, Gilead Sciences Limited and Tibotec Pharmaceuticals, dated July 16, 2009
+(43)	10.86	Master Clinical and Commercial Supply Agreement between Gilead World Markets, Limited, Registrant and Patheon Inc., dated January 1, 2003
+(37)	10.87	Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama), Ltd., dated July 17, 2003
+(44)	10.88	Addendum to Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama) Ltd., dated May 10, 2007
+(29)	10.89	Addendum to Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and PharmaChem Technologies (Grand Bahama) Ltd., dated December 5, 2008
+	10.90	Tenofovir Disoproxil Fumarate Manufacturing Supply Agreement by and between Gilead Sciences Limited and Ampac Fine Chemicals LLC, dated November 3, 2010
+(35)	10.91	Restated and Amended Toll Manufacturing Agreement between Gilead Sciences Limited, Registrant and Nycomed GmbH (formerly ALTANA Pharma Oranienburg GmbH), dated November 7, 2005
+(12)	10.92	Emtricitabine Manufacturing Supply Agreement between Gilead Sciences Limited and Degussa AG, dated June 6, 2006
+(2)	10.93	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
(29)	10.94	Purchase and Sale Agreement and Escrow Instructions between Electronics for Imaging, Inc. and Registrant, dated October 23, 2008

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Exhibit Footnote	Exhibit Number	Description of Document
	21.1	Subsidiaries of Registrant
	23.1	Consent of Independent Registered Public Accounting Firm
	24.1	Power of Attorney, reference is made to the signature page
	31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
	31.2	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
	32.1**	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 Annual Report on Form 10-K for the year ended December 31, 2010, formatted in Extensible Business Reporting Language (XBRL) includes: (i) Consolidated Balance Sheets at December 31, 2010 and 2009, (ii) Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008, (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2010, 2009 and 2008, (iv) Consolidated Statements of Cash Flows for years ended December 31, 2010, 2009 and 2008 and (v) Notes to 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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, and incorporated herein by reference.
(3) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 9, 2008, and incorporated herein by reference.
(4) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on November 22, 1994, and incorporated herein by reference.
(5) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 11, 2006, and incorporated herein by reference.
(6) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on October 28, 2008, and incorporated herein by reference.
(7) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on October 22, 1999, and incorporated herein by reference.
(8) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on October 31, 2003, and incorporated herein by reference.
(9) Filed as an exhibit to Registrant's Registration Statement on Form S-8 (No. 333-135412) filed on June 28, 2006, and incorporated herein by reference.
(10) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on April 25, 2006, and incorporated herein by reference.
(11) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on August 2, 2010, and incorporated herein by reference.
(12) 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.
(13) Filed as an exhibit to Registrant's Current Report on Form 8-K also filed on December 19, 2007, and incorporated herein by reference.
(14) 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.
(15) 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.

(16) Filed as an exhibit to Registrant's Registration Statement on Form S-1 (No. 33-55680), as amended, and incorporated herein by reference.
(17) 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.
(18) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on May 11, 2009, and incorporated herein by reference.
(19) Filed as an exhibit to Registrant's Current Report on Form 8-K/A filed on February 22, 2006, and incorporated herein by reference.
(20) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, 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, 2009, and incorporated herein by reference.
(22) 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.
(23) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and incorporated herein by reference.
(24) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by reference.
(25) Filed as an exhibit to Registrant's Current Report on Form 8-K first filed on December 19, 2007, and incorporated herein by reference.
(26) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, and incorporated herein by reference.
(27) Filed as an exhibit to Registrant's Registration Statement on Form S-8 (No. 333-163871) filed on December 21, 2009, and incorporated herein by reference.
(28) 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.
(29) 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.
(30) Information is included in Registrant's Current Report on Form 8-K filed on January 25, 2011, and incorporated herein by reference.
(31) 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.
(32) 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.
(33) 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.
(34) 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.
(35) 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.
(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 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.
(40) 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.
(41) 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.

(42) 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.
(43) 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.
(44) Filed as an exhibit to Registrant's Current Report on Form 8-K filed on August 7, 2007, and incorporated herein by reference.

± The Agreement and Plan of Merger (the Merger Agreement) contains representations and warranties of Registrant, Cougar Merger Sub, Inc. and CGI Pharmaceuticals, 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, Cougar Merger Sub, Inc. and CGI Pharmaceuticals, 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, Cougar Merger Sub, Inc. and CGI Pharmaceuticals, Inc. rather than establishing matters as facts.

≠ The Agreement and Plan of Merger (the Merger Agreement) contains representations and warranties of Registrant, Arroyo Merger Sub, Inc. and Arresto Biosciences, 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, Arroyo Merger Sub, Inc. and Arresto Biosciences, 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, Arroyo Merger Sub, Inc. and Arresto Biosciences, 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 furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Exchange Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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

GILEAD SCIENCES, INC.

CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2010, 2009, and 2008

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Gilead Sciences, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gilead Sciences, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 5 to the consolidated financial statements, the Company changed its method of accounting for business combinations effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Gilead Sciences, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Palo Alto, California
February 28, 2011

GILEAD SCIENCES, INC.

