GILEAD SCIENCES INC
Form S-3
March 17, 2003

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As filed with the Securities and Exchange Commission on March 17, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GILEAD SCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3047598**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

333 LAKESIDE DRIVE
FOSTER CITY, CA 94404
(650) 574-3000

(Address, including zip code, and telephone number, including area code of Registrant's principal executive offices)

JOHN F. MILLIGAN
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
GILEAD SCIENCES, INC.
333 LAKESIDE DRIVE, FOSTER CITY, CALIFORNIA 94404
(650) 574-3000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /x/

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

Title Of Class Of Securities To Be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
2% Convertible Senior Notes due December 15, 2007	$345,000,000	100%(1)	$345,000,000(1)	$27,910.50
Common Stock, par value $0.001 per share (2)	7,340,425(3)	(4)	(4)	(4)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(i) of the Securities Act of 1933, as amended.

(2) Each share of the registrant's common stock being registered hereunder, if issued prior to the termination by the registrant of its preferred share rights agreement, includes Series A junior participating preferred stock purchase rights. Prior to the occurrence of certain events, the Series A junior participating preferred stock purchase rights will not be exercisable or evidenced separately from the registrant's common stock and have no value except as reflected in the market price of the shares to which they are attached.

(3) Represents the number of shares of common stock that are initially issuable upon conversion of the 2% Convertible Senior Notes due December 15, 2007 registered hereby. For purposes of estimating the number of shares of common stock to be registered hereunder, the registrant calculated the number of shares issuable upon conversion of the notes based on the initial conversion price of $47.00 per share of common stock. In addition to the shares set forth in the table, pursuant to Rule 416 under the Securities Act the amount to be registered includes an indeterminate number of shares of common stock issuable upon conversion of the notes, as this amount may be adjusted as a result of stock splits, stock dividends and antidilution provisions.

(4) No additional consideration will be received for the common stock and, therefore, no registration fee is required pursuant to Rule 457(i).

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

Subject To Completion, Dated March 17, 2003

The information in this prospectus is not complete and may be changed. The selling security holders may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

GILEAD SCIENCES, INC.

$345,000,000

2% Convertible Senior Notes due December 15, 2007 and Shares of Common Stock Issuable upon Conversion of the Notes

This prospectus covers resales by selling securityholders of our 2% Convertible Senior Notes due December 15, 2007 and shares of our common stock into which the notes are convertible.

The holders of the notes may convert the notes into shares of our common stock at any time at a conversion price of $47.00 per share which is equivalent to a conversion rate of 21.2766 shares per each $1,000 principal amount of notes, subject to adjustment in specified events. After June 20, 2004 and before December 20,2005, we have the option to redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest, if the closing price of our common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the redemption notice. In this event, we will make certain "make whole" payments on the redeemed notes as set forth in the section entitled "Description of the Notes Provisional Redemption by Gilead." We may redeem the notes, in whole or in part, at any time on or after December 20, 2005 at the redemption prices set forth in the section entitled "Description of the Notes Optional Redemption by Gilead."

We will pay interest on the notes on June 15 and December 15 of each year. The first interest payment will be made on June 15, 2003.

In the event of a change of control, each holder of the notes may require us to repurchase the notes at 100% of the principal amount of the notes plus accrued and unpaid interest. In this event, we may repurchase the notes for cash or common stock, at our option.

The notes are senior, unsecured obligations of Gilead that rank senior to our 5% convertible subordinated notes due 2007 and will rank equal in right of payment with any existing and future unsecured and unsubordinated indebtedness. See "Description of the Notes General."

Prior to this offering, the notes have been eligible for trading on the PORTAL Market of the Nasdaq Stock Market. Notes sold by means of this prospectus are not expected to remain eligible for trading on the PORTAL Market. We do not intend to list the notes for trading on any national securities exchange or on the Nasdaq National Market.

Our common stock currently trades on the Nasdaq National Market under the symbol "GILD." The last reported sale price on March 14, 2003 was $39.25 per share.

See "Risk Factors" beginning on page 7 of this prospectus to read about factors you should consider before buying the notes or our common stock.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2003

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SUMMARY

This summary provides an overview of selected information and does not contain all the information you should consider before investing in our securities. To fully understand this offering and its consequences to you, you should read the entire prospectus carefully, including the "Risk Factors" section and the documents that we incorporate by reference into this prospectus, before making an investment decision. In this prospectus we refer to Gilead Sciences, Inc. and its subsidiaries as "Gilead," "we," "our" and "us."

Gilead Sciences, Inc.

Gilead Sciences, Inc. is a biopharmaceutical company that discovers, develops and commercializes therapeutics to advance the care of patients suffering from life-threatening diseases worldwide. We have six products that are currently marketed in the U.S., five of which are also marketed in other countries worldwide. Our research and clinical programs are focused on anti-infectives, including antivirals and antifungals. We endeavor to grow our existing portfolio of products through proprietary clinical development programs, internal discovery programs and an active product acquisition and in-licensing strategy.

Our worldwide headquarters are in Foster City, California and our European headquarters are in Paris, France. We were incorporated in Delaware on June 22, 1987.

On January 23, 2003, we completed the acquisition of all of the outstanding stock of Triangle Pharmaceuticals, Inc. (Triangle), which is now a wholly-owned subsidiary of Gilead. The aggregate preliminary purchase price was $525.0 million, including the cash paid for the outstanding stock, the fair value of options assumed, estimated direct transaction costs and employee termination costs. Triangle develops drug candidates in the antiviral area, with a particular focus on potential therapies for HIV, including AIDS, and the hepatitis B virus. Triangle's portfolio consists of several drug candidates in clinical trials, including emtricitabine for the treatment of HIV infection, emtricitabine for the treatment of hepatitis B, amdoxovir for the treatment of HIV infection and clevudine for the treatment of hepatitis B. Triangle has filed marketing applications for emtricitabine for the treatment of HIV in the United States and the European Union.

Our Products

Viread is approved for sale and is sold in the U.S. by our U.S. commercial team for use in combination with other antiretroviral agents for the treatment of HIV infection and in the European Union by our European commercial team for use in combination with other antiretroviral agents for the treatment of HIV infection in patients who are experiencing early virological failure.

AmBisome is approved for sale and is sold in more than 45 countries for the treatment of life-threatening fungal infections and in some of these countries for prevention of such infections. We market AmBisome in the major countries of Europe and co-promote AmBisome in the U.S. with Fujisawa Healthcare, Inc. (Fujisawa).

Hepsera is approved for sale and is sold in the U.S. by our U.S. commercial team for the treatment of chronic hepatitis B. Hepsera received marketing approval in the European Union in March 2003.

Tamiflu is approved for sale and is sold by our corporate partner Hoffmann-La Roche (Roche) in more than 60 countries, including the U.S. and the European Union, for the prevention and treatment of influenza.

Vistide is approved for sale and is sold in the U.S. by our U.S. commercial team, and by Gilead's ex-U.S. partner, Pharmacia Corporation (Pharmacia), in 25 countries for the treatment of cytomegalovirus (CMV) retinitis in patients with AIDS.

DaunoXome is approved for sale and is sold in more than 20 countries for the treatment of AIDS-related Kaposi's sarcoma. It is sold in the U.S. by our U.S. commercial team and by independent distributors abroad.

In 2002, we earned revenues of $444.3 million from sales of and royalties on these products. Of this amount, sales of Viread generated aggregate product sales and royalty revenues of $225.8 million, or 48% of our total revenues, and sales of AmBisome generated aggregate product sales and royalty revenues of $201.4 million, or 43% of our total revenues. We earned revenues from sales of, and royalties on, all our products in the U.S. of $206.4 million in 2002, $53.3 million in 2001 and $30.5 million in 2000. Outside of the U.S., we earned revenues from sales of, and royalties on, all of our products of $237.9 million in 2002, $160.7 million in 2001 and $143.6 million in 2000.

Our principal executive offices are located at 333 Lakeside Drive, Foster City, CA 94404. Our telephone number is (650) 574-3000.

The Notes

Maturity	The notes will mature on December 15, 2007.
Interest	We will pay interest at 2.00% per annum on the principal amount of the notes, payable semi-annually in arrears in cash on June 15 and December 15 of each year, commencing June 15, 2003. The first interest payment will include interest from December 18, 2002.
Conversion	You may convert the notes into shares of our common stock at a conversion rate of 21.2766 shares of common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of $47.00 per share of common stock. The conversion rate is subject to adjustment in certain events.
	You may convert the notes at any time before the close of business on the maturity date, unless we have previously redeemed or repurchased the notes. Holders of notes called for redemption or repurchase will be entitled to convert the notes up to and including the second business day prior to the date fixed for redemption or repurchase, as the case may be. See "Description of the Notes Conversion Rights".
Ranking	The notes are senior unsecured obligations that rank senior to our 5% convertible subordinated notes due 2007 and rank equal in right of payment with any existing and future unsecured and unsubordinated indebtedness. The indenture under which the notes were issued does not restrict us from incurring additional senior or other indebtedness and other liabilities by us or any of our subsidiaries. See "Description of the Notes General".
Provisional Redemption	We may redeem the notes in whole or in part at any time after June 20, 2004 but prior to December 20, 2005 at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to the redemption date if: (1)

	the closing price of our common stock on The Nasdaq National Market has exceeded 150% of the conversion price for at least 20 trading days in any consecutive 30-day trading period ending on the trading day prior to the mailing of the notice of redemption; and (2) the shelf registration statement covering resales of the notes and the common stock is effective and is expected to remain effective and available for use for the 30 days following the redemption date, unless registration is no longer required. If we redeem notes under these circumstances, we will make an additional payment on the redeemed notes equal to $60.00 per $1,000 principal amount of notes, less the amount of any interest actually paid or accrued and unpaid on the note. We may make these additional payments, at our option, in cash or our common stock or a combination thereof. We must make these payments on all notes called for redemption, including notes converted after the date we mailed the notices. See "Description of the Notes Provisional Redemption by Gilead".

Optional Redemption by Us	At any time or from time to time on or after December 20, 2005, we may redeem some or all of the notes at the declining redemption prices listed herein, plus accrued interest. See "Description of Notes Optional Redemption by Gilead".
Repurchase at Holder's Option upon a Change in Control	You may require us to repurchase your notes upon a change in control at 100% of the principal amount of the notes, plus accrued and unpaid interest. We may pay the repurchase price in cash, or, at our option, in common stock or a combination of cash and common stock. If we pay the repurchase price in common stock, the common stock will be valued at 95% of the average closing sales price of the common stock on The Nasdaq National Market for the five consecutive trading days ending on the third trading day prior to the repurchase date. See "Description of the Notes Repurchase at Option of Holders Upon a Change in Control".
Events of Default	The following will be events of default under the indenture for the notes: we fail to pay the principal of or any premium on any note when due; we fail to pay any interest or any liquidated damages on any note when due, which failure continues for 30 days; we fail to provide notice of a change in control; we fail to perform any other covenant in the indenture and that failure continues for 60 days after written notice to us by the trustee or the holders of at least 25% in aggregate principal amount of outstanding notes; we fail to pay when due at its stated maturity, or acceleration thereof, any indebtedness for money borrowed by us or any of our significant subsidiaries in excess of $75.0 million and such indebtedness is not discharged, or the acceleration is not annulled, within 30 days after written notice to us by the trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes; and events of bankruptcy, insolvency or reorganization specified in the indenture. See "Description of the Notes Events of Default".
Use of Proceeds	We will not receive any proceeds from the sale of the notes or the shares of common stock offered by this prospectus. See "Selling Securityholders".

RISK FACTORS

Our business faces significant risks. You should carefully consider the following risk factors, in addition to the other information included or incorporated by reference in this prospectus, before purchasing our securities. These risks may not be the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial also may impair our business. You could lose all or part of your investment if any of the following risks actually occurs.

Risks Related to Our Business

If Viread does not maintain or increase its market acceptance, our results of operations will suffer.

We rely on sales of Viread for a significant portion of our operating income. Viread faces an extremely competitive marketplace. A number of drugs to treat HIV infection and AIDS are currently sold or are in advanced stages of clinical development, including 20 products currently sold in the U.S. Among the companies that are significant competitors in the HIV/AIDS market are GSK, Bristol-Myers Squibb, Roche, Pfizer, Merck, Boehringer-Ingelheim and Abbott Laboratories.

All of our competitors and most of our potential competitors have substantially greater resources than we do. Those resources include greater experience in promoting and marketing HIV drugs, superior product development capabilities and financial, scientific, manufacturing, marketing, managerial and human resources. In order for Viread to continue its success, we will have to maintain and expand its position in the marketplace against these competitors' drugs.

Viread's market penetration may be limited, particularly for use in treatment-naïve patients, given that most of our data, and the data supporting our marketing approvals, reflects use of Viread in a treatment-experienced patient population. Although we have obtained data about the safety and efficacy of Viread in treatment-naïve patients, regulatory authorities may not allow us to include this data in the labeling for Viread. If our marketing efforts are unsuccessful or if we cannot include information about Viread's use in treatment-naïve patients in Viread's labeling data, we may be unsuccessful in convincing physicians to prescribe Viread to their treatment-naïve patients, and some government reimbursers and private insurance companies may not pay for Viread for prescribed patients who have not had prior HIV therapy. If Viread does not maintain or increase its market acceptance, our results of operations will suffer.

Any significant reduction in Viread, AmBisome or Hepsera sales would significantly reduce our operating income and could require us to scale back our manufacturing operations and reduce our sales force.

Viread product sales for the years ended December 31, 2001 and 2002, were $15.6 million, or 7% and $225.8 million, or 48%, of our total revenues, respectively. We expect that product sales of Viread will constitute a substantial part of our total revenues for the foreseeable future.

AmBisome sales for the years ended December 31, 2000, 2001 and 2002 were $141.1 million, or 72%, $164.5 million, or 70% and $185.7 million, or 40% of our total revenues. We expect that revenues from sales of AmBisome will continue to provide a material portion of our total product revenues.

Hepsera product sales, which began in September 2002, for the year ended December 31, 2002, were approximately $4.2 million, or 1% of our total revenues. We expect that product sales of Hepsera will constitute a substantial part of our total revenues in the foreseeable future.

Accordingly, for the foreseeable future, we expect that we will continue to rely heavily on sales of Viread, AmBisome and Hepsera to support our existing manufacturing and sales infrastructure and to provide operating income to fund a significant portion of our administrative and research and development expenditures. Any significant reduction in sales of Viread, AmBisome or Hepsera, whether as

a result of the introduction of competitive products or otherwise, would hurt our business, and we would have to scale back our manufacturing operations and reduce our sales force.

If safety issues arise for our marketed products, this could significantly reduce or limit our sales and adversely affect our results of operations.

The data that support the marketing approvals for our products, including Viread, AmBisome and Hepsera, and that form the basis for the safety warnings in our product labels, was obtained in controlled clinical trials of limited duration, and, in the case of Viread, from limited post-approval use. Following approval, these products are and will be used over longer periods of time in many patients taking numerous other medicines, who have underlying health problems and who will not be monitored for dosing compliance. If new safety issues are reported in post-marketing use and we cannot rule out the contributory role of our products, we may be required to provide additional warnings on our labels or narrow our approved indications, each of which could reduce the market acceptance of these products. For example, while we did not observe kidney toxicity in our clinical trials of Viread, kidney toxicity has been reported with post-approval use of Viread and the Viread label has been updated to include this warning. If serious safety issues with our marketed products were to arise, we could face potential product

liability claims and sales of these products could be halted by us or by regulatory authorities. Similarly, in 1999, we discontinued development of adefovir dipivoxil 60 mg for treatment of HIV infection due to safety and benefit concerns arising from our studies. Double-blind, placebo-controlled studies of adefovir dipivoxil 10 mg have demonstrated safety and efficacy in the treatment of patients with chronic hepatitis B. Studies have shown that adefovir dipivoxil is significantly more effective against HBV than against HIV, allowing us to use a lower dose of 10 mg of adefovir dipivoxil in Hepsera than was used for treatment of HIV infection. The 10 mg dose of adefovir dipivoxil used in Hepsera has not been associated with significant kidney toxicity in our clinical trials to date, other than in patients who have pre-existing kidney problems or who are taking drugs known to cause kidney toxicity. The FDA and the European Union have granted marketing approval for Hepsera, but we cannot be certain that the results from these Phase 3 clinical studies of Hepsera will demonstrate, to the satisfaction of other regulatory agencies, that Hepsera can be a safe and effective treatment for chronic hepatitis B.

