SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended SEPTEMBER 30, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No.
0-19731

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

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

Registrant's telephone number, including area code: 415-574-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Number of shares outstanding of the issuer's common stock, par value $.001 per share, as of October 20, 1997: 29,733,935.

GILEAD SCIENCES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements and Notes

GILEAD SCIENCES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	SEPTEMBER 30, 1997 (unaudited)	DECEMBER 31, 1996 (Note)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,670	$ 131,984
Short-term investments	286,494	163,979
Other current assets	4,346	4,290
Total current assets	336,510	300,253
Property and equipment, net	10,225	9,172
Other assets	1,419	1,248
	$ 348,154	$ 310,673
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,592	$ 2,501
Accrued clinical and preclinical expenses	7,650	5,007
Other accrued liabilities	5,785	4,433
Deferred revenues	3,304	527
Current portion of equipment financing obligations and long-term debt	2,449	3,631
Total current liabilities	20,780	16,099

Noncurrent portion of equipment financing obligations and long-term debt	1,570	2,914
Commitments		
Stockholders' equity:		
Preferred stock, par value $.001 per share; 5,000,000 shares authorized; 1,133,786 shares of Series B issued and outstanding at September 30, 1997; none at December 31, 1996 (liquidation preference of $40.0 million)	1	-
Common stock, par value $.001 per share; 60,000,000 shares authorized; 29,719,035 shares and 28,758,165 shares issued and outstanding at September 30, 1997 and December 31, 1996, respectively	30	29
Additional paid-in capital	475,796	426,577
Unrealized gains (losses) on investments, net	362	89
Accumulated deficit	(150,055)	(134,486)
Deferred compensation	(330)	(549)
Total stockholders' equity	325,804	291,660
	$ 348,154	$ 310,673

Note: The consolidated balance sheet at December 31, 1996 has been derived from audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Revenues:				
Product sales, net	$ 2,326	$ 3,353	$ 9,316	$ 4,755
Contract revenues	2,347	21,301	20,438	22,884
Royalty revenues	264	-	374	-
Total revenues	4,937	24,654	30,128	27,639
Costs and expenses:				
Cost of sales	180	447	995	548
Research and development	13,604	11,163	39,126	31,008
Selling, general and administrative	6,233	7,641	18,525	19,947

Total costs and expenses	20,017	19,251	58,646	51,503
Income (loss) from operations	(15,080)	5,403	(28,518)	(23,864)
Interest income, net	4,749	3,907	12,949	10,214
Net income (loss)	$(10,331)	$ 9,310	$(15,569)	$(13,650)
Net income (loss) per share	$(0.35)	$ 0.30	$ (0.53)	$ (0.50)
Common and common equivalent shares used in the calculation of net income (loss) per share	29,406	30,549	29,147	27,500

See accompanying notes.

GILEAD SCIENCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (decrease) in cash and cash equivalents
(unaudited)
(in thousands)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996
Cash flows from operating activities:		
Net loss	$ (15,569)	$ (13,650)
Adjustments used to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,277	3,718
Changes in assets and liabilities:		
Other current assets	(56)	(14,766)
Other assets	(171)	(136)
Accounts payable	(909)	(471)
Accrued clinical and preclinical expenses	2,643	1,626
Other accrued liabilities	1,352	2,453
Deferred revenues	2,777	792
Total adjustments	7,913	(6,784)
Net cash used in operating activities	(7,656)	(20,434)
Cash flows from investing activities:		
Purchases of short-term investments	(333,197)	(324,752)
Sales of short-term investments	163,491	201,366
Maturities of short-term investments	47,464	117,209
Capital expenditures	(3,111)	(1,565)
Net cash used in investing activities	(125,353)	(7,742)
Cash flows from financing activities:		
Payments of equipment financing obligations and long-term debt	(2,526)	(2,014)
Proceeds from issuance of common stock	9,221	158,813
Proceeds from issuance of preferred stock	40,000	-

Net cash provided by financing activities	46,695	156,799
Net increase (decrease) in cash and cash equivalents	(86,314)	128,623
Cash and cash equivalents at beginning of period	131,984	27,420
Cash and cash equivalents at end of period	$ 45,670	$ 156,043

See accompanying notes.

GILEAD SCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1997
(unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The information at September 30, 1997, and for the three and nine month periods ended September 30, 1997 and 1996, is unaudited but includes all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to state fairly the financial information set forth therein in accordance with generally accepted accounting principles. The interim results are not necessarily indicative of results to be expected for the full fiscal year. These financial statements should be read in conjunction with the audited financial statements for the fiscal year ended December 31, 1996 included in the Company's annual report to security holders furnished to the Securities and Exchange Commission pursuant to Rule 14a-3(b) in connection with the Company's 1997 Annual Meeting of Stockholders and the interim financial statements included in the previously filed quarterly report (Form 10-Q) for the three and six months ended March 31, 1997 and June 30, 1997.

PER SHARE DATA

Net income per share is computed using the weighted average number of common shares and dilutive common equivalent shares attributable to convertible preferred stock and stock options outstanding during the period. Net loss per share is computed using the weighted average number of common shares outstanding during the period. Common stock equivalents relating to convertible preferred stock and stock options are excluded from the computation of net loss per share as their effect is antidilutive.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share" (EPS). The Statement is effective for both interim and annual financial statements for periods ending after December 15, 1997. Under the Statement, primary EPS computed in accordance with Accounting Principle Board Opinion No. 15 will be replaced with a new simpler calculation called "basic EPS" and Gilead will be required to restate comparative EPS amounts for all prior periods. Under the new requirements, basic EPS for the three and nine month periods ended September 30, 1997 and the nine month period ended September 30, 1996 will be unchanged from primary EPS as disclosed. Basis EPS for the three month period ended September 30, 1996 is $0.33 per share as compared to $0.30 per share under the primary EPS method. Fully diluted EPS will not change significantly but has been renamed "diluted EPS". Gilead plans to implement the Statement in the fourth quarter of 1997.

2. INVESTMENTS

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. The Company's debt securities, which consist primarily of U.S. Treasury Securities, corporate commercial paper, bonds and notes of domestic corporations and asset-backed securities, are classified as available-for-sale and are carried at estimated fair value in cash equivalents and short-term investments. Unrealized gains and losses are reported as a separate component of stockholders' equity. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses on available-for-sale securities are included in interest income and expense. The cost of securities sold is based on the specific identification method.

Interest and dividends on securities classified as available-for-sale are included in interest income. At September 30, 1997, the contractual maturities of the debt securities do not exceed three years.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Since its inception in June 1987, Gilead has devoted the substantial portion of its resources to its research and development programs, with significant expenses relating to commercialization beginning in 1996. With the exception of the third quarter of 1996 and the second quarter of 1997, when the Company recognized significant license fees and milestone payments related to two collaboration agreements, the Company has incurred losses in every quarter since its inception. Gilead expects to incur losses for the next several years due primarily to its research and development programs, including preclinical studies, clinical trials and manufacturing, as well as marketing and sales efforts in support of VISTIDE-Registered Trademark- (cidofovir injection) and other potential products.