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

	December 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 907,879	$1,272,958
Short-term marketable securities	1,190,789	384,017
Accounts receivable, net of allowances of $150,942 at December 31, 2010 and $132,810 at December 31, 2009	1,621,966	1,389,534
Inventories	1,203,809	1,051,771
Deferred tax assets	279,339	295,080
Prepaid taxes	320,424	274,196
Prepaid expenses	67,632	78,111
Other current assets	116,244	66,891
Total current assets	5,708,082	4,812,558
Property, plant and equipment, net	701,235	699,970
Noncurrent portion of prepaid royalties	203,790	226,250
Noncurrent deferred tax assets	153,379	101,498
Long-term marketable securities	3,219,403	2,247,871
Intangible assets	1,425,592	1,524,777
Other noncurrent assets	181,149	85,635
Total assets	$11,592,630	$9,698,559
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 803,025	$ 810,544
Accrued government rebates	325,018	248,660
Accrued compensation and employee benefits	147,632	132,481
Income taxes payable	1,862	167,623
Other accrued liabilities	437,893	384,015
Deferred revenues	103,175	122,721
Current portion of convertible senior notes, net and other long-term obligations	646,345	5,587
Total current liabilities	2,464,950	1,871,631
Long-term deferred revenues	32,844	43,026
Convertible senior notes, net	2,838,573	1,155,443
Long-term income taxes payable	107,025	87,383
Other long-term obligations	27,401	35,918
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 5,000 shares authorized; none outstanding	—	—
Common stock, par value $0.001 per share; 2,800,000 shares authorized; 801,998 and 899,753 shares issued and outstanding at December 31, 2010 and 2009, respectively	802	900
Additional paid-in capital	4,648,286	4,376,651
Accumulated other comprehensive income (loss)	30,911	(5,758)
Retained earnings	1,183,730	1,995,272
Total Gilead stockholders' equity	5,863,729	6,367,065
Noncontrolling interest	258,108	138,093
Total stockholders' equity	6,121,837	6,505,158
Total liabilities and stockholders' equity	$11,592,630	$9,698,559

See accompanying notes.

GILEAD SCIENCES, INC.

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

	Year Ended December 31,		
	2010	2009	2008
Revenues:			
Product sales	$7,389,921	$6,469,311	$5,084,796
Royalty revenues	545,970	491,818	218,180
Contract and other revenues	13,529	50,254	32,774
Total revenues	7,949,420	7,011,383	5,335,750
Costs and expenses:			
Cost of goods sold	1,869,876	1,595,558	1,127,246
Research and development	1,072,930	939,918	721,768
Selling, general and administrative	1,044,392	946,686	797,344
Purchased in-process research and development	—	—	10,851
Total costs and expenses	3,987,198	3,482,162	2,657,209
Income from operations	3,962,222	3,529,221	2,678,541
Interest and other income, net	60,287	42,397	59,401
Interest expense	(108,961)	(69,662)	(65,244)
Income before provision for income taxes	3,913,548	3,501,956	2,672,698
Provision for income taxes	1,023,799	876,364	702,363
Net income	2,889,749	2,625,592	1,970,335
Net loss attributable to noncontrolling interest	11,508	10,163	8,564
Net income attributable to Gilead	$2,901,257	$2,635,755	$1,978,899
Net income per share attributable to Gilead common stockholders—basic	$ 3.39	$ 2.91	$ 2.15
Shares used in per share calculation—basic	856,060	904,604	920,693
Net income per share attributable to Gilead common stockholders—diluted	$ 3.32	$ 2.82	$ 2.06
Shares used in per share calculation—diluted	873,396	934,109	958,825

See accompanying notes.

GILEAD SCIENCES, INC.

Consolidated Statements of Stockholders' Equity
(in thousands)

