GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. ACQUISITIONS

On January 1, 2009, we adopted guidance for recognizing and measuring assets acquired, liabilities assumed and any noncontrolling interests in the acquiree in a business combination. The guidance requires, for example, that IPR&D be capitalized at fair value as intangible assets at the time of acquisition and acquisition-related expenses and restructuring costs be recognized separately from the business combination. We adopted the provisions of this guidance on a prospective basis and applied it to our acquisitions of CGI in 2010 and CV Therapeutics in 2009, as discussed below.

CGI Pharmaceuticals, Inc.

In June 2010, we entered into an agreement to acquire CGI for up to $120.0 million in cash, consisting of $91.0 million as an upfront payment and up to $29.0 million of contingent consideration payable based on the achievement of clinical development milestones. This transaction closed on July 8, 2010, at which time CGI became a wholly-owned subsidiary. CGI was a privately-held development stage pharmaceutical company based in Branford, Connecticut, primarily focused on small molecule chemistry and protein kinase biology. The lead preclinical compound from CGI's library of proprietary small molecule kinase inhibitors targets spleen tyrosine kinase (Syk) and could have unique applications for the treatment of serious inflammatory diseases, including rheumatoid arthritis. We believe the acquisition provides us with an opportunity to expand our research efforts in an interesting and promising area of drug discovery.

The CGI acquisition was accounted for as a business combination. The results of operations of CGI since July 8, 2010 have been included in our Consolidated Statements of Income and were not significant.

The acquisition-date fair value of the total consideration transferred to acquire CGI was $102.1 million, and consisted of cash paid at or prior to closing of $91.0 million and contingent consideration of $11.1 million.

The following table summarizes the fair value of the assets acquired and liabilities assumed at July 8, 2010 (in thousands):

Intangible assets—IPR&D	$ 26,630
Goodwill	70,111
Deferred tax assets	12,656
Deferred tax liabilities	(6,313)
Other net liabilities assumed	(984)
Total consideration transferred	$102,100

Intangible Assets

Intangible assets associated with in-process research and development (IPR&D) projects relate to the preclinical Syk product candidate. Management estimated the acquisition-date fair value of intangible assets related to IPR&D to be $26.6 million. The estimated fair value was determined using the income approach, which discounts expected future cash flows to present value. We estimated the fair value using a present value discount rate of 18%, which is based on the estimated weighted-average cost of capital for companies with profiles substantially similar to that of CGI. This is comparable to the estimated internal rate of return for CGI's operations and represents the rate that market participants would use to value the intangible assets. The projected cash flows from the IPR&D project was based on key assumptions such as: estimates of revenues and operating profits related to the project considering its stage of development; the time and resources needed to complete the development and approval of the product candidate; the life of the potential commercialized product and

associated risks, including the inherent difficulties and uncertainties in developing a drug compound such as obtaining marketing approval from the FDA and other regulatory agencies; and risks related to the viability of and potential alternative treatments in any future target markets. Intangible assets related to IPR&D projects are considered to be indefinite-lived until the completion or abandonment of the associated R&D efforts. During the period the assets are considered indefinite-lived, they will not be amortized but will be tested for impairment on an annual basis as well as 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 IPR&D projects below their respective carrying amounts. If and when development is complete, which generally occurs if and when regulatory approval to market a product is obtained, the associated assets would be deemed finite-lived and would then be amortized based on their respective estimated useful lives at that point in time.

Goodwill

The excess of the consideration transferred over the fair values assigned to the assets acquired and liabilities assumed is $70.1 million, which represents the goodwill amount resulting from the CGI acquisition. Management believes that the goodwill mainly represents the synergies expected from combining our research and development operations as well as acquiring CGI's assembled workforce and other intangible assets that do not qualify for separate recognition. We recorded the goodwill as an intangible asset in our Consolidated Balance Sheet as of the acquisition date. Goodwill is tested for impairment on an annual basis as well as between annual tests if we become aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the goodwill below its carrying amount. As we have elected to treat the CGI acquisition as an asset acquisition for California state tax purposes, the goodwill resulting from the acquisition is deductible for California state income tax purposes, although such amounts are not deductible for federal income tax purposes.

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

CV Therapeutics, Inc.

On April 15, 2009, we acquired CV Therapeutics through a cash tender offer under the terms of an agreement and plan of merger entered into in March 2009. CV Therapeutics was a publicly-held biopharmaceutical company based in Palo Alto, California, primarily focused on the discovery, development and commercialization of small molecule drugs for the treatment of cardiovascular, metabolic and pulmonary diseases. CV Therapeutics had two marketed products, Ranexa for the treatment of chronic angina and Lexiscan injection for use as a pharmacologic stress agent in radionuclide MPI in patients unable to undergo adequate exercise stress. CV Therapeutics also had several product candidates in clinical development for the treatment of cardiovascular, metabolic and pulmonary diseases.

The CV Therapeutics acquisition was accounted for as a business combination. The results of operations of CV Therapeutics since April 15, 2009 have been included in our Consolidated Statements of Income. The acquisition date was determined to be April 15, 2009 as that is the date on which we acquired approximately 89% of the outstanding shares of common stock of CV Therapeutics and obtained effective control of the company. The acquisition was completed two days later on April 17, 2009, at which time CV Therapeutics became a wholly-owned subsidiary.

The aggregate consideration transferred to acquire CV Therapeutics was $1.39 billion, and consisted of cash paid for common stock and other equity instruments at or prior to closing of $1.38 billion and the fair value of vested stock options assumed of $15.7 million.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In accordance with the merger agreement, the number of Gilead stock options and restricted stock units into which assumed CV Therapeutics' stock options and restricted stock units were converted was determined based on an option conversion ratio. This conversion ratio was calculated by taking the per share acquisition price of $20.00 and dividing it by the average closing price of our common stock for the five consecutive trading days immediately preceding (but not including) the closing date of April 17, 2009, which was $46.24 per share. The fair value of stock options assumed was calculated using a Black-Scholes valuation model with the following assumptions: market price of $44.54 per share, which was the closing price of our common stock on the acquisition date; expected term ranging from 0.1 to 5.2 years; risk-free interest rate ranging from 0.1% to 1.7%; expected volatility ranging from 37.4% to 43.2%; and no dividend yield. The fair value of restricted stock units assumed was calculated using the acquisition-date closing price of $44.54 per share for our common stock.

We included the fair value of vested stock options assumed by us of $15.7 million in the consideration transferred for the acquisition. We did not assume any vested restricted stock units. The estimated fair value of unvested stock options and restricted stock units assumed by us of $11.2 million was not included in the consideration transferred and is being recognized as stock-based compensation expenses over the remaining future vesting period of the awards.

The following table summarizes the assets acquired and liabilities assumed at April 15, 2009 (in thousands):

Intangible assets—marketed products	$ 951,200
Intangible assets—IPR&D	138,900
Goodwill	341,910
Deferred tax assets	413,816
Deferred tax liabilities	(426,861)
Other assets/liabilities	
Cash and cash equivalents	129,087
Marketable securities	116,363
Accounts receivable	9,136
Inventories	50,455
Prepaids and other current assets	60,671
Property, plant and equipment	11,672
Other assets	20,162
Accounts payable	(5,089)
Accrued and other current liabilities	(87,898)
Convertible senior notes	(303,060)
Other liabilities	(27,906)
Total other net liabilities	(26,407)
Total consideration transferred	$1,392,558

Intangible Assets

A substantial portion of the assets acquired consisted of intangible assets related to CV Therapeutics' two marketed products, Ranexa and Lexiscan, and CV Therapeutics' IPR&D projects. Management determined that the estimated acquisition-date fair values of the intangible assets related to the marketed products and IPR&D projects were $951.2 million and $138.9 million, respectively.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Of the $951.2 million of intangible assets related to the marketed products, $688.4 million related to Ranexa and $262.8 million related to Lexiscan. We have determined that these intangible assets have finite useful lives and will be amortized over their respective useful lives, which we estimated to be the periods over which the associated product patents will expire as those are the periods over which the intangible assets are expected to contribute to the future cash flows of the related products.

We are amortizing the intangible asset related to Ranexa over its estimated useful life using an amortization rate derived from our forecasted future product sales for Ranexa. We are amortizing the intangible asset related to Lexiscan over its estimated useful life 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. The weighted-average amortization period for these intangible assets is approximately ten years.