Gilead is independently marketing VISTIDE in the United States for the treatment of cytomegalovirus retinitis in patients with AIDS. P&U has the exclusive right to market VISTIDE outside of the United States, and recently launched the product in several European countries after receipt of marketing authorization from the European Commission. The financial contribution from VISTIDE sales and royalties has been modest to date, and the Company does not anticipate achieving sustained profitability without significant revenue contribution from other products in development, supplemented by contract revenue. The Company expects that its financial results will continue to fluctuate from quarter to quarter and that such fluctuations may be substantial. There can be no assurance that the Company will successfully develop, commercialize, manufacture and market additional products or achieve sustained profitability. As of September 30, 1997, the Company's accumulated deficit was approximately $150.1 million.

The successful development and commercialization of the Company's products will require substantial and ongoing efforts at the forefront of the life sciences industry. The Company is pursuing preclinical or clinical development of a number of additional product candidates. Even if these product candidates appear promising during various stages of development, they may not reach the market for a number of reasons. Such reasons include the possibilities that the potential products will be found ineffective or unduly toxic during preclinical or clinical trials, fail to receive necessary regulatory approvals, be difficult to manufacture on a large scale, be uneconomical to market or be precluded from commercialization by proprietary rights of others.

As a company in an industry undergoing rapid change, the Company faces significant challenges and risks, including the risks inherent in its research and development programs, uncertainties in obtaining and enforcing patents, the lengthy and expensive regulatory approval process, intense competition from pharmaceutical and biotechnology companies, increasing pressure on pharmaceutical pricing from payors, patients and government agencies, and uncertainties associated with the market performance of VISTIDE and the market acceptance of any of the Company's products in development that reach the market. These risks are discussed in greater detail in the Company's Annual Report on Form 10-K for the year ended December 31, 1996. Stockholders and potential investors in the Company should carefully consider these risks in evaluating the Company and should be aware that the realization of any of these risks could have a dramatic and negative impact on the Company's stock price.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements relating to clinical and regulatory developments, marketing and sales matters, future expense levels and financial results. These statements involve inherent risks and uncertainties. The Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are

not limited to, the risks discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, particularly those relating to the development, regulatory approval and marketing of pharmaceutical products.

RESULTS OF OPERATIONS

REVENUES

The Company had total revenues of $4.9 million and $24.7 million for the quarters ended September 30, 1997 and 1996, respectively. Total revenues included net product sales of $2.3 million and $3.4 million from the sale of VISTIDE for the quarters ended September 30, 1997 and 1996, respectively. This decrease in product sales reflects an overall decrease in the demand for drugs which treat cytomegalovirus retinitis in patients with AIDS that has resulted from the increasing general availability of more effective therapies for AIDS.

Total revenues for the nine month periods ended September 30, 1997 and 1996 were $30.1 million and $27.6 million, respectively, which included net product sales of $9.3 million and $4.8 million for the same periods. Revenues of approximately $13.0 million for the nine month period ended September 30, 1997 resulted from milestone payments under the Company's collaborative agreements with P&U and F. Hoffmann-La Roche Ltd. ("Roche"). Revenues totaling $20.3 million were recognized in the nine month period ended September 30, 1996 related to two initial license fees under the Company's agreements with these two partners. In addition, revenues in the first nine months of 1997 included $4.9 million of contract revenue from Roche related to the collaboration agreement to develop and commercialize therapies for the treatment and prevention of viral influenza. Revenues of approximately $2.3 million in each of the nine month periods ended September 30, 1997 and 1996 resulted from the Company's collaborative research and development agreement with Glaxo Wellcome.

OPERATING COSTS AND EXPENSES

The Company's cost of sales was $0.2 million and $0.4 million for the quarters ended September 30, 1997 and 1996, respectively. Cost of sales resulted from the Company's sale of VISTIDE, which was launched in June 1996. Cost of sales for the nine month periods ended September 30, 1997 and 1996

was $1.0 million and $0.5 million, respectively. The Company's cost of sales has decreased as a percentage of product sales because of reserves for inventory obsolescence in 1996 which were not required in 1997.

For the quarter ended September 30, 1997, the Company's research and development expenses increased 21.9% to $13.6 million from $11.2 million for the same period in 1996. Research and development expenses for the nine month periods ended September 30, 1997 and 1996 were $39.1 million and $31.0 million, respectively. These increases were due primarily to expansion in the scope and number of clinical trials for several product candidates and a related increase in research and development staffing and manufacturing. The Company expects its research and development expenses will increase in the fourth quarter and increase significantly throughout 1998, reflecting anticipated increased expenses related to clinical trials for several product candidates as well as related increases in staffing, preclinical studies and manufacturing.

Selling, general and administrative expenses were $6.2 million and $7.6 million for the quarters ended September 30, 1997 and 1996, respectively, representing a decrease of 18.4%. Selling, general and administrative expenses were $18.5 million and $19.9 million in the nine month periods ending September 30, 1997 and 1996, respectively. This decrease for the three and nine month periods resulted from VISTIDE product launch-related expenses incurred in 1996 which were not incurred in 1997. The Company expects its selling, general and administrative expenses to increase during the remainder of 1997 and to increase significantly in 1998 in connection with the ongoing sales and marketing activities related to the sale of VISTIDE and other potential products as well as continued support of expanded

research an development activities. In particular, the Company anticipates expanding its sales and marketing capacity during 1998 in anticipation of a possible launch of PREVEON-TM- (adefovir dipivoxil) for the treatment of HIV and AIDS, although no assurance can be given that such product will receive regulatory approval or be successfully launched.

NET INTEREST INCOME

The Company had net interest income of $4.7 million and $3.9 million for the quarters ended September 30, 1997 and 1996, respectively, representing an increase of 21.6%. Net interest income was $12.9 million and $10.2 million for the nine month periods ended September 30, 1997 and 1996, respectively. Net interest income increased in the third quarter of 1997 primarily due to the Company's higher average cash and cash equivalents and short-term investment balances.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents and short-term investments totalled $332.2 million at September 30, 1997 compared to $296.0 million at December 31, 1996. The increase is due to cash proceeds from stock issuances and milestone payments during 1997 offset by cash used in operations and to fund capital acquisitions. During the remainder of 1997 and for 1998, the Company expects to incur research and development and selling, general and administrative expenses significantly in excess of amounts incurred in prior periods.

Net cash used in operations was $7.7 million and $20.4 million for the nine month periods ended September 30, 1997 and 1996, respectively. Cash used in operations during the 1996 period included an outstanding receivable related to the Company's collaborative agreements. No such receivable was outstanding at September 30, 1997. The Company believes that its existing capital resources, supplemented by net product revenues and contract revenues, will be adequate to satisfy its capital needs for the foreseeable future. The Company's future capital requirements will depend on many factors, however, including the progress of the Company's research and

development, the scope and results of preclinical studies and clinical trials, the cost, timing and outcomes of regulatory reviews, the rate of technological advances, determinations as to the commercial potential of the Company's products under development, the commercial performance of VISTIDE and any of the Company's products in development that receive marketing approval, administrative and legal expenses, the status of competitive products, the establishment of manufacturing capacity or third-party manufacturing arrangements, the expansion of sales and marketing capabilities, possible geographic expansion and the establishment of additional collaborative relationships with other companies.

The Company may in the future require additional funding, which could be in the form of proceeds from equity or debt financings or additional collaborative agreements with corporate partners. If such funding is required, there can be no assurance that it will be available on favorable terms, if at all.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

10.45 Amended and Restated Copromotion Agreement between Registrant and Roche Laboratories, Inc. dated September 12, 1997 with certain confidential information deleted.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the Quarter ended September 30, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GILEAD SCIENCES, INC.