Hepsera is a new drug, and it may not gain significant market acceptance.

Hepsera is a new drug and faces a competitive marketplace. There are currently two drugs sold in the U.S. for treatment of chronic hepatitis B, and other potential drugs are in late stages of clinical development. Our competitors and most of our potential competitors have substantially greater resources than we do. Those resources include greater experience in promoting and marketing pharmaceuticals (including HBV drugs), superior product development capabilities and greater financial, scientific, manufacturing, marketing, managerial and human resources. In order for Hepsera to be successful, we will have to establish it in the marketplace against these competitors' drugs. It is too early to determine if Hepsera will achieve significant market acceptance.

There is no well-developed market or generally accepted treatment strategy for hepatitis B. We have never marketed or sold a drug for treatment of chronic hepatitis B before and might not be successful in doing so and may not be able to develop this therapeutic market effectively. Long term use of Hepsera may reveal safety issues or the development of resistance to Hepsera in patients. If our marketing efforts are unsuccessful, or if Hepsera turns out to have safety or resistance issues, we may be unsuccessful in convincing physicians to prescribe Hepsera to their patients, and some government reimbursers and private insurance companies may not pay for Hepsera. If Hepsera does not gain significant market acceptance, our expected future results of operations will suffer.

Fiscal year 2002 was our first full year of operating profitability, and we may not be able to maintain profitability on a sustainable basis.

Until 2002, we had never been profitable on an operating basis for a full year, and we may not continue to be profitable in the future. We expect the merger with Triangle will reduce our earnings in 2003, have no effect on earnings in 2004, and increase our earnings in 2005, although we cannot be certain our estimates are correct. At December 31, 2002, our accumulated deficit was approximately $381.6 million. Our losses have resulted principally from expenses associated with our research and development programs and, to a lesser extent, from sales, general and administrative expenses. Our operating results may be adversely affected by reduced sales of our products, increased marketing or development expenses, acquisitions of products or companies, such as Triangle, that are unprofitable at the time of acquisition or as a result of the other risks described in this prospectus.

We develop drugs to treat HIV infection and AIDS and related conditions, and therefore changes in the regulatory and commercial environment for HIV infection and AIDS therapies could harm our business.

Several of our products and products in development address HIV infection and AIDS or related conditions. These products include Viread and emtricitabine for HIV infection and AIDS, Vistide for CMV retinitis and DaunoXome for HIV-associated Kaposi's sarcoma. We develop those products based upon current policy and the current marketplace for HIV infection and AIDS therapies, as well as our prediction of future policy and the future marketplace for these therapies. Our business is subject to substantial risk because these policies and markets change quickly and unpredictably and in ways that could impair our ability to maintain regulatory approval and commercial acceptance of these products.

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

The products that we develop must be approved for marketing and sale by regulatory authorities and will be subject to extensive regulation by the FDA and comparable regulatory agencies in other countries. We are continuing clinical trials for AmBisome, Viread and Hepsera for currently approved and additional uses. We anticipate that we will conduct a variety of clinical trials and file for marketing approval of additional products over the next several years. These products may fail to receive marketing approval on a timely basis, or at all. We cannot be certain that Hepsera will be approved by regulatory authorities in other countries other than the U.S. and the European Union, or whether Hepsera will receive marketing approvals in such countries with significant limitations placed on its use. We cannot be certain that emtricitabine

will be approved in the U.S. or the European Union or whether marketing approvals will have significant limitations on its use. We also cannot be certain that we will be able to obtain the regulatory approvals necessary to expand our commercial efforts into new markets. These failures, delays or limitations, as well as other regulatory changes, actions and recalls, could delay commercialization of any products and adversely affect our results of operations.

In addition, even after our products are marketed, the products and their manufacturers are subject to continual review. Later discovery of previously unknown problems with our products, our own manufacturing or the production by third-party manufacturers may result in restrictions on our products or the manufacture of our products, including withdrawal of the products from the market. If we fail to comply with applicable regulatory requirements, we could be subject to penalties including fines, suspensions of regulatory approvals, product recalls, seizure of products and criminal prosecution.

Results of clinical trials are uncertain and may not support regulatory approval of our products.

We are required to demonstrate the safety and effectiveness of products we develop in each intended use through extensive preclinical studies and clinical trials in order to obtain regulatory approval of these products. The results from preclinical and early clinical studies do not always accurately predict results in later, large-scale clinical trials for several reasons, including:

- preliminary results may not be indicative of effectiveness;
- further clinical trials may not achieve the desired result; and
- further clinical trials may reveal unduly harmful side effects or may show the drugs to be less effective than other drugs or delivery systems for the desired indications.

Even successfully completed large-scale clinical trials may not result in marketable products for several reasons, including:

- the potential products are not shown to be safe and effective;
- regulatory authorities disagree with the results or design of our studies and trials; or
- the potential products are too difficult to develop into commercially viable products.

A number of companies in our industry have suffered setbacks in advanced clinical trials despite promising results in earlier trials. In the end, we may be unable to develop additional marketable products.

Delays in enrolling patients or developing suitable protocols for clinical trials could increase costs and delay regulatory approvals.

The rate of completion of our clinical trials will depend on the rate of patient enrollment. There will be substantial competition to enroll patients in clinical trials for drugs in development. This competition has delayed our clinical trials in the past. In addition, recent improvements in existing drug therapy, particularly for HIV and hepatitis B, may make it more difficult for us to enroll patients in our clinical trials as the patient population may choose to enroll in clinical trials sponsored by other companies or choose alternative therapies. Delays in planned patient enrollment can result in increased development costs and delays in regulatory approvals.

Our clinical trials must be carried out under protocols that are acceptable to regulatory authorities and to the committees responsible for clinical studies at the sites at which the studies are conducted. There may be delays in preparing protocols or receiving approval for them that may delay either or both of the start and finish of our clinical trials. In addition, feedback from regulatory authorities or results from earlier stage clinical studies might require modifications or delays in later stage clinical trials. These types of delays can result in increased development costs and delayed regulatory approvals.

Approximately half of our product sales occur outside the U.S., and currency fluctuations may impair our financial results.

A significant percentage of our product sales are denominated in foreign currencies. Increases in the value of the U.S. dollar against these foreign currencies in the past have reduced, and in the future may reduce, our U.S. dollar equivalent sales and negatively impact our financial condition and results of operations. Effective January 2002, we began to use foreign currency forward contracts to hedge a percentage of our forecasted international sales, primarily those denominated in the Euro currency. We also hedge a portion of our accounts receivable balances denominated in foreign currencies, which reduces but does not eliminate our exposure to currency fluctuations between the date a sale is recorded and the date that cash is collected. Additionally, to mitigate the impact of currency rate fluctuations on our cash outflows for certain foreign currency-denominated raw materials purchases, we enter into foreign exchange forward contracts to hedge our foreign currency-denominated accounts payable. Although we

use forward contracts to reduce the impact of foreign currency fluctuations on our future results, we cannot be certain that these efforts will be successful and any such fluctuations could adversely affect our results of operations.

We face credit risks from our international accounts receivable.

We are subject to credit risk from our accounts receivable related to European product sales. Our European product sales to government owned or supported customers in Greece, Spain, Portugal, and Italy are subject to significant payment delays due to government funding and reimbursement practices. If significant changes were to occur in the reimbursement practices of European governments or if government funding becomes unavailable, our financial position and results of operations would be adversely affected.

Product development expenses can cause our operating expenses to fluctuate from quarter to quarter.

The clinical trials required for regulatory approval of our products are extremely expensive. It is difficult to accurately predict or control the amount or timing of these expenses from quarter to quarter. Uneven and unexpected activity in these programs causes our operating results to fluctuate from quarter to quarter.

We depend on relationships with other companies for sales and marketing performance and revenues. Failure to maintain these relationships would negatively impact our business.

We rely on a number of significant collaborative relationships with major pharmaceutical companies for our sales and marketing performance. These include collaborations with Fujisawa and Sumitomo for AmBisome, GSK for Hepsera, Roche for Tamiflu and Pharmacia for Vistide. In certain countries, we only rely on international distributors for sales of AmBisome and Viread and in some European countries, we intend to rely only on international distributors for sales of Hepsera. Some of these relationships also involve the clinical development of products by our partners. Reliance on collaborative relationships poses a number of risks, including:

- we will not be able to control whether our corporate partners will devote sufficient resources to our programs or products;
- disputes may arise in the future with respect to the ownership of rights to technology developed with corporate partners;
- disagreements with corporate partners could lead to delays in or termination of the research, development or commercialization of product candidates, or result in litigation or arbitration;
- contracts with our corporate partners may fail to provide significant protection or may fail to be effectively enforced if one of these partners fails to perform;
- corporate partners have considerable discretion in electing whether to pursue the development of any additional products and may pursue alternative technologies or products either on their own or in collaboration with our competitors;

corporate partners with marketing rights may choose to devote fewer resources to the marketing of our products than they do to products of their own development;

our distributors and corporate partners may be unable to pay us.

Given these risks, there is a great deal of uncertainty regarding the success of our current and future collaborative efforts. If these efforts fail, our product development or commercialization of new products could be delayed or revenue from existing products, including Viread, Hepsera, AmBisome and Tamiflu, could decline. In January 2002, Roche announced that due to production problems the liquid suspension

form of Tamiflu approved for treatment of children as young as one year old was not available; however, the liquid suspension form of Tamiflu was returned to market in time for the 2002-2003 flu season. These production issues did not affect availability of the tablet form of Tamiflu for adults and adolescents 13 years and older. In Japan, where the 2002-2003 flu season has been particularly severe, Roche's sublicensee, Chugai Corporation, has been unable to meet heightened demand satisfactorily. In January 2003, Chugai issued a press release attributing this failure, in part, to manufacturing problems. These problems in Japan have reduced the net sales on which our royalty with Roche is based.

Under our April 2002 licensing agreement with GSK, we gave GSK the right to control clinical and regulatory development and commercialization of Hepsera in territories including Asia, Africa and Latin America. These include major markets for Hepsera, such as China, Japan, Taiwan and Korea. The success of Hepsera in these territories will depend almost entirely on the efforts of GSK. We receive royalties from GSK equal to a percentage of net sales made by GSK. If GSK fails to devote sufficient resources to, or does not succeed in developing or commercializing Hepsera in its territories, our potential revenues from sales of Hepsera may be substantially reduced.

Our existing products and products under development may not be accepted by physicians, insurers and patients.

The ability of our products to achieve and sustain market acceptance in countries where they are approved for marketing will depend on the scope of regulatory approvals and whether or not government authorities and managed care organizations will adequately reimburse patients who use these products.

In addition, we need to convince the medical and patient advocacy community of:

the effectiveness of these products in treating disease;

the safety of these products when administered to patients; and

the advantages of these products over competitive products.

Physicians, patients, patient advocates, payors and the medical community in general may not accept or use any products that we may develop. If our products are not accepted, our results of operations will suffer.

Many other companies are targeting the same diseases and conditions as we are. Competitive products from other companies could significantly reduce the market acceptance of our products.

Our products and development programs target a number of diseases and conditions, including viral infections and fungal infections. There are many commercially available products for these diseases. Certain of these products are well-established therapies and have generated substantial sales. In addition, a large number of companies and institutions are conducting well-funded research and development activities directed at developing treatments for these diseases. Products currently on the market and those under development by our competitors could make our technology and products obsolete or noncompetitive. We expect that competition for the treatment of these diseases will increase in the future as new products enter the market and advanced technologies become available. We will also be competing to license or acquire technology from other companies.

Our plan to supply Viread at our cost to certain developing countries will reduce Viread's gross profit margin and could give rise to unforeseen liabilities.

We are launching a distribution program pursuant to which we will supply Viread at our cost to all countries in Africa and to the 15 other countries designated "Least Developed Countries" by the United Nations. Because we will receive no profit from the Viread we supply through this program, it will reduce the Viread product's gross profit margin. The amount of that reduction will depend upon the volume of Viread that flows through this program, which we cannot predict with any certainty. Additionally, supply

and distribution of drugs in a resource-poor environment is a complicated undertaking. As this program develops, we could face unforeseen challenges and risks, which could give rise to unforeseen liabilities.

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

Successful commercialization of our products depends, in part, on the availability of governmental and third party payor reimbursement for the cost of such products and related treatments. Government health administration authorities, private health insurers and other organizations generally provide reimbursement. Government authorities and third-party payors increasingly are challenging the price of medical products and services, particularly for innovative new products and therapies. This has resulted in lower average sales prices. For example, a majority of our sales of AmBisome, Vistide and DaunoXome, and a significant percentage of our sales of Viread and Hepsera, are subject to reimbursement by government agencies, resulting in significant discounts from list price and rebate obligations. Our business may be adversely affected by an increase in U.S. or international pricing pressures. These pressures can arise from rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and health care reform, pharmaceutical reimbursement and pricing in general. In the U.S. in recent years, new legislation has been proposed at the federal and state levels that would effect major changes in the health care system, either nationally or at the state level. These proposals have included prescription drug benefit proposals for Medicare beneficiaries introduced in Congress. Although there has been no U.S. federal reform legislation, some states have enacted health care reform legislation. Further federal and state developments are possible. Although we cannot predict the exact nature of legislative health care reforms, if any, our results of operations could be adversely affected by such reforms. In Europe, the success of Hepsera, Tamiflu and Viread will also depend largely on obtaining and maintaining government reimbursement in Europe because in many European countries, including the United Kingdom and France, patients are reluctant to pay for prescription drugs out of their own pocket. We also expect that the success of our products in development, particularly in Europe, will depend on the ability to obtain reimbursement. Even if reimbursement is available, reimbursement policies may adversely affect our ability to sell our products on a profitable basis.

In addition, in many international markets, governments control the prices of prescription pharmaceuticals. In these markets, once regulatory marketing approval is received, pricing negotiations with governmental authorities can take another six to twelve months or longer. Sales of competing products, attempts to gain market share or introductory pricing programs of our competitors could also require us to lower our prices in these countries, which could adversely affect our results of operations. Some foreign governments have passed, or are considering, legislation to require us to sell our products subject to reimbursement at a mandatory discount.

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

Our sales in countries with relatively higher prices may be reduced if products can be imported into those countries from lower price markets. There have been cases in which pharmaceutical products were sold at steeply discounted prices in the developing world and then re-exported to European countries, where they could be re-sold at much higher prices. If this happens with our products, particularly Viread, which we have agreed to provide at our cost to all countries in Africa and to the 15 other countries designated "Least Developed Countries" by the United Nations, our revenues would be adversely affected.

In addition, in the European Union, we are required to permit cross border sales. This allows buyers in countries where government-approved prices for our products are relatively high to purchase our products legally from countries where they must be sold at lower prices. Such cross-border sales adversely affect our revenues.

We may not be able to obtain effective patents to protect our technologies from use by competitors, and patents of other companies could require us to stop using or pay for the use of required technology.

Our success will depend to a significant degree on our ability to:

obtain patents and licenses to patent rights;

preserve trade secrets; and

operate without infringing on the proprietary rights of others.

We have rights to U.S. and foreign issued patents and have filed and will continue to file patent applications in the U.S. and abroad relating to our technologies. There is a risk, however, that patents may not issue from any of these applications or that the patents will not be sufficient to protect our technology. Patent applications are confidential for at least some period of time, sometimes in the U.S. until a patent issues. As a result, we may not know if our competitors filed patent applications for technology covered by our pending applications. We also cannot be certain that we were the first to invent the technology that is the subject of our patent applications. Competitors may have filed patent applications or received patents and may obtain additional patents and proprietary rights that block or compete with our patents.

We do not have patent filings in China or certain other Asian countries covering all forms of adefovir dipivoxil, the active ingredient in Hepsera, although we do have applications pending in various Asian countries that relate to various forms and formulations of adefovir dipivoxil. Asia is a major market for therapies for hepatitis B, the indication for which Hepsera has been developed. We may obtain patents for certain products many years before marketing approval is obtained for those products. Because patents have a limited life, which may begin to run prior to commercial sale, the commercial value of the product may be limited. In addition, patents may not provide adequate protection in certain countries in Africa and Asia, including China.

