Nordea

Gilead Sciences Inc

S&P Recommendation

STRONG BUY ★★★★★

Price

$74.87 (as of 10 Jan 2014)

12-Mo. Target Price

$104.00

Bloomberg Ticker

GILD

ISIN

US3755581036

GICS Sector

Health Care

Industry Group

Pharmaceuticals & Biotechnology

Key Stock Statistics:

52-Wk Range	$76.11–38.27
S&P Oper. EPS 2013 E	1.89
P/E 2013 E	39.6
Common Shares Outstg.	(M) 1,530.6
Market Capitalization (B)	$114.598
Dividend Rate/Share	Nil
Yield (%)	Nil
Beta	0.50
S&P Credit Rating	A-

Source Standard & Poor's, Equity Research

Volatility

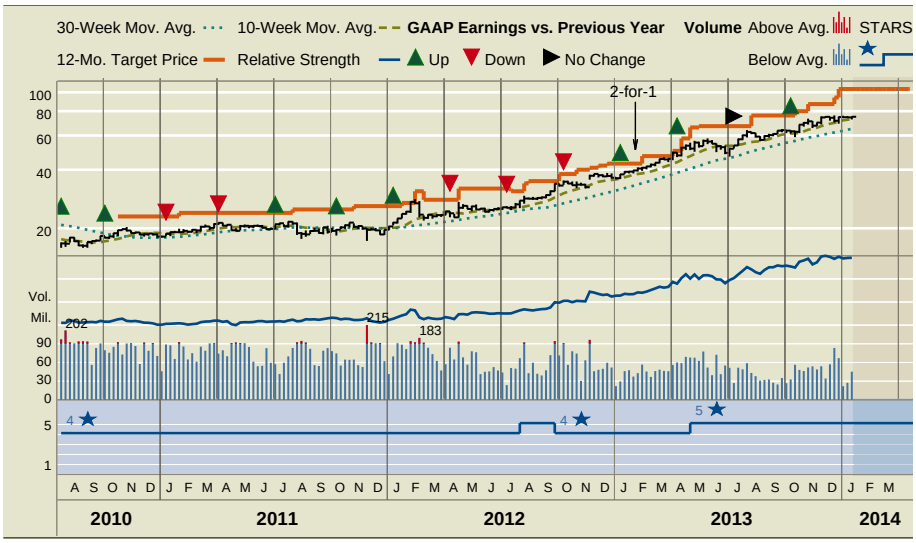
Average

Equity Analyst

Steven Silver

Research provided by

S&P CAPITAL IQ
McGRAW HILL FINANCIAL



Highlights (18 December 2013)

- We estimate 2013 revenues of $10.95 billion, up 13% from 2012. We expect growth of 28% in 2014, to $14.0 billion, driven by the U.S. launch of Sovaldi (sofosbuvir) for hepatitis C, which was approved in December 2013. We view favorably GILD's leading U.S. HIV drug market share, and trends toward earlier HIV patient diagnosis and start of anti-viral treatment. We see Sovaldi's launch diversifying GILD's revenues beyond its core HIV franchise.
- We see operating margins of 42% in 2013 and 50% in 2014, with former period results reflecting investment ahead of the Sovaldi launch. We expect margins to benefit as GILD launches wholly owned HIV combination pill Stribild, and Sovaldi. Since its 2006 FDA approval, lower-margined HIV drug Atripla had become a larger component of GILD's revenues.
- We project adjusted EPS of $1.89 for 2013 and $3.10 for 2014, inclusive of $0.11 and $0.12 of stock option expense in the respective years. As of September 30, 2013, GILD had $2.8 billion in cash and $6.38 billion of long-term debt, which it had boosted to support the January 2012 acquisition of Pharmasset.

Please read the Required Disclosures and Analyst Certification on the last two pages of this report.