	Gilead Stockholders' Equity						
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2007	932,484	$ 932	$3,416,987	$ (4,363)	$ 198,775	$ 140,299	$ 3,752,630
Distributions from noncontrolling interest	—	—	—	—	—	61,275	61,275
Net income (loss)	—	—	—	—	1,978,899	(8,564)	1,970,335
Unrealized loss on available-for-sale securities, net of tax	—	—	—	(15,316)	—	—	(15,316)
Foreign currency translation adjustment	—	—	—	(21,149)	—	—	(21,149)
Unrealized gain on cash flow hedges, net of tax	—	—	—	82,068	—	—	82,068
Comprehensive income							2,015,938
Issuances under employee stock purchase plan	960	1	30,385	—	—	—	30,386
Stock option exercises, net	15,443	15	215,724	—	—	—	215,739
Tax benefits from employee stock plans	—	—	209,519	—	—	—	209,519
Stock-based compensation	191	—	153,269	—	—	—	153,269
Repurchases of common stock	(39,259)	(38)	(95,775)	—	(1,877,360)	—	(1,973,173)
Balance at December 31, 2008	909,819	910	3,930,109	41,240	300,314	193,010	4,465,583
Distributions to noncontrolling interest	—	—	—	—	—	(44,754)	(44,754)
Net income (loss)	—	—	—	—	2,635,755	(10,163)	2,625,592
Unrealized gain on available-for-sale securities, net of tax	—	—	—	15,868	—	—	15,868
Foreign currency translation adjustment	—	—	—	8,459	—	—	8,459
Unrealized loss on cash flow hedges, net of tax	—	—	—	(71,325)	—	—	(71,325)
Comprehensive income							2,578,594
Issuances under employee stock purchase plan	932	1	34,872	—	—	—	34,873
Stock option exercises, net	12,067	12	187,843	—	—	—	187,855
Tax benefits from employee stock plans	—	—	88,368	—	—	—	88,368
Stock-based compensation	227	—	181,530	—	—	—	181,530
Assumption of stock options in connection with acquisition	—	—	15,655	—	—	—	15,655
Repurchases of common stock	(23,292)	(23)	(61,726)	—	(940,797)	—	(1,002,546)
Balance at December 31, 2009	899,753	900	4,376,651	(5,758)	1,995,272	138,093	6,505,158
Distributions from noncontrolling interest	—	—	—	—	—	131,523	131,523
Net income (loss)	—	—	—	—	2,901,257	(11,508)	2,889,749
Unrealized gain on available-for-sale securities, net of tax	—	—	—	7,020	—	—	7,020
Foreign currency translation adjustment	—	—	—	(8,416)	—	—	(8,416)
Unrealized gain on cash flow hedges, net of tax	—	—	—	38,065	—	—	38,065
Comprehensive income							2,926,418
Issuances under employee stock purchase plan	1,110	1	32,306	—	—	—	32,307
Stock option exercises, net	10,671	11	188,906	—	—	—	188,917
Tax benefits from employee stock plans	—	—	82,086	—	—	—	82,086
Stock-based compensation	461	—	200,595	—	—	—	200,595
Purchases of convertible note hedges	—	—	(362,622)	—	—	—	(362,622)
Sale of warrants	—	—	155,425	—	—	—	155,425
Deferred tax assets on convertible note hedges	—	—	39,093	—	—	—	39,093
Equity portion of convertible notes, net of issuance costs of $4,018	—	—	255,517	—	—	—	255,517
Repurchases of common stock	(109,997)	(110)	(319,671)	—	(3,712,799)	—	(4,032,580)
Balance at December 31, 2010	801,998	$ 802	$4,648,286	$ 30,911	$ 1,183,730	$ 258,108	$ 6,121,837

See accompanying notes.

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GILEAD SCIENCES, INC.

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2010	2009	2008
Operating activities:			
Net income	$ 2,889,749	$ 2,625,592	$ 1,970,335
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	67,240	64,560	51,722
Amortization expense	198,237	148,384	103,888
Purchased in-process research and development expense	—	—	10,851
Stock-based compensation expenses	200,041	180,684	153,364
In-process research and development impairment	136,000	—	—
Excess tax benefits from stock-based compensation	(81,620)	(80,186)	(191,939)
Tax benefits from employee stock plans	82,086	88,368	209,519
Deferred income taxes	12,152	(42,013)	(24,969)
Other non-cash transactions	10,408	64,456	(11,257)
Changes in operating assets and liabilities:			
Accounts receivable, net	(348,875)	(356,462)	(257,161)
Inventories	(161,190)	(75,266)	(330,726)
Prepaid expenses and other assets	(70,466)	(65,667)	9,719
Accounts payable	(4,453)	203,641	312,568
Income taxes payable	(185,733)	166,334	(23,887)
Accrued liabilities	120,065	109,026	136,276
Deferred revenues	(29,728)	48,603	25,081
Net cash provided by operating activities	2,833,913	3,080,054	2,143,384
Investing activities:			
Purchases of marketable securities	(5,502,687)	(2,614,046)	(3,273,112)
Proceeds from sales of marketable securities	3,033,893	1,440,509	3,026,459
Proceeds from maturities of marketable securities	683,927	435,510	193,690
Acquisitions, net of cash acquired	(91,000)	(1,247,816)	(10,851)
Capital expenditures and other	(61,884)	(230,057)	(115,005)
Net cash used in investing activities	(1,937,751)	(2,215,900)	(178,819)
Financing activities:			
Proceeds from issuances of convertible notes, net of issuance costs	2,462,500	—	—
Proceeds from sale of warrants	155,425	—	—
Purchases of convertible note hedges	(362,622)	—	—
Proceeds from credit facility	500,000	400,000	—
Repayments of credit facility	(500,000)	(400,000)	—
Proceeds from issuances of common stock	221,223	222,728	246,125
Repurchases of common stock	(4,022,593)	(998,495)	(1,969,582)
Extinguishment of long-term debt	—	(305,455)	—
Repayments of long-term obligations	(5,786)	(5,648)	(4,326)
Excess tax benefits from stock-based compensation	81,620	80,186	191,939
Distributions from (to) noncontrolling interest	131,523	(44,754)	61,275
Net cash used in financing activities	(1,338,710)	(1,051,438)	(1,474,569)
Effect of exchange rate changes on cash	77,469	940	1,220
Net change in cash and cash equivalents	(365,079)	(186,344)	491,216
Cash and cash equivalents at beginning of period	1,272,958	1,459,302	968,086
Cash and cash equivalents at end of period	$ 907,879	$ 1,272,958	$ 1,459,302
Supplemental disclosure of cash flow information:			
Interest paid	$ 15,748	$ 8,990	$ 7,388
Income taxes paid	$ 1,129,577	$ 746,224	$ 495,544