(Registrant)

Date: October 30, 1997

/s/ JOHN C. MARTIN

John C. Martin
President and Chief Executive Officer

Date: October 30, 1997

/s/ MARK L. PERRY

Mark L. Perry
Vice President, Chief Financial Officer
and General Counsel

(Principal Financial and Accounting Officer)

EXHIBIT 10.45

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED.

AMENDED AND RESTATED COPROMOTION AGREEMENT

This Amended and Restated Agreement (this "Agreement") made this 12th day of September, 1997 by and between Roche Laboratories Inc., a New Jersey corporation having its principal place of business at 340 Kingsland Street, Nutley, New Jersey 07110 (hereinafter referred to as "ROCHE") and Gilead Sciences Inc., a Delaware corporation having a principal place of business at 333 Lakeside Drive, Foster City, California 94404 (hereinafter referred to as "GILEAD"), amends and restates in its entirety the Copromotion Agreement between the parties dated September 27, 1996.

WITNESSETH

WHEREAS, Genentech, Inc. ("GENENTECH") is presently marketing the product Roferon-Registered Trademark--A (Interferon alfa-2a, recombinant) for certain cancer indications and ROCHE and GILEAD are copromoting this product for treating hepatitis C; and

WHEREAS, ROCHE and GILEAD wish to continue their copromotion arrangement but amend certain terms of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, ROCHE and GILEAD hereby agree as follows:

ARTICLE 1-DEFINITIONS

1.01 In the terms defined herein, the singular shall include the plural and vice versa.

1.02 The effective date of this Agreement shall be September 27, 1996.

[ ] = CONFIDENTIAL TREATMENT REQUESTED

1.03 The term "Call" shall mean a visit by a professional sales representative to a physician licensed to prescribe, dispense or administer legend drugs, which visit is for the purpose of making a Primary Presentation on the Product and involving no more than two other product presentations. Such physician shall be selected from a target audience defined by the Committee (as hereinafter defined).

1.04 The term "Calendar Year" shall mean a one year period commencing on January 1. For instance, the first Calendar Year shall mean the period from January 1, 1997 to December 31, 1997. The second Calendar Year shall mean the period from January 1, 1998 to December 31, 1998.

1.05 The term "Factory Sales" shall mean Gross Sales less the following deductions (i) returns (including withdrawals and recalls); (ii) chargebacks; (iii) sales and other taxes directly linked to and included in the Gross Sales amount and (iv) invoice corrections; provided, however, that solely for purposes of calculating the payments due to GILEAD for sales in the first Calendar Year (1997) pursuant to Paragraph 3.02, returns as described in clause (i) above shall not be deducted from Gross Sales in calculating Factory Sales.

1.06 The term "Field" shall mean the treatment of hepatitis C.

1.07 The term "Gross Sales" shall mean the amount invoiced by ROCHE and its sublicensees for sales of Product in the Territory to third parties.

1.08 The term "Net Sales" shall mean Factory Sales less the following deductions (i) rebates (price reductions, including Medicaid and similar types of rebates); (ii) volume (quantity) discounts and discounts granted at the time of invoicing; and (iii) a lump sum deduction of [ ] of Factory Sales for those sales-related deductions which are not accounted for on a product-by-product basis (for example, without limitation, outward freight, transportation insurance, packaging materials for dispatch of goods, customs duties, discounts granted later than at the time of invoicing, cash discounts and product liability insurance).

[ ] = CONFIDENTIAL TREATMENT REQUESTED

All of the deductions from Gross Sales to Factory Sales to Net Sales shall be allocated on a pro rata basis to Product sold for the Hepatitis C indication and to Roferon-Registered Trademark--A (Interferon alfa-2a, recombinant) sold for all other indications, pursuant to the allocation methodology set forth in Paragraph 3.08; such deductions shall not be applied differentially to Hepatitis C sales relative to sales for other indications.

1.09 The term "Primary Presentation" shall mean a full Product presentation during which key product attributes are verbally presented; provided, however, that no more than one presentation in any Call shall be considered a Primary Presentation, which shall be the presentation on which the most time is spent during the Call.

1.10 The term "Product" shall mean Roferon-Registered Trademark--A (Interferon alfa-2a, recombinant) for use in the Field.

1.11 The term "The Term of this Agreement" shall mean the period specified in Paragraph 7.01.

1.12 The term "Territory" shall mean the United States and its territories, possessions and commonwealths.

ARTICLE 2 - GRANTS AND OBLIGATIONS

2.01 ROCHE hereby grants to GILEAD during the Term of this Agreement and under the conditions herein imposed the right to promote and detail jointly with ROCHE the Product under the trademark "ROFERON-A" for use in the Field in the Territory. ROCHE shall not enter into any other copromotion or similar arrangement with a third party regarding the Product for use in the Field in the Territory during the Term of this Agreement. This provision shall not preclude ROCHE from using contract personnel to detail the Product. During the term of this Agreement, GILEAD shall not enter into any other copromotion or similar arrangement with a third party in the Field and within the

[ ] = CONFIDENTIAL TREATMENT REQUESTED

Territory nor shall GILEAD market any other product in the Field and within the Territory.

2.02 Subject to the provisions of and during the Term of this Agreement,

each party shall use its best efforts consistent with accepted business practices and legal requirements to deploy its sales force to promote and detail the Product for use in the Field in the Territory in such manner and with such expedition as the party itself would have adopted in launching, promoting and detailing a major pharmaceutical Product of its own invention. In this regard, GILEAD will provide a qualified field sales staff for detailing and promoting the Product resulting in at least the number of Calls required pursuant to Paragraph 2.03.

2.03 During each calendar year, GILEAD shall make at least [ ] Calls and ROCHE shall make at least [ ] Calls. At the end of the third quarter of each Calendar Year, ROCHE and GILEAD shall discuss the number of calls each party is required to make in the subsequent Calendar Year. In the event that the number of Calls which either party is required to make changes, then the parties will agree on an appropriate adjustment to the compensation structure provided in this Agreement.

ARTICLE 3 - PAYMENTS

3.01 ROCHE has paid GILEAD a one time, nonrefundable fee of [ ] as compensation for its sales efforts during calendar year 1996.

3.02 ROCHE shall pay GILEAD a royalty on Net Sales from the first Calendar Year through the third Calendar Year according to the following three tiers of Factory Sales. Factory Sales falling within each tier shall first be converted to Net Sales, against which the appropriate royalty shall be applied.