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

Our success depends in large part on our ability to operate without infringing upon the patents or other proprietary rights of third parties. If we infringe the patents of others, we may be prevented from commercializing products or may be required to obtain licenses from these third parties. We cannot be certain that we would be able to obtain alternative technologies or any required license. Even if we were to obtain such technologies or licenses, we cannot be certain that the terms would be reasonable. If we fail to obtain such licenses or alternative technologies, we may be unable to develop or commercialize some or all of our products.

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

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

In a number of developing countries, government officials and other groups have suggested that pharmaceutical companies should make drugs for HIV infection available at a low cost. In some cases, governmental authorities have indicated that where pharmaceutical companies do not do so, their patents might not be enforceable to prevent generic competition. Some major pharmaceutical companies have greatly reduced prices for HIV drugs in certain developing countries. If certain countries do not permit enforcement of our patents, sales of Viread in those countries could be reduced by generic competition. Alternatively, governments in those countries could require that we grant compulsory licenses to allow

competitors to manufacture and sell their own versions of Viread in those countries, thereby reducing our Viread sales, or we could respond to governmental concerns by reducing prices for Viread. In all of these situations, our results of operations could be adversely affected.

Manufacturing problems could delay product shipments and regulatory approvals.

We depend on third parties to perform manufacturing obligations effectively and on a timely basis. If these third parties fail to perform as required, this could impair our ability to deliver our products on a timely basis or cause delays in our clinical trials and applications for regulatory approval, and these events could harm our competitive position. For Viread, Hepsera and Vistide, we rely on third parties for the

manufacture of bulk drug substance and final drug product for clinical and commercial purposes. For example, Roche is responsible for manufacturing Tamiflu. In January 2002, Roche announced that due to production problems the liquid suspension form of Tamiflu approved for treatment of children as young as one year old was not available; however, the liquid suspension form of Tamiflu was returned to market in time for the 2002-2003 flu season. These production issues did not affect availability of the tablet form of Tamiflu for adults and adolescents 13 years and older. In Japan, where the 2002-2003 flu season has been particularly severe, Roche's sublicensee, Chugai Corporation, has been unable to meet heightened demand satisfactorily. In January 2003, Chugai issued a press release attributing this failure, in part, to manufacturing problems. These problems in Japan have reduced the net sales on which our royalty with Roche is based. Additionally, for emtricitabine, we are seeking qualification of Abbott in the U.S. and the European Union as a contract manufacturer for bulk drug substance and the final drug product. We are also seeking qualification in the European Union for a second contract manufacturer for emtricitabine bulk drug substance. Abbott has a recent history of violations of current Good Manufacturing Practice regulations cited by the FDA and has been working towards corrections under an FDA consent decree. The FDA conducted a pre-approval inspection at Abbott for the new drug application of emtricitabine and issued a Form 483 observation to Abbott in December 2002. In January 2003, Abbott submitted a response to the Form 483 observation. If the FDA deems Abbott's response to the Form 483 observation to be inadequate, or if Abbott is unable to supply the initial launch quantities of emtricitabine in a timely manner, the emtricitabine launch could be delayed.

We manufacture AmBisome and DaunoXome at our facilities in San Dimas, California. Our only formulation and manufacturing facilities are in San Dimas, California, although we own a manufacturing facility in Ireland that performs certain quality control testing, labeling and packaging, and we use third parties as alternate contract suppliers to fill and freeze dry certain batches of product. In the event of a natural disaster, including an earthquake, equipment failure, strike or other difficulty, we may be unable to replace this manufacturing capacity in a timely manner and would be unable to manufacture AmBisome and DaunoXome to meet market needs.

We may not be able to obtain materials necessary to manufacture our products.

Many of the materials that we utilize in our operations are made at only one facility. For example, we depend on single suppliers for high quality amphotericin B, daunorubicin HCl, distearoylphosphatidylcholine and high quality cholesterol, each of which is used in the manufacture of one or more of our liposomal products. Because the suppliers of key components and materials must be named in the new drug application filed with the FDA for a product, significant delays can occur if the qualification of a new supplier is required. If supplies from our suppliers were interrupted for any reason, we may be unable to ship Viread, AmBisome, Hepsera, Vistide or DaunoXome, or to supply any of our products in development for clinical trials.

We have limited experience in manufacturing our existing products and may need to develop additional manufacturing capacity for these products and our potential future products.

For some of our potential products under development, we will need to develop further our production technologies for use on a larger scale in order to conduct clinical trials and produce such products for commercial sale at an acceptable cost. We cannot be certain that we will be able to implement any of these developments successfully.

The manufacturing process for pharmaceutical products is highly regulated, and regulators may shut down manufacturing facilities that they believe do not comply with regulations. The FDA's current Good Manufacturing Practices are extensive regulations governing manufacturing processes, stability testing, record-keeping and quality standards. In addition, our manufacturing operations are subject to routine inspections by regulatory agencies and similar regulations are in effect in other countries.

Our business may give rise to product liability claims not covered by insurance or indemnity agreements.

The testing, manufacturing, marketing and use of Viread, AmBisome, Hepsera, Tamiflu, Vistide and DaunoXome, as well as products in development, involve substantial risk of product liability claims. These claims may be made directly by consumers, healthcare providers, pharmaceutical companies or others. A successful product liability claim against us could require us to pay substantial amounts, which could impair our financial condition and our ability to clinically test and to market our products.

Additionally, we are required by governmental regulations to test our products even after they have been sold and used by patients. As a result of such tests, we may be required to, or may determine that, we should recall products already in the market. Subsequent testing and product recalls may increase our potential exposure to product liability claims.

Our internal research programs and our efforts to obtain rights to new products from third parties may not yield potential products for clinical development.

Our long term success depends on our ability either to identify, through internal research programs, potential product candidates that may be developed into new pharmaceutical products or to obtain new products or product candidates through licenses from third parties.

A significant portion of the research that we will conduct will involve new and unproven technologies. Research programs to identify product candidates require substantial technical, financial and human resources whether or not such candidates are identified. Our research programs may appear to be a promising route to identifying potential product candidates yet fail to yield product candidates for clinical development for a number of reasons, including:

- the research methodology used may not be successful in identifying potential product candidates;
- potential product candidates may on further study be shown to have unduly harmful side effects or characteristics that indicate they are unlikely to be effective drugs;
- we may be unable to develop larger scale manufacturing methods that are efficient, cost-effective and capable of meeting stringent regulatory standards; or
- others may hold intellectual property rights that prevent us from developing, making or selling certain products.

We may be unable to obtain suitable product candidates or products from third parties for a number of reasons, including:

- we may be unable to purchase or license such compounds on terms that would allow us to make an appropriate return from the product;

- competitors may be unwilling to assign or license product rights to us;
- we may be unable to identify suitable products or product candidates within our areas of expertise; or
- product candidates that we acquire may not be approved by regulatory authorities due to problems with their safety or effectiveness.

If we are unable to develop suitable potential product candidates through internal research programs or obtain rights to new products from third parties, our future revenue growth will suffer.

Our use of hazardous materials, chemicals, viruses and radioactive compounds exposes us to potential liabilities.

Our research and development involves the controlled use of hazardous materials, chemicals, viruses and various radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, we cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of such an accident, we could be held liable for significant damages or fines.

Risks Related to Triangle Acquisition in January 2003

Emtricitabine may not receive marketing approval as a single agent, which could prevent or delay the commercial sale of a co-formulation of Viread with emtricitabine.

We have submitted applications for marketing approval of emtricitabine for the treatment of HIV infection in the U.S. and in the European Union. Our ability to obtain marketing approval for a co-formulation of Viread with emtricitabine will depend on emtricitabine receiving

marketing approval as a single agent for treatment of HIV infection. Regulatory authorities in the U.S., European Union and other countries may not grant marketing approval for emtricitabine if they conclude it is not safe or efficacious for its intended use. In addition, because regulatory authorities in the European Union require that new products have sufficient efficacy or safety advantages over currently marketed products and have extensive pre-clinical toxicity data, these authorities may conclude that emtricitabine is not approvable as a single agent. Emtricitabine is similar at a chemical level to Epivir, GSK's lamivudine product that is already marketed for treatment of HIV infection, and available data indicates that the products have comparable safety and efficacy profiles. If emtricitabine does not receive marketing approval as a single agent, we may be unable to obtain marketing approval for a co-formulation of Viread with emtricitabine or may have to conduct lengthy and expensive clinical trials of the co-formulation in order to obtain such approvals.

The proposed co-formulation of Viread and emtricitabine may not be technically possible, may not be effective or safe, or may not be approved by regulatory authorities.

We intend to develop and commercialize a co-formulation of Viread with emtricitabine. Achieving anticipated synergies and the potential benefits of a co-formulation, which were the significant motivations behind our merger with Triangle, will depend on successfully creating and obtaining marketing approval for a co-formulation of Viread with emtricitabine. We expect that if emtricitabine receives marketing approval, the only major requirement for obtaining marketing approval for the co-formulation of Viread with emtricitabine would be a clinical study showing that the co-formulation of emtricitabine and Viread is biologically equivalent to emtricitabine and Viread administered together as separate formulations. We will need a chemistry, manufacturing and bioequivalence package that shows the co-formulated tablet gives the same exposure to Viread and emtricitabine as the two drugs given individually. It is uncertain whether it will be possible to bring such a co-formulation to market. Emtricitabine has not been approved for marketing by regulatory authorities and may not be approved or might require additional clinical trials in order to obtain regulatory approval. In addition, a physical combination of emtricitabine with Viread may

not be technically feasible or cost-effective. Even if the two drugs can be co-formulated, regulatory authorities may not approve the co-formulation or may require additional clinical trials before granting marketing approval. Any requirement for clinical trials, or any delay or failure in developing and commercializing a co-formulation of emtricitabine and Viread, would have a material adverse effect on our business, financial condition and results of operations.

If we do not successfully integrate Triangle into our operations, our business will be adversely affected.

Integrating Gilead and Triangle will be a complex and time-consuming process. Prior to the merger, Gilead and Triangle operated independently, each with its own business, corporate culture, locations, employees and systems. Gilead and Triangle now have to operate as a combined organization and begin utilizing common information and communication systems; operating procedures; financial controls; and human resource practices, including benefits, training and professional development programs. There may be substantial difficulties, costs and delays involved in any integration of Gilead and Triangle. These may include:

- distracting management from the business of the combined company;
- potential incompatibility of corporate cultures;
- potential inability to coordinate research and development efforts successfully;
- costs and delays in implementing common systems and procedures; and
- operating the combined company at three sites in the U.S. and at nine international sites.

Any one or all of these factors may increase operating costs or lower anticipated financial performance. In addition, the combined company may lose corporate partners, distributors, suppliers, manufacturers and employees. Many of these factors are also outside the control of the company. Achieving anticipated synergies and the potential benefits underlying the two companies' reasons for the merger will depend on successful integration of the two companies. The failure to integrate Gilead and Triangle successfully would have a material adverse effect on our business, financial condition and results of operations.

If we are unable to manufacture emtricitabine successfully or at a reasonable cost, our potential future results could suffer.

We have not manufactured emtricitabine and are not familiar with the manufacturing process for emtricitabine. Until completion of the merger, Triangle was responsible for making arrangements to obtain supplies of emtricitabine from a third party for an anticipated commercial launch following receipt of marketing approvals in the U.S. and the European Union. If Triangle has not made adequate arrangements for supplies, or if there are supply problems with the third party manufacturers for emtricitabine, there may not be sufficient supplies of emtricitabine to meet commercial demand, in which case our future results could suffer.

Triangle entered into an agreement with Abbott, under which Abbott has agreed to manufacture emtricitabine bulk drug substance and final drug product for us and to transfer the manufacturing technology for emtricitabine to third party manufacturers. We will rely on Abbott or on such third parties for manufacture of emtricitabine for some period of time. We are seeking qualification of Abbott in the U.S. and the European Union as a contract manufacturer. Abbott has a recent history of violations of current Good Manufacturing Practice regulations cited by the FDA and has been working towards corrections under an FDA consent decree. The FDA conducted a pre-approval inspection at Abbott for the new drug application of emtricitabine and issued a Form 483 observation to Abbott in December 2002. In January 2003, Abbott submitted a response to the Form 483 observation. We depend on Abbott to perform its obligations effectively and on a timely basis. If the FDA deems Abbott's response to the

Form 483 observation to be inadequate, or if Abbott is unable to supply the initial launch quantities of emtricitabine in a timely manner, the timing of the emtricitabine launch could be impacted and this event could harm our competitive position. Any new manufacturers for emtricitabine would also have to be approved by regulatory authorities, and if there are delays in such approval, we may have to rely on Abbott for emtricitabine supplies for a longer period than currently anticipated. If costs for supplies of emtricitabine from these third party manufacturers are unacceptably high, our results of operations would suffer until we are able to arrange for manufacture of emtricitabine at lower cost. Because we have not manufactured emtricitabine before, we cannot be sure that the emtricitabine manufacturing costs can be reduced to an acceptable level.

Our profitability will depend in part upon Triangle's operations, which have incurred losses since Triangle's inception.

Triangle has incurred losses since its inception and as of December 31, 2002, its accumulated deficit was approximately $441.6 million. Triangle's losses have resulted primarily from expenses associated with the acquisition and development of its drug candidates and general and administrative costs. Triangle has not generated any revenue from the sale of its product candidates to date and was not expecting to do so before 2003. Triangle's operations may never generate significant revenue or achieve profitability.

The trading price of our securities could be subject to significant fluctuations.

The trading price of our common stock has been volatile, and may be volatile in the future. Factors such as announcements of fluctuations in our or our competitors' operating results, changes in our prospects and market conditions for biotechnology stocks in general could have a significant impact on the future trading prices of our common stock. In particular, the trading price of the common stock of many biotechnology companies, including us, has experienced extreme price and volume fluctuations, which have at times been unrelated to the operating performance of such companies whose stocks were affected. Some of the factors that may cause volatility in the price of our securities include:

- clinical trial results and regulatory developments;
- quarterly variations in results;
- business and product market cycles;
- fluctuations in customer requirements;
- the availability and utilization of manufacturing capacity;

the timing of new product introductions; and

the ability to develop and implement new technologies.

The price of our securities may also be affected by the estimates and projections of the investment community, general economic and market conditions, and the cost of operations in our product markets. While we cannot predict the individual effect that these factors may have on the price of our securities, these factors, either individually or in the aggregate, could result in significant variations in price during any given period of time. There can be no assurance that these factors will not have an adverse effect on the trading prices of our common stock.

Risks Related to the Notes

Our indebtedness and debt service obligations may adversely affect our cash flow.

Our ability to make payments on and to refinance our debt, including our existing 5% convertible subordinated notes due 2007 and our existing 2% convertible senior notes due 2007, will depend on our ability to generate sufficient cash. During each of the four years ending December 31, 2001, our operating

cash flows were insufficient to cover our fixed charges. While we were able to achieve profitability for the fiscal year ended December 31, 2002, our merger with Triangle will reduce our earnings in 2003, and we may not be able to regain and sustain profitability in the future. Our ability to generate sufficient cash flow will depend on increasing sales of our products, collection of receivables and the results of our research and development efforts and other factors, including general economic, financial, competitive, legislative and regulatory conditions, some of which are beyond our control.

If we incur additional indebtedness, the related risks that we now face could intensify. Our ability to make required payments on the notes and to satisfy any other debt obligations will depend upon our future operating performance and our ability to obtain additional debt or equity financing.

The notes are unsecured, and future indebtedness could effectively rank senior to the notes.

The notes are unsecured and rank equal in right of payment with our existing and future unsecured and unsubordinated indebtedness. The notes are effectively subordinated to any secured debt to the extent of the value of the assets that secure the indebtedness. The notes are "structurally subordinated" to all indebtedness and other liabilities, including trade payables and lease obligations, of our existing and future subsidiaries. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of the notes, payment on the notes could be less, ratably, than on any secured indebtedness. We may not have sufficient assets remaining to pay amounts due on any or all of the notes then outstanding.

The indenture governing the notes does not prohibit or limit us from incurring additional indebtedness and other liabilities, or from pledging assets to secure such indebtedness and liabilities. The incurrence of additional indebtedness and in particular the granting of a security interest to secure the indebtedness, could adversely affect our ability to pay our obligations on the notes. We anticipate that from time to time we will incur additional indebtedness in the future.

The notes are not protected by restrictive covenants.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture contains no covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change involving Gilead except to the extent described under "Description of the Notes Repurchase at Option of Holders Upon a Change in Control".

We may be required to repurchase the notes.