See accompanying notes.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

Gilead Sciences, Inc. (Gilead, we, us or our), incorporated in Delaware on June 22, 1987, is a biopharmaceutical company that discovers, develops and commercializes innovative therapeutics in areas of unmet medical need. Our mission is to advance the care of patients suffering from life threatening diseases worldwide. Headquartered in Foster City, California, we have operations in North America, Europe and Asia Pacific. We market products in the HIV/AIDS, liver disease, respiratory and cardiovascular/metabolic therapeutic areas. Our product portfolio is comprised of Atripla® (efavirenz 600 mg/emtricitabine 200 mg/tenofovir disoproxil fumarate 300 mg), Truvada® (emtricitabine and tenofovir disoproxil fumarate), Viread® (tenofovir disoproxil fumarate) and Emtriva® (emtricitabine) for the treatment of human immunodeficiency virus (HIV) infection; Hepsera® (adefovir dipivoxil) and Viread for the treatment of chronic hepatitis B; AmBisome® (amphotericin B liposome for injection) for the treatment of severe fungal infections; Letairis® (ambrisentan) for the treatment of pulmonary arterial hypertension (PAH); Ranexa® (ranolazine) for the treatment of chronic angina; Vistide® (cidofovir injection) for the treatment of cytomegalovirus infection and Cayston® (aztreonam for inhalation solution) as a treatment to improve respiratory symptoms in cystic fibrosis (CF) patients with *Pseudomonas aeruginosa* (*P. aeruginosa*).

In addition, we also sell and distribute certain products through our corporate partners under royalty-paying collaborative agreements. For example, F. Hoffmann-La Roche Ltd (together with Hoffmann-La Roche Inc., Roche) markets Tamiflu® (oseltamivir phosphate) for the treatment and prevention of influenza; GlaxoSmithKline Inc. (GSK) markets Hepsera and Viread for the treatment of chronic hepatitis B in certain territories outside of the United States; GSK also markets Volibris® (ambrisentan) outside of the United States for the treatment of PAH; Astellas Pharma US, Inc. markets AmBisome for the treatment of severe fungal infections in the United States and Canada; Astellas US LLC markets Lexiscan® (regadenoson) injection in the United States for use as a pharmacologic stress agent in radionuclide myocardial perfusion imaging (MPI); Rapidscan Pharma Solutions, Inc. markets Rapiscan (regadenoson) in certain territories outside of the United States for the inducement of pharmacological stress and/or vasodilation of the coronary vasculature strictly for purposes of diagnosing cardiovascular disease; Menarini International Operations Luxembourg SA markets Ranexa in certain territories outside of the United States for the treatment of chronic angina; and Japan Tobacco Inc. (Japan Tobacco) markets Truvada, Viread and Emtriva in Japan.

Basis of Presentation

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 Consolidated Financial Statements to reflect BMS's interest in the joint ventures. All intercompany transactions have been eliminated. The Consolidated Financial Statements include the results of companies acquired by us from the date of each acquisition for the applicable reporting periods.

Consolidation of Variable Interest Entities

On January 1, 2010, we adopted amended guidance for the consolidation of variable interest entities. The amended guidance eliminates a mandatory quantitative approach to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity in favor of a qualitatively focused analysis. Additionally, the amended guidance requires an ongoing reassessment of whether the entity is a primary beneficiary. We adopted the provisions of this guidance on a prospective basis for our joint ventures with BMS, which we consolidate because we are the primary beneficiary. The adoption of this guidance did not have any impact on our Consolidated Financial Statements.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Significant Accounting Policies, Estimates and Judgments

The preparation of these Consolidated Financial Statements in conformity with U.S. GAAP 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 estimates, including critical accounting policies or estimates related to revenue recognition, intangible assets, allowance for doubtful accounts, prepaid royalties, clinical trial accruals, our tax provision and stock-based compensation. We base our estimates on historical experience and on various other market specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates.

Revenue Recognition

Product Sales

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

Items Deducted from Gross Product Sales

Government Rebates

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

Cash Discounts

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

Distributor Fees

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

Product Returns

We do not provide our customers with a general right of product return, but permit returns if the product is damaged or defective when received by the customer, or in the case of product sold in the Unites States and certain countries outside the United States, if the product has expired. We will accept returns for product that will expire within six months prior to or that have expired up to one year after their expiration dates. Our estimates for expected returns of expired products are based primarily on an ongoing analysis of historical return patterns.

Royalty Revenues

Royalty revenue from sales of Lexiscan and AmBisome by Astellas US LLC and Astellas Pharma US, Inc., respectively, is recognized in the month following the month in which the corresponding sales occur. Royalty revenue from sales of our other products is generally recognized when received, which is generally in the quarter following the quarter in which the corresponding sales occur.

Contract and Other Revenues

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

Shipping and Handling Costs

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

Research and Development Expenses

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

We charge R&D costs, including clinical study costs, to expense when incurred. Clinical study costs are a significant component of R&D expenses. Most of our clinical studies are performed by third-party CROs. We monitor levels of performance under each significant contract including the extent of patient enrollment and other activities through communications with our CROs. We accrue costs for clinical studies performed by CROs over the service periods specified in the contracts and adjust our estimates, if required, based upon our ongoing review of the level of effort and costs actually incurred by the CROs. We validate our accruals quarterly with our vendors and perform detailed reviews of the activities related to our significant contracts. Based upon the results of these validation processes, we assess the appropriateness of our accruals and make any adjustments we deem necessary to ensure that our expenses reflect the actual effort incurred by the CROs.