[ ] = CONFIDENTIAL TREATMENT REQUESTED

	ROYALTY AS % OF NET SALES
Factory Sales from [ ] of base Factory Sales forecast	[ ]
Factory Sales from [ ] of base Factory Sales forecast	[ ]
Factory Sales greater than [ ] of base Factory Sales forecast	[ ]

The parties have agreed to base Factory Sales forecasts for Product of [ ] in the first Calendar Year. The base Factory Sales forecast for the second Calendar Year for Product, shall be, at GILEAD's option, the lesser of [ ] or the forecast which ROCHE finalizes for use by ROCHE's field force as a target for Product in the second Calendar Year. A base Factory Sales forecast for the third Calendar Year shall be calculated as described in the following sentences and equation:

At the end of the third quarter of second Calendar year, the Committee shall determine a base Factory Sales forecast for the third Calendar Year. In summary, the 1999 base Factory Sales forecast shall be calculated as follows:

[ ] = CONFIDENTIAL TREATMENT REQUESTED

[Actual Year to Date 1998 Factory Sales of Product(1)
(1,2,3Q 1998 Factory Sales of Product)

+

Estimated 4Q 1998 Factory Sales of Product
[1998 Year-to-Date Growth Rate(2) + (4Q97 Growth Rate(3)- Average of
1,2,3Q 1997 Growth Rate(4))] x (3Q98 Factory Sales of Product)]

X

1998 Roferon-A (Hepatitis) Growth
Growth rate(5) of (full year Estimated 1998 Factory Sales of Product)
over (full year 1997 Factory Sales of Product)

=

Year 3 (1999) base Factory Sales Forecast

By way of example, if in 1997 Factory Sales of Product are [ ] then the royalty payable to GILEAD shall be calculated as follows:

- 1997 base Factory Sales forecast = [ ]
- [ ] of 1997 base Factory Sales forecast = [ ]
- Net sales are assumed to be [ ] of Factory Sales.

- ----------

(1) Factory Sales of Product: Roferon-A Hepatitis C Factory Sales calculated by applying the Roferon-A hepatitis ratio from the Sales Tracking Study to total Roferon-A Factory Sales.

(2) YTD Growth Rate: {[(1Q98 Factory Sales of Product-4Q97 Factory Sales of Product)/4Q97 Factory Sales of Product] + [(2Q98 Factory Sales of Product-1Q98 Factory Sales of Product)/1Q98 Factory Sales of Product] + [(3Q98 Factory Sales of Product -2Q98 Factory Sales of Product)/2Q98 Factory Sales of Product]}/3.

(3) 4Q97 Growth Rate: (4Q97 Factory Sales of Product-3Q97 Factory Sales of Product)/3Q97 Factory Sales of Product.

(4) 1,2,3Q 1997 Growth Rate: {[(1Q97 Factory Sales of Product-4Q96 Factory Sales of Product)/4Q96 Factory Sales of Product] + [(2Q97 Factory Sales of Product-1Q97 Factory Sales of Product)/1Q97 Factory Sales of Product] + [(3Q97 Factory Sales of Product-2Q97 Factory Sales of Product)/2Q97 Factory Sales of Product]}/3.

(5) Growth Rate: (1998 Factory Sales of Product-1997 Factory Sales of Product)/1997 Factory Sales of Product.

[ ] = CONFIDENTIAL TREATMENT REQUESTED

Factory Sales	Net Sales	Royalty Rate	Royalty Due
[ ]	[ ]	[ ]	[ ]
Next [ ]	[ ]	[ ]	[ ]
Next [ ]	[ ]	[ ]	[ ]
Total [ ]	[ ]		[ ]

An example for the determination of the base Factory Sales forecast for 1999 is attached as Exhibit A.

3.03 ROCHE will have no liability with respect to payments due GILEAD under Paragraph 3.02 which might have been earned on the Product by GILEAD but were not earned, or for any damage of any nature incurred by GILEAD in anticipation of Net Sales which might have been earned but were not earned, if, for any reason, including the negligence (but not the willful misconduct) of ROCHE: (a) ROCHE is unable to ship the Product in the Territory, (b) the Product is withdrawn from the market in the Territory, (c) sales of the Product in the Territory do not reach a level reasonably expected by previous sales, or any level or (d) Force Majeure as set forth in Article 8. In the event that any of the foregoing occur, excluding (c), in such a way that the financial assumptions underlying this Agreement are no longer valid, then the parties will renegotiate the terms of this Agreement in good faith.

3.04 Within [ ] after the close of each [ ] during the Term of this Agreement, ROCHE shall submit to GILEAD a statement showing: (i) the amount of Gross Sales, Factory Sales and Net Sales, itemizing the deductions provided for in Paragraphs 1.05 and 1.08 during such [ ]and on a cumulative basis year-to-date, and (ii) the calculation of payments to GILEAD pursuant to Paragraph 3.02. The calculations provided for herein shall be subject to audit pursuant to Paragraph 4.15.

3.05 For the one year period commencing upon the expiration of this Agreement ("Residual Year"), ROCHE shall pay GILEAD [ ] of the total amount paid to

[ ] = CONFIDENTIAL TREATMENT REQUESTED

GILEAD for the previous calendar year pursuant to paragraph 3.02. The payment for the Residual Year shall be made in equal [ ] installments within [ ] after the end of each [ ] of the Residual Year.

3.06 Under the provisions of this Agreement, all sums due to GILEAD for sales of the Product for use in the Field within the Territory hereunder will be payable by ROCHE in U.S. Dollars via wire transfer to GILEAD's account at the following address:

Wells Fargo Bank, N.A.
444 Market Street, 7th Floor
San Francisco, CA 94163
Attn: Ellie Yi

ABA # 121000 248
Dept. # 068
Acct. # 4068-000769
Acct. Name: Gilead Sciences, Inc.

or any other place or bank account as GILEAD may designate to ROCHE in writing. A copy of relevant report upon which said payment was based will also be sent by ROCHE to GILEAD at the following address:

Gilead Sciences, Inc.
333 Lakeside Drive
Foster City, CA 94404
Attn: Chief Financial Officer
(415) 574-3000

3.07 Notwithstanding anything in this Agreement to the contrary, in the event that ROCHE's actual Net Sales in the Territory are reduced, due to credits, refunds, voluntary or government mandated recalls for any reason at any time within six (6) months after the completion of any

Calendar Year for which Net Sales have been accrued pursuant to the terms of this Agreement, then the Net Sales for the Calendar Year in which such credits, refunds, recalls, etc. occur shall be reduced accordingly and GILEAD shall return to ROCHE within sixty (60) days of receipt of a notice from ROCHE requesting such return, any dollar amounts which were paid to GILEAD in respect of Net Sales during

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such Calendar Year which are in excess of the dollar amounts which would have been paid to GILEAD if the Net Sales for such period reflected the Net Sales actually obtained by ROCHE taking into account such credits, recalls, refunds or other deductions.

3.08 ROCHE, GENENTECH and GILEAD have agreed to an appropriate methodology including the selection of an independent third party source to determine total sales of the Product in the Field within the Territory and market share relative to all interferon products sold for the treatment of Hepatitis C. The establishment of sales and market share data described in this Paragraph shall be at the expense of ROCHE.

3.09 If the difference between the Factory Sales of Product and the Net Sales of Product is more than [ ] of the Gross Sales of Product for any given quarter, then the parties will renegotiate in good faith the terms of this Agreement.

ARTICLE 4 - COOPERATION, RIGHTS AND RESPONSIBILITIES

It is among the objectives of the parties to promote and detail the Product for use in the Field within the Territory in the most effective and efficient fashion. To achieve this and other objectives, the parties agree as follows:

4.01 The parties shall each appoint an authorized representative ("Coordinator") with whom communications between the parties relating to marketing and sales of the Product will be directed. Each party will notify the other as to the name of the individual so appointed. Each party may replace its Coordinator at any time, upon written notice to the other party.