Investment Rationale/Risk (18 December 2013)

- Our strong buy recommendation reflects a view that GILD's hepatitis C program is poised to achieve a leading market position, complementing its market-leading HIV franchise. We think that Sovaldi, with GILD's ledipasvir, will lower hepatitis C treatment regimens to as little as 8 to 12 weeks, with an all-oral regimen for prevalent genotype 1 patients by late 2014. We project 2014 sales of $2.4 billion and peak annual sales over $8 billion. We think Phase III candidate tenofovir alafenamide will help GILD maintain its HIV leadership longer term, and idelalisib is emerging as a foundation for a nascent oncology franchise, having produced solid results in chronic lymphocytic leukemia and non-Hodgkin's lymphoma to date.
- Risks to our recommendation and target price include slower HIV product sales as a result of new competition, and failure to advance next-generation HIV and hepatitis C therapies to market and maintain favorable safety profiles.
- Our 12-month target price of $104 is 33.6X our 2014 EPS estimate, reflecting a 1.2X PEG multiple using our 28% long-term EPS growth rate, in line with profitable biotech peers.

Company Financials

Per Share Data & Valuation Ratios	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Tangible Book Value	NM	3.10	2.77	2.69	2.28	1.86	0.99	1.65	1.04	0.59
Cash Flow	1.81	1.97	1.81	1.53	1.08	0.86	-0.62	0.45	0.26	-0.03
Earnings	1.64	1.78	1.66	1.41	1.05	0.84	-0.65	0.43	0.25	-0.05
S&P Core Earnings	1.68	1.77	1.66	1.41	1.05	0.84	-0.65	0.39	0.20	-0.08
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Prices:High	38.56	21.75	24.75	26.64	28.82	23.95	17.50	14.13	9.77	8.83
Prices:Low	20.68	17.23	15.87	20.31	17.80	15.48	13.12	7.60	6.44	3.91
P/E Ratio:High	24	12	15	19	27	29	NM	33	39	NM
P/E Ratio:Low	13	10	10	14	17	18	NM	18	26	NM
Income Statement Data (Million U.S. $)										
Revenue	9,703	8,385	7,949	7,011	5,336	4,230	3,026	2,028	1,325	868
Operating Income	4,314	4,169	4,396	3,802	2,741	2,201	1,683	1,148	656	361
Depreciation	278	302	265	213	51.7	36.9	47.3	36.8	24.4	20.9
Interest Expense	361	205	109	69.7	12.1	13.5	20.4	0.44	7.35	21.9
Pretax Income	3,612	3,651	3,914	3,502	2,726	2,261	-644	1,158	656	-168
Effective Tax Rate	28.8%	23.6%	26.2%	25.0%	26.5%	29.0%	NM	30.0%	31.5%	NM
Net Income	2,592	2,804	2,901	2,636	2,011	1,615	-1,190	814	449	-72.0
S&P Core Earnings	2,659	2,784	2,895	2,630	2,008	1,610	-1,188	737	354	-133
Balance Sheet & Other Financial Data (Million U.S. $)										
Cash	1,862	9,964	5,318	3,905	3,240	1,172	937	2,324	1,254	707
Current Assets	6,156	13,305	8,144	4,813	4,300	3,028	2,429	3,092	1,850	1,266
Total Assets	21,240	17,303	11,593	9,699	7,019	5,835	4,086	3,765	2,156	1,555
Current Liabilities	4,270	2,515	2,465	1,872	1,221	736	764	455	253	186
Long Term Debt	7,055	7,921	3,006	1,322	1,300	1,301	1,300	241	0.23	345
Common Equity	9,310	6,867	6,122	6,505	4,152	3,460	1,816	3,028	1,871	1,003
Total Capital	17,775	14,788	9,128	7,827	5,672	4,772	3,169	3,277	1,871	1,348
Capital Expenditures	397	132	61.9	230	115	78.7	105	2,226	51.4	38.6
Cash Flow	2,870	3,106	3,155	2,849	2,063	1,652	-1,143	851	474	-51.1
Current Ratio	1.4	5.3	3.3	3.4	3.5	4.1	3.2	6.8	7.3	6.8
% Long Term Debt of Capitalization	39.7	53.6	32.9	16.9	22.9	27.2	41.0	7.3	NM	25.6
% Net Income of Revenue	26.7	33.4	36.5	37.6	37.7	38.2	NM	40.1	33.9	NM
% Return on Assets	NA	19.4	27.3	31.5	31.3	32.6	NM	27.5	24.2	NM
% Return on Equity	NA	43.2	46.5	49.5	52.8	61.2	NM	33.2	31.3	NM