You may require us to repurchase all or any portion of your notes upon change of control event as described in this prospectus. We may not have sufficient cash funds to repurchase the notes. We may elect, subject to certain conditions, to pay the repurchase price in common stock or a combination of cash and common stock. Although there are currently no restrictions on our ability to pay the repurchase price, future debt agreements may prohibit us from repaying the repurchase price in either cash or common stock. If we were unable to repurchase the notes upon a repurchase event, it would result in an event of default under the indenture. An event of default under the indenture could result in a further event of default under our other then-existing debt. In addition, the occurrence of the repurchase event may be an event of default under our other debt.

We cannot assure you that an active trading market will develop for the notes.

The notes constitute a new issue of securities for which there is no established trading market. We cannot predict whether an active trading market for the notes will develop or be sustained. If an active market for the notes fails to develop or be sustained, the trading price of the notes could fall. If an active

trading market were to develop, the notes could trade at prices that may be lower than the initial offering price of the notes. Whether or not the notes will trade at lower prices depends on many factors, including:

prevailing interest rates and the markets for similar securities;

general economic conditions; and

our financial condition, historic financial performance and future prospects.

The market price of our common stock could be affected by the substantial number of shares that are eligible for future sale.

As of February 28, 2003, we had 198,503,361 shares of common stock outstanding, excluding, as of December 31, 2002, 10,178,116 shares issuable upon conversion of our existing 5% convertible subordinated notes due 2007; 25,366,166 shares issuable upon the exercise of options granted under our existing stock option plans, 13,320 shares issuable upon exercise of warrants and 7,340,425 shares issuable upon conversion of the notes described in this prospectus. We cannot predict the effect, if any, that future sales of the notes or shares of common stock, including common stock issuable upon conversion of the notes, or the availability of the notes or shares of common stock for future sale, will have on the market price of common stock prevailing from time to time.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for each of the last five years:

	Years ended December 31,				
	2002	2001	2000	1999	1998
Ratio of earnings to fixed charges(1)	4.7	4.1			

(1) The ratio of earnings to fixed charges is computed by dividing income (loss) before provision for income taxes, equity in loss of unconsolidated affiliate and cumulative effect of change in accounting principle plus fixed charges, less capitalized interest, by fixed

charges. Fixed charges consist of interest expense, capitalized interest and that portion of rental payments under operating leases we believe to be representative of interest. Earnings were insufficient to cover fixed charges by $7.8 million, $9.7 million, and $9.9 million for the years ended December 31, 2000, 1999 and 1998, respectively.

FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus and the documents incorporated by reference are forward-looking statements. These statements are based on our current expectations, assumptions, estimates and projections about our business and our industry, and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's results, levels of activity, performance or achievement to be materially different from any future results, levels of activity, performance or achievements expressed or implied in or contemplated by the forward-looking statements. Words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," "should," "estimate," "predict," "potential," "continue," or the negative of such terms or other similar expressions, identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of several factors more fully described under the caption "Risk Factors" and in the documents incorporated by reference. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the notes or the shares of common stock offered by this prospectus. See "Selling Securityholders."

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information filed by us at the SEC's public reference room at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You can request copies of these documents by contacting the SEC and paying a fee for the copying costs. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. You also may inspect copies of these materials at the reading room of the library of the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006. Our SEC filings are also available to the public from commercial document retrieval services and at the SEC's web site at "http://www.sec.gov."

We "incorporate by reference" the information we file with the SEC, which means that we can disclose important information to you by referring you to another document we filed with the SEC. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, after the date of this prospectus but before the end of any offering made under this prospectus:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2002;

our registration statement on Form 8-A, filed on December 22, 1992; and

our current report on Form 8-K, filed on January 29, 2003 and on Form 8-K/A filed on March 13, 2003.

We will furnish without charge to you, upon written or oral request, a copy of any or all of the documents described above, except for exhibits, unless the exhibits are specifically incorporated by reference into the documents. You should direct your requests to: Gilead Sciences, Inc., 333 Lakeside Drive, Foster City, California 94404, Attention: Susan Hubbard, Investor Relations, (650) 574-3000.

WE HAVE AUTHORIZED NO ONE TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS. YOU SHOULD RELY ONLY ON THE INFORMATION PROVIDED IN THIS PROSPECTUS OR INCORPORATED BY REFERENCE THEREIN. YOU MUST NOT RELY ON ANY UNAUTHORIZED INFORMATION.

THIS PROSPECTUS DOES NOT OFFER TO SELL OR BUY ANY NOTES OR SHARES OF COMMON STOCK IN ANY JURISDICTION WHERE IT IS UNLAWFUL. YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THIS DOCUMENT.

DESCRIPTION OF THE NOTES

We issued the notes under a document called the "indenture," which was dated as of December 18, 2002. The indenture is a contract between us and J.P. Morgan Trust Company, National Association, who is serving as trustee. New York law governs both the indenture and the notes.

The following description of the terms is a summary. It summarizes only those portions of the indenture we believe are most important to your decision to invest in the notes. This section does not describe every aspect of the notes. The indenture, and not this summary, defines your rights as a holder of the notes. There may be other provisions in the indenture that are also important to you. You should read the indenture for a full description of the terms of the notes. We will provide a copy, at no charge, if you contact us. As used in this section, the words "we," "us," "our" or "Gilead" refer to Gilead Sciences, Inc. and its successors under the indenture and do not include any current or future subsidiary of Gilead Sciences, Inc.

General

The notes are senior, unsecured obligations of Gilead. The notes are limited to $345,000,000 aggregate principal amount. We are required to repay the principal amount of the notes in full on December 15, 2007. We initially issued the notes only in denominations of $1,000 or in integral multiples of $1,000.

The notes bear interest at the annual rate of 2.00% from December 18, 2002. Interest is payable semi-annually in arrears on June 15 and December 15 of each year, commencing on June 15, 2003. Interest payable per $1,000 principal amount of notes for the period from the issue date to June 15, 2003 will be approximately $9.83.

You may convert the notes into shares of our common stock initially at the conversion rate stated on the front cover of this prospectus at any time before the close of business on the maturity date, unless the notes have been previously redeemed or repurchased as more fully described under "Description of the Notes Conversion Rights". Holders of notes called for redemption or submitted for repurchase will be entitled to convert the notes up to and including the second business day prior to the date fixed for redemption or repurchase, as the case may be. The conversion rate may be adjusted as described below.

We may redeem the notes at our option at any time on or after December 20, 2005 (or earlier if the price of our common stock reaches certain levels), in whole or in part, at the redemption prices set forth below under " Optional Redemption by Gilead", plus accrued and unpaid interest to, but excluding, the redemption date. If we experience a change in control, you have the right to require us to repurchase your notes as described below under " Repurchase at Option of Holders Upon a Change in Control". The notes rank senior to our 5% convertible subordinated notes due 2007 and equal in right of payment with any existing and future unsecured and unsubordinated indebtedness. The notes are subordinated to any existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and "structurally subordinated" to the indebtedness and other liabilities of our subsidiaries or any future subsidiaries, including trade payables and lease obligations in existence on or after the date hereof. This occurs because our right to receive any assets of our subsidiaries upon their liquidation and reorganization, and your right to participate in those assets, is effectively subordinated to claims of that subsidiary's creditors, including trade creditors, except to the extent that we are recognized as a creditor of such subsidiary. If we are recognized as a creditor of that subsidiary, our claims would still be subordinate to any security interest in the assets of the subsidiary and any indebtedness of the subsidiary senior to us. In addition, our secured creditors will be entitled to receive payment on their claims by realizing on the collateral securing their claims prior to your right and that of our other senior unsecured creditors in respect of that collateral.

The indenture does not limit our ability to incur debt, including secured debt, or our ability or the ability of our subsidiaries to incur any indebtedness.

Form, Denomination, Transfer, Exchange and Book-Entry Procedures

We initially issued the Notes in reliance on Rule 144A in fully registered form:

- without interest coupons; and
- in denominations of $1,000 and greater multiples.

The notes are evidenced by a global note, which was deposited with the trustee, as custodian for the Depository Trust Company (DTC), and registered in the name of Cede & Co. (Cede), as nominee of DTC. Except as set forth below, record ownership of the global note may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

The global note will not be registered in the name of any person, or exchanged for notes that are registered in the name of any person, other than DTC or its nominee unless either of the following occurs:

- DTC notifies us that it is unwilling, unable or no longer qualified to continue acting as the depositary for the global note or DTC ceases to be a registered clearing agency or ceases doing business or announces an intention to cease doing business; or
- an event of default with respect to the notes represented by the global note has occurred and is continuing.

In those circumstances, DTC will determine in whose names any securities issued in exchange for the global note will be registered.

DTC or its nominee will be considered the sole owner and holder of the global note for all purposes, and as a result:

- you cannot receive notes registered in your name if they are represented by the global note;
- you cannot receive physical certificated notes in exchange for your beneficial interest in the global notes;
- you will not be considered to be the owner or holder of the global note or any note it represents for any purpose; and
- all payments on the global note will be made to DTC or its nominee.

The laws of some jurisdictions require that certain kinds of purchasers, such as insurance companies, can only own securities in definitive certificated form. These laws may limit your ability to transfer your beneficial interests in the global note to these types of purchasers.

Only institutions, such as a securities broker or dealer, that have accounts with DTC or its nominee (called participants) and persons that may hold beneficial interests through participants can own a beneficial interest in the global note. The only place where the ownership of beneficial interests in the global note will appear and the only way the transfer of those interests can be made will be on the records kept by DTC (for their participants' interests) and the records kept by those participants (for interests of persons held by participants on their behalf).

Secondary trading in bonds and notes of corporate issuers is generally settled in clearinghouse (that is, next-day) funds. In contrast, beneficial interests in a global note usually trade in DTC's same-day funds settlement system, and settle in immediately available funds. We make no representations as to the effect that settlement in immediately available funds will have on trading activity in those beneficial interests.

We will make payments of interest on and principal of and the redemption or repurchase price of the global note, as well as any payment of liquidated damages, to Cede, the nominee for DTC, as the registered owner of the global note. We will make these payments by wire transfer of immediately available funds on each payment date.

We have been informed that DTC's practice is to credit participants' accounts on the payment date with payments in amounts proportionate to their respective beneficial interests in the notes represented by the global note as shown on DTC's records, unless DTC has reason to believe that it will not receive payment on that payment date. Payments by participants to owners of beneficial interests in notes represented by the global note held through participants will be the responsibility of those participants, as is now the case with securities held for the accounts of customers registered in street name.

We will send any redemption notices to Cede. We understand that if less than all the notes are being redeemed, DTC's practice is to determine by lot the amount of the holdings of each participant to be redeemed.

We also understand that neither DTC nor Cede will consent or vote with respect to the notes. We have been advised that under its usual procedures, DTC will mail an omnibus proxy to us as soon as possible, after the record date. The omnibus proxy assigns Cede's consenting or voting rights to those participants to whose account the notes are credited on the record date identified in a listing attached to the omnibus proxy.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having a beneficial interest in the principal amount represented by the global note to pledge the interest to persons or entities that do not participate in the DTC book-entry system, or otherwise take actions in respect of that interest, may be affected by the lack of a physical certificate evidencing its interest.

DTC has advised us that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange) only at the direction of one or more participants to whose account with DTC interests in the global note are credited and only in respect of such portion of the principal amount of the notes represented by the global note as to which such participant or participants has or have given such direction.

DTC has also advised us as follows:

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a clearing corporation within the meaning of the Uniform Commercial Code, as amended, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act;

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants;

participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations;

certain participants, or their representatives, together with other entities, own DTC; and

indirect access to the DTC system is available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

The policies and procedures of DTC, which may change periodically, will apply to payments, transfers, exchanges and other matters relating to beneficial interests in the global note. We and the trustee have no responsibility or liability for any aspect of DTC's or any participants records relating to beneficial interests

in the global note, including for payments made on the global note. Further, we and the trustee are not responsible for maintaining, supervising or reviewing any of those records.

Conversion Rights

You have the option to convert any portion of the principal amount of any note that is an integral multiple of $1,000 into shares of our common stock at any time on or prior to the close of business on the maturity date, unless the notes have been previously redeemed or repurchased. The conversion rate will be equal to 21.2766 shares of common stock per $1,000 principal amount of notes. The conversion rate is equivalent to a conversion price of $47.00 per share of common stock. Your right to convert a note called for redemption or delivered for repurchase will terminate at the close of business on the second business day prior to the redemption date or repurchase date for that note, unless we default in making the payment due upon redemption or repurchase.

You may convert all or part of any note by delivering the note at the Corporate Trust Office of the trustee, J.P. Morgan Trust Company, National Association, accompanied by a duly signed and completed conversion notice, a copy of which may be obtained from the trustee. The conversion date will be the date on which the note and the duly signed and completed conversion notice are so delivered.

As promptly as practicable on or after the conversion date, we will issue and deliver to the trustee a certificate or certificates for the number of full shares of our common stock issuable upon conversion, together with payment in lieu of any fraction of a share. The certificate(s) will then be sent by the trustee to the conversion agent for delivery to the holder of the note being converted. The shares of our common stock issuable upon conversion of the notes will be fully paid and nonassessable and will rank equally with the other shares of our common stock.

If you surrender a note for conversion on a date that is not an interest payment date, you will not be entitled to receive any interest for the period from the preceding interest payment date to the date of conversion, except as described below. However, if you are a holder of a note on a regular record date, including a note surrendered for conversion after the regular record date, you will receive the interest payable on such note on the next succeeding interest payment date. Accordingly, any note surrendered for conversion during the period from the close of business on a regular record date to the opening of business on the next succeeding interest payment date must be accompanied by payment of an amount equal to the interest payable on such interest payment date on the principal amount of notes being surrendered for conversion. However, you will not be required to make that payment if you are converting a note, or a portion of a note, that we have called for redemption, or that you are entitled to require us to repurchase from you, if your conversion right would terminate because of the redemption or repurchase between the regular record date and the close of business on the third business day following the next succeeding interest payment date.

No other payment or adjustment for interest, or for any dividends in respect of our common stock, will be made upon conversion. Holders of our common stock issued upon conversion will not be entitled to receive any dividends payable to holders of our common stock as of any record time or date before the close of business on the conversion date. We will not issue fractional shares of common stock upon conversion. Instead, we will pay cash in lieu of fractional shares of common stock based on the market price of our common stock at the close of business on the conversion date. For a summary of the U.S. federal income tax considerations relating to conversion of a note, see "Certain United States Federal Income Tax Considerations Conversion of Notes".

You will not be required to pay any taxes or duties relating to the issue or delivery of our common stock on conversion but you will be required to pay any tax or duty relating to any transfer involved in the issue or delivery of our common stock in a name other than yours. Certificates representing shares of our common stock will not be issued or delivered unless all taxes and duties, if any, payable by you have been paid.

The conversion rate is subject to adjustment for, among other things:

- dividends and other distributions payable in our common stock on shares of our capital stock;
- the issuance to all holders of our common stock of rights, options or warrants entitling them to subscribe for or purchase our common stock at less than the then current market price of such common stock as of the record date for stockholders entitled to receive such rights, options or warrants; provided that the conversion rate will be readjusted to the extent that such rights, options or warrants are not exercised prior to their expiration;
- subdivisions, combinations and reclassifications of our common stock;

distributions to all holders of our common stock of evidences of our indebtedness, shares of capital stock, cash or assets, including securities, but excluding:

- those dividends, rights, options, warrants and distributions referred to above;
- dividends and distributions paid exclusively in cash other than those referred to in the next two succeeding bullet points; and
- distributions upon mergers or consolidations discussed below;

distributions consisting exclusively of cash, excluding cash distributed upon a merger or consolidation discussed below, to all holders of our common stock in an aggregate amount that, combined together with:

- other all-cash distributions made within the preceding 365-day period in respect of which no adjustment has been made; and
- any cash and the fair market value of other consideration payable in connection with any tender offer by us or any of our subsidiaries for our common stock concluded within the preceding 365-day period in respect of which no adjustment has been made,

exceeds 10% of our market capitalization, being the product of the current market price per share of our common stock on the record date for such distribution and the number of shares of common stock then outstanding; and

the successful completion of a tender offer made by us or any of our subsidiaries for our common stock which involves an aggregate consideration that, together with:

- any cash and the fair market value of other consideration payable in a tender offer by us or any of our subsidiaries for our common stock expiring within the 365-day period preceding the expiration of that tender offer in respect of which no adjustments have been made; and
- the aggregate amount of any cash distributions to all holders of our common stock within the 365-day period preceding the expiration of that tender offer in respect of which no adjustments have been made,

exceeds 10% of our market capitalization on the expiration of such tender offer.