4.02 (a) The Coordinators shall establish a Committee directed by the Roche Coordinator and consisting of an equal number of representatives of each party which will meet at least quarterly, at mutually agreeable times and locations, to discuss and coordinate the joint promotion and detailing of the Product for use in the Field in the Territory and the strategies and programs that should be developed to maximize Net Sales. Illustratively, the Committee shall (i) coordinate the launch of the Product for use in the Field in the

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Territory and (ii) guide all continuing joint promotion and detailing efforts with respect to the Product for use in the Field in the Territory. Although the parties intend to work cooperatively, ROCHE will have authority and final responsibility for developing marketing strategies and tactics including but not limited to detailing strategies with respect to the Product.

(b) The Committee shall develop and formulate marketing plans for

specified periods (collectively the "Marketing Plan") which shall set forth marketing strategies and tactics relating to the Product. ROCHE, however, shall have the final responsibility for, and control over, the development and content of the Marketing Plan.

(c) Efforts will be made at the sales territory level to coordinate the Calls by the ROCHE sales force with the Calls by the GILEAD sales force to ensure the most effective coverage of the target audiences and to minimize non-productive efforts.

(d) A party shall have the right to comment upon and make recommendations to the other party regarding the other party's activities under this Agreement, which recommendations the other party shall thoroughly evaluate and consider.

(e) Each party shall bear its own costs associated with its participation in the Committee and its activities performed under this Agreement.

4.03 (a) During the Term of and subject to any other provision of this Agreement, each party will provide the other with all information relevant to the detailing and promotion of the Product for use in the Field within the Territory within a reasonable time after such information becomes known to the party, provided such information is not received from an independent third party under a secrecy obligation. Specifically, the sales force of each party will receive the same information at the same time with respect to the Product.

(b) During the Term of this Agreement, each party shall promptly notify the other party of all information coming into its possession concerning unexpected side effects, injury,

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toxicity or sensitivity reaction including unexpected incidence and severity thereof associated with commercial or clinical uses, studies, investigations or tests with the Product (animal or human), throughout the world, whether or not determined to be attributable to the Product ("Adverse Reaction Reports"). In the case of Adverse Reaction Reports within the scope of 21 CFR 314.80(c)(iii), GILEAD shall transmit such Adverse Reaction Reports so that they are received by ROCHE within three (3) business days after receipt by GILEAD, or such other reporting period as may be required by law. ROCHE shall transmit Adverse Reaction Reports to GILEAD on a periodic basis, but no less often than once every three (3) months; provided, however, that ROCHE shall promptly notify GILEAD of any Adverse Reaction Report requiring the alteration of detailing activities by the GILEAD sales force. All such communications shall be held in the strictest confidence by GILEAD and shall be subject to the terms of Paragraph 4.14.

4.04 GILEAD warrants and represents that it will maintain records of Calls made by its sales force and that these records will accurately represent the number of Calls made and the relative emphasis given to each Product during a Call. For all Calendar Years covered by this Agreement, GILEAD shall issue reports to ROCHE within [ ] after the end of [ ]of such Calendar Year showing the number of Calls made to each audience and the relative emphasis assigned to the Product in such Calls. ROCHE shall be entitled to audit the source data and documents used to compile such reports pursuant to the provisions of Paragraph 4.15 of this Agreement.

4.05 ROCHE retains and shall retain all proprietary rights and proprietary interests in the Product until the point of sale and in all supporting sales and promotional and educational material. GILEAD will not have

nor represent that it has any control or proprietary or property interests in the Product. Nothing contained herein shall be deemed to grant GILEAD, either expressly or implied by a license or other right or interest in any patent, trademark, copyright or other similar property of ROCHE except as may be necessary for GILEAD to promote and detail the Product as provided for in this Agreement.

4.06 (a) During the Term of this Agreement, at ROCHE's cost, ROCHE shall create and develop all sales and promotional materials relating to the Product for distribution for use in the Field. ROCHE shall provide GILEAD with such materials, in amounts which are reasonable under the terms of the Marketing Plan. Other than with the advice and consent of ROCHE, GILEAD shall not create or develop sales, promotional or other similar materials relating to the Product for distribution to independent third parties.

All sales and promotion material for distributing the Product for use in the Field which is prepared primarily through a printing technique (except for memo pads and the like) shall be supplied by ROCHE, free of all charge, to GILEAD.

All sales and promotional materials relating to the distribution of the Product for use in the Field which are multi-dimensional in form, including memo pads and the like, and materials which are prepared primarily by techniques other than printing shall be supplied to GILEAD by ROCHE in accordance with paragraph 4.07 of this Agreement.

(b) GILEAD shall not be required to distribute any sales and promotional material prepared after the date of this Agreement which (i) does not present GILEAD to the medical and paramedical communities and to the trade as joining with ROCHE in the detailing and promotion of the Product, (ii) does not mention the Product, or (iii) includes reference to another ROCHE pharmaceutical in addition to the Product. At ROCHE's request, and at GILEAD's sole option, GILEAD may distribute sales and promotion material of the type identified in this subparagraph (b). Should GILEAD elect to so distribute such material, it shall be supplied to GILEAD by ROCHE free of all charge. In no event shall ROCHE be required to distribute any material which contains a reference (i) to GILEAD (other than in connection with the joint detailing and promotion of the Product in accordance with this Agreement) or (ii) any GILEAD pharmaceutical.

4.07 To achieve the objectives of this Agreement, it may be necessary to distribute multi-dimensional sales and promotional materials, including memo pads and the like and/or materials which are prepared primarily by techniques other than printing (all of

these materials being hereinafter identified as "Materials") to health care personnel and the trade on an ongoing basis ("Program"). If in ROCHE's sole judgment it determines that such a Program is best to achieve these objectives, ROCHE shall provide GILEAD, free of charge, with all of GILEAD's reasonable requirements for Materials. ROCHE shall cause the production of all Materials and shall ship GILEAD's requirements of Materials to such GILEAD's facilities as GILEAD may designate, F.O.B., the ROCHE distribution site. Materials shall be allotted on a per capita basis to the ROCHE sales force and the GILEAD

sales force as modified by the expected amount of time and effort to be used by each sales force in detailing and promoting the Product for use in the Field. All Materials delivered to GILEAD shall be packaged in the same form and be of the same quality as those which ROCHE normally distributes to health care personnel or to the trade in the Territory.

4.08 Each party shall contribute facilities, supplies, personnel (including management and sales representatives) and other resources without charge or expense to the other as each party, in its absolute discretion, believes necessary for the proper performance of terms of this Agreement, and each party shall bear its own costs incurred in the performance of any obligations hereunder. Neither party shall have any responsibility for the firing or compensation of the other party's employees or for any employee benefits. No employee or representative of a party shall have any authority to bind or obligate the other party to this Agreement for any sum or in any manner whatsoever, or to create or impose any contractual or other liability on the other party without said party's authorized written approval. For all purposes, and notwithstanding any other provision of this Agreement to the contrary, GILEAD's legal relationship under this Agreement to ROCHE shall be that of independent contractor.

4.09 ROCHE shall have the sole responsibility for the manufacture and distribution of Product in the Territory. ROCHE shall also be responsible for insuring that sufficient stock of the Product will be available in its inventory to promptly fill orders in the Territory from the trade except for Force Majeure as defined in Article 8.