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Industry Outlook

Our positive fundamental outlook for the biotechnology sub-industry for the next 12 months reflects favorable prospects for new and novel therapies to reach commercialization. We are encouraged by what we view as a strong period for the reporting of late-stage clinical results, and a more accommodating U.S. FDA for approvals. In 2012, the FDA approved 39 new therapies, compared with 30 in 2011. Though approvals are lower in 2013, several approved drugs have significant commercial prospects and represent major advances in their therapeutic areas, in our view. In late 2012, the FDA introduced "breakthrough therapy" designations, intended to speed development of promising programs, and granted this designation 33 times to date and has approved three drugs with this status. We expect wider adoption of biomarker research and genetic-targeted clinical studies, helping bolster pipeline R&D productivity.

We expect a favorable M&A (mergers and acquisitions) climate, as large pharmaceutical firms move to offset lost revenues from expiring drug patents and large biotechs bolster their drug pipelines amid maturing products. We note an uptick in M&A speculation and announced deals recently after a more subdued first half of 2013. We also see large cap biotechs generating cash flows supporting larger scale acquisitions of their own. In 2011, industry bellwether Amgen became the first biotech company to initiate a regular dividend.

The 2010 health care reform law established the FDA's authorization to govern "biosimilar" drug approvals and set a 12-year exclusivity to branded drugmakers. However, we see biosimilars advancing at a slower rate than initially anticipated. Several firms have abandoned biosimilar plans due to high development costs and a lack of regulatory clarity. Once marketed, we expect biosimilars to sell at more modest price discounts than in the pharmaceutical industry due to higher clinical, manufacturing and marketing costs, and we expect branded drugs to retain significant market share due to a lack of interchangeability among these options.

We recommend that investors concentrate core holdings in established, profitable companies, as smaller biotechs tend to be more volatile. We would seek companies with at least two years of operating capital and multiple pipeline value drivers, as those with smaller pipelines typically suffer significant share price declines on an unfavorable outcome. Year to date through December 6, the S&P Biotech Index rose 72.5%, versus a 27.1% gain for the S&P 1500 Composite Index. In 2012, the sub-industry index rose 40.5%, versus a 13.7% gain for the S&P 1500.

--Steven Silver

Stock Performance

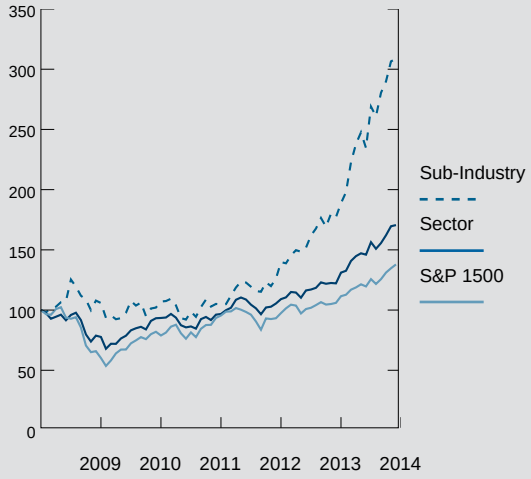
GICS Sector: Health Care

GICS Sub-Industry: Biotechnology

Based on S&P 1500 Indexes

Month-end Price Performance as of 31/12/13

Source : Standard & Poor's Equity Research



Peer Group: Biotech Therapeutics - Larger Capitalization

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc ($)	Ret. on Revenue (%)	LTD to Cap. (%)
Gilead Sciences	**GILD**	**114,598**	**74.87**	**76.11/38.27**	**0.50**	**Nil**	**41**	**106.80**	**26.7**	**39.7**
Amgen Inc	AMGN	88,979	117.99	119.70/81.56	0.50	2.1	19	124.00	25.2	52.7
Biogen Idec	BIIB	71,138	299.31	299.85/139.72	0.96	Nil	42	287.60	25.0	8.5
Celgene Corp	CELG	69,974	169.81	173.80/95.37	0.81	Nil	49	182.80	26.4	32.9

NA-Not Available NM-Not Meaningful NR-Not Rated * For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

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Business Summary (18 December 2013)

CORPORATE OVERVIEW. Gilead Sciences (GILD) focuses on the research, development and marketing of anti-infective medications, with a primary focus on treatments for HIV.