We have issued rights to all of our holders of common stock pursuant to our stockholder rights plan which may have the effect of discouraging, delaying or preventing a merger or our acquisition. If any holder converts notes prior to the rights trading separately from the common stock, the holder will be entitled to receive rights in addition to the common stock. Following the occurrence of a separation event, holders will only receive common stock upon a conversion of any notes without the right. Instead, upon the occurrence of the separation event, the conversion ratio will be adjusted. If such an adjustment is made and the rights are later redeemed, invalidated or terminated, then a reversing adjustment will be made.

We reserve the right to effect such increases in the conversion rate in addition to those required by the foregoing provisions as we consider to be advisable in order to avoid or diminish any income tax to holders of our common stock resulting from certain dividends, distributions or issuances of rights or warrants. We are not required to make any adjustment to the conversion rate until the cumulative adjustments amount to 1.0% or more of the conversion rate. We will compute all adjustments to the conversion rate and will give notice by mail to holders of the registered notes of any adjustments.

In the event that we consolidate or merge with or into another entity or another entity is merged into us, or in case of any sale or transfer of all or substantially all of our assets, each note then outstanding will become convertible only into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of common stock into which the notes were convertible immediately prior to the consolidation or merger or sale or transfer. The preceding sentence will not apply to a merger or sale of all or substantially all of our assets that does not result in any reclassification, conversion, exchange or cancellation of the common stock.

We may increase the conversion rate for any period of at least 20 days if our board of directors determines that the increase would be in our best interest. The board of directors' determination in this regard is conclusive. We will give holders of notes at least 15 days' notice of such an increase in the conversion rate. Any increase, however, will not be taken into account for purposes of determining whether the closing price of our common stock equals or exceeds the conversion price by 105% in connection with an event that otherwise would be a change in control as defined below.

If at any time we make a distribution of property to our stockholders that would be taxable to such stockholders as a dividend for United States federal income tax purposes, such as distributions of evidences of indebtedness or assets by us, but generally not stock dividends on common stock or rights to subscribe for common stock, and, pursuant to the anti-dilution provisions of the indenture, the number of shares of common stock into which notes are convertible is increased, that increase may be deemed for United States federal income tax purposes to be the payment of a taxable dividend to holders of the notes. See "Certain United States Federal Income Tax Considerations".

Provisional Redemption by Gilead

We may redeem any portion of the notes at any time after June 20, 2004 but prior to December 20, 2005 upon at least 30 and not more than 60 days' notice by mail to the holders of the notes, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest and the "make whole" payment described below, if (1) the closing price of our common stock on The Nasdaq National Market (or other primary exchange where our common stock is traded) has exceeded 150% of the conversion price for at least 20 trading days in any consecutive 30-day trading period ending on the trading day prior to the mailing of the notice of redemption and (2) the shelf registration statement covering resales of the notes and the common stock is effective and available for use and is expected to remain effective and available for use for the 30 days following the redemption date, unless registration is no longer required.

If we redeem notes under these circumstances, we will make a "make whole" payment on the redeemed notes equal to $60.00 per $1,000 principal amount of notes, minus the amount of any interest actually paid or accrued and unpaid on the note prior to the redemption date. We must make these "make whole" payments on all notes called for redemption prior to December 20, 2005, including notes converted after the date we mailed the notice. We may make these "make whole" payments, at our option, either in cash or in our common stock or a combination thereof. We will specify the type of consideration for the "make whole" payment in the redemption notice. Payments made in our common stock will be valued at 95% of the average of the closing sales prices of our common stock on The Nasdaq National Market (or other United States national securities exchange where our common stock is traded) for the five consecutive trading days ending on the third trading day prior to the redemption date.

Because the sale price of the common stock will be determined before the redemption date, if we specify that we will make payment of the redemption price in our common stock, holders of notes bear the market risk that our common stock will decline in value between the date the sale price is calculated and the redemption date.

Optional Redemption by Gilead

On or after December 20, 2005, we may redeem the notes, in whole or in part, at the prices set forth below. If we elect to redeem all or part of the notes, we will give at least 30, but no more than 60, days' notice to you.

The redemption price, expressed as a percentage of principal amount, is as follows for the following periods:

Period	Redemption Price
Beginning on December 20, 2005 and ending on December 14, 2006	100.80%
Beginning on December 15, 2006 and ending on December 14, 2007	100.40%

and thereafter equal to 100% of the principal amount. In each case, we will pay interest to, but excluding, the redemption date.

No sinking fund is provided for the notes, which means that the indenture does not require us to redeem or retire the notes periodically.

We or a third party may, to the extent permitted by applicable law, at any time purchase notes in the open market, by tender at any price or by private agreement. Any note that we or a third party purchase may, to the extent permitted by applicable law and subject to restrictions contained in the purchase agreement with the underwriters, be re-issued or resold or may, at our or such third party's option, be surrendered to the trustee for cancellation. Any notes surrendered for cancellation may not be re-issued or resold and will be canceled promptly.

Payment and Conversion

We will make all payments of principal and interest on the notes by dollar check drawn on an account maintained at a bank in The City of New York. If you hold registered notes with a face value greater than $2,000,000, at your request we will make payments of principal or interest to you by wire transfer to an account maintained by you at a bank in The City of New York.

Payment of any interest on the notes will be made to the person in whose name the note, or any predecessor note, is registered at the close of business on June 1 or December 1, whether or not a business day, immediately preceding the relevant interest payment date (a "regular record date"). If you hold registered notes with a face value in excess of $2,000,000 and you would like to receive payments by wire transfer, you will be required to provide the trustee with wire transfer instructions at least 15 days prior to the relevant payment date.

Payments on any global note registered in the name of DTC or its nominee will be payable by the trustee to DTC or its nominee in its capacity as the registered holder under the indenture. Under the terms of the indenture, we and the trustee will treat the persons in whose names the notes, including any global note, are registered as the owners for the purpose of receiving payments and for all other purposes. Consequently, neither we, the trustee nor any of our agents or the trustee's agents has or will have any responsibility or liability for:

any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interests in the global note, or for maintaining,

supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

We are not required to make any payment on the notes due on any day which is not a business day until the next succeeding business day. The payment made on the next succeeding business day will be treated as though it were paid on the original due date and no interest will accrue on the payment for the additional period of time.

Notes may be surrendered for conversion at Corporate Trust Office of the trustee, J.P. Morgan Trust Company, National Association. Notes surrendered for conversion must be accompanied by appropriate notices and any payments in respect of interest or taxes, as applicable, as described above under " Conversion Rights".

We have initially appointed the trustee as paying agent and conversion agent. We may terminate the appointment of any paying agent or conversion agent and appoint additional or other paying agents and conversion agents. However, until the notes have been delivered to the trustee for cancellation, or moneys sufficient to pay the principal of, premium, if any, and interest on the notes have been made available for payment and either paid or returned to us as provided in the indenture, we will maintain an office or agency in the Borough of Manhattan, New York for surrender of notes for conversion. Notice of any termination or appointment and of any change in the office through which any paying agent or conversion agent will act will be given in accordance with " Notices" below.

All monies deposited with the trustee or any paying agent, or then held by us, in trust for the payment of principal of, premium, if any, or interest on any notes which remain unclaimed at the end of two years after the payment has become due and payable will be repaid to us, and you will then look only to us for payment.

Repurchase at Option of Holders Upon A Change in Control

If a "change in control" as defined below occurs, you have the right, at your option, to require us to repurchase all of your notes not previously called for redemption, or any portion of the principal amount thereof, that is equal to $1,000 or an integral multiple of $1,000. The price we are required to pay is 100% of the principal amount of the notes to be repurchased, together with interest accrued but unpaid to, but excluding, the repurchase date.

At our option, instead of paying the repurchase price in cash, we may pay the repurchase price in common stock or a combination of cash and common stock valued at 95% of the average of the closing sales prices of common stock on The Nasdaq National Market for the five consecutive trading days ending on the third trading day prior to the repurchase date. We may only pay the repurchase price in common stock if we satisfy conditions provided in the indenture.

Within 30 days after the occurrence of a change in control, we are obligated to give each registered holder of notes notice of the change in control and of the repurchase right arising as a result of the change in control. We must also deliver a copy of this notice to the trustee. To exercise the repurchase right, a registered holder must deliver on or before the 30th day after the date of our notice irrevocable written notice to the trustee of such holder's exercise of its repurchase right, together with the notes with respect to which the right is being exercised. We are required to repurchase the notes on the date that is 45 days after the date of our notice.

A change in control will be deemed to have occurred if:

any person acquires beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of our capital stock entitling the person to

exercise 50% or more of the total voting power of all shares of our capital stock that are entitled to vote generally in elections of directors, other than an acquisition by us, any of our subsidiaries or any of our employee benefit plans; or

we merge or consolidate with or into any other person, any merger of another person into us or we convey, sell, transfer or lease all or substantially all of our assets to another person, other than any transaction:

- that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of our capital stock; and
- pursuant to which the holders of 50% or more of the total voting power of all shares of our capital stock entitled to vote generally in elections of directors immediately prior to such transaction have the entitlement to exercise, directly or indirectly, 50% or more of the total voting power of all shares of capital stock entitled to vote generally in the election of directors of the continuing or surviving corporation immediately after such transaction; or
- which is effected solely to change our jurisdiction of incorporation and results in a reclassification, conversion or exchange of outstanding shares of our common stock into solely shares of common stock of the surviving entity.

However, a change in control will not be deemed to have occurred if:

the closing price per share of our common stock for any five trading days within the period of 10 consecutive trading days ending immediately after the later of the change in control or the public announcement of the change in control, in the case of a change in control relating to an acquisition of capital stock, or the period of 10 consecutive trading days ending immediately before the change in control, in the case of a change in control relating to a merger, consolidation or asset sale, equals or exceeds 105% of the conversion price of the notes in effect on each of those five trading days; or

all of the consideration, excluding cash payments for fractional shares of our common stock and cash payments made pursuant to dissenters' appraisal rights, in a merger or consolidation otherwise constituting a change in control under the first and second bullet points in the preceding paragraph above consists of shares of common stock, depository receipts or other certificates representing common equity interests traded on a national securities exchange or quoted on The Nasdaq National Market, or will be so traded or quoted immediately following such merger or consolidation, and as a result of such merger or consolidation the notes become convertible solely into such common stock, depository receipts or other certificates representing common equity interests.

For purposes of these provisions:

the conversion price is equal to $1,000 divided by the conversion rate;

whether a person is a "beneficial owner" will be determined in accordance with Rule 13d-3 under the Exchange Act; and

a "person" includes any syndicate or group that would be deemed to be a person under Section 13 (d) (3) of the Exchange Act.

We may arrange for a third party to make an offer to repurchase the notes upon a change in control in the manner and otherwise in compliance with the requirements set forth in the indenture applicable to the offer to repurchase the notes validly tendered and not withdrawn under the terms of the offer to repurchase the notes.

The rules and regulations promulgated under the Exchange Act require the dissemination of prescribed information to security holders in the event of an issuer tender offer and may apply in the event

that the repurchase option becomes available to you. We will comply with these rules to the extent they apply at that time.

The definition of change in control includes a phrase relating to the conveyance, transfer, sale, lease or disposition of all or substantially all of our assets. There is no precise, established definition of the phrase "substantially all" under applicable law. Accordingly, your ability to require us to repurchase your notes as a result of the conveyance, transfer, sale, lease or disposition of less than all of our assets may be uncertain.

The foregoing provisions would not necessarily provide you with protection if we are involved in a highly leveraged or other transaction that may adversely affect you.

Although we have the right, subject to certain conditions, to repurchase the notes with our common stock, we cannot assure you that we would have the financial resources, or would be able to arrange financing, to pay the repurchase price in cash for all the notes that might be delivered by holders of notes seeking to exercise the repurchase right. If we were to fail to repurchase the notes when required following a change in control, an event of default under the indenture would occur. Some of the events constituting a change in control could cause an event of default under the terms of other debt instruments that we are subject to or may become subject to in the future.

Mergers and Sales of Assets by Gilead

We may not consolidate with or merge into any other person or convey, transfer, sell or lease our properties and assets substantially as an entirety to any person, and we may not permit any entity to consolidate with or merge into us or convey, transfer, sell or lease such person's properties and assets substantially as an entirety to us unless:

the surviving entity formed by such consolidation or into or with which we are merged or the surviving entity to which our properties and assets are so conveyed, transferred, sold or leased, shall be a corporation, limited liability company, partnership or trust organized and existing under the laws of the U.S., any state within the U.S. or the District of Columbia and, if we are not the surviving entity, the surviving entity executes and files with the trustee a supplemental indenture assuming the payment of the principal of, premium, if any, and interest on the notes and the performance of our other covenants under the indenture;

immediately after giving effect to the transaction, no event of default, and no event that, after notice or lapse of time or both, would become an event of default, will have occurred and be continuing; and

other requirements as described in the indenture are met.

Events of Default

The following are events of default under the indenture:

- we fail to pay the principal of or premium, if any, on any note when due;
- we fail to pay any interest, including any liquidated damages, on any note when due, which failure continues for 30 days;
- we fail to provide notice of a change in control;
- we fail to perform any other covenant in the indenture, which failure continues for 60 days after written notice to us by the trustee or the holders of at least 25% in aggregate principal amount of outstanding notes;

- any indebtedness under any bonds, debentures, notes or other evidences of indebtedness for money borrowed, or any guarantee thereof, by us or any of our significant subsidiaries, in an aggregate principal amount in excess of $75.0 million is not paid when due either at its stated maturity or upon acceleration thereof, and such indebtedness is not discharged, or such acceleration is not rescinded or annulled, within a period of 30 days after notice as provided in the indenture; and
- certain events of bankruptcy, insolvency or reorganization involving us or any of our significant subsidiaries (as defined in the indenture).

Subject to the provisions of the indenture relating to the duties of the trustee in case an event of default shall occur and be continuing, the trustee is under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any holder, unless the holder shall have furnished reasonable indemnity to the trustee. Subject to providing indemnification to the trustee and other conditions provided for in the indenture, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

If an event of default other than an event of default arising from events of insolvency, bankruptcy or reorganization with respect to Gilead occurs and is continuing, either the trustee or the holders of at least 25% in principal amount of the outstanding notes may accelerate the maturity of all notes. However, after such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of outstanding notes may, under certain circumstances, rescind and annul the acceleration if all events of default, other than the nonpayment of principal of the notes that have become due solely by such declaration of acceleration, have been cured or waived as provided in the indenture. If an event of default arising from events of insolvency, bankruptcy or reorganization with respect to Gilead occurs, then the principal of, and accrued interest on, all the notes will automatically become immediately due and payable without any declaration or other act on the part of the holders of the notes or the trustee. For information as to waiver of defaults, see " Meetings, Modification and Waiver" below.

You do not have any right to institute any proceeding with respect to the indenture, or for any remedy under the indenture, unless:

- you give the trustee written notice of a continuing event of default;
- the holders of at least 25% in aggregate principal amount of the outstanding notes have made written request and offered reasonable indemnity to the trustee to institute proceedings;
- the trustee has not received from the holders of a majority in aggregate principal amount of the outstanding notes a direction inconsistent with the written request; and
- the trustee shall have failed to institute such proceeding within 60 days of the written request.

However, these limitations do not apply to a suit instituted by you for the enforcement of payment of the principal of, premium, if any, or interest, including liquidated damages, on your note on or after the respective due dates expressed in your note or your right to convert your note in accordance with the indenture.

We are required to furnish to the trustee annually a statement as to our performance of certain of our obligations under the indenture and as to any default in such performance.

Meetings, Modification and Waiver

The indenture contains provisions for convening meetings of the holders of notes to consider matters affecting their interests.

Certain limited modifications of the indenture may be made without the necessity of obtaining the consent of the holders of the notes.

Other modifications and amendments of the indenture may be made, compliance by us with certain restrictive provisions of the indenture may be waived and any past defaults by us under the indenture (except a default in the payment of principal, premium, if any, or interest) may be waived, either:

- with the written consent of the holders of not less than a majority in aggregate principal amount of the notes at the time outstanding; or
- by the adoption of a resolution, at a meeting of holders of the notes at which a quorum is present, by the holders of at least a majority in aggregate principal amount of the notes at the time outstanding represented at such meeting.