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4.10 (a) With respect to the Product, ROCHE and GILEAD shall both employ the Trademark "Roferon-Registered Trademark--A" on all promotional literature relating to the Product for use in the Territory such as detailing aids and advertising directed to the Product. All such promotional literature shall identify the Product as being promoted by ROCHE/GILEAD. At ROCHE's discretion, all literature which sets forth the Product and sets forth with at least equal emphasis to the Product, one or more other Products distributed or sold by ROCHE need not set forth or identify the Product as being promoted by ROCHE/GILEAD but can simply identify the Product as a ROCHE Product without the name of GILEAD appearing on said literature.

(b) ROCHE will provide GILEAD, free of charge, with reasonable quantities of training materials which have been created and developed by ROCHE relating to the Product and its use in the Field. During the term of this Agreement, GILEAD will not permit any of its sales personnel to promote the Product unless such sales personnel have been qualified under criteria and/or tests supplied by ROCHE, which either will be the same as those used to qualify ROCHE sales personnel or will be approved by ROCHE. The costs of training the GILEAD sales training personnel incurred by GILEAD shall be borne by GILEAD.

(c) Neither party shall distribute or have distributed any such information, except for promotional literature prepared by ROCHE under subparagraph (a) of this paragraph, which bears the name of the other without the prior written approval of the other, which approval shall not be unreasonably withheld. The Product shall be represented solely as a ROCHE Product. When packaged, the Product will bear the trademark and label of ROCHE only. All promotional materials or other information regarding the Product, if any, which is distributed other than to medical or paramedical communities or trade, will not be required to identify GILEAD's involvement in the detailing or promotion of the Product, but may so identify said involvement if ROCHE in its sole discretion deems it appropriate to do so.

(d) (i) ROCHE at its option may issue press releases or other public announcements relating to the Product or the arrangement contemplated by this Agreement, provided however, that ROCHE shall not issue a press release or public announcement which relates to the arrangement contemplated by this Agreement, except for references to GILEAD and the relationship created by this Agreement in ROCHE's annual and quarterly reports and other SEC documents, without the prior written approval of GILEAD, which approval shall not be unreasonably withheld.

(ii) GILEAD at its option may issue press releases or other public announcements relating to the Product or the arrangement contemplated by this Agreement, provided however, that GILEAD shall not issue a press release or public announcement which relates to the arrangement contemplated by this Agreement, except for references to ROCHE and the relationship created by this Agreement in GILEAD's annual and quarterly reports and other SEC documents, without the prior written approval of ROCHE, which approval shall not be unreasonably withheld.

4.11 (a) ROCHE shall have the sole right and responsibility, and shall bear all costs related thereto, to take such actions with respect to the Product as would normally be done in accord with accepted business practices and legal requirements to obtain and maintain the authorization and/or ability to market a major pharmaceutical Product in the Territory, including, without limitation, the following:

(1) responding to Product and medical complaints relating to the Product. GILEAD agrees that it shall refer any such complaints which it receives to ROCHE as soon as reasonably practicable;

(2) handling all returns of the Product. If the Product is returned to GILEAD, it shall be shipped to ROCHE's nearest facility, with any reasonable or authorized shipping or other documented direct cost to be paid by ROCHE. GILEAD shall incur no liability of any nature in the handling of such returns. GILEAD, if

requested, shall advise the customer who made the return that the Product has been returned to ROCHE;

(3) handling all recalls of the Product. At ROCHE's request and GILEAD's option, GILEAD will assist ROCHE in receiving the recalled Product and any direct documented costs incurred by GILEAD, with respect to participating in such recall shall be reimbursed by ROCHE;

(4) communicating with any governmental agencies and satisfying their requirements regarding the authorization and/or continued authorization to market the Product in commercial quantities in the Territory;

(5) reporting Adverse Reaction Reports to U.S. regulatory authorities as required by applicable U.S. law or regulation;

(6) handling Product distribution, inventory and receivables.

(b) Each party shall respond to medical questions or inquiries relating

to the Product directed to such party. ROCHE shall use its best efforts to keep current the reasonably necessary information provided to GILEAD which would enable GILEAD to respond properly and promptly to any such questions or inquiries. All such information shall be held in the strictest confidence by GILEAD and shall be subject to the terms of Section 4.13 hereof except with regard to providing the proper response to medical questions or inquiries relating to Product. GILEAD and ROCHE shall coordinate responses to anticipated inquiries and questions.

4.12 Notwithstanding the Marketing Plan or any other provision herein to the contrary, ROCHE will have the sole right and responsibility for establishing and modifying the terms and conditions with respect to the sale of the Product, including the price at which the Product will be sold, any discount attributable to payments on receivables, distribution of the Product and the like.

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4.13 If, for any reason, GILEAD should receive orders for the Product, GILEAD shall use its best efforts to forward such orders to ROCHE as soon as practicable.

4.14 Any information provided to GILEAD by ROCHE (or by anyone who was under a non-disclosure obligation to ROCHE) under this Agreement, except that information:

(a) which becomes public through no fault of GILEAD; or

(b) which was known by GILEAD prior to its disclosure to GILEAD by ROCHE; or

(c) which is lawfully obtained by GILEAD from a third party which is independent of ROCHE and said third party is in lawful possession of said information; or

(d) which is required to be disclosed by applicable law or regulation; or

(e) which is intended for distribution to the trade:
shall be treated with the strictest confidence and GILEAD shall not use any such information for any purposes other than that provided in this Agreement.

GILEAD shall keep such information in a special file which shall be solely under the direction and control of the GILEAD Coordinator. GILEAD shall not distribute any such information except to its employees who have a need to know such information. Any GILEAD employee who receives such information shall be advised of the confidential nature thereof and the prohibitions contained in this section. The Coordinator will use best efforts to keep a record of those individuals who have received copies of the information or any portions thereof, and all copies or any portions thereof will be identified by GILEAD as confidential. Upon termination of this Agreement, and upon the request of ROCHE, GILEAD shall return or destroy all such information and copies thereof in its possession, except that GILEAD may keep one copy of such information in GILEAD's Law Department files solely for archival purposes. Such archival copy will be

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deemed to be the property of ROCHE, and will not be copied or distributed in any manner without the express prior written permission of ROCHE. The prohibitions contained herein shall survive the termination of this Agreement and last for a period of ten (10) years from the date of termination of this Agreement.

4.15 Each party shall keep, and shall cause its Affiliates and sublicensees to keep, complete and accurate records pertaining to the Calls (by GILEAD or ROCHE) or sale or other disposition of Product and of the Royalty and other amounts payable under this Agreement in sufficient detail to permit the other party to confirm the accuracy of all Calls completed and payments due hereunder. At either party's request, the other party will cause its independent certified public accountants to prepare abstracts of its relevant business records for review by the other party's independent certified public accountants. If, based on a review of such abstracts, a party reasonably believes that a full audit of said business records would be necessary for the confirmation of the accuracy of all Calls and payments due hereunder, that party's independent certified public accountants shall have full access to review all work papers and supporting documents pertinent to such abstracts, and shall have the right to discuss such documentation with the other party's independent certified public accountants. [

] Such audit rights may be exercised no more often than once a year, within three (3) years after the payment period to which such records relate, upon notice to the party being audited and during normal business hours. The party requesting such audit will bear the full cost of such audit

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unless such audit discloses an underpayment of more than five percent (5%) from the amount of Calls made or royalties due. The terms of this Paragraph shall survive any termination or expiration of this Agreement for a period of three (3) years.