Of the $138.9 million of intangible assets related to the IPR&D projects, $93.4 million related to GS 9667 (formerly CVT-3619), a product candidate that was in Phase 1 clinical studies for the treatment of diabetes and hypertriglyceridemia. The remaining balance of the intangible assets related to IPR&D projects represented various other in-process projects with no single project comprising a significant portion of the total value. Intangible assets related to IPR&D projects are considered to be indefinite-lived until the completion or abandonment of the associated R&D efforts. During the period the assets are considered indefinite-lived, they will not be amortized but will be tested for impairment on an annual basis and between annual tests if we become aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the IPR&D projects below their respective carrying amounts. During the fourth quarter of 2010, we recorded $136.0 million of impairment charges related to certain IPR&D assets acquired from CV Therapeutics which we had no future plans to develop and which were deemed to have no future use to us or other market participants. These charges related to the GS 9667, Adentri and tecadenoson programs and were recorded in R&D expense. The majority of the impairment charge related to our GS 9667 program, which was terminated in the fourth quarter of 2010 due to unfavorable results from pharmacokinetics and pharmacodynamics tests that demonstrated limited effectiveness of the compound in patients. Given these results, we do not believe it has alternative future uses for us or other market participants. As of December 31, 2010, we had $2.9 million of IPR&D assets acquired from CV Therapeutics remaining on our Consolidated Balance Sheet.

Deferred Tax Assets and Deferred Tax Liabilities

The $413.8 million of deferred tax assets resulting from the acquisition was primarily related to federal and state net operating loss and tax credit carryforwards. The $426.9 million of deferred tax liabilities resulting from the acquisition was primarily related to the difference between the book basis and tax basis of the intangible assets related to the marketed products and IPR&D projects. We have concluded that it is more likely than not that we will not realize the benefit from deferred tax assets related to certain state net operating loss carryforwards. As a result, a valuation allowance of $15.1 million was recorded related to those deferred tax assets. For presentation purposes, the $426.9 million of deferred tax liabilities, all of which is of a noncurrent nature, has been netted against noncurrent deferred tax assets on our Consolidated Balance Sheet. As a result of the impairment charges recorded in the fourth quarter of 2010, we reduced the deferred tax liabilities related to IPR&D projects by $49.7 million.

Convertible Senior Notes

As a result of the acquisition, we assumed convertible notes from CV Therapeutics consisting of 2.75% senior subordinated convertible notes due 2012, 3.25% senior subordinated convertible notes due 2013 and 2.0%

senior subordinated convertible debentures due 2023. All of these convertible notes were recognized at their fair values at the acquisition date. In May 2009, we offered to repurchase these convertible notes in consideration for their par value plus accrued interest, as required under the terms of the respective convertible note agreements following the occurrence of a change in control or fundamental change as defined in the agreements. As of December 31, 2010, all of these convertible notes have been extinguished.

Goodwill

The excess of the consideration transferred over the fair values assigned to the assets acquired and liabilities assumed was $341.9 million, which represents the goodwill amount resulting from the acquisition. Management believes that the goodwill mainly represents the synergies and economies of scale expected from combining our operations with CV Therapeutics. None of the goodwill is expected to be deductible for income tax purposes. We recorded the goodwill as an intangible asset in our Consolidated Balance Sheet as of the acquisition date. Goodwill is tested for impairment on an annual basis and between annual tests if we become aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the goodwill below its carrying amount.

Navitas Assets, LLC

In May 2008, we executed an asset purchase agreement with Navitas Assets, LLC (Navitas) to acquire all of the assets related to its cicletanine business. We acquired the exclusive rights to regulatory data and filings for development of cicletanine as a monotherapy for PAH and for other indications in the United States. We are evaluating cicletanine, currently in Phase 2 clinical trials, as a potential treatment of PAH.

The aggregate consideration transferred for the acquisition was $10.9 million, and consisted primarily of cash paid. In addition, Navitas is entitled to potential additional purchase consideration, including payments contingent on future achievement of certain development and regulatory milestones. These amounts will be recorded when and if the related contingencies are resolved. The consideration transferred was allocated to IPR&D which represents the purchased IPR&D program for cicletanine that had not yet reached technological feasibility and had no alternative future uses as of the acquisition date, and therefore, was expensed upon acquisition within our Consolidated Statement of Income.

6. RESTRUCTURING

During the second quarter of 2010, we implemented a plan to close our research operations in Durham, North Carolina and consolidate our liver disease research activities in Foster City, California. The restructuring plan includes consolidation of the liver disease R&D organization and our exit from certain facilities. During the year, we recorded a total of $14.6 million and $10.4 million in SG&A expenses and R&D expenses, respectively, related to employee severance and facilities-related expenses under this plan. In December 2010, we closed our operations in Durham. We do not expect to incur any additional significant costs in connection with this plan.

During the second quarter of 2009, we approved a plan to realize certain synergies as a result of the CV Therapeutics acquisition by re-aligning our cardiovascular operations and eliminating redundancies. The restructuring plan included consolidation and re-alignment of the cardiovascular R&D organization, our exit from certain facilities and the termination of certain contractual obligations. In 2010, we recorded $10.6 million and $3.4 million of restructuring expenses in SG&A and R&D expenses, respectively. Comparatively, in 2009, we recorded $26.2 million and $25.7 million in SG&A and R&D expenses, respectively. In both years, the expenses primarily related to employee severance, relocation, lease termination costs and other facilities-related

expenses. Total costs incurred under this plan were $36.8 million and $29.1 million in SG&A and R&D expenses, respectively. We do not expect to incur any additional costs in connection with this plan.

The following table summarizes the restructuring liabilities accrued for and changes in those amounts during the period for the restructuring plan related to our cardiovascular operations (in thousands):

	Employee Severance and Termination Benefits	Facilities-Related Costs
Balance at December 31, 2008	$ —	$ —
Costs incurred during the period	33,797	9,880
Costs paid or settled during the period	(24,108)	(545)
Balance at December 31, 2009	$ 9,689	$ 9,335
Costs incurred during the period	2,190	9,727
Costs paid or settled during the period	(11,445)	(4,529)
Balance at December 31, 2010	$ 434	$14,533

7. INVENTORIES

Inventories are summarized as follows (in thousands):

	December 31,	
	2010	2009
Raw materials	$ 408,015	$ 333,582
Work in process	454,652	392,042
Finished goods	341,142	326,147
Total inventories	$1,203,809	$1,051,771

As of December 31, 2010 and 2009, the joint ventures formed by Gilead and BMS (see Note 10), which are included in our Consolidated Financial Statements, held $811.9 million and $667.8 million in inventory, respectively, of efavirenz active pharmaceutical ingredient purchased from BMS at BMS' estimated net selling price of efavirenz.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows (in thousands):

	December 31, 2010	December 31, 2009
Property, plant and equipment, net:		
Buildings and improvements (including leasehold improvements)	$ 501,401	$ 490,632
Laboratory and manufacturing equipment	168,711	176,362
Office and computer equipment	116,479	126,375
Capitalized leased equipment	10,865	15,232
Construction in progress	82,334	58,448
Subtotal	879,790	867,049
Less accumulated depreciation and amortization (including $10,451 and $14,999 relating to capitalized leased equipment for 2010 and 2009, respectively)	(316,367)	(304,888)
Subtotal	563,423	562,161
Land	137,812	137,809
Total	$ 701,235	$ 699,970

In January 2009, we completed the purchase of an office building and approximately 30 acres of land located in Foster City, California, for an aggregate purchase price of $140.1 million. Based on the estimated relative fair values, the purchase price was allocated primarily to land of $71.6 million, building of $64.3 million, land improvements of $2.7 million and office furniture and equipment of $1.1 million.

9. INTANGIBLE ASSETS

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

	December 31, 2010	December 31, 2009
Goodwill	$ 532,669	$ 462,558
Finite lived intangible assets	863,393	923,319
Indefinite lived intangible assets	29,530	138,900
Total	$1,425,592	$1,524,777

The following table summarizes the changes in the carrying amount of goodwill (in thousands):

Balance at December 31, 2009	$462,558
Goodwill resulting from the acquisition of CGI	70,111
Balance at December 31, 2010	$532,669

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	December 31, 2010		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible asset—Ranexa	$ 688,400	$ 54,795	$ 688,400	$ 21,889
Intangible asset—Lexiscan	262,800	43,979	262,800	18,235
Other	22,095	11,128	22,095	9,852
Total	$ 973,295	$ 109,902	$ 973,295	$ 49,976

Amortization expense related to intangible assets was $59.9 million for the year ended December 31, 2010, and was recorded in cost of goods sold in our Consolidated Statement of Income. Amortization expense related to intangible assets was $43.4 million for the year ended December 31, 2009 and was recorded primarily in cost of goods sold in our Consolidated Statement of Income. Amortization expense related to intangible assets was $2.8 million for the year ended December 31, 2008 and was recorded primarily in SG&A expenses in our Consolidated Statement of Income. The weighted-average amortization period for these intangible assets is approximately ten years.