The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate principal amount of the notes at the time outstanding and, at any reconvened meeting adjourned for lack of a quorum, 25% of such aggregate principal amount.

However, a modification or amendment requires the consent of the holder of each outstanding note affected if it would:

- change the stated maturity of the principal or interest of a note;
- reduce the principal amount of, or any premium or interest on, any note;
- reduce the amount payable upon a redemption or mandatory repurchase;
- modify the provisions with respect to the repurchase rights of holders of notes in a manner adverse to the holders;
- modify our right to redeem the notes in a manner adverse to the holders;
- change the place or currency of payment on a note;
- impair the right to institute suit for the enforcement of any payment on any note;
- modify the ranking of the notes in a manner that is adverse to the holders of the notes;

adversely affect the right to convert the notes other than a modification or amendment required by the terms of the indenture;

modify our obligation to deliver information required under Rule 144A to permit resales of the notes and common stock issued upon conversion of the notes if we cease to be subject to the reporting requirements under the Exchange Act;

reduce the above-stated percentage of the principal amount of the holders whose consent is needed to modify or amend the indenture;

reduce the percentage of the principal amount of the holders whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults; or

reduce the percentage required for the adoption of a resolution or the quorum required at any meeting of holders of notes at which a resolution is adopted.

Registration Rights

On December 18, 2002, we entered into a registration rights agreement with the initial purchaser. In the registration rights agreement we agreed, for the benefit of the holders of the notes and the shares of

common stock issuable upon conversion of the notes, commonly referred to as the registrable securities, that we would, at our expense:

file with the SEC, within 90 days after the date the notes are originally issued, a shelf registration statement covering resales of the registrable securities;

use our reasonable best efforts to cause the shelf registration statement to be declared effective under the Securities Act within 180 days after the date the notes are originally issued; and

use our reasonable best efforts to keep effective the shelf registration statement until the earliest of (i) the sale of all outstanding registrable securities registered under the shelf registration statement; (ii) the expiration of the period referred to in Rule 144(k) of the Securities Act with respect to the notes held by non-affiliates of Gilead; and (iii) two years after the effective date of the shelf registration statement.

We are permitted to suspend the use of this prospectus, which is part of the shelf registration statement in connection with the sale of registrable securities, during prescribed periods of time for reasons relating to pending corporate developments, public filings with the SEC and other events. The periods during which we can suspend the use of this prospectus may not, however, exceed a total of 30 days in any 90-day period or a total of 90 days in any 12-month period. We are required to provide to each holder of registrable securities copies of the prospectus that is a part of the shelf registration statement, notify each holder when the shelf registration statement has been filed with the SEC and when such shelf registration statement has become effective and take certain other actions required to permit public resales of the registrable securities.

We may, upon written notice to all holders of notes, postpone having the shelf registration statement, of which this prospectus is a part, declared effective, for a reasonable period not to exceed 90 days if we possess material non-public information the disclosure of which would have a material adverse effect on us and our subsidiaries taken as a whole. Notwithstanding any such postponement, additional interest referred to as "liquidated damages", will accrue on the notes if either of the following registration defaults occurs:

on or prior to the 90th day following the date the notes were originally issued, a shelf registration statement has not been filed with the SEC; or

on or prior to the 180th day following the date the notes were originally issued, the shelf registration statement is not declared effective.

In that case, liquidated damages will accrue on any notes and shares issued on conversion of the notes, which are then restricted securities, from and including the day following the registration default to but excluding the day on which the registration default has been cured. Liquidated damages will be paid semi-annually in arrears, with the first semi-annual payment due on the first interest payment date following the date on which the liquidated damages began to accrue.

The rates at which liquidated damages will accrue will be as follows:

0.25% of the principal amount per annum to and including the 90th day after the registration default; and

0.5% of the principal amount per annum from and after the 91st day after the registration default.

In addition, liquidated damages will accrue on any notes and shares of common stock issued upon conversion of the notes if:

the shelf registration statement, of which this prospectus is a part, ceases to be effective, or we otherwise prevent or restrict holders of registrable securities from making sales under the shelf

registration statement, for more than 30 days, whether or not consecutive, during any 90-day period; or

the shelf registration statement, of which this prospectus is a part, ceases to be effective, or we otherwise prevent or restrict holders of registrable securities from making sales under the shelf registration statement, for more than 90 days, whether or not consecutive, during any 12-month period.

In either event, liquidated damages will accrue at a rate of 0.5% per annum from the 31st day of the 90-day period or the 91st day of the 12-month period until the earlier of the following:

the time the shelf registration statement again becomes effective or the holders of registrable securities are again able to make sales under the shelf registration statement, depending on which event triggered the increase in interest rate; or

the earliest of (i) the sale of all outstanding registrable securities registered under the shelf registration statement; (ii) the expiration of the period referred to in Rule 144(k) of the Securities Act with respect to the notes held by non-affiliates of Gilead; and (iii) two years after the effective date of the shelf registration statement.

A holder who elects to sell any registrable securities pursuant to the shelf registration statement:

will be required to be named as a selling security holder in the related prospectus;

may be required to deliver a prospectus to purchasers;

may be subject to certain civil liability provisions under the Securities Act in connection with those sales; and

will be bound by the provisions of the registration rights agreement that apply to a holder making such an election, including certain indemnification provisions.

We agreed in the registration rights agreement to use our reasonable best efforts to cause the shares of common stock issuable upon conversion of the notes to be quoted on The Nasdaq National Market. However, if the common stock is not then quoted on The Nasdaq National Market, we will use our reasonable best efforts to cause the shares of common stock issuable upon conversion of the notes to be quoted or listed on whichever market or exchange the common stock is then primarily traded, upon effectiveness of the shelf registration statement.

This summary of certain provisions of the registration rights agreement is not complete and is subject to, and qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which will be made available to beneficial owners of the notes upon request to us.

Notices

Notice to holders of the registered notes will be given by mail to the addresses as they appear in the security register. Notices will be deemed to have been given on the date of such mailing.

Notice of a redemption of notes will be given not less than 30 nor more than 60 days prior to the redemption date and will specify the redemption date. A notice of redemption of the notes will be irrevocable.

Satisfaction and Discharge

We may discharge our obligations under the indenture while notes remain outstanding if (1) all outstanding notes have or will become due and payable at their scheduled maturity within one year or (2) all outstanding notes are scheduled for redemption within one year, and, in either case, we have

deposited with the trustee an amount sufficient to pay and discharge all outstanding notes on the date of their scheduled maturity or the scheduled date of redemption.

Replacement of Notes

We will replace any note that becomes mutilated, destroyed, stolen or lost at the expense of the holder upon delivery to the trustee of the mutilated notes or evidence of the loss, theft or destruction satisfactory to us and the trustee. In the case of a lost, stolen or destroyed note, indemnity satisfactory to the trustee and us may be required at the expense of the holder of the note before a replacement note will be issued.

Payment of Stamp and Other Taxes

We will pay all stamp and other duties, if any, that may be imposed by the U.S. or any political subdivision thereof or taxing authority thereof or therein with respect to the issuance of the notes or of shares of common stock upon conversion of the notes. We are not required to make any payment with respect to any other tax, assessment or governmental charge imposed by any government or any political subdivision thereof or taxing authority thereof or therein.

Governing Law

The indenture, the notes, and the registration rights agreement are governed by and construed in accordance with the laws of the State of New York, United States of America.

The Trustee

If an event of default occurs and is continuing, the trustee is required to use the degree of care of a prudent person in the conduct of his own affairs in the exercise of its powers. Subject to such provisions, the trustee is under no obligation to exercise any of its rights or powers under the indenture at the request of any of the holders of notes, unless they shall have furnished to the trustee reasonable security or indemnity.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

This section describes the material U.S. federal income tax consequences relating to the purchase, ownership, and disposition of the notes and of common stock into which the notes may be converted. This description does not provide a complete analysis of all potential tax consequences. The information provided below is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These authorities may change, possibly on a retroactive basis, or the Internal Revenue Service (IRS) might interpret the existing authorities differently. In either case, the tax consequences of purchasing, owning or disposing of notes or common stock could differ from those described below.

This description is general in nature and does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of the investor's particular circumstances, or to certain types of investors subject to special treatment under U.S. federal income tax laws (such as financial institutions, real estate investment trusts, regulated investment companies, grantor trusts, insurance companies, pension funds, tax-exempt organizations, expatriates, brokers, dealers or traders in securities or foreign currencies, traders in securities that elect to apply a mark-to-market method of accounting, persons holding notes or common stock as part of a position in a "straddle" or as part of a "hedging", "conversion" or "integrated" transaction for U.S. federal income tax purposes, persons deemed to sell notes or common stock under the constructive sale provisions of the Internal Revenue Code, persons who hold notes or common stock through a partnership or other pass through entity, persons subject to the alternative minimum tax provisions of the Internal Revenue Code, and persons that have a "functional currency" other than the U.S. dollar). In addition, this description does not consider the effect of any foreign, state, local or other tax laws, that may be applicable to particular investors.

Investors considering the purchase of notes should consult their own tax advisors regarding the application of the U.S. federal income tax laws to their particular situations and the consequences of U.S. federal estate or gift tax laws, foreign, state, or local laws, and tax treaties.

Special Tax Rules Applicable to U.S. Holders

This subsection generally applies only to "U.S. Holders" that hold the notes and the common stock into which the notes may be converted as capital assets within the meaning of Section 1221 of the Internal Revenue Code (generally, for investment). For purposes of this description, a "U.S. Holder" is (i) a citizen or resident of the U.S. or someone treated as a U.S. citizen or resident for U.S. federal income tax purposes; (ii) a corporation organized in or under the laws of the U.S. or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust, if such trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes, or if (a) a court within the U.S. can exercise primary supervision over its administration and (b) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. Non-U.S. Holders, as defined below, are subject to special U.S. federal income tax considerations, some of which are discussed below.

Taxation of Interest

U.S. Holders will be required to recognize as ordinary income any interest paid or accrued on the notes, in accordance with their regular method of accounting.

Additional Payments

If the amount or timing of any payments on a note is contingent, the note could be subject to special rules that apply to contingent debt instruments. These rules generally require a U.S. Holder to accrue interest income at a rate higher than the stated interest rate on the note and to treat as ordinary income (rather than capital gain) any gain recognized on a sale, exchange or retirement of the note before the

resolution of the contingencies. If, upon a change in control, an investor requires us to repurchase some or all of the investor's notes and we elect to pay the repurchase price in shares of our common stock, the value of the stock could exceed the sum of the principal amount of the notes and accrued and unpaid interest. Additionally, if we call the notes for provisional redemption, under certain circumstances, prior to December 20, 2005, U.S. Holders would be entitled to a "make whole" premium in excess of stated principal and interest. We do not believe that, because of these potential additional payments, the notes should be treated as contingent debt instruments. Therefore, for purposes of filing tax or information returns with the IRS, we will not treat the notes as contingent debt instruments. Unless otherwise noted, this discussion assumes that the notes are not subject to the contingent debt instrument rules.

Sale, Exchange or Redemption of the Notes

A U.S. Holder generally will recognize capital gain or loss if the U.S. Holder disposes of a note in a sale, redemption or exchange other than a conversion of the note into common stock. The U.S. Holder's gain or loss will equal the difference between the amount realized by the U.S. Holder and the U.S. Holder's adjusted tax basis in the note. The U.S. Holder's adjusted tax basis in the note will generally equal the amount the U.S. Holder paid for the note. The amount realized by the U.S. Holder will include the amount of any cash and the fair market value of any other property received for the note, except that the portion of any proceeds attributable to accrued interest will not be taken into account in computing the U.S. Holder's capital gain or loss. Instead, that portion will be recognized as ordinary interest income to the extent that the U.S. Holder has not previously included the accrued interest in income. The gain or loss recognized by a U.S. Holder on a disposition of the note will be long-term capital gain or loss if the U.S. Holder held the note for more than one year. Long-term capital gains of non-corporate taxpayers are taxed at lower rates than those applicable to ordinary income. The deductibility of capital losses is subject to certain limitations.

If, upon a change in control, a holder requires us to repurchase some or all of the holder's notes and we elect to pay the repurchase price in shares of our common stock, the redemption would likely qualify as a recapitalization for U.S. federal income tax purposes if the notes qualify as "securities" for those purposes. Whether the notes qualify as "securities" is not free from doubt. Please consult your own tax advisor regarding such determination. If the redemption qualifies as a recapitalization, a U.S. Holder would not recognize any income, gain or loss on the holder's receipt of our common stock in exchange for notes (except to the extent the stock received is attributable to accrued interest). If the holder receives cash in lieu of fractional shares of stock, however, the holder would be treated as if he received the fractional share and then had the fractional share redeemed for cash. The holder would recognize gain or loss equal to the difference between the cash received and that portion of his basis in the stock attributable to the fractional share. The holder's aggregate basis in the stock (including any fractional share for which cash is paid) would equal his adjusted basis in the note. The holder's holding period for the stock would include the period during which he held the note. If the redemption does not qualify as a recapitalization, a U.S. Holder may recognize income, gain or loss on the holder's receipt of our common stock in exchange for notes (except to the extent the stock received is attributable to accrued interest).

Conversion of Notes

A U.S. Holder who converts his note into common stock generally will not recognize any income, gain or loss. The U.S. Holder will recognize gain, however, to the extent that the U.S. Holder receives cash in lieu of a fractional share. The U.S. Holder's aggregate basis in the common stock (including any fractional share for which cash is paid) will equal his adjusted basis in the note, and the U.S. Holder's holding period for the stock will include the period during which he held the note. A U.S. Holder will also recognize income to the extent that the common stock issued upon conversion is treated as attributable to accrued interest on the note (which will be treated as interest for federal income tax purposes), and with respect to market discount, as described below under "Market Discount".

Market Discount

Resale of the notes may be affected by the impact on a purchaser of the market discount provisions of the Internal Revenue Code. Subject to a de minimis exception, the market discount on a note generally will equal the amount, if any, by which the stated redemption price at maturity of the note immediately after its acquisition exceeds the U.S. Holder's adjusted tax basis in the note. If applicable, these provisions generally require a U.S. Holder who acquires a note at a market discount to treat as ordinary income any gain recognized on the disposition of that note to the extent of the accrued market discount on that note at the time of disposition, unless the U.S. Holder elects to include market discount in income currently as it accrues with a corresponding increase in adjusted tax basis in the note. If you dispose of a note with market discount in certain otherwise non-taxable transactions, you must include accrued market discount as ordinary income as if you had sold the note at its then fair market value.

This election to include market discount in income currently, once made, applies to all market discount obligations acquired on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. In general, market discount will be treated as accruing on a straight-line basis over the remaining term of the note at the time of acquisition, or, at the election of the U.S. Holder, under a constant yield method. A U.S. Holder who acquires a note at a market discount and who does not elect to include accrued market discount in income currently may be required to defer the deduction of a portion of the interest on any indebtedness incurred or maintained to purchase or carry the note until the note is disposed of in a taxable transaction.

Amortizable Premium

A U.S. Holder who purchases a note at a premium over its stated principal amount, plus accrued interest, generally may elect to amortize that premium (referred to as Section 171 premium) with a corresponding decrease in adjusted tax basis from the purchase date to the note's

maturity date under a constant-yield method that reflects semiannual compounding based on the note's payment period, but subject to special limitations if the note is subject to optional redemption at a premium. Amortized Section 171 premium is treated as an offset to interest income on a note and not as a separate deduction. Under Treasury Regulations, the amount of amortizable bond premium that a U.S. Holder may deduct in any accrual period is limited to the amount by which the holder's total interest inclusions on the note in prior accrual periods exceed the total amount treated by the holder as a bond premium deduction in prior accrual periods. If any of the excess bond premium is not deductible, that amount is carried forward to the next accrual period. The election to amortize premium on a constant yield method, once made, applies to all debt obligations held or subsequently acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

Dividends

If, after a U.S. Holder converts a note into common stock, we make a distribution in respect of that stock, the distribution will be treated as a dividend, taxable to the U.S. Holder as ordinary income, to the extent it is paid from our current or accumulated earnings and profits. If the distribution exceeds our current and accumulated profits, the excess will be treated first as a nontaxable return of capital reducing the U.S. Holder's tax basis in the U.S. Holder's stock. Any remaining excess will be treated as capital gain. We are required to provide shareholders who receive dividends with an information return on Form 1099-DIV that states the extent to which the dividend is paid from our current or accumulated earnings and profits and is thus taxable. If the U.S. Holder is a U.S. corporation, it generally would be able to claim a deduction equal to a portion of any dividends received.