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

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Advertising Expenses

We expense the costs of advertising, including promotional expenses, as incurred. Advertising expenses were $116.5 million in 2010, $108.1 million in 2009 and $96.2 million in 2008.

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, restricted stock units and performance shares and the assumed exercise of warrants relating to the convertible senior notes due in 2011 (2011 Notes), 2013 (2013 Notes), 2014 (2014 Notes) and 2016 (2016 Notes) (collectively, the Notes) are determined under the treasury stock method.

Because the principal amount of the Notes will be settled in cash, only the conversion spread relating to the 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 Notes has a dilutive effect when the average market price of our common stock during the period exceeds the conversion prices of $38.75, $38.10, $45.08 and $45.41 for the 2011 Notes, 2013 Notes, 2014 Notes and 2016 Notes, respectively. For the years ended 2010, 2009 and 2008, the average market prices of our common stock exceeded the conversion prices of the 2011 and 2013 Notes and the dilutive effects are included in the accompanying table.

Warrants relating to the 2011 Notes, 2013 Notes, 2014 Notes and 2016 Notes have a dilutive effect when the average market price of our common stock during the period exceeds the warrants' exercise prices of $50.80, $53.90, $56.76 and $60.10, respectively. The average market prices of our common stock during the years ended December 31, 2010, 2009 and 2008 did not exceed the warrants' exercise prices relating to any of the Notes; therefore, these warrants did not have a dilutive effect on our net income per share for those periods.

Stock options to purchase approximately 22.5 million, 17.4 million and 11.4 million weighted-average shares of our common stock were outstanding during the years ended December 31, 2010, 2009 and 2008, respectively, but were not included in the computation of diluted net income per share attributable to Gilead common stockholders because their effect was antidilutive.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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):

	Year Ended December 31,		
	2010	2009	2008
Numerator:			
Net income attributable to Gilead	$2,901,257	$2,635,755	$1,978,899
Denominator:			
Weighted-average shares of common stock outstanding used in the calculation of basic net income per share attributable to Gilead common stockholders	856,060	904,604	920,693
Effect of dilutive securities:			
Stock options and equivalents	16,606	23,850	30,727
Conversion spread related to the 2011 Notes	222	2,684	3,559
Conversion spread related to the 2013 Notes	508	2,971	3,846
Weighted-average shares of common stock outstanding used in the calculation of diluted net income per share attributable to Gilead common stockholders	873,396	934,109	958,825

Stock-Based Compensation

Share-based payments to employees are recognized in the Consolidated Statements of Income based on their fair values and the benefit of tax deductions in excess of recognized compensation cost are reported in the Consolidated Statements of Cash Flows as a financing activity, rather than as an operating activity. The calculated pool of excess tax benefits is recorded as part of additional paid-in capital (APIC).

Cash and Cash Equivalents

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

Marketable and Nonmarketable Securities

We determine the appropriate classification of our marketable securities, which consist primarily of debt securities and which include auction rate securities and variable rate demand obligations, at the time of purchase and reevaluate such designation at each balance sheet date. All of our marketable securities are considered as available-for-sale and carried at estimated fair values and reported in either cash equivalents, short-term marketable securities or long-term marketable securities. Unrealized gains and losses on available-for-sale securities are excluded from net income and reported in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. Interest and other income, net, includes interest, dividends, amortization of purchase premiums and discounts, realized gains and losses on sales of securities and other-than-temporary declines in the fair value of securities, if any. The cost of securities sold is based on the specific

identification method. We regularly review all of our investments for other-than-temporary declines in fair value. Our review includes the consideration of the cause of the impairment, including the creditworthiness of the security issuers, the number of securities in an unrealized loss position, the severity and duration of the unrealized losses, whether we have the intent to sell the securities and whether it is more likely than not that we will be required to sell the securities before the recovery of their amortized cost basis. When we determine that the decline in fair value of an investment is below our accounting basis and this decline is other-than-temporary, we reduce the carrying value of the security we hold and record a loss for the amount of such decline.

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

Concentrations of Risk

We are subject to credit risk from our portfolio of cash equivalents and marketable securities. 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. 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 December 31, 2010.

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

Accounts Receivable

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

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Inventories

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

Prepaid Royalties

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

Our prepaid royalties are primarily comprised of emtricitabine royalties we paid to Emory University (Emory) for the HIV indication when we and Royalty Pharma purchased the royalty interest owned by Emory in 2005. Under the terms of the transaction, we and Royalty Pharma paid 65% and 35%, respectively, of the total purchase price of $525.0 million to Emory in exchange for the elimination of the emtricitabine royalties due to Emory on worldwide net sales of products containing emtricitabine. As a result of this transaction, we capitalized as prepaid royalties our 65% share of the $525.0 million purchase price, or $341.3 million. As of December 31, 2010 and 2009, we had an unamortized prepaid royalty asset of $219.5 million and $245.0 million, respectively. In 2010, 2009 and 2008, $25.5 million, $29.9 million and $31.8 million were amortized to cost of goods sold, respectively.