As of December 31, 2010, the estimated future amortization expense associated with our intangible assets for each of the five succeeding fiscal years is as follows (in thousands):

Fiscal Year	Amount
2011	$ 69,324
2012	75,776
2013	82,086
2014	90,940
2015	100,647
Total	$418,773

As of December 31, 2010, we had indefinite-lived intangible assets of $29.5 million, which consisted of $26.6 million and $2.9 million of purchased IPR&D from our acquisitions of CGI and CV Therapeutics, respectively. During the fourth quarter of 2010, we recorded $136.0 million of impairment charges related to certain IPR&D assets acquired from CV Therapeutics which we had no future plans to develop and which were deemed to have no future use to us or other market participants. These charges related to the GS 9667, Adentri and tecadenoson programs and were recorded in R&D expense. The majority of the impairment charge related to our GS 9667 program, a product candidate that was in Phase 1 clinical studies for the treatment of diabetes and hypertriglyceridemia, which was terminated in the fourth quarter of 2010 due to unfavorable results from pharmacokinetics and pharmacodynamics tests that demonstrated limited effectiveness of the compound in patients. Given these results, we do not believe it has alternative future uses for us or other market participants. As of December 31, 2009, we had indefinite-lived intangible assets of $138.9 million related to purchased IPR&D from our acquisition of CV Therapeutics.

10. COLLABORATIVE ARRANGEMENTS

As a result of entering into strategic collaborations from time to time, we may hold investments in non-public companies. We review our interests in our investee companies for consolidation and/or appropriate disclosure based on applicable guidance. As disclosed in Note 1, we determined that certain of our investee

companies are variable interest entities; however, other than with respect to our joint ventures with BMS, we are not the primary beneficiary and therefore do not consolidate these investees.

Bristol-Myers Squibb Company

North America

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

We share marketing and sales efforts with BMS and both parties are obligated to provide equivalent sales force efforts for a minimum number of years. Starting in the second quarter of 2011, except for a limited number of activities that will be jointly managed, the parties will no longer coordinate detailing and promotional activities in the United States. The parties will continue to collaborate on activities such as manufacturing, regulatory, compliance and pharmacovigilance. We are responsible for accounting, financial reporting, tax reporting, manufacturing and product distribution for the joint venture. Both parties provide their respective bulk active pharmaceutical ingredients to the joint venture at their approximate market values. In July 2006, the joint venture received approval from the FDA to sell Atripla in the United States. In September 2006, we and BMS amended the joint venture's collaboration agreement to allow the joint venture to sell Atripla into Canada and in October 2007, the joint venture received approval from Health Canada to sell Atripla in Canada. As of December 31, 2010 and 2009, the joint venture held efavirenz active pharmaceutical ingredient which it purchased from BMS at BMS's estimated net selling price of efavirenz in the U.S. market. These amounts are included in inventories on our Consolidated Balance Sheets. As of December 31, 2010 and 2009, total assets held by the joint venture were $1.45 billion and $1.40 billion, respectively, and consisted primarily of cash and cash equivalents, accounts receivable (including intercompany receivables with Gilead) and inventories. As of December 31, 2010 and 2009, total liabilities held by the joint venture were $759.5 million and $1.03 billion, respectively, and consisted primarily of accounts payable (including intercompany payables with Gilead) and other accrued expenses. These asset and liability amounts do not reflect the impact of intercompany eliminations that are included in our Consolidated Balance Sheets. Although we are the primary beneficiary of the joint venture, the legal structure of the joint venture limits the recourse that its creditors will have over our general credit or assets.

Europe

In December 2007, Gilead Sciences Limited (GSL), a wholly-owned subsidiary in Ireland, and BMS entered into a collaboration arrangement to commercialize and distribute Atripla in the European Union, Iceland, Liechtenstein, Norway and Switzerland (collectively, the European Territory). The parties formed a limited liability company which we consolidate, to manufacture Atripla for distribution in the European Territory using efavirenz that it purchases from BMS at BMS's estimated net selling price of efavirenz in the European Territory. We are responsible for product distribution, inventory management and warehousing. Through our local subsidiaries, we have primary responsibility for order fulfillment, collection of receivables, customer relations and handling of sales returns in all the territories where we co-promote Atripla with BMS. We are also responsible for accounting, financial reporting and tax reporting for the collaboration. In December 2007, the

European Commission approved Atripla for sale in the European Union. As of December 31, 2010 and 2009, efavirenz purchased from BMS at BMS's estimated net selling price of efavirenz in the European Territory is included in inventories on our Consolidated Balance Sheets.

The parties also formed a limited liability company to hold the marketing authorization for Atripla in Europe. We have primary responsibility for regulatory activities and we share marketing and sales efforts with BMS. In the major market countries, both parties have agreed to provide equivalent sales force efforts. Revenue and cost sharing is based on the relative ratio of the respective net selling prices of Truvada and efavirenz.

PARI GmbH

As a result of our acquisition of Corus Pharma, Inc. (Corus) in August 2006, we assumed all rights to the February 2002 development agreement between Corus and PARI GmbH (PARI) for the development of Cayston and development of an inhalation delivery device for this product. Under the terms of the agreement, we are obligated to pay PARI for services rendered, and subject to the achievement of specific milestones, we are obligated to pay certain milestone payments to PARI. In addition, we will make royalty payments based on net sales of Cayston. The agreement also provided us the right to reduce the royalty rate payable to PARI. In November 2007, we paid PARI $13.5 million to reduce the royalty rate under the agreement. As Cayston had not yet been approved for commercialization at the time of the payment, we recorded this payment in R&D expenses in our Consolidated Statement of Income. In April 2008, pursuant to the February 2002 development agreement, we entered into a commercialization agreement with PARI which provides for the supply and manufacture of an inhalation delivery device and accessories for use with Cayston. Under the terms of this agreement, we are obligated to pay royalties on future net sales of these products pursuant to the 2002 development agreement.

In February 2010, we received marketing approval from the FDA for Cayston as a treatment to improve respiratory symptoms in CF patients with *P. aeruginosa*. Cayston was conditionally approved in Europe and Canada in September 2009.

Parion Sciences, Inc.

In August 2007, we entered into a research collaboration and license agreement with Parion Sciences, Inc. (Parion) to research, develop and commercialize certain epithelial sodium channel (ENaC) inhibitors for the treatment of pulmonary diseases. The agreement granted us worldwide commercialization rights to GS 9411 (formerly P-680), an ENaC inhibitor discovered by Parion, for the treatment of pulmonary diseases, including CF, chronic obstructive pulmonary disease and non-CF bronchiectasis. In accordance with the terms of the agreement, we paid a $5.0 million up-front license fee that was recorded in R&D expenses in our Consolidated Statement of Income as there was no future alternative use for this technology, and made a $5.0 million investment in Parion in the form of convertible debt, which was recorded as other noncurrent assets in our Consolidated Balance Sheet. Under the collaboration agreement, we will lead all development and commercialization activities and provide funding of full time equivalent employees for certain research activities. In addition, we are obligated to make additional payments upon the achievement of certain milestones and pay royalties on future net sales of products that are developed and approved in relation to this collaboration. In August 2010, development of GS 9411 was terminated and the term of the research collaboration was extended to identify additional ENaC inhibitors for development.

Roche

In September 1996, we entered into a development and license agreement (the 1996 Agreement) with Roche to develop and commercialize therapies to treat and prevent viral influenza. Tamiflu, an antiviral oral formulation

for the treatment and prevention of influenza, was co-developed by us and Roche. Under the 1996 Agreement, Roche has the exclusive right to manufacture and sell Tamiflu worldwide, subject to its obligation to pay us a percentage of the net revenues that Roche generates from Tamiflu sales, which, in turn, has been subject to reduction for certain defined manufacturing costs.

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

The royalties payable to us on net sales of Tamiflu sold by Roche remain the same under the amended agreement, which are as follows: (a) 14% of the first $200.0 million in worldwide net sales in a given calendar year; (b) 18% of the next $200.0 million in worldwide net sales during the same calendar year; and (c) 22% of worldwide net sales in excess of $400.0 million during the same calendar year. The amended agreement revised the provision in the 1996 Agreement relating to the calculation of royalty payments such that in any given calendar quarter Roche will pay royalties based on the actual royalty rates applicable to such quarter. In addition, under the amended agreement, royalties payable by Roche to us will no longer be subject to a cost of goods sold adjustment that was provided in the 1996 Agreement. We recorded a total of $386.5 million, $392.7 million and $155.5 million of Tamiflu royalties in 2010, 2009 and 2008, respectively.

As a result of our acquisition of CV Therapeutics in April 2009, we assumed all rights to the agreement between CV Therapeutics and Roche under which we have an exclusive worldwide license to Ranexa. Under the license agreement, we paid an initial license fee and are obligated to make certain payments to Roche upon receipt of the first and second product approvals for Ranexa in any of the following major market countries: France, Germany, Italy, the United States and the United Kingdom. In January 2006, we received FDA approval for Ranexa for the treatment of chronic angina and paid $11.0 million to Roche in accordance with the agreement. In July 2008, we received marketing authorization from the European Medicines Agency (EMEA) for Ranexa for the treatment of chronic angina in all 27 European Union member states and paid $9.0 million to Roche related to this approval. This amount was capitalized as a noncurrent asset on our Consolidated Balance Sheet and is being amortized over its useful patent life, which is approximately 11 years, expiring in September 2019.