4.16 Each party will utilize its own sales force to promote and detail the Product. During the Term of this Agreement, neither party will recruit or employ any sales representative of the other party who has been involved in promotion of the Product in the Territory. In addition, neither party will recruit any sales representative of the other party without prior consultation with the other party.

ARTICLE 5 - WARRANTIES AND INDEMNIFICATION

5.01 Each party warrants and represents to the other that it has the full right and authority to enter into this Agreement, and that it is not aware of any impediment that would inhibit its ability to perform its obligations under this Agreement.

5.02 ROCHE warrants and represents that it has no knowledge of the existence of any U.S. patent owned or controlled by anyone other than ROCHE which would prevent ROCHE from making, using or selling the Product for use in the Field within the Territory or would prevent GILEAD and ROCHE from jointly promoting or detailing the Product for use in the Field within the Territory.

5.03 ROCHE will defend, indemnify and hold harmless GILEAD and its directors, officers, employees and agents against all losses, expenses,

claims and liabilities, known and unknown, of any kind, including all costs and expenses relating thereto arising at any time as a result of any assertion relating to the manufacture, handling, use or distribution of Products by ROCHE, or their sublicensees except to the extent that they result from acts or omissions of acts of GILEAD, its directors, officers, employees or agents.

5.04 GILEAD will defend, indemnify and hold harmless ROCHE and its directors, officers, employees and agents against all losses, expenses, claims and liabilities, known and

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unknown, of any kind, including all costs and expenses relating thereto arising at any time as a result of any assertion relating to the promotion of Products by GILEAD, except to the extent that they result from acts or omissions of acts of ROCHE, its directors, officers, employees or agents

5.05 Regarding the indemnity and hold harmless under Paragraph 5.03, GILEAD shall give prompt written notice to ROCHE of the commencement of any action, suit or proceeding for which indemnification may be sought, and ROCHE shall assume the defense thereof; provided, however, that GILEAD shall be entitled to participate in any such action, suit or proceeding with counsel of its own choice, but at its own expense. If ROCHE fails to assume the defense within a reasonable time, GILEAD may assume such defense and the reasonable fees and expenses of its attorneys will be covered by the indemnity provided for in Paragraph 5.03 above. No such action, suit or proceeding shall be compromised or settled in any manner which might adversely affect the interests of ROCHE without prior written consent of ROCHE which consent shall not be unreasonably withheld. ROCHE agrees to consult with GILEAD with respect to any proposed compromise or settlement which would adversely affect the interests of GILEAD.

ARTICLE 6 - PATENTS AND TRADEMARK INFRINGEMENT

GILEAD shall advise ROCHE promptly upon its becoming aware of any infringement by a third party of a patent or trademark owned by ROCHE and respectively covering or identifying the Product in the Territory. If warranted in the opinion of ROCHE, ROCHE shall promptly take such legal action as is required to restrain such infringement. GILEAD shall cooperate fully with and as requested by ROCHE, at ROCHE's expense, in ROCHE's attempt to restrain such infringement. GILEAD may be represented by counsel of its own selection at its own expense in any suit or proceeding brought to restrain such infringement but ROCHE shall have the right to control the suit or proceeding.

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ARTICLE 7 - TERM AND TERMINATION

7.01 The term of this Agreement shall commence on the effective date of this Agreement and continue, unless terminated sooner in accordance with the subsequent provisions of this Article, until December 31, 1999.

Upon termination of this Agreement for any reason or purpose, all rights to The Product including but not limited to regulatory submissions and trademarks become or remain the property of ROCHE.

Paragraphs 3.05, 3.06, 4.05, 4.10(d), 4.11(a), 4.14, 4.15, 5.03 and 5.04 shall survive expiration or termination of this Agreement for any reason.

7.02 Either party may terminate this Agreement for Good Cause (as defined in Paragraph 7.03 below), effective at any time after providing sixty (60) days written notice and, if applicable, an opportunity to cure during such sixty (60) day period (if such cure is effected, such notice with respect to such Good Cause shall be null and void). If the Agreement is so terminated by either party for Good Cause, ROCHE shall pay to GILEAD all dollar amounts due to it under Sections 3.02 and 3.05 through the effective date of such termination.

7.03 "Good Cause" shall include the failure of the other party to comply with any of its material obligations contained in this Agreement (including the failure to detail the Product).

7.04 Termination of this Agreement for Good Cause, shall be without prejudice to (a) any remedies which any party may then or thereafter have hereunder or at law; and (b) GILEAD's right to receive any payment accrued under the Agreement prior to the termination date but which became payable thereafter; and (c) either party's right to obtain performance of any obligations provided for in this Agreement which survive termination by their terms or by a fair interpretation of this Agreement.

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7.05 Either party may terminate this Agreement for any reason, effective as of January 1, 1999, by delivering written notice to the other party on or prior to October 31, 1998.

ARTICLE 8 - FORCE MAJEURE

If either party shall be delayed, interrupted in or prevented from the performance of any obligation hereunder by reason of an act of God, fire, flood, earthquake, war (declared or undeclared), public disaster, strike or labor differences, governmental enactment, rule or regulation, or any other cause beyond such party's control, such party shall not be liable to the other therefor; and the time for performance of such obligation shall be extended for a period equal to the duration of the contingency which occasioned the delay, interruption or prevention.

Within 15 days of the beginning of the Force Majeure, the party invoking its Force Majeure rights must, by registered letter notify the other party of this fact. The termination of the Force Majeure must also be notified to the other party by registered letter within 15 days of such termination. If the Force Majeure renders either of the required notifications impossible, notification must be given as soon as possible.

ARTICLE 9 - MISCELLANEOUS

9.01 This Agreement supersedes all prior agreements and understandings, both written and oral between the parties with respect to the subject matter hereof. This Agreement cannot be amended, changed or supplemented, except in writing signed by each of the parties hereto.

9.02 This Agreement may be executed in several counterparts, each of which shall be deemed to be an original.

9.03 All notices which are required or may be given pursuant to this Agreement shall be sufficient upon receipt, if given in writing and delivered by hand, by electronic media, or by registered or prepaid addressed as follows:

TO GILEAD: Gilead Sciences, Inc.
333 Lakeside Drive
Foster City, CA 94404
Attn: General Counsel
Phone: (415) 574-3000
Fax: (415) 572-6622

TO ROCHE: Roche Laboratories Inc.
340 Kingsland Street
Nutley, New Jersey 07110
Attention: Corporate Secretary
Phone: (201) 235-2165
Fax: (201) 235-3500

The address of either party set forth above may be changed from time to time by written notice in the manner prescribed herein from the party requesting the change. A notice sent by ordinary mail or a notice not given in writing shall be effective upon receipt, but only if acknowledged in writing by a duly authorized representative of the party to whom it was sent or given or otherwise upon clear evidence of receipt.

9.04 None of the parties hereto may assign any part or all of this Agreement or the benefit thereof or any right or obligation thereunder to any other entity or individual without prior written consent of the other party. Any purported assignment in violation of the preceding sentence shall be void.

9.05 This Agreement shall be construed, regulated and administered and governed in all respects under and in accordance with the law of the State of New Jersey.