Property, Plant and Equipment

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

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

Office and computer equipment includes capitalized software. We had unamortized capitalized software costs of $22.5 million and $25.2 million on our Consolidated Balance Sheets as of December 31, 2010 and 2009, respectively. Leasehold improvements and capitalized leased equipment are amortized over the shorter of the lease term or the asset's useful life. Amortization of capitalized leased equipment is included in depreciation expense. Capitalized interest on construction in-progress is included in property, plant and equipment. Interest capitalized in 2010, 2009 and 2008 was not significant.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Goodwill and Other Intangible Assets

Goodwill represents the excess of the consideration transferred over the estimated fair value of assets acquired and liabilities assumed in a business combination. Other intangible assets primarily related to marketed products and purchased in-process research and development (IPR&D) projects from our acquisitions of CGI Pharmaceuticals, Inc. (CGI) in July 2010 and CV Therapeutics, Inc. (CV Therapeutics) in April 2009, and are measured at their respective fair values as of the acquisition date. We do not amortize goodwill and other intangible assets with indefinite useful lives. We test goodwill and other indefinite-lived intangible assets for impairment on an annual basis and in between annual tests if we become aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the assets below their carrying amounts.

Intangible assets with finite useful lives are amortized over their estimated useful lives and are reviewed for impairment when facts or circumstances suggest that the carrying value of these assets may not be recoverable. We amortize the intangible asset related to Ranexa, which we acquired from CV Therapeutics, over its estimated useful life using an amortization rate derived from our forecasted future product sales for Ranexa. Our product sales forecasts are prepared annually and determined using our best estimates of future activity and consider such factors as historical and expected future patient usage or uptake of our products, the introduction of complimentary or combination therapies or products and future product launch plans. If a previously unanticipated and significant change occurs to our sales forecasts, we will prospectively update the rate used to amortize our intangible asset related to Ranexa which may increase future cost of goods sold, as that is where we record the amortization expense. We amortize the intangible asset related to Lexiscan, which we also acquired from CV Therapeutics, over its estimated useful life to cost of goods sold on a straight-line basis. Given that current Lexiscan revenues consist of royalties received from a collaboration partner and our lack of ongoing access and visibility into that partner's future sales forecasts, we cannot make a reasonable estimate of the amortization rate using a forecasted product sales approach.

Impairment of Long-Lived Assets

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

Should there be an indication of impairment, we will test for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of the asset or asset group and its eventual disposition to the carrying amount of the asset or asset group. Any excess of the carrying value of the asset or asset group over its estimated fair value will be recognized as an impairment loss.

Foreign Currency Translation, Transactions and Contracts

Adjustments resulting from translating the financial statements of our foreign subsidiaries into U.S. dollars are excluded from the determination of net income and are recorded in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. Net foreign currency exchange transaction gains or losses are included in interest and other income, net, on our Consolidated Statements of Income. Net transaction losses totaled $3.7 million, $16.4 million and $36.5 million in 2010, 2009 and 2008, respectively.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We 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 and 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, nor do we hedge our net investment in any of our foreign subsidiaries.

Fair Value of Financial Instruments

Our financial instruments consist principally of cash and cash equivalents, marketable securities, accounts receivable, 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 Consolidated Balance Sheets. The carrying value and fair value of the Notes were $3.48 billion and $3.97 billion, respectively, as of December 31, 2010. The carrying value and fair value of the Notes were $1.16 billion and $1.58 billion, respectively as of December 31, 2009. The fair value of the Notes was based on their quoted market values. The remaining financial instruments are reported on our Consolidated Balance Sheets at amounts that approximate current fair values.

Income Taxes

Our income tax provision is computed under the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Significant estimates are required in determining our provision for income taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. Various factors may have favorable or unfavorable effects on our 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-tax deductible pharmaceutical excise tax that we will be required to pay starting in 2011 as a result of the enactment of U.S. healthcare reform legislation, the accounting for stock options and other share-based payments, mergers and acquisitions, 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 consolidated net income.

We record liabilities related to uncertain tax positions in accordance with the guidance that 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 such uncertain tax positions currently pending will have a material adverse effect on our 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.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued new standards for revenue recognition for agreements with multiple deliverables. These new standards impact the determination of when the individual deliverables included in a multiple element arrangement may be treated as separate units of accounting. Additionally, these new standards modify the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. These new standards are effective for us beginning in the first quarter of 2011; however, early adoption is permitted. The adoption of these standards will not have a material impact on our Consolidated Financial Statements.

In December 2010, in response to the pharmaceutical excise tax mandated by healthcare reform legislation adopted in the United States, the FASB issued a new standard to address how pharmaceutical manufacturers should recognize and classify this tax in their income statements. Effective 2011, we, along with other pharmaceutical manufacturers of branded drug products, are required to pay a portion of the pharmaceutical excise tax, calculated based on select government sales for the preceding calendar year as a percentage of total industry government sales. The new standard clarifies that the pharmaceutical excise tax shall be presented as an operating expense and that the liability related to the tax shall be estimated and recorded in full upon the first qualifying sale with a corresponding deferred cost that is amortized to expense generally using a straight-line method of allocation. The new standard is effective for us beginning in the first quarter of 2011. We estimate the 2011 impact of the pharmaceutical excise tax to be between $30–$50 million, which will be classified as selling, general and administrative expense in our Consolidated Financial Statements.

