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 JUNE 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 July 15, 1997: 29,262,538.

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)

ASSETS

	JUNE 30, 1997 (unaudited)	DECEMBER 31, 1996 (Note)
Current assets:		
Cash and cash equivalents	$ 138,961	$ 131,984
Short-term investments	198,393	163,979
Other current assets	4,684	4,290
Total current assets	342,038	300,253
Property and equipment, net	10,458	9,172
Other assets	1,464	1,248
	$ 353,960	$ 310,673

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 2,288	$ 2,501
Accrued clinical and preclinical expenses	6,078	5,007
Other accrued liabilities	5,846	4,433
Deferred revenues	4,260	527
Current portion of equipment financing obligations and long-term debt	3,054	3,631
Total current liabilities	21,526	16,099
Noncurrent portion of equipment financing obligations and long-term debt	1,828	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 June 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; 29,234,238 shares and		

28,758,165 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively	29	29
Additional paid-in capital	470,709	426,577
Unrealized gains (losses) on investments, net	(21)	89
Accumulated deficit	(139,723)	(134,486)
Deferred compensation	(389)	(549)
Total stockholders' equity	330,606	291,660
	$ 353,960	$ 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.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
Revenues:				
Product sales, net	$ 3,956	$ 1,403	$ 6,990	$ 1,403
Other revenues	15,770	803	18,201	1,582
Total revenues	19,726	2,206	25,191	2,985
Costs and expenses:				
Cost of sales	328	101	815	101
Research and development	14,696	10,563	25,522	19,846
Selling, general and administrative	6,146	7,440	12,292	12,305
Total costs and expenses	21,170	18,104	38,629	32,252
Loss from operations	(1,444)	(15,898)	(13,438)	(29,267)
Interest income, net	4,155	3,740	8,201	6,307
Net income (loss)	$ 2,711	$ (12,158)	$ (5,237)	$ (22,960)
Net income (loss) per share	$ 0.09	$ (0.43)	$ (0.18)	$ (0.85)
Common and common equivalent shares used in the calculation of net income (loss) per share	31,057	28,330	29,018	26,999

See accompanying notes.

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

	SIX MONTHS ENDED JUNE 30,	
	1997	1996
Cash flows from operating activities:		
Net loss	$ (5,237)	$ (22,960)
Adjustments used to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,539	2,883
Changes in assets and liabilities:		
Other current assets	(394)	(3,214)
Other assets	(216)	58
Accounts payable	(213)	(1,270)
Accrued clinical and preclinical expenses	1,071	1,353
Other accrued liabilities	1,413	1,251
Deferred revenues	3,733	1,542
Total adjustments	6,933	2,603
Net cash provided by (used in) operating activities	1,696	(20,357)
Cash flows from investing activities:		
Purchases of short-term investments	(164,242)	(225,523)
Sales of short-term investments	105,715	128,250
Maturities of short-term investments	24,003	117,210
Capital expenditures	(2,665)	(1,124)
Net cash provided by (used in) investing activities	(37,189)	18,813
Cash flows from financing activities:		
Payments of equipment financing obligations and long-term debt	(1,663)	(1,355)
Proceeds from issuance of common stock	4,133	158,397
Proceeds from issuance of preferred stock	40,000	-
Net cash provided by financing activities	42,470	157,042
Net increase in cash and cash equivalents	6,977	155,498
Cash and cash equivalents at beginning of period	131,984	27,420
Cash and cash equivalents at end of period	$ 138,961	$ 182,918

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The information at June 30, 1997, and for the three and six month periods ended June 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 months ended March 31, 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 six month periods ended June 30, 1997 and 1996 will be unchanged from primary EPS as disclosed. 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.

PREFERRED STOCK

In June 1997, the Company issued 1,133,786 shares of Series B Convertible Preferred Stock to Pharmacia & Upjohn S.A. ("P&U") for approximately $40 million, or $35.28 per share. The shares are convertible into common stock on a one-for-one basis and have a liquidation value equal to the purchase price.

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 June 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. The Company achieved profitability in the second quarter ended June 30, 1997 primarily due to milestone payments under collaboration agreements with P&U and F. Hoffmann-La Roche Ltd. ("Roche"). With the exception of the third quarter of 1996, when the Company entered into two collaborations with significant initial license fees, the Company has otherwise incurred losses 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 June 30, 1997, the Company's accumulated deficit was approximately $139.7 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 and marketing of pharmaceutical products.

RESULTS OF OPERATIONS

REVENUES

The Company had total revenues of $19.7 million and $2.2 million for the quarters ended June 30, 1997 and 1996, respectively. Total revenues included net product sales of $4.0 million and $1.4 million from the sale of VISTIDE for the quarters ended June 30, 1997 and 1996, respectively. Total revenues for the six month periods ended June 30, 1997 and 1996 were $25.2 million and $3.0 million, respectively, which included net product sales of $7.0 million and $1.4 million for the same periods. Revenues of approximately $13.0 million for the three and six month periods ended June 30, 1997 resulted from the milestone payments under the Company's collaborative agreements with P&U and Roche. In addition, revenues in the first six months of 1997 included $3.6 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 $1.5 million in each of the six month periods ended June 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 $0.3 million and $0.1 million for the quarters ended June 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 six month periods ended June 30, 1997 and 1996 was $0.8 million and $0.1 million, respectively.