GILD has a leading market position in treating HIV virus. Truvada, approved in 2004, is a once-daily combination tablet formulated with previous-generation drugs Viread and Emtriva. Emtriva was the lead product of Triangle Pharmaceuticals, acquired in 2003. Viread was approved in 2001. Truvada generated 2012 sales of $3.18 billion, 11% above 2010. Viread is also used for treating hepatitis B, and saw 15% sales growth to $849 million in 2012. In 2006, GILD and Bristol-Myers Squibb (BMY) launched Atripla, a combination tablet with Truvada and BMY's Sustiva. GILD books Atripla sales and then pays BMY its 37% share for the Sustiva portion of the drug, which GILD counts as cost of goods on its financial statements. Atripla generated 2012 sales of $3.58 billion, up 11% from 2011. Atripla received EU approval in December 2007.

More recently, Complera (U.S.) and Eviplera (Europe), comprised of Truvada and Tibotec's Edurant (rilpivirine), were approved in 2011, and generated $342 million in 2012 sales. In August 2012, the FDA approved GILD's wholly owned "Quad Pill," marketed as Stribild, which combines investigational agents elvitegravir, and HIV-boosting agent cobicistat, with Truvada in patients new to HIV treatment. In Phase III study, Stribild showed non-inferiority to Atripla, with a favorable side effect profile. In May 2013, Stribild was approved in the European Union. Stribild saw initial sales of $58 million in 2012.

Hepsera, approved for treatment of chronic hepatitis B in the U.S. and EU, saw sales decline by 25% in 2012, to $108 million. AmBisome B, an antifungal agent that is approved for life-threatening fungal infections including cryptococcal meningitis in AIDS patients, generated sales of $348 million in 2012, 5% higher than in 2010. Tamiflu, an orally administered treatment for influenza A and B, is marketed by Roche, which pays GILD a 21%-22% royalty. Tamiflu's patents expire at the end of 2016.

In October 2006, GILD purchased Myogen for $2.5 billion for rights to Letairis, a once-daily treatment for pulmonary arterial hypertension (PAH), which was approved in June 2007. In 2012, Letairis generated $410 million in sales, up 40% from 2011. In 2009, GILD purchased CV Therapeutics for its lead drug Ranexa for chronic angina. Ranexa generated 2012 sales of $373 million, up 17% from 2011. Cayston (aztreonam lysine), an inhaled medicine for cystic fibrosis, was approved by the FDA in February 2010 and is conditionally approved in Europe, with final approval conditional upon completion of an ongoing study.

PIPELINE. GILD is advancing a pipeline for hepatitis C, centered around Sovaldi (sofosbuvir), acquired from Pharmasset. The drug secured FDA approval in December 2013 for genotypes 1 and 4 (12 weeks, with interferon/ribavirin), genotype 2 (12 weeks, with ribavirin), genotype 3 (24 weeks, with ribavirin). In addition, the FDA allowed Sovaldi/ribavirin to be considered in patients intolerant to interferon in a 24 week regimen. GILD is also conducting combination studies with Sovaldi and its ledipasvir to potentially lower the genotype 1 (around 75% of U.S. patients) standard of care in all-oral regimens without the use of interferon. In December 2013, GILD reported Phase III data showing cure rates of 97.7% in a 12 week regimen and 94.0% in 8 weeks among treatment naive patients without ribavirin and interferon. Treatment experienced patients benefited modestly from the addition of ribavirin (96.4% to 93.6%) over 12 weeks. We expect GILD to file for FDA approval in early 2014, and think it could be approved by late 2014, given the FDA's granting of "Breakthrough Therapy" designation.