In June 2006, we entered into an amendment to the agreement with Roche related to Ranexa. This amendment provided us with exclusive worldwide commercial rights to Ranexa for all potential indications in humans. Under the terms of the amendment, we made an upfront payment to Roche and are obligated to make royalty payments to Roche on worldwide net product sales of any licensed products. In addition, we are obligated to make additional milestone payments upon the achievement of certain regulatory approvals.

Japan Tobacco Inc.

In March 2005, Japan Tobacco Inc. (Japan Tobacco) granted us exclusive rights to develop and commercialize elvitegravir, a novel HIV integrase inhibitor formerly known as GS 9137, in all countries of the world, excluding Japan, where Japan Tobacco retained such rights. Under the terms of the agreement, we incurred an up-front license fee of $15.0 million which was included in R&D expenses in 2005 as there was no future alternative use for this technology. In March 2006, we recorded $5.0 million in R&D expenses related to a

milestone we incurred as a result of dosing the first patient in a Phase 2 clinical study and in July 2008, we recorded $7.0 million in R&D expenses related to a milestone we paid related to the dosing of the first patient in a Phase 3 clinical study. We are obligated to make additional payments upon the achievement of other milestones as well as pay royalties on any future product sales arising from this collaboration.

GlaxoSmithKline Inc.

In April 2002, we granted GSK the right to commercialize Hepsera, our oral antiviral for the treatment of chronic hepatitis B, in Asia, Latin America and certain other territories. Under the agreement, we retained rights to Hepsera in the United States, Canada, Europe, Australia, New Zealand and Turkey. GSK received exclusive rights to develop Hepsera solely for the treatment of chronic hepatitis B in all of its territories, the most significant of which include China, Japan, South Korea and Taiwan. GSK has full responsibility for the development and commercialization of Hepsera in its territories. Under the terms of the agreement, we received an up-front license payment of $10.0 million and from 2002 to 2004, we received an aggregate of $17.0 million in milestone payments related to the commercial approvals of Hepsera in various countries. In 2006, we received an aggregate of $10.0 million in milestone payments from GSK for the achievement by GSK of four consecutive quarters of Hepsera gross sales exceeding $75.0 million and the achievement of a certain drug status in China. The up-front license fee and milestone payments had been recorded as deferred revenue with a total of $3.4 million and $3.6 million being amortized into contract revenue in 2008 and 2007, respectively. During the first quarter of 2009, we terminated our supply agreement with GSK to allow GSK to assume all manufacturing and supply obligations for Hepsera for use in the GSK territories. As a result of the termination of this supply agreement, we recognized the remaining $24.5 million balance of deferred revenue into contract revenue as of March 31, 2009. Under the terms of the agreement, GSK is also required to pay us royalties on net sales that GSK generates from sales of Hepsera and Epivir-HBV/Zeffix (GSK's hepatitis product) in the GSK territories. We recorded $48.0 million, $32.4 million and $31.7 million of royalty revenues in 2010, 2009 and 2008, respectively.

In November 2009, we entered into an agreement with GSK to commercialize Viread for the treatment of chronic hepatitis B in five countries in Asia. Under the agreement, we will retain exclusive rights for commercialization of Viread for chronic hepatitis B in Hong Kong, Singapore, South Korea and Taiwan. In China, GSK will have exclusive commercialization rights for Viread for chronic hepatitis B. Each company will pay royalties to the other on sales of Viread for chronic hepatitis B in their respective Asian territories.

In September 2010, we granted GSK the exclusive right to commercialize tenofovir disoproxil fumarate for chronic hepatitis B in Japan. GSK will be required to pay us royalties on sales of tenofovir disoproxil fumarate for chronic hepatitis B in this territory.

As a result of our acquisition of Myogen, Inc. (Myogen) in November 2006, we assumed all rights to the March 2006 license and distribution and supply agreements between Myogen and GSK. Under the terms of the license agreement, GSK has exclusive rights to market ambrisentan (the active pharmaceutical ingredient in Letairis) under the name Volibris for PAH in territories outside the United States. We received an up-front payment of $20.0 million and, subject to the achievement of specific milestones, we are eligible to receive total additional milestone payments of $80.0 million. In addition, we will receive royalties based on net sales of Volibris in the GSK territories. GSK has an option to negotiate from us an exclusive sublicense for additional therapeutic uses for Volibris in the GSK territories during the term of the license agreement. We will continue to conduct and bear the expense of all clinical development activities that we believe are required to obtain and maintain regulatory approvals for Letairis and Volibris in the United States, Canada and the European Economic Area, and each party may conduct additional development activities in its territories at its own expense. The

parties may agree to jointly develop ambrisentan for new indications in the licensed field and each party will pay its share of external costs associated with such joint development. In 2007, we received a milestone payment of $11.0 million from GSK for validation by the EMEA of the marketing authorization application for Volibris, and in 2008, we received a $20.0 million milestone payment related to the European Commission marketing authorization approval for Volibris. The milestone and up-front license payments have been recorded as deferred revenue and are being amortized into contract revenue over the remaining period for which we have performance obligations under the agreement, which is approximately six years. We amortized $8.7 million, $8.3 million and $5.0 million to contract revenue in 2010, 2009 and 2008, respectively.

Astellas US LLC and Astellas Pharma US, Inc. (Astellas), as applicable

As a result of our acquisition of CV Therapeutics in April 2009, we assumed all rights to the July 2000 collaboration agreement between CV Therapeutics and Astellas US LLC to develop and market second generation pharmacologic MPI stress agents. Under this agreement, Astellas received exclusive North American rights to Lexiscan and to a backup compound. In April 2008, we received FDA approval of Lexiscan for use as a pharmacologic stress agent in MPI studies in patients unable to undergo adequate exercise stress. Under the terms of the agreement, the product is marketed by Astellas and was launched in June 2008 in the United States. For the years ended December 31, 2010 and 2009, we recognized $43.2 million and $19.7 million, respectively, of royalty revenue from Astellas related to sales of Lexiscan.

Since 1991, we have had an agreement with Astellas Pharma US, Inc. related to rights to market AmBisome. Under the terms of the agreement, Astellas is responsible for promotion of AmBisome in the United States and Canada. We have exclusive marketing rights to AmBisome in the rest of the world, subject to our obligation to pay royalties to Astellas in connection with sales in significant markets in Asia. We receive royalties from Astellas' sales of AmBisome in the Unites States and Canada. In connection with this agreement, we recorded royalty revenues of $10.2 million, $9.4 million and $9.5 million in 2010, 2009 and 2008, respectively.

Tibotec Pharmaceuticals

In July 2009, we entered into a license and collaboration agreement with Tibotec Pharmaceuticals (Tibotec), a wholly-owned subsidiary of Johnson & Johnson, to develop and commercialize a fixed-dose combination of our Truvada and Tibotec's non-nucleoside reverse transcriptase inhibitor, TMC278 (25 mg rilpivirine hydrochloride), for which we currently have a pending marketing application. In January 2011, we received a "refuse to file" notification from the U.S. FDA. In its communication, the FDA requested additional information with respect to the Chemistry, Manufacturing and Controls section of the NDA submission. In February 2011, we re-filed our new drug application, which included the requested information, and are awaiting the FDA's response as to whether it is substantially complete to permit a substantive review. Under our license and collaboration agreement with Tibotec, we were granted an exclusive license to the combination product for administration to adults in a once-daily, oral dosage form, worldwide excluding developing world countries and Japan. Neither party is restricted from combining its drug products with any other drugs.

In accordance with the terms of the agreement, we will reimburse up to €71.5 million (approximately $100.0 million) of development costs incurred by Tibotec for TMC278 through December 2011, and we are required to use commercially reasonable efforts to develop and formulate the combination product, including the completion of bioequivalence studies. For the years ended December 31, 2010 and 2009, we recorded €17.9 million (approximately $22.1 million) and €35.7 million (approximately $52.4 million), respectively, in reimbursable R&D expenses incurred by Tibotec in the development of TMC278. Tibotec is required to use commercially reasonable efforts to develop TMC278 and obtain its approval in the United States and Europe. We will

manufacture the combination product and assume the lead role in registration, distribution and, subject to regulatory approval, commercialization of the combination product in the licensed countries. Tibotec will have the right to detail the combination product in the licensed countries, and, at its option, can request that it be the distributor of the combination product in a limited number of such countries. The price of the combination product is expected to be the sum of the prices of the Truvada and TMC278 components. We expect to recognize product sales revenue from future sales of the combination product if and when it is approved. The cost of TMC278 to be purchased by us from Tibotec for the combination product will approximate the market price of TMC278, less a specified percentage of up to thirty percent.