Also in December 2010, the FASB issued an update to its existing standard for business combinations to address the pro forma financial disclosure requirements for business combinations. The updated standard specifies that if a public entity presents comparative financial statements, the entity should disclose pro forma revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The updated standard is effective for us beginning in the first quarter of 2011; however, early adoption is permitted. The adoption of this standard will not 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; 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, as well as significant management judgment or estimation.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Certain amounts within debt securities have been re-categorized in the accompanying tables to conform to the current presentation. 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):

	December 31, 2010				December 31, 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Debt securities:								
U.S. treasury securities	$1,355,437	$ —	$ —	$1,355,437	$289,790	$ —	$ —	$ 289,790
U.S.government agencies and FDIC guaranteed securities	—	1,296,110	—	1,296,110	—	1,086,082	—	1,086,082
Municipal debt securities	—	17,625	—	17,625	—	433,474	—	433,474
Non-U.S. government securities	—	278,610	9,594	288,204	—	75,524	—	75,524
Corporate debt securities	—	1,119,254	—	1,119,254	—	566,176	—	566,176
Residential mortgage and asset-backed securities	—	277,043	—	277,043	—	120,407	839	121,246
Student loan-backed securities	—	—	70,771	70,771	—	—	104,823	104,823
Total debt securities	1,355,437	2,988,642	80,365	4,424,444	289,790	2,281,663	105,662	2,677,115
Equity securities	4,631	—	—	4,631	3,470	—	—	3,470
Derivatives	—	64,461	—	64,461	—	26,198	—	26,198
	$1,360,068	$3,053,103	$80,365	$4,493,536	$293,260	$2,307,861	$105,662	$2,706,783
Liabilities:								
Contingent consideration	—	—	11,100	11,100	—	—	—	—
Derivatives	—	38,553	—	38,553	—	47,688	—	47,688
	$ —	$ 38,553	$11,100	$ 49,653	$ —	$ 47,688	$ —	$ 47,688

Marketable securities, measured at fair value using Level 2 inputs, are primarily comprised of U.S. government agencies and FDIC guaranteed securities and corporate debt securities. We review trading activity and pricing for these investments 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. This approach results in the Level 2 classification of these securities within the fair value hierarchy.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table is a reconciliation of marketable securities measured at fair value using significant unobservable inputs (Level 3) (in thousands):

	Year Ended December 31,	
	2010	2009
Balance, beginning of period	$105,662	$102,633
Total realized and unrealized gains (losses) included in:		
Interest and other income, net	115	(29)
Other comprehensive income, net	5,026	10,332
Sales of marketable securities	(40,032)	(7,274)
Transfers into Level 3	9,594	—
Balance, end of period	$ 80,365	$105,662
Total losses included in interest and other income, net attributable to the change in unrealized losses relating to assets still held at the reporting date	$ —	$ (29)

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. Marketable securities, measured at fair value using Level 3 inputs, are substantially comprised of auction rate securities within our available-for-sale investment portfolio. The underlying assets of our auction rate securities consist 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. The underlying student loans have a weighted-average expected life of four to eight years. The discount rates used in our discounted cash flow model were based on market conditions for comparable or similar term asset-backed and other fixed income securities, adjusted for an illiquidity discount. This resulted in an annual discount rate of 2.12%. Our auction rate securities reset every seven to 14 days with maturity dates ranging from 2025 through 2040 and have annual interest rates ranging from 0.43% to 1.19%. As of December 31, 2010, our auction rate securities continued to earn interest.

Our auction rate securities were recorded in long-term marketable securities on our Consolidated Balance Sheets at December 31, 2010 and 2009. Although there continued to be failed auctions as well as lack of market activity and liquidity in 2010, we believe we had no other-than-temporary impairments on these securities as of December 31, 2010 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.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. AVAILABLE-FOR-SALE SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2010				
Debt securities:				
U.S. treasury securities	$1,349,348	$ 7,109	$ (1,020)	$1,355,437
U.S. government agencies and FDIC guaranteed securities	1,284,654	11,919	(463)	1,296,110
Municipal debt securities	17,543	103	(21)	17,625
Non-U.S. government securities	286,410	1,880	(86)	288,204
Corporate debt securities	1,112,976	8,040	(1,762)	1,119,254
Residential mortgage and asset-backed securities	277,359	923	(1,239)	277,043
Student loan-backed securities	75,900	—	(5,129)	70,771
Total debt securities	4,404,190	29,974	(9,720)	4,424,444
Equity securities	1,451	3,180	—	4,631
Total	$4,405,641	$ 33,154	$ (9,720)	$4,429,075
December 31, 2009				
Debt securities:				
U.S. treasury securities	$ 289,055	$ 844	$ (109)	$ 289,790
U.S. government agencies and FDIC guaranteed securities	1,077,910	9,116	(944)	1,086,082
Municipal debt securities	429,583	3,986	(95)	433,474
Non-U.S. government securities	74,756	874	(106)	75,524
Corporate debt securities	557,116	9,563	(503)	566,176
Residential mortgage and asset-backed securities	119,308	2,048	(110)	121,246
Student loan-backed securities	115,400	—	(10,577)	104,823
Total debt securities	2,663,128	26,431	(12,444)	2,677,115
Equity securities	1,451	2,019	—	3,470
Total	$2,664,579	$ 28,450	$(12,444)	$2,680,585

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

	December 31, 2010	December 31, 2009
Cash and cash equivalents	$ 18,883	$ 48,697
Short-term marketable securities	1,190,789	384,017
Long-term marketable securities	3,219,403	2,247,871
Total	$ 4,429,075	$ 2,680,585