In HIV, GILD is in Phase III study on tenofovir alafenamide (GS-7340), which has a more potent profile than current therapy backbone tenofovir (Viread) in smaller doses, thereby reducing toxicity. In October 2012, GS-7340 met its primary endpoint of similar virologic response versus GILD's Stribild, with favorable bone mineral density and serum creatinine outcomes. In April 2011, GILD acquired privately held Calistoga Pharmaceuticals for $375 million to add pipeline candidates in oncology and inflammation. Lead candidate idelalisib has shown positive results to date in chronic lymphocytic leukemia (CLL) and indolent non-Hodgkin's lymphoma (iNHL). GILD has filed for FDA and European accelerated approval for iNHL, and for European approval in CLL. GILD is discussing a filing strategy with the FDA for the former indication after a Phase III study was stopped early in October 2013 due to positive progression-free survival trends. In January 2011, GILD acquired privately held Arresto Biosciences for $225 million for early-stage treatment for idiopathic pulmonary fibrosis and advanced solid tumors. In February 2013, GILD acquired YM Biosciences, a developer of drugs for cancer and inflammatory disorders in a $510 million deal. YM's lead candidate CYT387 has completed Phase I/II study for blood disorder myelofibrosis.

FINANCIAL TRENDS. In 2012, total revenues rose 16%, to $9.7 billion. At September 30, 2013, GILD had $2.8 billion of cash and securities and $6.38 billion of long-term debt, down from $7.4 billion at the end of 2012. The company issued $6 billion of new debt to acquire Pharmasset in January 2012. Operations generated $3.2 billion of cash in 2012, down from $3.6 billion in 2011, due to impacts of U.S. health care reform and HIV pricing pressure in Europe. Since January 2010, GILD has repurchased roughly 164.2 million of its shares (18% of shares outstanding) for $6.2 billion. GILD commenced a new $5 billion program in 2011, but deferred its program to reduce debt following the Pharmasset acquisition. In July 2013, GILD resumed its repurchase program.

Dividend Data

Amount	Ex-Div. Date	Payment Date
USD 2-for-1	28-Jan-2013	28-Jan-2013

Source: Company reports

Revenue/Earnings Data

Revenue (Million U.S. $)	1Q	2Q	3Q	4Q	Year
2013	2,532	2,767	2,783	--	--
2012	2,282	2,405	2,427	2,588	9,703
2011	1,926	2,137	2,122	2,200	8,385
2010	2,086	1,927	1,938	1,999	7,949
2009	1,530	1,647	1,801	2,032	7,011
Earnings Per Share (U.S. $)					
2013	0.43	0.46	0.47	**E**0.47	**E**1.89
2012	0.29	0.46	0.43	0.47	1.64
2011	0.40	0.47	0.48	0.44	1.78
2010	0.46	0.40	0.42	0.38	1.66
2009	0.32	0.31	0.36	0.43	1.41

Fiscal year ended 31 Dec. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

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S&P Analyst Research Notes and other Company News

18-DEC-13
10:08 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 71.55***)**
We boost our target price $10 to $104 on an enhanced long-term growth outlook, and raise our '14 EPS view $0.10 to $3.10. In a Phase III study, GILD's fixed dosed combination of Sovaldi/Ledipasvir for hepatitis C yields cure rates of 97.7% over 12 weeks and 94% over 8 weeks in treatment naive patients with prevalent genotype 1. Importantly, ribavirin only boosted efficacy among treatment experienced patients (96.4% vs. 93.6%). We see results and a more convenient regimen bolstering GILD's market prospects over rivals, and expect FDA approval for this regimen before '14-end. /S.Silver

10-DEC-13
01:47 pm ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 70.82***)**
We keep our target price at $94. We attribute today's share price weakness to an unconfirmed Bloomberg report that says pharmacy benefits manager Express Scripts has expressed concerns about the $84,000 price for GILD's recently approved Sovaldi for hepatitis C, and suggested that price could factor into future formulary decisions. We expect share volatility as the hepatitis C competitive landscape gains clarity, but think high cure rates and propsects for a treatment regimen fostering enhanced patient compliance will drive a leading position in large, lucrative markets. /S.Silver