11. LONG-TERM OBLIGATIONS

Convertible Senior Notes

The following table summarizes the carrying amount of our convertible senior notes (in thousands):

	December 31,	
	2010	2009
2011 convertible senior notes	$ 638,991	$ 606,786
2013 convertible senior notes	576,884	548,480
2014 convertible senior notes	1,153,805	—
2016 convertible senior notes	1,107,884	—
Total convertible senior notes, net	3,477,564	1,155,266
Less current portion (2011 convertible senior notes)	638,991	—
Total non-current convertible senior notes, net	$2,838,573	$1,155,266

2011 and 2013 Notes

In April 2006, we issued $650.0 million of convertible senior notes due in 2011 (2011 Notes) and $650.0 million of convertible senior notes due in 2013 (2013 Notes) in a private placement pursuant to Rule 144A of the Securities Act of 1933, as amended. The 2011 Notes and the 2013 Notes were issued at par and bear interest rates of 0.50% and 0.625%, respectively. Debt issuance costs of $23.8 million were recorded in other noncurrent assets and are being amortized to interest expense over the contractual terms of the 2011 and 2013 Notes. The initial conversion rate for the 2011 Notes is 25.8048 shares per $1,000 principal amount of 2011 Notes (which represents an initial conversion price of approximately $38.75 per share), and the initial conversion rate for the 2013 Notes is 26.2460 shares per $1,000 principal amount of 2013 Notes (which represents an initial conversion price of approximately $38.10 per share). The conversion rates are subject to customary anti-dilution adjustments.

The 2011 and 2013 notes may be converted, subject to adjustment, only under the following circumstances: 1) during any calendar quarter beginning after September 30, 2006 if the closing price of our common stock for at least 20 trading days during the last 30 consecutive trading day period of the previous quarter is more than 130% of the applicable conversion price per share, 2) if we make specified distributions to holders of our common stock or if specified corporate transactions occur, or 3) during the last month prior to maturity of the applicable notes. Upon conversion, a holder would receive an amount in cash equal to the lesser of (i) the principal amount of the note or (ii) the conversion value for such note. If the conversion value exceeds the principal amount, we may also deliver, at our option, cash or common stock or a combination of cash and common stock for the conversion value in excess of the principal amount. If the 2011 and 2013 notes are converted in connection with a change in control, we may be required to provide a make whole premium in the

form of an increase in the conversion rate, subject to a stated maximum amount. In addition, in the event of a change in control, the holders may require us to purchase all or a portion of their notes at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any.

Concurrent with the issuance of the 2011 and 2013 notes, we purchased convertible note hedges in private transactions at a cost of $379.1 million, which is tax deductible over the life of the notes. We also sold warrants in private transactions and received net proceeds of $235.5 million from the sale of the warrants. The convertible note hedges and warrants are intended to reduce the potential economic dilution upon future conversions of the 2011 and 2013 notes by effectively increasing our conversion price to $50.80 per share for the 2011 Notes and $53.90 per share for the 2013 Notes. The net cost of $143.7 million of the convertible note hedge and warrant transactions was recorded in stockholders' equity on our Consolidated Balance Sheets.

The convertible note hedges cover, subject to customary anti-dilution adjustments, 33.8 million shares of our common stock at strike prices that initially correspond to the initial conversion prices of the 2011 and 2013 notes and are subject to adjustments similar to those applicable to the conversion price of the related notes. If the market value per share of our common stock at the time of conversion of the 2011 and 2013 notes is above the strike price of the applicable convertible note hedges, we will be entitled to receive from the counterparties in the transactions shares of our common stock or, to the extent we have made a corresponding election with respect to the related convertible notes, cash or a combination of cash and shares of our common stock, at our option, for the excess of the market value of the common stock over the strike price of the convertible note hedges. The convertible note hedges will terminate upon the maturity of the 2011 and 2013 notes or when none of the 2011 and 2013 notes remain outstanding due to conversion or otherwise. There are 33.8 million shares of our common stock underlying the warrants, subject to customary anti-dilution adjustments. The warrants have strike prices of $50.80 per share (for the warrants expiring in 2011) and $53.90 per share (for the warrants expiring in 2013) and are exercisable only on their respective expiration dates. If the market value of our common stock at the time of the exercise of the applicable warrants exceeds their respective strike prices, we will be required to net settle in cash or shares of our common stock, at our option, with the respective counterparties for the value of the warrants in excess of the warrant strike prices.

Contemporaneously with the closing of the sale of the 2011 and 2013 notes, a portion of the net proceeds from the notes' issuance and the proceeds of the warrant transactions were used to repurchase 16.7 million shares of our common stock for $544.9 million.

Under current accounting guidance, we bifurcated the conversion option of the 2011 and 2013 notes from the debt instrument, classified the conversion option in equity and are accreting the resulting debt discount as interest expense. The following table summarizes information about the equity and liability components of the 2011 and 2013 notes (in thousands):

	Carrying Value of Equity Component		Net Carrying Amount of Liability Component		Unamortized Discount of Liability Component	
	December 31,		December 31,		December 31,	
	2010	2009	2010	2009	2010	2009
2011 convertible senior notes	$147,481	$147,481	$ 638,991	$ 606,786	$(10,996)	$ (43,201)
2013 convertible senior notes	193,231	193,231	576,884	548,480	(72,983)	(101,387)
Total 2011 and 2013 convertible senior notes	$340,712	$340,712	$1,215,875	$1,155,266	$(83,979)	$(144,588)

For the years ended December 31, 2010, 2009 and 2008, we recognized $67.9 million, $64.6 million and $61.5 million, respectively, in interest expense related to the contractual coupon rates and amortization of the

debt discount for the 2011 and 2013 notes. The effective interest rates on the liability components of the 2011 and 2013 notes were 5.7% and 5.8%, respectively. If the notes were converted as of December 31, 2010, the if-converted value would not exceed the principal amounts of the 2011 Notes and 2013 Notes.

2014 and 2016 Notes

In July 2010, we issued $1.25 billion of convertible senior notes due in 2014 (2014 Notes) and $1.25 billion of convertible senior notes due in 2016 (2016 Notes) in a private placement pursuant to Rule 144A of the Securities Act of 1933, as amended. The 2014 and 2016 notes were issued at par and bear interest rates of 1.00% and 1.625%, respectively. Debt issuance costs are primarily comprised of $37.5 million in bankers' fees, the majority of which were recorded in other noncurrent assets and are being amortized to interest expense over the contractual terms of the 2014 and 2016 notes. The aggregate principal amount of the 2014 and 2016 notes sold reflects the full exercise by the initial purchasers of their option to purchase additional notes to cover over-allotments. The initial conversion rate for the 2014 Notes is 22.1845 shares per $1,000 principal amount (which represents an initial conversion price of approximately $45.08 per share), and the initial conversion rate for the 2016 Notes is 22.0214 shares per $1,000 principal amount (which represents an initial conversion price of approximately $45.41 per share). The conversion rates are subject to customary anti-dilution adjustments.

The 2014 and 2016 notes may be converted prior to April 1, 2014 and April 1, 2016, respectively, only under the following circumstances: 1) during any calendar quarter commencing after September 30, 2010, if the closing price of the common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than 130% of the applicable conversion price on each applicable trading day, or 2) during the five business day period after any measurement period of ten consecutive trading days in which, for each trading day of such period, the trading price per $1,000 principal amount of notes was less than 98% of the product of the last reported sale price of Gilead common stock and the applicable conversion rate on such trading day, or 3) upon the occurrence of specified corporate transactions, such as the distribution of certain stock rights, cash amounts, or other assets to all Gilead shareholders or the occurrence of a change in control. On and after April 1, 2014, in the case of the 2014 Notes, and April 1, 2016, in the case of the 2016 Notes, holders may convert their notes at any time, regardless of the foregoing circumstances. Generally, upon conversion, a holder would receive an amount in cash equal to the lesser of (i) the principal amount of the note or (ii) the conversion value for such note, as measured under the indenture governing the relevant notes. If the conversion value exceeds the principal amount, we may also deliver, at our option, cash or common stock or a combination of cash and common stock for the conversion value in excess of the principal amount. If the 2014 and 2016 notes are converted in connection with a change in control, we may be required to provide a make whole premium in the form of an increase in the conversion rate, subject to a stated maximum amount. In addition, in the event of a change in control, the holders may require us to purchase all or a portion of their notes at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any.

Concurrent with the issuance of the 2014 and 2016 notes, we purchased convertible note hedges in private transactions at a cost of $362.6 million, which is tax deductible over the life of the notes. We also sold warrants in private transactions and received net proceeds of $155.4 million from the sale of the warrants. The convertible note hedges and warrants are intended to reduce the potential economic dilution upon future conversions of the 2014 and 2016 notes by effectively increasing our conversion price to $56.76 per share for the 2014 Notes and $60.10 per share for the 2016 Notes. The net cost of $207.2 million of the convertible note hedge and warrant transactions was recorded in stockholders' equity on our Consolidated Balance Sheets.