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	December 31, 2010		December 31, 2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than one year	$1,206,032	$1,209,672	$ 429,980	$ 432,714
Greater than one year but less than five years	3,022,744	3,044,114	1,878,589	1,898,183
Greater than five years but less than ten years	33,076	33,580	56,895	57,585
Greater than ten years	142,338	137,078	297,664	288,633
Total	$4,404,190	$4,424,444	$2,663,128	$2,677,115

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

	Year Ended December 31,		
	2010	2009	2008
Gross realized gains on sales	$13,254	$10,373	$ 28,368
Gross realized losses on sales	$ (3,657)	$ (1,405)	$(18,732)

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

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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
December 31, 2010						
Debt securities:						
U.S. treasury securities	$ (1,020)	$ 531,184	$ —	$ —	$ (1,020)	$ 531,184
U.S. government agencies and FDIC guaranteed securities	(463)	226,176	—	—	(463)	226,176
Municipal debt securities	(21)	4,688	—	—	(21)	4,688
Non-U.S. government securities	(86)	44,317	—	—	(86)	44,317
Corporate debt securities	(1,762)	459,412	—	—	(1,762)	459,412
Residential mortgage and asset-backed securities	(1,239)	197,330	—	—	(1,239)	197,330
Student loan-backed securities	—	—	(5,129)	70,771	(5,129)	70,771
Total	$ (4,591)	$1,463,107	$ (5,129)	$ 70,771	$ (9,720)	$1,533,878
December 31, 2009						
Debt securities:						
U.S. treasury securities	$ (109)	$ 97,871	$ —	$ —	$ (109)	$ 97,871
U.S. government agencies and FDIC guaranteed securities	(944)	223,901	—	—	(944)	223,901
Municipal debt securities	(95)	65,377	—	—	(95)	65,377
Non-U.S. government securities	(106)	30,924	—	—	(106)	30,924
Corporate debt securities	(503)	126,410	—	—	(503)	126,410
Residential mortgage and asset-backed securities	(110)	36,446	—	—	(110)	36,446
Student loan-backed securities	—	—	(10,577)	104,823	(10,577)	104,823
Total	$ (1,867)	$ 580,929	$(10,577)	$104,823	$(12,444)	$ 685,752

As of December 31, 2010 and 2009, approximately 34% and 32%, respectively, of the total number of securities were in an unrealized loss position. The gross unrealized losses for auction rate securities were caused by a higher discount rate used in the valuation of these securities as compared to the coupon rates of these securities. The gross unrealized losses for the other securities were primarily the result of an increase in the yield-to-maturity of the underlying securities. No significant facts or circumstances have arisen to indicate that there has been any deterioration in the creditworthiness of the issuers of these securities. Based on our review of these securities, we believe we had no other-than-temporary impairments on these securities as of December 31, 2010 and 2009 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.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 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 and 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, nor do we hedge our net investment in any of our foreign subsidiaries.

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 interest and other income, net on our 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 interest and other income, net. The effective component of our hedge is recorded as an unrealized gain or loss on the hedging instrument in accumulated other comprehensive income (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 December 31, 2010 will be reclassified to product sales within 12 months.

We had notional amounts on foreign currency exchange contracts outstanding of $3.55 billion and $3.45 billion at December 31, 2010 and 2009, respectively.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes information about the fair values of derivative instruments on our Consolidated Balance Sheets (in thousands):

	As of December 31, 2010			
	Asset Derivatives		Liability Derivatives	
	Location	Fair Value	Location	Fair Value
Derivatives designated as hedges:				
Foreign currency exchange contracts	Other current assets	$ 59,276	Other accrued liabilities	$ 36,493
Foreign currency exchange contracts	Other noncurrent assets	5,089	Other long-term obligations	2,022
Total derivatives designated as hedges		64,365		38,515
Derivatives not designated as hedges:				
Foreign currency exchange contracts	Other current assets	96	Other accrued liabilities	38
Total derivatives not designated as hedges		96		38
Total derivatives		$ 64,461		$ 38,553

	As of December 31, 2009			
	Asset Derivatives		Liability Derivatives	
	Location	Fair Value	Location	Fair Value
Derivatives designated as hedges:				
Foreign currency exchange contracts	Other current assets	$ 16,183	Other accrued liabilities	$ 45,482
Foreign currency exchange contracts	Other noncurrent assets	10,010	Other long-term obligations	2,180
Total derivatives designated as hedges		26,193		47,662
Derivatives not designated as hedges:				
Foreign currency exchange contracts	Other current assets	5	Other accrued liabilities	26
Total derivatives not designated as hedges		5		26
Total derivatives		$ 26,198		$ 47,688

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

	Year Ended December 31	
	2010	2009
Derivatives designated as hedges:		
Net gains (losses) recognized in OCI (effective portion)	$115,073	$(29,698)
Net gains reclassified from accumulated OCI into product sales (effective portion)	$ 73,720	$ 81,694
Net gains (losses) recognized in interest and other income, net (ineffective portion and amounts excluded from effectiveness testing)	$ 887	$(14,493)
Derivatives not designated as hedges:		
Net gains (losses) recognized in interest and other income, net	$ 66,639	$(11,981)