09-DEC-13
09:04 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 73.99***)**
We boost our P/E-based target price by $7 to $94, and our '14 EPS view by $0.10 to $3.00. FDA approves Sovaldi (sofosbuvir) for hepatitis C. Genotype 2 (with ribavirin) and genotypes 1/4 (with interferon/ribavirin) call for 12-week regimens, while genotype 3 and interferon intolerant genotype 1 (with ribavirin) are 24 weeks. We see modest use in the latter group, given longer duration and higher cost, and see a Sovaldi/ledipasvir combination (likely 12 weeks) reporting key data in '14, and having more commercial promise. Still, we expect a robust launch and $2B in '14 sales. /S.Silver

18-NOV-13
11:56 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF ABBVIE (ABBV 49.71**)**
We are encouraged by recent positive clinicals from the first Phase of a 6-Phase III trial studying ABBV's new 3-drug combination therapy for hepatitis C. Results showed a sustained virologic response rate (essentially a cure rate) of 96% after 12-weeks. Following anticipated positives results from the other phases of this study, we think ABBV will be able to file FDA submissions on this therapy by mid-2014. We think ABBV and Gilead Sciences (GILD 70, Strong Buy) are leaders in this wave of hepatatiis C drugs, which have multi-billion potential. We keep our $55 target price. /H. Saftlas

30-OCT-13
10:07 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 73.02***)**
We boost our forward P/E-based target price by $7 to $87. We raise our '13 adjusted EPS estimate $0.03 to $1.89, and '14's by $0.12 to $2.90. Q3 adjtd EPS of $0.49, vs. $0.48, is $0.03 above our estimate on stronger revenues than we forecast. We view its HIV franchise growth, driven by newer products Complera and Stribild and GILD's 82% HIV market share favorably. We anticipate product diversification in '14, with the likely approval of sofosbuvir for hepatitis C and idelalisib for oncology. We also view Phase III sofosbuvir/ledipasvir data for hep-C as a key '14 share catalyst. /S.Silver

28-OCT-13
09:13 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 69.68***)**
Late Friday, an FDA advisory panel voted 15-0 in favor of recommending approval for GILD's sofosbuvir in combination with ribavirin for treatment of genotype 2 and 3 hepatitis C patients. In addition, the panel also voted 15-0 in favor of its use with pegylated interferon and ribavirin for treatment of genotype 1 and 4 patients. We expect approval by its FDA action date of December 8. We continue to view sofosbuvir as an emerging leader among next generation Hep-C treatments, and expect GILD to update its broad development plan when it reports Q3 earnings after Tuesday's close. /S.Silver

Glossary

S&P STARS
Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has used STARS® methodology to rank Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P 12 Month Target Price
The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

S&P Capital IQ EPS Estimates
S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Core Earnings
S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment
The S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P Capital IQ U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P Capital IQ analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P Capital IQ analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking (also known as S&P Earnings & Dividend Rankings)
Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's Earnings and Dividend Rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B-	Below Average
A	High	C	Lower
A-	Above Average	D	Lowest
B+	Average	NR	In Reorganization
B	Below Average		

S&P Fair Value Rank
Using S&P Capital IQ's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P Capital IQ's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P Capital IQ proprietary measures.

S&P's IQ Rationale
Gilead Sciences

	Raw Score	Max Value
Proprietary S&P Measures	32	115
Technical Indicators	30	40
Liquidity/Volatility Measures	18	20
Quantitative Measures	58	75
IQ Total	**138**	**250**

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P Capital IQ's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P Capital IQ's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by S&P Capital IQ in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

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TXV - TSX Venture Exchange; NEX - NEX Exchange.

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Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

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S&P Capital IQ Global STARS Distribution as of December 31, 2013

Ranking	North America	Europe	Asia	Global
Buy	36.4%	37.1%	34.4%	36.3%
Hold	54.1%	41.3%	59.2%	52.5%
Sell	9.5%	21.6%	6.4%	11.2%
Total	100%	100%	100%	100%

5-STARS (Strong Buy): Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
4-STARS (Buy): Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
3-STARS (Hold): Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
2-STARS (Sell): Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.
1-STARS (Strong Sell): Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Hold	20.0%	23.8%	17.0%	19.5%
Sell	39.9%	41.3%	25.1%	33.4%
Total	100%	100%	100%	100%

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