9.06 Except to the extent that a party may have otherwise agreed in writing, no waiver by such party of any breach by any other party of any of the other party's obligations, agreements or covenants hereunder shall be deemed to be a waiver by such first party of

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any subsequent or other breach of the same or any other obligation, agreement or covenant; nor shall any forbearance by a party to seek a remedy for any breach by another be deemed a waiver by said party of its rights or remedies with respect to such breach or of any subsequent or other breach of the same or any other obligation, agreement or covenant.

9.07 This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors.

9.08 Headings as used in this Agreement are for convenience only and are not to be construed as having any substantive effect by way of limitation or otherwise.

9.09 If one or more of the provisions of this Agreement shall, by any court or under any provision of law, be found to be void or unenforceable,

the Agreement as a whole shall not be affected thereby, and the provisions in question shall be replaced by an interpretation in conformity with law which comes closer to effecting the parties' original intention.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers effective as of the date first above written.

GILEAD SCIENCES, INC.		ROCHE LABORATORIES INC.	
By:	/s/ MARK L. PERRY	By:	/s/ STEPHEN G. SUDOVAR
	Mark L. Perry		Stephen G. Sudovar
Title:	Vice President, Chief Financial Officer and General Counsel	Title:	Senior Vice President
Date:	9/12/97	Date:	

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EXHIBIT A

Attached Example
- ----------------

The attached spreadsheet uses fictitious numbers to demonstrate how the formula described in Section 3.02 of this Agreement is used. Each component of the spreadsheet is described below, using numbers to identify the section being referred to in the spreadsheet.

(1) Column, FACTORY SALES:
January through September 1998 Roferon-A actual factory sales.

(2) Column, HEPATITIS SHARE:
The Sales Tracking Study's 1998 first, second, and third quarterly reports would give us the share of Hepatitis sales for each quarter.

(3) Column, FACTORY SALES (HEP):
The ratios would be applied to 1998 factory sales by quarter; i.e. FACTORY SALES is multiplied by HEPATITIS SHARE.

(4) Column, FACTORY SALES (HEP):
This would give us January through September 1998 Roferon A (Hepatitis) factory sales dollars.

(5) Column, QUARTERLY SALES,
Column, GROWTH:
To annualize these dollars:

(6) Column, QUARTERLY SALES,
Column, GROWTH
Row, 4Q97 Incremental Growth Rate:
The average growth rate of 1997's first, second, and third quarter factory sales would be subtracted from 4Q97's growth.

(7) Row, YTD '98 Average Quarterly Growth Rate,
Row, Incremental + YTD '98 Growth Rate:
This incremental growth rate [ ] would be added to 1998 year-to-date average quarterly growth rate [ ]

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(8) Row, ANNUALIZED;
Column, GROWTH:
This new growth rate [ ] would be applied to 3Q98 sales [ ]

(9) Row, ANNUALIZED;
Column, QUARTERLY SALES:

This would give us a forecast for 4Q98 factory sales: [ ]

(10) Row, ANNUALIZED;
Column, FACTORY SALES (HEP):
A summation of actual 1998 and annualized quarterly factory sales will give us total 1998 Roferon-A (Hepatitis) factory sales: [ ]

(11) Row, ANNUALIZED:
Roferon-A's growth rate would be calculated [full year 1997 factory sales (Hep) vs. Full year 1998 factory sales (Hep)] [ ]

(12) Row, FACTORY SALES FORECAST:
Total 1998 Roferon-A (Hepatitis) factory sales would be multiplied by Roferon-A's growth rate [ ] [full year 1997 factory sales (Hep) vs. Full year 1998 factory sales (Hep)]. This would give us 1999 Roferon-A (Hepatitis) forecasted factory sales [ ]

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GILEAD-ROCHE FORECAST EXAMPLE

	Year	Quarter	Month	Factory Sales(1)	Hepatitis Share(2)	Factory Sales (Hep)(3),(4)	Quarterly Sales(4),(6)	Growth(5),(6)
Actuals	1997	Q1	Jan-97	[ ]	[ ]	[ ]		
			Feb-97	[ ]	[ ]	[ ]		
			Mar-97	[ ]	[ ]	[ ]	[ ]	[ ]
		Q2	Apr-97	[ ]	[ ]	[ ]		
			May-97	[ ]	[ ]	[ ]		
			Jun-97	[ ]	[ ]	[ ]	[ ]	[ ]
		Q3	Jul-97	[ ]	[ ]	[ ]		
			Aug-97	[ ]	[ ]	[ ]		
			Sep-97	[ ]	[ ]	[ ]	[ ]	[ ]
		Q4	Oct-97	[ ]	[ ]	[ ]		
			Nov-97	[ ]	[ ]	[ ]		
			Dec-97	[ ]	[ ]	[ ]	[ ]	[ ]
			Total			[ ]		
	1998	Q1	Jan-98	[ ]	[ ]	[ ]		
			Feb-98	[ ]	[ ]	[ ]		
			Mar-98	[ ]	[ ]	[ ]	[ ]	[ ]
		Q2	Apr-98	[ ]	[ ]	[ ]		
			May-98	[ ]	[ ]	[ ]		
			Jun-98	[ ]	[ ]	[ ]	[ ]	[ ]
		Q3	Jul-98	[ ]	[ ]	[ ]		
			Aug-98	[ ]	[ ]	[ ]		
			Sep-98	[ ]	[ ]	[ ]	[ ]	[ ]
								[ ] 4Q97 Incremental Growth Rate(6)
								[ ] YTD '98 Average Quarterly Growth Rate(7)
								[ ] Incremental + YTD '98 Growth Rate(7)
Annualized (8),(9)		Q4	Oct-98			[ ]		
			Nov-98			[ ]		
			Dec-98			[ ]	[ ]	[ ]
			Total (10)			[ ]		
								[ ] 1998 vs. 1997 Growth Rate(11)
Factory Sales Forecast (12)	1999		Total (10)			[ ]		

[ ] = CONFIDENTIAL TREATMENT REQUESTED

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF OPERATIONS FOUND ON
PAGES 3 AND 4 OF THE COMPANY'S FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 1997
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	9-MOS	
<FISCAL-YEAR-END>		DEC-31-1997
<PERIOD-START>		JUL-01-1997
<PERIOD-END>		SEP-30-1997
<CASH>		45,670
<SECURITIES>		286,494
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<ALLOWANCES>		0
<INVENTORY>		0
<CURRENT-ASSETS>		4,346
<PP&E>		10,225<F1>
<DEPRECIATION>		0
<TOTAL-ASSETS>		348,154
<CURRENT-LIABILITIES>		20,780
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		1
<COMMON>		30
<OTHER-SE>		325,773
<TOTAL-LIABILITY-AND-EQUITY>		325,804
<SALES>		9,316
<TOTAL-REVENUES>		30,128
<CGS>		995
<TOTAL-COSTS>		995
<OTHER-EXPENSES>		39,126
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		398
<INCOME-PRETAX>		(15,569)
<INCOME-TAX>		0
<INCOME-CONTINUING>		(15,569)
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(15,569)
<EPS-PRIMARY>		(0.53)
<EPS-DILUTED>		0

<FN>
<F1>PROPERTY, PLANT AND EQUIPMENT IS NET OF ACCUMULATED DEPRECIATION.
</FN>