For the quarter ended June 30, 1997, the Company's research and development expenses increased 39% to $14.7 million from $10.6 million for the same period in 1996. Research and development expenses for the six month periods ended June 30, 1997 and 1996 were $25.5 million and $19.8 million, respectively. These increases were due primarily to expansion in the Company's ongoing 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 grow in the remainder of 1997, 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 $6.1 million and $7.4 million for the quarters ended June 30, 1997 and 1996, respectively, representing a decrease of 17%. Selling, general and administrative expenses were $12.3 million in both six month periods ending June 30, 1997 and 1996. This decrease for the quarter 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 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 and development activities.

NET INTEREST INCOME

The Company had net interest income of $4.2 million and $3.7 million for the quarters ended June 30, 1997 and 1996, respectively, representing an increase of 11%. Net interest income was $8.2 million and $6.3 million for the six month periods ended June 30, 1997 and 1996, respectively. Net interest income increased in the second quarter of 1997 primarily due to the Company's higher average cash and cash equivalents and short-term investment balance.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents and short-term investments were $337.4 million at June 30, 1997 compared to $296.0 million at December 31, 1996. During the remainder of 1997, the Company expects to incur research and development and selling, general and administrative expenses in excess of amounts incurred in

1996 for the equivalent period.

Net cash provided by operations was $1.7 million for the six months ended June 30, 1997 as compared to net cash used in operations of $20.4 million for the six months ended June 30, 1996. Cash provided by operations during the 1997 period resulted from payments received for the Company's collaborative agreements, some of which are deferred until they are earned, as well as product revenues. 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 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 4. Submission of Matters to a Vote of Security Holders

At the Company's Annual Meeting of Stockholders on May 13, 1997, the stockholders elected seven directors to serve until the next annual meeting, and ratified selection of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 1997 ("Selection of Auditors").

Of the 29,031,249 shares of Common Stock of the Company outstanding as of the March 31, 1997 record date for the Annual Meeting (the "Outstanding Shares"), the votes regarding the election of directors were as follows:

	Votes For	Votes Against or Withheld
Etienne F. Davignon	25,701,593	31,268
James M. Denny, Sr.	25,702,713	30,148
John C. Martin	25,702,893	29,968
Gordon E. Moore	25,702,693	30,168
Michael L. Riordan	25,702,713	30,148
Donald H. Rumsfeld	25,702,509	30,352
George P. Shultz	25,696,687	36,174

Of the Outstanding Shares, 25,553,026 shares were voted for the ratification of the Selection of Auditors; 20,565 shares were voted against or were withheld; 159,266 shares abstained; and 3,298,392 shares were broker non-votes.

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

(a) Exhibits

11.1 Computation of per share earnings

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the Quarter ended June 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: July 25, 1997

/s/ John C. Martin

John C. Martin
President and Chief Executive Officer

Date: July 25, 1997

/s/ Mark L. Perry

Mark L. Perry
Vice President, Chief Financial Officer
and General Counsel
(Principal Financial and Accounting Officer)

EXHIBIT 11.1

GILEAD SCIENCES, INC.

COMPUTATION OF EARNINGS (LOSS) PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
PRIMARY EARNINGS PER SHARE				
Weighted average common and common equivalent shares outstanding during the period	29,169	28,330	29,018	26,999
Adjustment for dilutive effect of outstanding stock options	1,888	-	-	-
Weighted average common and common equivalent shares used for primary earnings (loss) per share	31,057	28,330	29,018	26,999
NET INCOME (LOSS)	$2,711	($12,158)	($5,237)	($22,960)
NET INCOME (LOSS) PER SHARE	$0.09	($0.43)	($0.18)	($0.85)
FULLY DILUTED EARNINGS PER SHARE				
Weighted average common and common equivalent shares outstanding during the period	29,169	28,330	29,018	26,999
Adjustment for dilutive effect of outstanding stock options	1,945	-	-	-
Weighted average common and common equivalent shares used for fully diluted earnings (loss) per share	31,114	28,330	29,018	26,999
NET INCOME (LOSS)	$2,711	($12,158)	($5,237)	($22,960)
NET INCOME (LOSS) PER SHARE	$0.09	($0.43)	($0.18)	($0.85)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED STATEMENTS OF OPERATION FOUND ON PAGES 3 AND 4 OF THE COMPANY'S
FORM 10-Q AT 6/30/97 AND FOR THE 3 MONTH AND 6 MONTH PERIODS ENDED 6/30/97 AND
IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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