The terms of the notes allow for changes in the conversion price of the notes in certain circumstances. A change in conversion price that allows U.S. Holders of notes to receive more shares of common stock on conversion may increase those noteholders' proportionate interests in our earnings and profits or assets. In

that case, those noteholders would be treated as though they received a dividend in the form of our stock. Such a constructive stock dividend could be taxable to those noteholders, although they would not actually receive any cash or other property. A taxable constructive stock dividend would result to U.S. Holders of notes, for example, if the conversion price were adjusted to compensate noteholders for distributions of cash or property to our shareholders. Not all changes in conversion price that allow noteholders to receive more stock on conversion, however, increase the noteholders' proportionate interests in the company. For instance, a change in conversion price could simply prevent the dilution of the noteholders' interests upon a stock split or other change in capital structure. Changes of this type, if made under a bona fide, reasonable adjustment formula, are not treated as constructive stock dividends. On the other hand, if an event occurs that dilutes the noteholders' interests and the conversion price is not adjusted, the resulting increase in the proportionate interests of our shareholders could be treated as a taxable stock dividend to the shareholders. Any taxable constructive stock dividends resulting from a change to, or failure to change, the conversion price would be treated in the same manner as dividends paid in cash or other property. Such dividends would result in ordinary income to the recipient, to the extent of our current or accumulated earnings and profits, with any excess treated as a nontaxable return of capital or as capital gain.

Sale of Common Stock

A U.S. Holder will generally recognize capital gain or loss on a sale or exchange of common stock. The U.S. Holder's gain or loss will equal the difference between the amount realized by the U.S. Holder and the U.S. Holder's adjusted tax basis in the stock. The amount realized by the U.S. Holder will include the amount of any cash and the fair market value of any other property received for the stock. Gain or loss recognized by a U.S. Holder on a sale or exchange of stock will be long-term capital gain or loss if the holder held the stock for more than one year. Long-term capital gains of non-corporate taxpayers are taxed at lower rates than those applicable to ordinary income. The deductibility of capital losses is subject to certain limitations.

Deductibility of Interest

Under Section 163(l) of the Internal Revenue Code, no deduction is permitted for interest paid or accrued on any indebtedness of a corporation that is "payable in equity" of the issuer or a related party. Debt is treated as debt payable in equity of the issuer if the debt is part of an arrangement designed to result in payment of the instrument with or by reference to the equity. Such arrangements could include debt instruments that are convertible at the holder's option if it is substantially certain that the option will be exercised. The legislative history indicates that it is not expected that this provision will affect debt with a conversion feature where the conversion price is significantly higher than the market price of the stock on the date of the debt issuance. Accordingly, we do not believe that our interest deduction with respect to interest payments on the notes will be adversely affected by these rules.

Backup Withholding and Information Reporting

The Internal Revenue Code and the Treasury Regulations require those who make specified payments to report the payments to the IRS. Among the specified payments are interest, dividends, and proceeds paid by brokers to their customers. This reporting regime is reinforced by "backup withholding" rules. These rules require the payors to withhold tax from payments subject to information reporting if the recipient fails to cooperate with the reporting regime by failing to provide his taxpayer identification number to the payor, furnishing an incorrect identification number, or if the recipient has been notified by the IRS that he has failed to report interest or dividends on his returns. The information reporting and backup withholding rules do not apply to payments to corporations.

Payments of interest or dividends to individual U.S. Holders of notes or common stock generally will be subject to information reporting, and generally will be subject to backup withholding unless the U.S. Holder provides us or our paying agent with a correct taxpayer identification number.

Payments made to U.S. Holders by a broker upon a sale of notes or common stock generally will be subject to information reporting and backup withholding. If, however, the sale is made through a foreign office of a U.S. broker, the sale will be subject to information reporting but not backup withholding. If the sale is made through a foreign office of a foreign broker, the sale generally will not be subject to either information reporting or backup withholding. This exception may not apply, however, if the foreign broker is owned or controlled by U.S. persons, or is engaged in a U.S. trade or business.

Any amounts withheld from a payment to a U.S. Holder of notes or common stock under the backup withholding rules can be credited against any U.S. federal income tax liability of the U.S. Holder.

Special Tax Rules Applicable to Non-U.S. Holders

This subsection describes the tax consequences to a Non-U.S. Holder. You are a Non-U.S. Holder if you are the beneficial owner of a note and are, for U.S. federal income tax purposes:

a nonresident alien individual,

a foreign corporation,

a foreign partnership, or

an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from a note.

If you are a U.S. Holder, this subsection does not apply to you.

In general, subject to the discussion below concerning backup withholding:

(a) Payments of principal or interest on the notes by us or our paying agent to a beneficial owner of a note that is a Non-U.S. Holder will not be subject to U.S. federal income tax or U.S. withholding tax, provided that, in the case of interest, (i) such Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Internal Revenue Code, (ii) such Non-U.S. Holder is not a "controlled foreign corporation" within the meaning of Section 957(a) of the Internal Revenue Code with respect to which we are a "related person" within the meaning of Section 864(d)(4) of the Internal Revenue Code, and (iii) the certification requirements under Section 871(h) or Section 881(c) of the Internal Revenue Code and Treasury Regulations thereunder (discussed below) are satisfied;

(b) A Non-U.S. Holder of a note or common stock will not be subject to U.S. federal income tax on gains realized on the sale, exchange or other disposition of such note or common stock unless (i) such Non-U.S. Holder is an individual who holds the common stock as a capital asset and is present in the U.S. for 183 days or more in the taxable year of sale, exchange or other disposition, and

certain conditions are met, (ii) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the U.S. and, if certain U.S. income tax treaties apply, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder, (iii) the Non-U.S. Holder is subject to Internal Revenue Code provisions applicable to certain U.S. expatriates, or (iv) in the case of common stock held by a person who holds more than 5% of such stock, we are or have been, at any time within the shorter of the five-year period preceding such sale or other disposition or the period such Non-U.S. Holder held the common stock, a U.S. real property holding corporation (USRPHC) within the meaning of Section 897(c)(2) of the Internal Revenue Code for U.S. federal income tax purposes. We do not believe that we are currently a USRPHC or that we will become one in the future; and

(c) Interest on the notes not excluded from U.S. federal income tax or U.S. withholding tax as described in (a) above and dividends on common stock after conversion generally will be subject to U.S. withholding tax at a 30% rate, except where an applicable U.S. income tax treaty provides for the reduction or elimination of such withholding tax.

Even if a Non-U.S. Holder is eligible for a lower treaty rate, we and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to the Non-U.S. Holder, unless the Non-U.S. Holder has furnished to us or another payor:

a valid IRS Form W-8BEN or an acceptable substitute form upon which the Non-U.S. Holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate with respect to such payments, or

in the case of payments made outside the U.S. to an offshore account (generally, an account maintained by such Non-U.S. Holder at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing the Non-U.S. Holder's entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

If a Non-U.S. Holder is eligible for a reduced rate of U.S. withholding tax under a tax treaty, such Non-U.S. Holder may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the U.S. Internal Revenue Service.

To satisfy the certification requirements referred to in (a)(iv) above, Sections 871(h) and 881(c) of the Internal Revenue Code and Treasury Regulations thereunder require that either (i) the beneficial owner of a note certify, under penalties of perjury, to us or our paying agent, as the case may be, that such owner is a Non-U.S. Holder, or (ii) a securities clearing organization, bank or other financial institution that holds customer securities in the ordinary course of its trade or business (each a Financial Institution) and holds the note on behalf of the beneficial owner thereof certify, under penalties of perjury, to us or our paying agent, as the case may be, that such certificate has been received from the beneficial owner and furnish the payor with a copy thereof. Such requirement will be fulfilled if the beneficial owner of a note certifies on IRS Form W-8 BEN, under penalties of perjury, that it is a Non-U.S. Holder or any Financial Institution holding the note on behalf of the beneficial owner files a statement with the withholding agent to the effect that it has received such a statement from the beneficial owner (and furnishes the withholding agent with a copy thereof).

If a Non-U.S. Holder of a note or common stock is engaged in a trade or business in the U.S. and if interest on the note, dividends on the common stock, or gain realized on the sale, exchange or other disposition of the note or common stock is effectively connected with the conduct of such trade or business (and, if certain tax treaties apply, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder in the U.S.), the Non-U.S. Holder, although exempt from U.S. withholding tax (provided that the certification requirements discussed in the next sentence are met), will generally be subject to U.S. federal income tax on such interest, dividends or gain on a net income basis in the same manner as if it were a U.S. Holder. In lieu of the certificate described above, such a Non-U.S. Holder will be required, under currently effective Treasury Regulations, to provide us with a properly executed IRS Form W-8ECI in order to claim an exemption from U.S. tax withholding. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable U.S. income tax treaty) of a portion of its effectively connected earnings and profits for the taxable year.

United States Federal Estate Tax

A note held by an individual who at the time of death is not a citizen or resident of the U.S. (as specially defined for U.S. federal estate tax purposes) will not be subject to U.S. federal estate tax if the individual did not actually or constructively own 10% or more of the total combined voting power of all

classes of our stock and, at the time of the individual's death, payments with respect to such note would not have been effectively connected with the conduct by such individual of a trade or business in the U.S. Common stock held by an individual who at the time of death is not a citizen or resident of the U.S. (as specially defined for U.S. federal estate tax purposes) will be included in such individual's estate for U.S. federal estate tax purposes, unless an applicable U.S. estate tax treaty otherwise applies.

Non-U.S. Holders should consult with their tax advisors regarding U.S. and foreign tax consequences with respect to the notes and common stock.

Backup Withholding and Information Reporting

In the case of payments of interest on a note to a Non-U.S. Holder, backup withholding and information reporting will not apply to payments with respect to which either requisite certification has been received or an exemption has otherwise been established (provided that neither we nor a paying agent has actual knowledge or reason to know that the holder is a U.S. Holder or that the conditions of any other exemption are not in fact satisfied). However, we and other payors are required to report payments of interest on such Non-U.S. Holders' notes on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject to information reporting requirements.

Dividends on the common stock paid to Non-U.S. Holders that are subject to U.S. withholding tax, as described above, generally will be exempt from U.S. backup withholding tax but will be subject to certain information reporting requirements.

Payments of the proceeds of the sale of a note or common stock to or through a foreign office of a U.S. Holder or a foreign office of a broker that is a U.S. related person (either a "controlled foreign corporation" or a foreign person, 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with the conduct of a trade or business within the U.S.), or a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons who in the aggregate hold more than 50% of the income or capital interests in the partnership, or such foreign partnership is engaged in a U.S. trade or business, are subject to certain information reporting requirements, unless the payee is an exempt recipient or such broker has evidence in its records that the payee is a Non-U.S. Holder and no actual knowledge or reason to know that such evidence is false and certain other conditions are met. Such payments are not currently subject to backup withholding.

Payments of the proceeds of a sale of a note or common stock to or through the U.S. office of a broker will be subject to information reporting and backup withholding unless the payee certifies under penalties of perjury as to his or her status as a Non-U.S. Holder and satisfies certain other qualifications (and no agent of the broker who is responsible for receiving or reviewing such statement has actual knowledge or reason to know that it is incorrect) and provides his or her name and address or the payee otherwise establishes an exemption.

If an investor fails to establish an exemption and the broker does not possess adequate documentation of the investor's status as a non-U.S. person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made to an offshore account maintained by an investor unless the broker has actual knowledge that the investor is a U.S. person.

Payments of the proceeds of the sale of a note or common stock to or through a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if the proceeds are transferred to an account maintained by the investor in the U.S., the payment of proceeds or the confirmation of the sale is mailed to the investor at a U.S. address, or the sale has some other specified connection with the U.S. as provided in U.S. Treasury regulations, unless the broker does not have actual

knowledge or reason to know that the investor is a U.S. person and the documentation requirements described above (relating to a sale of notes effected at a U.S. office of a broker) are met or the the investor otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules from a payment to a holder of a note or common stock will be allowed as a refund or credit against such holder's U.S. federal income tax provided that the required information is furnished to the IRS in a timely manner.

A holder of a note or common stock should consult with its tax advisor regarding the application of the backup withholding rules to its particular situation, the availability of an exemption therefrom and the procedure for obtaining such an exemption, if available.

The preceding discussion of certain U.S. federal income tax consequences is for general information only. It is not tax advice. Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state, local, and foreign tax consequences of purchasing, holding, and disposing of our notes or common stock, including the consequences of any proposed change in applicable laws.

SELLING SECURITYHOLDERS

We originally issued and sold the notes to the initial purchaser in transactions exempt from the registration requirements of the Securities Act, and the initial purchaser immediately resold the notes to persons they reasonably believed to be qualified institutional buyers. Selling holders, including their transferees, pledgees or donees or their successors, may from time to time offer and sell pursuant to this prospectus any or all of the notes and common stock into which the notes are convertible.

The following table sets forth information with respect to the selling holders and the principal amounts of notes beneficially owned by each selling holder that may be offered under this prospectus. The information is based on information provided by or on behalf of the selling holders. The selling holders may offer all, some or none of the notes or common stock into which the notes are convertible. Because the selling holders may offer all or some portion of the notes or the common stock, no estimate can be given as to the amount of the notes or the common stock that will be held by the selling holders upon termination of any sales: the table below assumes that all selling holders will sell all of their notes or common stock, unless otherwise indicated. In addition, the selling holders identified below may have sold, transferred or otherwise disposed of all or a portion of their notes or common stock since the date on which they provided the information regarding their notes and common stock in transactions exempt from the registration requirements of the Securities Act.

Name	Principal Amount of Notes Beneficially Owned and Offered(1)	Common Stock Beneficially Owned(2)	Common Stock Offered	Principal Amount of Notes Owned After Completion of Offering	Common Stock Beneficially Owned After Completion of the Offering
AIG / National Union Fire Insurance	$ 325,000	6,914	6,914	0	0
Akela Capital Master Fund, Ltd.	$ 5,000,000	106,382	106,382	0	0
Alexandra Global Investment Fund 1, LTD	$ 5,000,000	106,382	106,382	0	0
Alpha US Sub Fund VIII LLC	$ 710,000	15,106	15,106	0	0
Amaranth LLC	$ 9,350,000	198,936	198,936	0	0
Arkansas Teachers Retirement	$ 1,495,000	31,808	31,808	0	0
Arpeggio Fund	$ 1,700,000	36,170	36,170	0	0
Associated Electric & Gas Insurance Services Limited	$ 350,000	7,446	7,446	0	0
ATSF Transamerica Convertible Securities	$ 2,500,000	53,191	53,191	0	0
Attorney's Title Insurance Fund	$ 90,000	1,914	1,914	0	0
B.C. McCabe Foundation	$ 200,000	4,255	4,255	0	0
Bancroft Convertible Fund, Inc.	$ 500,000	10,638	10,638	0	0
Bank Austria Cayman Islands, LTD	$ 3,200,000	68,085	68,085	0	0
Baptist Health Systems of South Florida	$ 285,000	6,063	6,063	0	0
Boilermakers Blacksmith Pension Trust	$ 950,000	20,212	20,212	0	0
BTES Convertible ARB	$ 500,000	10,638	10,638	0	0
BTOP Growth vs Value	$ 2,000,000	42,553	42,553	0	0
	$ 2,400,000	51,063	51,063	0	0