The convertible note hedges cover, subject to customary anti-dilution adjustments, 55.3 million shares of our common stock at strike prices that initially correspond to the initial conversion prices of the 2014 and 2016

notes and are subject to adjustments similar to those applicable to the conversion price of the related notes. If the market value per share of our common stock at the time of conversion of the 2014 and 2016 notes is above the strike price of the applicable convertible note hedges, we will be entitled to receive from the counterparties in the transactions shares of our common stock or, to the extent we have made a corresponding election with respect to the related convertible notes, cash or a combination of cash and shares of our common stock, at our option, for the excess of the market value of the common stock over the strike price of the convertible note hedges. The convertible note hedges will terminate upon the maturity of the 2014 and 2016 notes or when none of the 2014 and 2016 notes remain outstanding due to conversion or otherwise. There are 55.3 million shares of our common stock underlying the warrants, subject to customary anti-dilution adjustments. The warrants have strike prices of $56.76 per share (for the warrants expiring in 2014) and $60.10 per share (for the warrants expiring in 2016) and are exercisable only on their respective expiration dates. If the market value of our common stock at the time of the exercise of the applicable warrants exceeds their respective strike prices, we will be required to net settle in cash or shares of our common stock, at our option, with the respective counterparties for the value of the warrants in excess of the warrant strike prices.

We have used and will continue to use the net proceeds from the issuance of the convertible notes to repurchase shares of our common stock and repay existing indebtedness.

Under current accounting guidance, we bifurcated the conversion option of the 2014 and 2016 notes from the debt instrument, classified the conversion option in equity and are accreting the resulting debt discount as interest expense. The following table summarizes information about the equity and liability components of the 2014 and 2016 notes (in thousands):

	Carrying Value of Equity Component December 31, 2010	Net Carrying Amount of Liability Component December 31, 2010	Unamortized Discount of Liability Component December 31, 2010
2014 convertible senior notes	$ 107,496	$ 1,153,805	$ (96,195)
2016 convertible senior notes	152,039	1,107,884	(142,116)
Total 2014 and 2016 convertible senior notes	$ 259,535	$ 2,261,689	$ (238,311)

For the year ended December 31, 2010, we recognized $34.9 million in interest expense related to the contractual coupon rates and amortization of the debt discount for the 2014 and 2016 notes. The effective interest rate on the liability components of the 2014 and 2016 notes was 3.5% and 4.0%, respectively. If the notes were converted as of December 31, 2010, the if-converted value would not exceed the principal amounts of the 2014 Notes and 2016 Notes.

Credit Facility

Under our amended and restated credit agreement, we, along with our wholly-owned subsidiary, Gilead Biopharmaceutics Ireland Corporation, may borrow up to an aggregate of $1.25 billion in revolving credit loans. The credit agreement also includes a sub-facility for swing-line loans and letters of credit. Loans under the credit agreement bear interest at an interest rate of either LIBOR plus a margin ranging from 20 basis points to 32 basis points or the base rate, as described in the credit agreement. We may reduce the commitments and may prepay loans under the credit agreement in whole or in part at any time without penalty, subject to certain conditions. The credit agreement will terminate in December 2012 and all unpaid borrowings thereunder shall be due and payable at that time. In April 2009, in connection with the acquisition of CV Therapeutics, we borrowed $400.0 million under the credit agreement to partially fund the acquisition. As of December 31, 2009, we had repaid the

$400.0 million under this credit agreement. In May 2010, we borrowed $500.0 million under the credit agreement to fund our stock repurchases. In August 2010, we repaid the $500.0 million borrowed under this credit agreement using proceeds from our convertible senior notes issued in July 2010. As of December 31, 2010, we had $5.0 million in letters of credit outstanding under the $1.25 billion credit agreement. We are required to comply with certain covenants under the credit agreement and as of December 31, 2010, we were in compliance with all such covenants.

12. COMMITMENTS AND CONTINGENCIES

Lease Arrangements

We have entered into various long-term non-cancelable operating leases for equipment and facilities. We lease facilities in Foster City, Palo Alto and San Dimas, California; Durham, North Carolina; Boulder, Colorado; Seattle, Washington; the Dublin and Cork areas of Ireland and the London area of the United Kingdom. We also have operating leases for sales, marketing and administrative facilities in Europe, Canada and Asia Pacific. Our leases expire on various dates between 2011 and 2029, with many of our leases containing options to renew. Certain facility leases also contain rent escalation clauses. Our most significant lease, related to a facility in Seattle, Washington, expires in 2020 and has a 10-year term. The lease provides us with three consecutive rights to extend the term of the lease through 2035 and contains an annual three percent rent escalation clause. The lease also requires us to pay additional amounts for operating expenses and maintenance. We also have leases for three corporate aircraft, with varying terms, with renewal options upon expiration of the lease terms.

Lease expense under our operating leases was approximately $41.7 million, $37.3 million and $29.3 million during the years ended December 31, 2010, 2009 and 2008, respectively. Aggregate non-cancelable future minimum rental payments under operating leases are as follows (in thousands):

2011	$ 45,887
2012	37,733
2013	29,648
2014	21,477
2015	19,078
Thereafter	57,344
	$211,167

Legal Proceedings

On August 12, 2009, we received a subpoena from the Office of the Inspector General of the U.S. Department of Health and Human Services requesting documents regarding the development, marketing and sales of Ranexa®. Ranexa is approved for the treatment of chronic angina and was developed and originally commercialized by CV Therapeutics, a company that Gilead acquired in April 2009. Following receipt of the subpoena, we cooperated with the government's inquiry. On December 13, 2010, the United States Department of Justice notified the United States District Court for the Northern District of California "of its decision not to intervene" in a False Claims Act lawsuit filed by a former employee of CV Therapeutics regarding the promotion of Ranexa. On December 16, 2010, the plaintiff-relator filed a notice of voluntary dismissal without prejudice of the underlying lawsuit, and the United States consented to the dismissal without prejudice.

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

Other Commitments

In the normal course of business, we enter into various firm purchase commitments primarily related to active pharmaceutical ingredients and certain inventory related items. As of December 31, 2010, these commitments for the next five years were approximately $640.3 million in 2011, $149.3 million in 2012, $57.5 million in 2013, $20.2 million in 2014 and $3.1 million in 2015. The amounts related to active pharmaceutical ingredients represent minimum purchase requirements. Actual payments for the purchases related to these active pharmaceutical ingredients were $835.7 million, $1.03 billion and $1.04 billion during the years ended December 31, 2010, 2009 and 2008, respectively.

13. STOCKHOLDERS' EQUITY

Stock Repurchase Programs

In October 2007, our Board authorized a program for the repurchase of our common stock in an amount of up to $3.00 billion through open market and private block transactions pursuant to Rule 10b5-1 plans or privately negotiated purchases or other means, including accelerated stock repurchase transactions or similar arrangements. In 2007, we repurchased and retired 705,600 shares of our common stock at $46.28 per share for an aggregate of $32.7 million under the $3.00 billion stock repurchase program.

In February 2008, we entered into an accelerated share repurchase agreement with a financial institution to repurchase $500.0 million of our common stock on an accelerated basis. Under the terms of this accelerated share repurchase agreement, we paid $500.0 million to the financial institution to settle the initial purchase transaction and received 9,373,548 shares of our common stock at a price of $53.34 per share. In June 2008, upon maturity of the agreement and in accordance with the share delivery provisions of the agreement, we received an additional 239,612 shares of our common stock based on the average of the daily volume weighted-average prices of our common stock during a specified period less a predetermined discount per share. As a result, the average purchase price of our common stock from the accelerated share repurchase was $52.01 per share.

We accounted for the accelerated share repurchase as two separate transactions: (a) as shares of common stock acquired in a treasury stock transaction recorded on the transaction date and (b) as a forward contract indexed to our own common stock. As such, we accounted for the 9,373,548 shares that we received as a repurchase of our common stock and retired those shares immediately for net income per share purposes. The 239,612 additional shares that we received upon maturity of the contract in June 2008 were also recorded in stockholders' equity. We determined that the forward contract indexed to our own common stock met all of the applicable criteria for equity classification, and therefore, the contract was not accounted for as a derivative.

In October 2008, we entered into an accelerated share repurchase agreement with a financial institution to repurchase $750.0 million of our common stock on an accelerated basis. Under the terms of the accelerated share repurchase agreement, we paid $750.0 million to settle the initial purchase transaction and received 14,874,519 shares of our common stock at an initial price of $50.42 per share. In March 2009, upon termination of the agreement and in accordance with the share delivery provisions of the agreement, we received an additional 1,356,337 shares of our common stock based on the average of the daily volume weighted-average prices of our common stock during a specified period less a predetermined discount per share. As a result, the total number of shares repurchased and retired under this accelerated share repurchase agreement was 16,230,856 shares at an average purchase price of $46.21 per share. The accounting for this accelerated share repurchase was consistent with that of our previous accelerated share repurchase.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In 2008, in addition to the common stock repurchased under the two accelerated share repurchase transactions, we repurchased and retired 14,696,449 shares of our common stock at an average purchase price of $48.94 per share, for an aggregate purchase price of $719.3 million through open market transactions.