Name	Principal Amount of Notes Beneficially Owned and Offered(1)	Common Stock Beneficially Owned(2)	Common Stock Offered	Principal Amount of Notes Owned After Completion of Offering	Common Stock Beneficially Owned After Completion of the Offering
Canyon Capital Arbitrage Master Fund, LTD.		47			
Canyon Value Realization Fund (Cayman), LTD.	$ 4,950,000	105,319	105,319	0	0
Canyon Value Realization Fund, L.P.	$ 1,600,000	34,042	34,042	0	0
Canyon Value Realization MAC 18, LTD. (RMF)	$ 550,000	11,702	11,702	0	0
CC Investments, LDC	$ 1,500,000	31,914	31,914	0	0
Chrysler Corporation Master Retirement Trust	$ 4,095,000	87,127	87,127	0	0
Citisam Ltd.	$ 200,000	4,255	4,255	0	0
Context Arbitrage Fund, L.P.	$ 650,000	13,829	13,829	0	0
CSV Limited	$ 400,000	8,510	8,510	0	0
D.E. Shaw Investment Group, L.P.	$ 2,100,000	89,463(3)	44,680	0	44,783
D.E. Shaw Valence Portolios, L.P.	$ 8,400,000	357,857(3)	178,723	0	179,134
Delaware PERS	$ 1,075,000	22,872	22,872	0	0
Delta Air Lines Master Trust (c/o Oaktree Capital Management, LLC)	$ 1,055,000	22,446	22,446	0	0
Delta Pilots D & S Trust (c/o Oaktree Capital Management, LLC)	$ 595,000	12,659	12,659	0	0
Ellsworth Convertible Growth and Income Fund, Inc.	$ 500,000	10,638	10,638	0	0
Engineers Joint Pension Fund	$ 145,000	3,085	3,085	0	0
Evergreen Equity Income Fund	$ 2,000,000	42,553	42,553	0	0
Evergreen Growth & Income Fund	$ 623,000	13,255	13,255	0	0
Evergreen US Growth & Income Fund	$ 17,000	361	361	0	0
Evergreen Variable Annuity Growth & Income Fund	$ 60,000	1,276	1,276	0	0
Fore Convertible Masterfund Ltd.	$ 8,000,000	170,212	170,212	0	0
Froley Revy Convertible Security Fund	$ 120,000	2,553	2,553	0	0
Goldman Sachs & Co.	$ 2,350,050	50,001	50,001	0	0
Grace Convertible Arbitrage Fund, LTD.	$ 6,500,000	209,543(3)	138,297	0	71,246
Guggenheim Portfolio Co. XV, LLC	$ 600,000	12,765	12,765	0	0
Highbridge International LLC	$ 33,000,000	702,127	702,127	0	0
ICI American Holdings Trust	$ 250,000	5,319	5,319	0	0
IDEX Transamerica Convertible Securities Fund	$ 500,000	10,638	10,638	0	0
IMF Convertible Fund	$ 200,000	4,255	4,255	0	0
Innovest Finanzdienstle	$ 1,270,000	27,021	27,021	0	0
Investcorp SAM Fund Ltd.	$ 900,000	19,148	19,148	0	0
		48			
	$ 10,500,000	223,404	223,404	0	0

KBC Financial Products (Cayman Islands) Limited						
KBC Financial Products USA Inc.	$	1,250,000	48,986(3)	26,595	0	22,391
Keyspan Foundation	$	50,000	1,063	1,063	0	0
Man Convertible Bond Master Fund, Ltd.	$	9,162,000	194,936	194,936	0	0
McMahan Securities Co. L.P.	$	50,000	1,063	1,063	0	0
Microsoft Corporation	$	1,705,000	36,276	36,276	0	0
MLQA Convertible Securities Arbitrage, LTD	$	2,500,000	53,191	53,191	0	0
Morgan Stanley Dean Witter Convertible Securities Trust	$	1,500,000	31,914	31,914	0	0
Motion Picture Industry Health Plan Active Member Fund	$	310,000	6,595	6,595	0	0
Motion Picture Industry Health Plan Retiree Member Fund	$	190,000	4,042	4,042	0	0
NACM Convertible Fund	$	275,000	5,851	5,851	0	0
National Fule Gas Company Retirement Plan	$	150,000	3,191	3,191	0	0
OCM Convertible Trust	$	3,035,000	64,574	64,574	0	0
Oxford, Lord, Abbett & Co.	$	1,900,000	40,425	40,425	0	0
Partner Reinsurance Company Ltd.	$	985,000	20,957	20,957	0	0
Physicians Life	$	80,000	1,702	1,702	0	0
Prudential Insurance Co of America	$	65,000	1,382	1,382	0	0
Qwest Occupational Health Trust	$	355,000	7,553	7,553	0	0
Radcliff SPC, Ltd. For and on behalf of the Class A Convertible Crossover Segregated Portfolio	$	250,000	336,067(3)	5,319	0	330,748
Ramius Capital Group	$	750,000	15,957	15,957	0	0
Ramius LP	$	150,000	3,191	3,191	0	0
Ramius Partners II, LP	$	200,000	4,255	4,255	0	0
RCG Baldwin, LP	$	500,000	10,638	10,638	0	0
RCG Halifax Master Fund, LTD	$	1,000,000	21,276	21,276	0	0
RCG Latitude Master Fund, LTD	$	4,200,000	89,361	89,361	0	0
RCG Multi Strategy A/C, LP	$	4,200,000	89,361	89,361	0	0
RCG Multi Strategy Master Fund, LTD	$	400,000	8,510	8,510	0	0
Rhapsody Fund, L.P.	$	2,000,000	42,553	42,553	0	0
S.A.C. Capital Associates, LLC	$	1,000,000	171,276(4)	21,276	0	150,000
San Diego City Retirement	$	315,000	6,702	6,702	0	0
San Diego County Convertible	$	690,000	14,680	14,680	0	0

Southern Farm Bureau Life Insurance	$	575,000	12,234	12,234	0	0
St. Thomas Trading Ltd.	$	19,838,000	422,085	422,085	0	0
State Employees' Retirement Fund of the State of Delaware	$	1,305,000	27,765	27,765	0	0
State of Oregon Equity	$	3,400,000	72,340	72,340	0	0
Sunrise Partners Limited Partnership	$	3,650,000	98,015(3)	77,659	0	20,356
Syngenta AG	$	175,000	3,723	3,723	0	0
TD Securities (USA) Inc.	$	19,200,000	408,510	408,510	0	0
Total Fina Elf Finance U.S.A. Inc.	$	250,000	5,319	5,319	0	0
TQA Master Fund, LTD.	$	5,000,000	106,382	106,382	0	0
Transamerica Accidental Life Co.	$	1,500,000	31,914	31,914	0	0
UBS AG London Branch	$	4,375,000	93,085	93,085	0	0
UBS O'Connor LLC F/B/O O'Connor Global Convertible Arbitrage Master Ltd.	$	750,000	15,957	15,957	0	0

UFJ Investments Asia Limited	$	1,500,000	31,914	31,914	0	0
Vanguard Convertible Securities Fund, Inc.	$	5,795,000	123,297	123,297	0	0
Wachovia Securities	$	1,000,000	21,276	21,276	0	0
Wake Forest University	$	215,000	4,574	4,574	0	0
Writers Guild Convertible	$	130,000	2,765	2,765	0	0
Wyoming State Treasurer	$	370,000	7,872	7,872	0	0
Xavex Convertible Arbitrage #5	$	200,000	4,255	4,255	0	0
Zeneca Holdings Trust	$	275,000	5,851	5,851	0	0

(1) Amounts indicated may be in excess of the total amount registered due to sales or transfers exempt from the registration requirements of the Securities Act since the date upon which the selling holders provided to us the information regarding their notes and common stock.

(2) Unless otherwise noted, represents shares of common stock issuable upon conversion of notes.

(3) Includes shares of common stock issuable upon the conversion of Gilead 5% Convertible Subordinated Notes due December 15, 2007.

(4) Includes shares of common stock held.

With the exception of Goldman, Sachs & Co. and Morgan Stanley Dean Witter, none of the selling holders nor any of their affiliates, officers, directors or principal equity holders has held any position or office or has had any material relationship with us within the past three years. Goldman, Sachs & Co. was the initial purchaser of the notes described in this prospectus. Morgan Stanley Dean Witter was an initial purchaser of our 5% Convertible Subordinated Notes due December 15, 2007. The selling holders purchased the notes in private transactions on or after December 13, 2002. All of the notes were "restricted securities" under the Securities Act prior to this registration.

Information concerning the selling holders may change from time to time and any changed information will be set forth in supplements to this prospectus if and when necessary. In addition, the conversion rate and therefore, the number of shares of common stock issuable upon conversion of the notes, is subject to adjustment under certain circumstances. Accordingly, the aggregate principal amount of notes and the number of shares of common stock into which the notes are convertible may increase or decrease.

PLAN OF DISTRIBUTION

The selling holders and their successors, including their transferees, pledgees or donees or their successors, may sell the notes and the common stock into which the notes are convertible directly to purchasers or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions from the selling holders or the purchasers. These discounts, concessions or commissions as to any particular underwriter, broker-dealer or agent may be in excess of those customary in the types of transactions involved.

The notes and the common stock into which the notes are convertible may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market prices, at varying prices determined at the time of sale, or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions:

on any national securities exchange or U.S. inter-dealer system of a registered national securities association on which the notes or the common stock may be listed or quoted at the time of sale;

in the over-the-counter market;

in transactions otherwise than on these exchanges or systems or in the over-the-counter market;

through the writing of options, whether the options are listed on an options exchange or otherwise; or

through the settlement of short sales.

In connection with the sale of the notes and the common stock into which the notes are convertible or otherwise, the selling holders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the notes or the common stock into which the notes are convertible in the course of hedging the positions they assume. The selling holders may also sell the notes or the common stock into which the notes are convertible short and deliver these securities to close out their short positions, or loan or pledge the notes or the common stock into which the notes are convertible to broker-dealers that in turn may sell these securities.

The aggregate proceeds to the selling holders from the sale of the notes or common stock into which the notes are convertible offered by them will be the purchase price of the notes or common stock less discounts and commissions, if any. Each of the selling holders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of notes or common stock to be made directly or through agents. We will not receive any of the proceeds from this offering.

Our outstanding common stock is listed for trading on the Nasdaq National Market. We do not intend to list the notes for trading on any national securities exchange or on the Nasdaq National Market and can give no assurance about the development of any trading market for the notes.

In order to comply with the securities laws of some states, if applicable, the notes and common stock into which the notes are convertible may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the notes and common stock into which the notes are convertible may not be sold unless they have been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

The selling holders and any underwriters, broker-dealers or agents that participate in the sale of the notes and common stock into which the notes are convertible may be "underwriters" within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be underwriting discounts and commissions under the Securities Act. Selling holders who are "underwriters" within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. The selling holders have acknowledged that

they understand their obligations to comply with the provisions of the Exchange Act, and the rules thereunder relating to stock manipulation, particularly Regulation M.

In addition, any securities covered by this prospectus that qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than pursuant to this prospectus. A selling holder may transfer, devise or gift these securities by other means not described in this prospectus.

To the extent required, the specific notes or common stock to be sold, the names of the selling holders, the respective purchase prices and public offering prices, the names of any agent, dealer or underwriter, and any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement of which this prospectus is a part.

We entered into a registration rights agreement for the benefit of holders of the notes to register their notes and common stock under applicable federal and state securities laws under specific circumstances and at specific times. The registration rights agreement provides for cross-indemnification of the selling holders and us and their and our respective directors, officers and controlling persons against specific liabilities in connection with the offer and sale of the notes and the common stock, including liabilities under the Securities Act. We will pay all costs and expenses associated with the registration of the notes and the common stock. These expenses include the SEC's filing fees and fees under state securities or "blue sky" laws. The selling stockholders will pay all underwriting discounts, commissions, transfer taxes and certain other expenses associated with any sale of the notes and the common stock by them.

LEGAL MATTERS

Cooley Godward LLP, Palo Alto, California, will pass upon legal matters for us regarding the validity of the notes and the shares of common stock issuable upon conversion of the notes. As of the date of this prospectus, certain Cooley Godward LLP attorneys own in the aggregate approximately 4,180 shares of our common stock.

EXPERTS

The consolidated financial statements of Gilead Sciences, Inc. appearing in Gilead Sciences, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2002 have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. As to the year ended December 31, 2000, their report is based in part on the report of PricewaterhouseCoopers LLP, independent accountants. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firms as experts in accounting and auditing.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the registrant in connection with the distribution of the notes and common stock being registered. All amounts are estimated, except the SEC Registration Fee, the NASD Filing Fee and the Nasdaq National Market Filing Fee:

SEC Registration Fee	$	27,910.50
Nasdaq National Market Filing Fee	$	17,500
Accounting Fees	$	25,000
Legal Fees and Expenses	$	75,000
Printing and Engraving	$	10,000
Miscellaneous	$	5,000
Total	$	160,410.50

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Registrant's Restated Certificate of Incorporation provides that directors of the registrant shall not be personally liable to the registrant or its stockholders for monetary damages for breach of fiduciary duty as a director, to the fullest extent permitted by the General Corporation Law of the State of Delaware. The registrant's Restated Bylaws provide for indemnification of officers and directors to the full extent and in the manner permitted by Delaware law. Section 145 of the Delaware General Corporation Law makes provision for such indemnification in terms sufficiently broad to cover officers and directors under certain circumstances for liabilities arising under the Securities Act.

The Registrant has entered into indemnification agreements with substantially all of its officers and directors which provide indemnification under certain circumstances for acts and omissions which may not be covered by any directors' and officers' liability insurance.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits.

4.1	(1)	Indenture dated as of December 18, 2002 between the Registrant and J.P. Morgan Trust Company, National Association, including therein the forms of the notes.
4.2	(1)	Registration Rights Agreement dated as of December 18, 2002 between the Registrant and Goldman, Sachs & Co.
5.1		Opinion of Cooley Godward LLP.
12.1		Computation of Ratio of Earnings to Fixed Charges.
23.1		Consent of Ernst & Young LLP, Independent Auditors.
23.2		Consent of Cooley Godward LLP (included in Exhibit 5.1).
23.3		Consent of PricewaterhouseCoopers LLP, Independent Accountants.
23.4		Consent of PricewaterhouseCoopers LLP, Independent Accountants.
24.1		Power of Attorney (see page II-4).
25.1		Form T-1. Statement of Eligibility under the Trust Indenture Act of J.P. Morgan Trust Company, National Association.

(1) Filed as an exhibit to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference.

(b) Financial Statement Schedules

Consolidated Schedules are omitted because they are not applicable, or because the information is included in the Schedule, Financial Statements or the Notes thereto, which are incorporated by reference from the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Company pursuant to Section 13 or Section 15(d) of the Exchange Act, that are incorporated by reference in this Registration Statement.

(2) That, for the purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at the time shall be deemed to be the initial *bona fide* offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the indemnification provisions described herein, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of

the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under Subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Foster City, State of California, on March 14, 2003.

GILEAD SCIENCES, INC.

By: /s/ JOHN F. MILLIGAN

John F. Milligan
Senior Vice President and Chief Financial Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints John C. Martin, John F. Milligan and Mark L. Perry his or her true and lawful attorney-in-fact and agent, each acting alone, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments and registration statements filed pursuant to Rule 462 under the Securities Act) to the Registration Statement on Form S-3, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JOHN C. MARTIN John C. Martin	President, Chief Executive Officer and Director (Principal Executive Officer)	March 14, 2003
/s/ JOHN F. MILLIGAN John F. Milligan	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 14, 2003
/s/ PAUL BERG Paul Berg	Director	March 14, 2003
/s/ ETIENNE F. DAVIGNON Etienne F. Davignon	Director	March 14, 2003
/s/ JAMES M. DENNY James M. Denny	Chairman of the Board	March 14, 2003
/s/ GORDON E. MOORE Gordon E. Moore	Director	March 14, 2003
/s/ GEORGE P. SHULTZ George P. Shultz	Director	March 14, 2003
/s/ GAYLE EDLUND WILSON Gayle Edlund Wilson	Director	March 14, 2003
/s/ CORDELL W. HULL Cordell W. Hull	Director	March 14, 2003

EXHIBIT INDEX

4.1	(1)	Indenture dated as of December 18, 2002 between the Registrant and J.P. Morgan Trust Company, National Association, including therein the form of the notes.
4.2	(1)	Registration Rights Agreement dated as of December 18, 2002 between the Registrant and Goldman, Sachs & Co.
5.1		Opinion of Cooley Godward LLP.
12.1		Computation of Ratio of Earnings to Fixed Charges.
23.1		Consent of Ernst & Young LLP, Independent Auditors.
23.2		Consent of Cooley Godward LLP (included in Exhibit 5.1).

23.3	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
23.4	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
24.1	Power of Attorney (see page II-4).
25.1	Form T-1. Statement of Eligibility under the Trust Indenture Act of J.P. Morgan Trust Company, National Association.

(1) Filed as an exhibit to the registrant's Annual Report on Form 10-K for the period ended December 31, 2002 and incorporated herein by reference.

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