In 2009, in addition to the additional shares that we received under the accelerated share repurchase agreement completed in March 2009, we repurchased and retired 21,845,929 shares of our common stock at an average purchase price of $45.69 per share, for an aggregate purchase price of $998.1 million through open market transactions. As of December 31, 2009, we completed share repurchases under our $3.00 billion stock repurchase program.

In January 2010, our Board authorized a new program for the repurchase of our common stock in an amount of up to $1.00 billion through open market and private block transactions pursuant to Rule 10b5-1 plans, privately negotiated purchases or other means. We completed this plan in May 2010, at which time our Board authorized a new three-year, $5.00 billion stock repurchase program. As of December 31, 2010, we have repurchased $3.02 billion of our common stock under this program. As of December 31, 2010, the remaining authorized amount of stock repurchases that may be made under our $5.00 billion repurchase program was $1.98 billion. In 2010, we utilized a total of $4.02 billion to repurchase and retire 109.9 million shares of our common stock, at an average purchase price of $36.57 per share.

In January 2011, our Board authorized an additional three-year, $5.00 billion stock repurchase program which will commence upon the completion of our existing program authorized in May 2010.

We use the par value method of accounting for our stock repurchases. Under the par value method, common stock is first charged with the par value of the shares involved. The excess of the cost of shares acquired over the par value is allocated to APIC based on an estimated average sales price per issued share with the excess amounts charged to retained earnings. As a result of our stock repurchases in 2008, we reduced common stock and APIC by an aggregate of $95.8 million and charged $1.88 billion to retained earnings. As a result of our stock repurchases in 2009, we reduced common stock and APIC by an aggregate of $61.7 million and charged $940.8 million to retained earnings. As a result of our stock repurchases in 2010, we reduced common stock and APIC by an aggregate of $319.8 million and charged $3.71 billion to retained earnings.

Preferred Stock

We have 5,000,000 shares of authorized preferred stock issuable in series. Our Board is authorized to determine the designation, powers, preferences and rights of any such series. We have designated 800,000 shares of Series A Junior Participating Preferred Stock for potential issuance under our November 1994 rights agreement with BNY Mellon Investor Services, LLC (formerly known as ChaseMellon Shareholder Services, LLC), as amended (the Rights Plan). There was no preferred stock outstanding as of December 31, 2010 and 2009.

Rights Plan

The Rights Plan provides for the distribution of a preferred stock purchase right as a dividend for each share of our common stock. The purchase rights are not currently exercisable. Under certain conditions involving an acquisition or proposed acquisition by any person or group of 15% or more of our common stock, the purchase rights permit the holders (other than the 15% holder) to purchase our common stock at a 50% discount from the market price at that time, upon payment of a specified exercise price per purchase right. In addition, in the event of certain business combinations, the purchase rights permit the purchase of the common stock of an acquirer at a

50% discount from the market price at that time. Under certain conditions, the purchase rights may be redeemed by our Board in whole, but not in part, at a price of $0.0025 per purchase right. The purchase rights have no voting privileges and are attached to and automatically trade with our common stock.

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

Stock Option Plans

In May 2004, our stockholders approved and we adopted the Gilead Sciences, Inc. 2004 Equity Incentive Plan (the 2004 Plan). Stock options under the NeXstar Pharmaceuticals, Inc. (NeXstar), Triangle Pharmaceuticals, Inc. (Triangle), Corus, Myogen and CV Therapeutics stock option plans, which we assumed as a result of the acquisitions of NeXstar, Triangle, Corus, Myogen and CV Therapeutics, have been converted into options to purchase our common stock effective with the closing of the respective acquisitions. The 2004 Plan is a broad based incentive plan that allows for awards to be granted to our employees, directors and consultants. The 2004 Plan provides for option grants designated as either non-qualified or incentive stock options. Prior to January 1, 2006, we granted both non-qualified and incentive stock options, but all stock options granted after January 1, 2006 have been non-qualified stock options. Under the 2004 Plan, employee stock options granted prior to 2011 generally vest over five years, are exercisable over a period not to exceed the contractual term of ten years from the date the stock options are issued and are granted at prices not less than the fair market value of our common stock on the grant date. Stock option exercises are settled with common stock from the 2004 Plan's previously authorized and available pool of shares.

In connection with the acquisition of CV Therapeutics, we assumed CV Therapeutics' 1994 Equity Incentive Plan, as amended and restated, Non-Employee Directors' Stock Option Plan, as amended and restated, 2000 Equity Incentive Plan, as amended and restated, 2000 Nonstatutory Incentive Plan, as amended and restated, and 2004 Employee Commencement Incentive Plan, as amended and restated (collectively, the CV Therapeutics Plans). The majority of options that were issued and outstanding under the CV Therapeutics Plans as of April 15, 2009 were converted into options to purchase approximately 1.8 million shares of our common stock and remain subject to their original terms and conditions. There are no shares available for future grant under the CV Therapeutics Plans.

As of December 31, 2010, a total of 121,594,183 shares of common stock have been authorized for grant and 51,793,307 shares remain available for future grant under the 2004 Plan.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Year Ended December 31,					
	2010		2009		2008	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	69,193	$ 28.09	76,811	$ 24.70	84,977	$ 20.33
Granted and assumed	4,836	$ 44.27	7,286	$ 48.87	9,807	$ 47.11
Forfeited	(2,348)	$ 43.16	(2,393)	$ 39.33	(2,471)	$ 30.61
Expired	(759)	$ 53.27	(440)	$ 64.08	(59)	$ 11.72
Exercised	(10,671)	$ 17.68	(12,071)	$ 15.56	(15,443)	$ 13.97
Outstanding, end of year	60,251	$ 30.32	69,193	$ 28.09	76,811	$ 24.70
Exercisable, end of year	45,018	$ 25.92	47,090	$ 22.36	45,235	$ 17.29
Weighted-average grant date fair value of options granted during the year		$ 14.24		$ 17.00		$ 16.95

The total intrinsic value of options exercised during the years ended December 31, 2010, 2009 and 2008 was $262.3 million, $379.8 million and $551.7 million, respectively. The total fair value of stock options that vested during the years ended December 31, 2010, 2009 and 2008 was $124.6 million, $162.9 million and $169.2 million, respectively.

As of December 31, 2010, the number of options outstanding that are expected to vest, net of estimated future option forfeitures was 13,302,022 with a weighted-average exercise price of $43.12 per share, an aggregate intrinsic value of $9.6 million and a weighted-average remaining contractual life of 7.62 years. The aggregate intrinsic value of stock options outstanding and stock options exercisable as of December 31, 2010 were $564.2 million and $554.0 million, respectively. As of December 31, 2010, the weighted-average remaining contractual life for options outstanding and options exercisable were 5.3 and 4.5 years, respectively.

As of December 31, 2010, there was $260.8 million of unrecognized compensation cost related to stock options, which is expected to be recognized over an estimated weighted-average period of 2.7 years.

Performance Shares and Restricted Stock Awards

Under the 2004 plan, we grant performance-based restricted stock awards which vest upon the achievement of specified market and performance goals relative to a pre-determined peer group. The actual number of common shares ultimately issued is calculated by multiplying the number of performance shares by a payout percentage ranging from 0% to 200%. Performance shares vest only when a committee (or subcommittee) of our Board has determined that we have achieved our specified market and performance goals. In January 2010, 2009 and 2008 we granted 412,505, 426,305 and 219,690 performance-based share awards (the 2010 performance shares, the 2009 performance shares and the 2008 performance shares, respectively). These awards will vest over a single three-year performance measurement and vesting period for each of the performance share awards.

The fair value of each performance share grant is estimated at the grant date using a Monte Carlo valuation methodology. The weighted-average grant date fair values of the 2010, 2009 and 2008 performance shares were

$54.25, $61.89 and $56.61 per share, respectively. We recognized $21.3 million, $14.9 million and $7.5 million of stock-based compensation expenses in 2010, 2009 and 2008, respectively, related to these performance shares.

We have also granted performance-based restricted stock awards to certain of our employees under the 2004 Plan. The vesting of these awards is subject to the achievement of specified performance goals. The number of these awards issued to date has not been significant.

During 2010 we granted 2,189,903 time-based restricted stock awards to employees under the 2004 Plan. These awards vest annually over a five-year period. We recognized $19.5 million of stock-based compensation expenses in 2010 related to time-based awards.

Employee Stock Purchase Plan

Under our Employee Stock Purchase Plan, as amended (ESPP), employees can purchase shares of our common stock based on a percentage of their compensation subject to certain limits. The purchase price per share is equal to the lower of 85% of the fair market value of our common stock on the offering date or the purchase date. The ESPP offers a two-year look-back feature as well as an automatic reset feature that provides for an offering period to be reset to a new lower-priced offering if the offering price of the new offering period is less than that of the current offering period. ESPP purchases are settled with common stock from the ESPP's previously authorized and available pool of shares. During 2010, 1,110,485 shares were issued under the ESPP for $32.3 million. A total of 33,280,000 shares of common stock have been reserved for issuance under the ESPP, and there were 6,567,411 shares available for issuance under the ESPP as of December 31, 2010.

As of December 31, 2010, there was $22.1 million of unrecognized compensation cost related to the ESPP, which is expected to be recognized over an estimated weighted-average period of 1.0 year.

14. STOCK-BASED COMPENSATION

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

	Year Ended December 31,		
	2010	2009	2008
Cost of goods sold	$ 10,180	$ 10,859	$ 10,312
Research and development expenses	84,048	82,893	66,523
Selling, general and administrative expenses	105,813	92,006	76,529
Stock-based compensation expense included in total costs and expenses	200,041	185,758	153,364
Income tax effect	(52,331)	(46,486)	(40,565)
Stock-based compensation expense included in net income	$147,710	$139,272	$112,799

During the years ended December 31, 2010, 2009 and 2008, we capitalized $10.9 million, $11.4 million and $9.9 million of stock-based compensation costs to inventory, respectively.

Stock-based compensation is recognized as expense over the requisite service periods in our Consolidated Statements of Income using a graded vesting expense attribution approach for unvested stock options granted prior to January 1, 2006, and using the straight-line expense attribution approach for stock options granted after

our adoption of new guidance for share-based payments to employees and directors on January 1, 2006. As stock-based compensation expenses related to stock options recognized on adoption of the new guidance is based on awards ultimately expected to vest, gross expense has been reduced for estimated forfeitures. The guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We estimated forfeitures based on our historical experience. Prior to the adoption of this guidance, pro forma information that was required to be disclosed included forfeitures as they occurred. As a result of the guidance adopted on January 1, 2006, we only recognize a tax benefit from stock-based compensation in APIC if an incremental tax benefit is realized after all other tax attributes currently available to us have been utilized. In addition, we have elected to account for the indirect benefits of stock-based compensation on the research tax credit and the extraterritorial income deduction through the Consolidated Statements of Income rather than through APIC.

Valuation Assumptions

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

	Year Ended December 31,		
	2010	2009	2008
Expected volatility:			
Stock options	31%	35%	34%
ESPP	35%	37%	31%
Expected term in years:			
Stock options	5.4	5.3	5.3
ESPP	1.3	1.3	1.2
Risk-free interest rate:			
Stock options	2.3%	2.1%	2.8%
ESPP	0.4%	0.7%	2.1%
Expected dividend yield	0%	0%	0%

The fair value of stock options granted was calculated using the single option approach. We use a blend of historical volatility along with implied volatility for traded options on our common stock to determine our expected volatility. The expected term of stock-based awards represents the weighted-average period the awards are expected to remain outstanding. We estimate the weighted-average expected term based on historical cancellation and historical exercise data related to our stock options as well as the contractual term and vesting terms of the awards. The risk-free interest rate is based upon observed interest rates appropriate for the term of the stock-based awards. The dividend yield is based on our history and expectation of dividend payouts.

15. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) comprises net income and certain changes in stockholders' equity that are excluded from net income, such as changes in the fair value of our outstanding effective cash flow hedges, changes in unrealized gains and losses on our available-for-sale securities and changes in our cumulative foreign currency translation account. Comprehensive income (loss) for the years ended December 31, 2010, 2009 and

2008 is included in our Consolidated Statements of Stockholders' Equity. The components of comprehensive income (loss) are shown net of related taxes where the underlying assets or liabilities are held in jurisdictions that are expected to generate a future tax benefit or liability.

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

	Year Ended December 31,		
	2010	2009	2008
Net unrealized gain (loss) related to available-for-sale securities, net of tax impact of $(6,624), $(11,724) and $11,487 for 2010, 2009 and 2008, respectively	$ 13,450	$ 21,689	$(21,607)
Net unrealized gain (loss) related to cash flow hedges, net of tax impact of $(9,149), $10,682 and $(40,681) for 2010, 2009 and 2008, respectively	105,924	(19,016)	93,962
Reclassification adjustments, net of tax impact of $9,028, $32,532 and $1,805 for 2010, 2009 and 2008, respectively	(74,289)	(58,130)	(5,603)
Other comprehensive income (loss)	$ 45,085	$(55,457)	$ 66,752

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

	As of December 31,	
	2010	2009
Net unrealized gain on available-for-sale securities	$16,528	$ 9,509
Net unrealized gain (loss) on cash flow hedges	21,615	(16,450)
Cumulative foreign currency translation adjustment	(7,232)	1,183
Accumulated other comprehensive income (loss)	$30,911	$ (5,758)

16. SEGMENT INFORMATION

We operate in one business segment, which primarily focuses on the development and commercialization of human therapeutics for life threatening diseases. All products are included in one segment, because our major products, Atripla, Truvada and Viread, which together accounted for substantially all of our total product sales for each of the years ended December 31, 2010, 2009 and 2008, have similar economic and other characteristics, including the nature of the products and production processes, type of customers, distribution methods and regulatory environment.

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Product sales consist of the following (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Antiviral products:			
Atripla	$2,926,579	$2,382,113	$1,572,455
Truvada	2,649,908	2,489,682	2,106,687
Viread	732,240	667,510	621,187
Hepsera	200,592	271,595	341,023
Emtriva	27,679	27,974	31,080
Total antiviral products	6,536,998	5,838,874	4,672,432
AmBisome	305,856	298,597	289,651
Letairis	240,279	183,949	112,855
Ranexa	239,832	131,062	—
Other products	66,956	16,829	9,858
Total product sales	$7,389,921	$6,469,311	$5,084,796

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

	Year Ended December 31,		
	2010	2009	2008
United States	$4,224,035	$3,599,313	$2,857,472
Outside of the United States:			
Switzerland	458,606	448,203	193,314
France	519,700	468,314	395,672
Spain	456,647	451,115	356,607
United Kingdom	450,368	393,036	297,276
Italy	345,189	323,709	277,441
Germany	274,991	293,111	242,193
Other European countries	665,237	603,068	346,722
Other countries	554,647	431,514	369,053
Total revenues outside of the United States	3,725,385	3,412,070	2,478,278
Total revenues	$7,949,420	$7,011,383	$5,335,750

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

	Year Ended December 31,		
	2010	2009	2008
Cardinal Health, Inc.	17%	18%	21%
McKesson Corp.	14%	13%	16%
AmerisourceBergen Corp.	12%	11%	11%

GILEAD SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At December 31, 2010, the net book value of our property, plant and equipment in the United States, Ireland and Canada was $519.4 million, $112.2 million and $53.9 million, respectively, which comprised approximately 98% of the total net book value of our property, plant and equipment. At December 31, 2009, the net book value of our property, plant and equipment in the United States, Ireland and Canada was $510.0 million, $115.3 million and $57.0 million, respectively, which comprised approximately 97% of the total net book value of our property, plant and equipment.

17. INCOME TAXES

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

	Year Ended December 31,		
	2010	2009	2008
Federal:			
Current	$ 852,822	$719,777	$585,075
Deferred	(29,854)	(47,608)	6,099
	822,968	672,169	591,174
State:			
Current	139,819	153,376	56,223
Deferred	17,464	9,150	24,333
	157,283	162,526	80,556
Foreign:			
Current	43,094	42,860	38,738
Deferred	454	(1,191)	(8,105)
	43,548	41,669	30,633
Provision for income taxes	$1,023,799	$876,364	$702,363

Foreign pre-tax income was $1.37 billion, $1.33 billion and $0.90 billion in 2010, 2009 and 2008, respectively. The cumulative unremitted foreign earnings that are considered to be permanently invested outside the United States and for which no U.S. taxes have been provided, were approximately $4.48 billion and $3.19 billion as of December 31, 2010 and 2009, respectively. The residual U.S. tax liability, if such amounts were remitted, would be approximately $1.60 billion and $1.14 billion as of December 31, 2010 and 2009, respectively.

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

	Year Ended December 31,		
	2010	2009	2008
Income before provision for income taxes	$ 3,913,548	$3,501,956	$2,672,698
Tax at federal statutory rate	$ 1,369,742	$1,225,685	$ 935,444
State taxes, net of federal benefit	106,250	111,095	58,166
Foreign earnings at different rates	(435,767)	(399,993)	(257,835)
Research and other credits	(33,072)	(43,045)	(32,270)
Net unbenefitted stock compensation	13,188	4,269	5,224
Other	3,458	(21,647)	(6,366)
Provision for income taxes	$ 1,023,799	$ 876,364	$ 702,363